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Our File Reference: 171447

April 19, 2017

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SENT VIA EMAIL
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Alberta Energy Regulator
Suite 1000, 250 – 5th Street SW
Calgary, AB T2P 0R4

Attention: Well Licence Applications

To Whom It May Concern,

Re: Granite Oil Corp - Well Licence Applications

Please be advised we represent Granite Oil Corp. (“Granite”) with respect to attached well licence applications for four wells to be drilled from two padsites (two wells per pad): 2-8-3-18 W4M (“2-8”) and 1-17-3-18 W4M (“1-17”). The 2-8 and 1-17 wells are proposed to be drilled on cultivated lands on the northeast Milk River Ridge, adjacent to the Twin River Heritage Rangeland.

The 2-8 surface location is in the Southeast quarter of section 8-3-18 W4 (“SE 8”) and the 1-17 location is in the Southeast quarter of section 17-3-18 W4M (“SE 17”). The SE 8 and SE 17 are provincial Crown lands. Both quarters are subject to an existing disposition under the *Public Lands Act*, namely grazing leases (“GRL”) issued to Audrey and Robert Taylor.

The Taylors are opposed to the proposed wells. As described below, the Taylors have objected to previous well licence applications filed by Granite with the AER and have refused to consent to the issuance of Mineral Surface Leases (“MSL”) for the 2-8 and 1-17 wells under the *Public Lands Administration Regulation* (“PLAR”).

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On January 9, 2017, Granite submitted to the AER applications for MSLs for the 2-8 and 1-17 locations. The AER rejected Granite's MSL applications on February 7, 2017, on the basis that Granite had not secured the consent of the GRL holders, the Taylors.

On February 24, 2017, Granite submitted to the AER applications for well licences for the 2-18 and 1-17 locations. The AER closed Granite's well licence applications on March 24, 2017, on the basis that they did not meet the requirements of AER Directive 56 ("D56").

Subsequent to the well licence applications being closed, Granite contacted the AER to obtain clarification on how the well licence applications failed to meet the requirements of D56. Based on these conversations with the AER, Granite understands that the closure of the well licence applications was related to the rejection of the MSL applications.

Further to those follow-up conversations, we write to confirm the following. Granite is re-submitting its well licence applications and understands that those applications will be accepted by the AER notwithstanding that Granite does not have MSLs for the 2-8 and 1-17 locations. Based on the fact that the Taylors' objection remains outstanding, Granite hereby files the well licence applications as Non-Routine/Public Involvement, as required by D56.

Granite is not submitting MSL applications to the AER in conjunction with the attached well licence applications. Granite understands that absent the consent of the GRL holders, the Taylors, the AER cannot (pursuant to sec. 9(e) of the PLAR) approve the MSL applications and would reject them once again. In light of this, there is no point to Granite submitting MSL applications to the AER at this time.

Granite understands that should the AER see fit to issue well licences for the 2-8 and 1-17 locations, Granite would then (assuming it remains unable to secure agreement with the Taylors) apply to the Surface Rights Board for approval of the MSLs. It is common ground, we believe, that the SRB does not have jurisdiction to grant surface access to the 2-8 and 1-17 locations unless and until Granite has secured well licences from the AER.

We trust you will find the foregoing satisfactory. Thank you.

Yours truly,



GAVIN S. FITCH, Q.C.
GSF/s

- cc: Alberta Energy Regulator
Attn: Gary Perkins, Associate General Counsel
- cc: Granite Oil Corp.
Attn: Tyler Klatt, VP Exploration and Martin Vandenbeld, Regulatory Consultant
- cc: Ackroyd LLP
Attn: Richard Secord, Counsel for Robert and Audrey Taylor