

COURT FILE NUMBER Q.B.G. No. 773 of 2021

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE SASKATOON

APPLICANT ABBEY RESOURCES CORP.

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
RSC 1985, c C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF ABBEY RESOURCES CORP.**

SECOND AFFIDAVIT OF KAREN PAZ

I, Karen Paz, of the Village of Abbey, in the Province of Saskatchewan, MAKE OATH
AND SAY THAT:

1. I hold the position of administrator of the Plaintiff, the Rural Municipality of Miry Creek No. 229 (the "**RM**"), pursuant to Section 2(1)(a.1) of *The Municipalities Act* (the "**Act**"), and as such I have personal knowledge of the facts and matters of which I swear. When I make statements based on information and belief, I do verily believe those statements to be true.
2. All definitions contained herein find their respective meanings in my Affidavit sworn on July 19, 2021 (the "**First Affidavit**") and filed in these proceedings.
3. Nearly from the outset of Abbey Resources' entry into the RM, it has refused or neglected to pay its municipal taxes in a timely manner. As stated in the First Affidavit, the 2017 taxes have now been paid in full (in 2019 after extensive conflict between Abbey Resources and the RM), and significant amounts for municipal taxes remain outstanding from the 2018 year to the present. It is clear based on the following that Abbey Resources has been unable to meet its obligations to the RM as they come due beginning in 2017.

March 12, 2018 Letter

4. On or about March 12, 2018, the RM was sent a communication by Mr. Gettis articulating a “plan” to extend the life of shallow gas developments Abbey owned and operated (the “**March 12 Letter**”). A copy of this letter is attached as **Exhibit “A”**.
5. In the March 12 Letter, Mr. Gettis, on behalf of Abbey Resources, lobbied the RM (and other RMs including Riverside, Lacadena, Snipe Lake and Clintworth) to reduce their mill rates for resource properties.
6. This mill rate reduction proposal was one element of a five part cost reduction plan put forward by Abbey including:
 - (a) Surface lease rental cost reductions;
 - (b) Saskatchewan Agriculture surface lease rental cost reductions;
 - (c) Saskatchewan well levy cost reductions; and
 - (d) Lastly, some conventional cost reductions from Abbey.
7. On page 3 of the March 12 Letter, Mr. Gettis provided the RM with two choices:
 - (a) First, that municipalities could continue with existing property taxes until gas fields become abandoned (and cited some examples of those); or
 - (b) Reduce property tax revenue and extend the life of the wells owned and operated by Abbey.
8. Finally, Mr. Gettis noted that, at that time, 2017 property taxes remained outstanding and unpaid proposed a meeting with the RM to discuss:
 - (a) A payment plan and a waiver of penalties relating to 2017 property taxes;
 - (b) Municipal tax policy (citing section 274 of *The Municipalities Act* (Saskatchewan)); and
 - (c) A 2018 plan for property taxes based on Abbey Resources's ability to pay.
9. In my understanding, the request from Abbey Resources in the March 12 Letter to reduce mill rates for resource properties was problematic as this can only be done on a sector-wide basis. In other words, mill rates cannot be reduced for properties owned by a single company such as Abbey Resources.

July 12, 2018 Letter

10. On or about July 12, 2018, the RM received another letter from Mr. Gettis on behalf of Abbey Resources regarding a payment plan for 2017 municipal taxes and for 2018 municipal taxes commencing on January 31, 2020. In addition, part of the “deal” was that mill rates would be changed for various property classes as a whole (Agricultural, Residential and Commercial). A copy of this letter is attached as **Exhibit “B”**.

July 30, 2018 Email

11. On or about July 30, 2018, the RM received an email from Mr. Gettis on behalf of Abbey Resources proposing further amendments to the 2017 and 2018 municipal tax payment plans. These plans included changing mill rates for property classes as noted above. A copy of this email is attached as **Exhibit “C”**.

March 23, 2020 Letter

12. On or about March 23, 2020, the RM received another letter from Mr. Gettis on behalf of Abbey Resources (the “**March 23 Letter**”). The March 23 Letter included a “fact sheet” and a letter from the Saskatchewan Chamber of Commerce to the Government of Saskatchewan with a significant discussion of tax policy. The March 23 Letter and the “fact sheet” attached thereto are attached as **Exhibit “D”**.

