

February 1, 2021

VIA COURIER AND EMAIL (xuzhijiebrenda@hotmail.com)

Sanling Energy Ltd.
Livingston Place, West Tower
1700, 250-2nd Street, SW
Calgary, AB T2P 0C1

Attention: Fei (Fred) Xie and Wentao Liu

Dear Mr. Xie and Mr. Liu:

Re: Suspension of permits under section 26(1) of the *Oil and Gas Activities Act*

On November 19, 2020, the Commission wrote to Sanling Energy Ltd. ("Sanling") informing it that the Commission was considering suspending the permits held by Sanling for wells and facilities as listed in the attached Appendix A ("Permits") under section 26(1)(b) of the *Oil and Gas Activities Act* ("OGAA"). The letter informed Sanling of its opportunity to be heard in written form. Sanling provided a response to the Commission dated December 18, 2020 ("Response").

The Commission has reviewed this matter including Commission records, the Response and the applicable requirements. Under section 26(1)(b) of OGAA, the Commission has the authority to make a decision to suspend permits, including if the permit holder contravenes or has contravened regulatory requirements including those under OGAA.

In making this decision, the Commission considered a number of factors including Sanling's compliance history and various outstanding financial obligations as permit holder. In particular, the Commission notes the following:

- 1) On October 8, 2018, the Commission issued an order for security (the "Order") under section 30(1) of OGAA to Sanling. The Order required Sanling to pay \$774,331 in security to the Commission.
- 2) On June 5, 2020, the Commission made an administrative finding under section 62 of OGAA that Sanling contravened section 82 of the OGAA by failing to comply with the Order and that Sanling contravened section 39(4) of OGAA by failing to comply with a direction to abandon well authority 20940 issued on June 12, 2017. The Commission imposed an administrative penalty under section 63 of OGAA in the total amount of \$35,000, which remains unpaid to date.
- 3) Orders for security issued by the Commission to Sanling under section 30 of OGAA remain outstanding in the total amount of \$1,796,661, based on a

portfolio-wide assessment of abandonment and restoration obligations under the Permits.

The Commission has carefully reviewed the Response from Sanling. In its Response, Sanling makes a number of submissions including that “[d]irecting funds to reactivations to raise asset value is more effective than depositing funds with the OGC as asset value declines” and that Sanling applied for and was not granted government funding for abandonment activities. Sanling submits that it “again has a plan to reactivate wells” and “is working to improve its situation in a number of areas.”

The Commission requires security from permit holders to ensure that permit holders are responsible for the financial risk related to their operations. Sanling has contravened regulatory requirements including the obligation to provide security and continues to refuse and/or fail to provide security, as outlined above.

In light of the above reasons, the Commission suspends each of the Permits listed in Appendix A effective February 8, 2021.

This decision in no way relieves Sanling from applicable regulatory obligations and does not preclude any enforcement proceedings being taken against Sanling under OGAA or any other legislation.

Yours truly,



Andy Johnson
Vice President, Operations
BC Oil and Gas Commission

Cc: Troy Bergfeldt, Chief Financial Officer, Sanling Energy Ltd.
Cc: Ron Ens, Director, Production Operations, Sanling Energy Ltd.

Appendix A – Wells, Facilities and Pipelines Under Permit to Sanling Energy Ltd.

Wells

AD Number	WA Number	Well Surface Location
100004775	03481	A- 058-F/094-P-06
100006055	04275	C- 034-F/093-P-08
100006873	04837	B- 086-C/093-P-08
100007664	05389	B- 048-D/093-P-08
100007957	05592	D- 043-E/094-I-12
100010151	06845	A- 029-D/093-P-08
100010238	06891	D- 033-D/093-P-08
100010457	07024	A- 006-B/094-J-09
100012337	07569	A- 072-J/094-J-08
100012500	07616	B- 082-K/094-J-08
100012142	07477	B- 097-J/094-J-08
100011454	07168	B- 089-J/094-J-08
100011555	07243	A- 076-J/094-J-08
100013581	07905	D- 069-G/093-P-01
100012873	07717	A- 007-J/093-P-01
100012888	07720	C- 072-F/093-P-01
100014578	08236	C- 074-F/093-P-01
100018112	09541	C- 042-K/094-J-08
100019904	10319	A- 020-H/094-J-08
100019401	10037	D- 020-C/094-J-09
100032414	14824	B- 012-D/094-H-04
100038048	16399	10-28-083-15
100034560	15430	09-30-077-14
100034561	15431	09-12-078-14
100038247	16458	01-11-079-17
100029084	13827	A- 056-B/094-J-09
100024670	11781	15-24-078-16
100022478	11321	B- 092-F/093-P-01
100025397	12435	A- 049-J/094-J-08
100022997	11481	A- 067-G/093-P-01
100027461	13067	B- 094-K/094-J-08
100027551	13061	C- 070-J/094-J-08
100027611	13114	C- 092-K/094-J-08
100026196	12799	B- 084-D/094-P-06
100023747	11751	D- 038-K/093-P-01
100026520	12878	C- 018-J/094-J-08
100028582	13375	C- 045-G/094-I-12
100058538	22522	C- 094-C/094-I-14
100058539	22523	A- 080-F/094-I-14