13. In the “fact sheet” attached to the March 23 Letter noted rental arrears owing to the landowners (holding surface leases), arrears owing to rural municipalities and a proposal to standardize mill rates. The “fact sheet” also contained a discussion of the “consequences if all cost reductions are not achieved in 2020” and included:

- (a) Abbey Resources being financially incapable of operating;
- (b) All wells/facilities turned over to the Government of Saskatchewan Orphan Well Fund;
- (c) Landowners receiving no compensation for surface leases from the Orphan Well Fund;
- (d) Rural Municipalities not receiving any property taxes from the Orphan Well Fund; and

(e) All employees, consultants and services being terminated by Abbey Resources.

14. In addition, the “fact sheet” included a proposal to standardize and reduce mill rates applicable to Abbey Resources, to change Education Property Tax mill rates (which are set by the Ministry of Education, not Rural Municipalities) and an amendment to the formula relating to depreciation set by the Saskatchewan Assessment Management Agency (“SAMA”).

July 2020 Letter

15. Finally, in or about July 2020, the RM received another letter from Mr. Gettis on behalf of Abbey Resources with detailed proposals about taxation reform including the abatement of taxes and the reduction of mill rates by RMs. In addition, the issue of how SAMA conducts calculations and how the Ministry of Education sets education tax mill rates was further raised. Mr. Gettis indicated that Abbey Resources was willing to pay its “fair share of taxes the same as the Agriculture community”. A copy of the July 2020 Letter is attached as **Exhibit “E”**.

Issues with Management of Abbey Resources

16. The RM has lost confidence in the management of Abbey Resources and particularly that of Mr. Gettis for the reasons set out in the following paragraphs 17 to 19.

17. In the RM's view, Abbey Resources has been attempting to push the same agenda since at least early 2018 relating to significant tax reform both with Rural Municipalities, but also SAMA and the Provincial Government. Little has changed and it is clear that Abbey Resources has been unwilling to meet its obligations to the RM (and presumably other Rural Municipalities) for the last number of years.

18. Tax reform raises significant political and public policy issues. In my view, Abbey Resources' lobbying to reduce mill rates or abate its taxes shows a poor understanding of these issues on behalf of its management. In addition, these proposals have the potential to seriously prejudice other rate payers and stakeholders, whether they be other resource

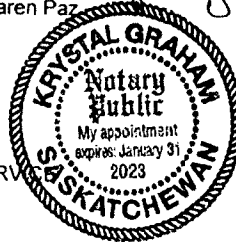
companies, farmers, land owners or citizens of the RM—consequences not taken lightly by the RM. Lobbying two levels of government and SAMA for broad-based tax changes is not a substitute for a real restructuring plan.

19. I have also reviewed the disclosure by Abbey Resources relating to the November 2020 transfer of assets, including numerous assets located in the RM. Although Abbey Resources has offered to undo that transaction, the fact that the transaction took place further undermines the confidence of the RM in the good faith of Abbey Resources and its management.

20. I make this Affidavit in opposition to an application by Abbey Resources for relief under the *Companies' Creditors Arrangement Act*.

SWORN BEFORE ME at the Village of)
Abbey, in the Province of)
Saskatchewan, this 26th day of)
July, 2021.)
Kristal Graham)
A COMMISSIONER FOR OATHS)
for Saskatchewan.)
My Commission expires: _____)

Karen Paz
Karen Paz




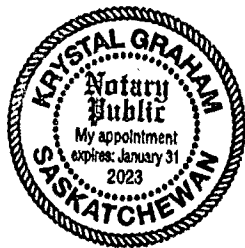
CONTACT INFORMATION AND ADDRESS FOR SERVICE

Lawyer in Charge of File:
Ryan M. Nagel / Alexander K.V. Shalashniy

KANUKA THURINGER LLP
Barristers and Solicitors
350 Cheadle Street West
Swift Current, SK, S9H 4G3

This is Exhibit "A" referred to in the
Second Affidavit of Karen Paz.
SWORN before me at the Village
of Abbey, in the Province of
Saskatchewan, this 26th day
of July, 2021.


A COMMISSIONER FOR OATHS
OR NOTARY PUBLIC for Saskatchewan.
Being a Solicitor.
My Commission expires:



ABBHEY RESOURCES CORP.

Friday, March 12, 2018

To the Rural Municipalities of Riverside, Miry, Lacadena, Snipe Lake and Clinworth.

Regarding: A plan to extend the life of the Milk River Shallow Gas field for another 30 years.