100058599	22598	B- 015-F/094-I-14
100060029	22827	C- 095-C/094-I-13
100060030	22828	B- 079-B/094-I-14
100053863	21293	A-A055-E/094-I-10
100056435	21823	C- 033-E/094-I-14
100056704	21898	D- 063-E/094-I-14
100052893	20940	A- 065-G/094-I-07
100052917	20928	D- 065-E/094-P-06
100052918	20929	D- 063-E/094-P-06
100059497	22766	C- 040-G/094-P-04
100058268	22493	D- 091-G/094-I-14
100058420	22570	D- 061-D/094-I-14
100058421	22571	D- 047-K/094-I-11
100049977	19978	D- 094-A/094-P-04
100043326	18019	16-02-078-16
100043327	18020	11-20-078-16
100045967	18954	13-16-078-16
100051305	20243	A- 052-E/094-I-10
100051312	20410	C- 037-D/094-I-10
100051320	20508	C-A080-C/094-I-10
100043526	18056	D- 042-C/093-P-07
100051712	20646	D- 053-F/094-P-03
100051764	20561	B-A053-C/094-I-10
100051780	20693	B- 069-E/094-P-06
100050928	20244	A- 013-E/094-I-10
100043716	18098	A16-04-078-15
100051491	20473	A- 055-E/094-I-10
100051541	20471	A- 025-E/094-I-10
100044107	18287	B- 047-L/094-O-10
100051849	20731	A- 023-D/094-P-06
100051852	20780	A- 083-C/094-P-03
100051964	20781	D-A085-C/094-P-03
100046858	19027	C- 031-C/094-J-09
100046909	19173	A- 011-I/094-P-06
100041937	17638	A15-08-078-16
100041966	17577	12-22-077-16
100049195	19784	A- 089-J/094-J-08
100049302	19799	B- 076-J/094-J-08
100049361	19845	C- 081-B/094-P-04
100042865	17812	15-11-079-16
100042866	17814	13-12-079-16
100042878	17813	16-10-079-16
100077310	28830	C-B072-F/093-P-01
100066752	24679	B- 035-F/093-P-08
100071367	26347	B-A034-F/093-P-01

100066979	24737	B-A035-F/093-P-08
100072600	26814	A16-20-087-15
100067480	25035	A- 044-F/094-P-03
100065289	24280	C-A034-F/093-P-08
100065290	24281	B-A086-C/093-P-08
100068958	25482	C-A072-F/093-P-01
100068959	25483	B-A092-F/093-P-01
100069037	25514	A- 048-I/094-P-04
100069148	25561	B-B092-F/093-P-01
100063879	23945	C- 036-I/094-P-04

Facilities

<u>AD Number</u>	<u>Facility ID</u>	<u>Location</u>
100051849	00021892	NTS: A 023-D/094-P-06
100027551	00019631	NTS: C 070-J/094-J-08
100029084	00019756	NTS: A 056-B/094-J-09
100046858	00021036	NTS: C 031-C/094-J-09
100026868	00008469	NTS: A 090-J/094-J-08
100077310	00025798	NTS: C 072-F/093-P-01
100051305	00021637	NTS: A 052-E/094-I-10
100050928	00021638	NTS: A 013-E/094-I-10
100007664	00018859	NTS: B 048-D/093-P-08
100011454	00018995	NTS: B 089-J/094-J-08
100063879	00023407	NTS: C 036-I/094-P-04
100022478	00019390	NTS: B 092-F/093-P-01
100051312	00021738	NTS: C 037-D/094-I-10
100049361	00021413	NTS: C 081-B/094-P-04
100069148	00024206	NTS: B 092-F/093-P-01
100012142	00019019	NTS: B 097-J/094-J-08
100051712	00021851	NTS: D 053-F/094-P-03
100020566	00008401	NTS: D 020-C/094-J-09
100049302	00021386	NTS: B 076-J/094-J-08
100051852	00021916	NTS: A 083-C/094-P-03
100051964	00021917	NTS: D 085-C/094-P-03
100066752	00023797	NTS: B 035-F/093-P-08
100056435	00022395	NTS: C 033-E/094-I-14
100069162	00007794	NTS: A 048-I/094-P-04
100012337	00019032	NTS: A 072-J/094-J-08
100012888	00019046	NTS: C 072-F/093-P-01
100071367	00024649	NTS: B 034-F/093-P-01
100069037	00024178	NTS: A 048-I/094-P-04
100067480	00023979	NTS: A 044-F/094-P-03
100043526	00020749	NTS: D 042-C/093-P-07
100052917	00021981	NTS: D 065-E/094-P-06

100052918	00021982	NTS: D 063-E/094-P-06
100051541	00021771	NTS: A 025-E/094-I-10
100051491	00021772	NTS: A 055-E/094-I-10
100027190	00004257	NTS: D 038-K/093-P-01
100023172	00003345	NTS: A 029-D/093-P-08
100032892	00007136	NTS: A 097-G/093-P-01
100026854	00004071	NTS: A 090-J/094-J-08
100077945	00007958	DLS: 16-20-087-15
100072600	00024885	DLS: 16-20-087-15

Pipelines

<u>AD</u> <u>Number</u>	<u>Project</u> <u>Number</u>	<u>Segment</u> <u>Number</u>	<u>Segment Start Location</u>				<u>Segment End Location</u>			
			<u>Qtr</u> <u>Unit</u>	<u>Unit</u>	<u>Block</u>	<u>From Map</u>	<u>Qtr</u> <u>Unit</u>	<u>Unit</u>	<u>Block</u>	<u>Map</u>
100010354	4650	1	A	29	D	093-P-08	B	59	D	093-P-08
100012883	5158	1	B	97	J	094-J-08	A	90	J	094-J-08
100012883	5158	2	A	76	J	094-J-08	A	90	J	094-J-08
100012883	5158	3	B	89	J	094-J-08	A	90	J	094-J-08
100013816	5440	1	A	72	J	094-J-08	B	83	J	094-J-08
100013816	5440	2	A	6	B	094-J-09	B	83	J	094-J-08
100013816	5440	3	B	83	J	094-J-08	A	76	J	094-J-08
100013816	5440	4	B	83	J	094-J-08	D	76	J	094-J-08
100013690	5517	1	B	82	K	094-J-08	A	90	J	094-J-08
100013883	5601	1	C	72	F	093-P-01	D	69	G	093-P-01
100013883	5601	2	D	69	G	093-P-01	B	97	G	093-P-01
100013883	5601	3	A	7	J	093-P-01	B	97	G	093-P-01
100014957	5845	1	C	74	F	093-P-01	C	72	F	093-P-01
100018832	6733	1	C	42	K	094-J-08	A	53	K	094-J-08
100020652	7217	1	D	20	C	094-J-09	A	50	C	094-J-09
100023879	7951	1	A	67	G	093-P-01	D	69	G	093-P-01
100024380	8096	1	D	38	K	093-P-01	C	47	K	093-P-01
100026917	8805	1	D	27	J	094-J-08	A	90	J	094-J-08
100027003	8852	1	A	49	J	094-J-08	D	48	J	094-J-08
100027003	8852	2	C	18	J	094-J-08	D	28	J	094-J-08
100027003	8852	5	D	27	J	094-J-08	A	90	J	094-J-08
100029019	9354	1	B	48	D	093-P-08	B	48	D	093-P-08
100030751	9904	1	A	90	J	094-J-08	A	76	J	094-J-08
100031662	10158	1	C	70	J	094-J-08	D	61	K	094-J-08
100036300	11464	1	A	90	J	094-J-08	D	90	J	094-J-08
100036300	11464	2	D	90	J	094-J-08	A	90	J	094-J-08
100036300	11464	3	D	90	J	094-J-08	A	90	J	094-J-08
100036300	11464	4	A	90	J	094-J-08	D	90	J	094-J-08
100037062	11649	1	C	34	F	093-P-08	D	34	F	093-P-08

100046172	14127	1	A	56	B	094-J-09	D	74	C	094-J-09
100047699	14648	1	B	92	F	093-P-01	A	13	K	093-P-01
100051137	16367	1	A	23	D	094-P-06	C	13	D	094-P-06
100051419	16454	1	A	13	E	094-I-10	A	3	E	094-I-10
100051420	16455	1	A	25	E	094-I-10	A	13	E	094-I-10
100051462	16460	1	A	55	E	094-I-10	B	33	E	094-I-10
100051462	16460	2	B	33	E	094-I-10	A	23	E	094-I-10
100051462	16460	3	A	52	E	094-I-10	B	33	E	094-I-10
100053339	17032	1	D	65	E	094-P-06	D	64	E	094-P-06
100053340	17033	1	D	63	E	094-P-06	D	64	E	094-P-06
100053539	17036	1	A	83	C	094-P-03	C	93	C	094-P-03
100053811	17047	1	D	85	C	094-P-03	C	93	C	094-P-03
100059069	19336	1	A	80	F	094-I-14	D	70	F	094-I-14
100059070	19378	1	B	84	D	094-P-06	B	83	D	094-P-06
100059499	19391	1	A	11	I	094-P-06	A	14	L	094-P-07
100059576	19579	1	C	94	C	094-I-14	D	85	C	094-I-14
100059632	19580	1	D	61	D	094-I-14	D	61	D	094-I-14
100059556	19641	1	B	15	F	094-I-14	C	6	F	094-I-14
100068268	21586	1	B	35	F	093-P-08	D	25	F	093-P-08
100068484	21637	1	C	36	I	094-P-04	A	48	I	094-P-04
100068484	21637	2	A	48	I	094-P-04	A	48	I	094-P-04
100071053	22032	1	B	92	F	093-P-01	C	72	F	093-P-01
100073144	22360	1	B	34	F	093-P-01	B	34	F	093-P-01
100003871	23657	4	D	70	C	094-P-03	B	44	C	094-P-03