My name is Jim Gettis, President and CEO of Abbey Resources Corp. I am a petroleum engineer, with over 40 years experience operating shallow gas properties. My business career has focused on purchasing non-core properties from major producers. Abbey purchased 600 Milk River shallow gas wells from Husky effective August 1, 2016. Abbey also purchased 1,200 Milk River shallow gas wells from Enerplus on March 1, 2017. To complete the acquisition phase of this project and be in a position to consolidate all of the properties, Abbey purchased 100 Milk River shallow gas wells from Shackleton 2011 GP Inc. effective November 1, 2017. These purchases included a 100% working interest in wells, pipelines, compressor stations and water disposal facilities. The wells are contiguous to each other and form a 100% owned pooled resource to be optimized.

Before Abbey purchased the properties operated by Husky and Enerplus these properties had a combined cash loss of over \$10,000,000 per year for the last 2 years. Enerplus and Husky had made the decision to abandon the entire field, including all wells, pipelines and compressor stations.

Abbey became aware of this financial situation and approached Husky and Enerplus with a plan to extend the life of these particular properties. Abbey presented an offer to purchase these assets "as is where is" which was accepted on various dates as noted in the foregoing paragraph.

The Milk River shallow gas field purchased by Abbey has produced 500 Bcf of gas over the last 15 years, which represents about 4% of the total gas in place. Abbey - using new technology and a frugal operating strategy believes it can extend the life of this valuable asset by another 30 years, and recover an additional 500 Bcf of gas, provided expenses do not exceed revenues. The life of the field will be increased to 30 years or more because production levels will be less than when the first 500 Bcf was produced.

As most of you know, pipelines are not being built to move our gas to tidewater and new export markets. Currently, gas in Western Canada trades at a 50% discount to gas produced in the USA our only export market. Low operating cost shale gas development in Canada has also affected gas prices due to the high production volumes from these wells and additional recoverable volumes which increases gas supply in the market. USA gas from the Marcellus shale is now producing into the Ontario and Quebec market displacing Western Canadian gas that has supplied these same markets for many years. This has resulted in "gas on gas" competition here in Western Canada. Natural gas trades on the various public exchanges as a commodity. Supply increases in Western Canada without a corresponding increase in demand has resulted in a new gas pricing forecast of \$1.60/GJ. The low cost operator will survive. Abbey has a plan to be a low cost shallow gas operator.



Suite 700 505 3rd Street SW
Calgary, AB, T2P-3E6
Office: 403-288-4642
jim.gettis@abbeyr.ca

ABBHEY RESOURCES CORP.

Milk River shallow gas is unique in that it produces at low rates from many wells. Production is reliable and declines very slowly over a long period of time.

Over the last two years, Abbey has reduced the annual cash loss of \$10,000,000 incurred by the former operators to produce a small profit of \$110,000 at December 31, 2017. Abbey's small profit has been calculated after all fixed and variable operating expense have been included. Capital and office overhead are in addition to these costs. They were funded using prepaid gas sales to our Saskatchewan Marketing Team ("Twin Eagle"). The small profit was based on a gas commodity price of \$2.41/GJ. Gas prices are projected to average \$1.60/GJ for the next 3 years. Further cost reductions are needed.

The next cost reductions are listed in order of priority (based on the biggest impact to reduce Abbey's per unit operating cost). Most of these costs are regulated fixed costs such as:

1. Surface lease rentals,
2. Rural Municipal property taxes,
3. Saskatchewan Agriculture surface lease rentals,
4. Saskatchewan well levies, and
5. Some remaining conventional costs, such as fluid trucking and contract labor.

Abbey has control over the production volumes and conventional operating costs, however the commodity pricing is dictated by the market.

The second phase of this 5 point plan is number 2, the "**Rural Municipal Taxes**", as they will have the second biggest impact on providing more free cash to develop the property.

Abbey's goal is to work with the rural municipalities in which we operate to identify a municipal tax levy we can each support and budget. The single greatest impact to Abbey's municipal tax liability is the use of tax tools in each municipality. Whether used as a method of increasing the tax liability for resource property, or as a method of reducing other property classes (leaving resource property owners with the full impact of the municipal mill rate), the tax tools each create an excess tax burden that is unsustainable.

Abbey Resources respectfully requests that the municipal mill rate be reviewed and reduced in each municipality and that tax tools be adjusted so as not to penalize the resource sector in each municipality.



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ABBAY RESOURCES CORP.

Abbey needs your help to continue producing this commercial resource property as a going concern based on \$1.60/GJ natural gas prices for the next three years. The details of Abbey's proposal and the requested abatement for each RM are attached to this letter. A summary of the results and the impact on each RM is listed below:

Summary of Tax Abatement for 2017 Based on Municipal levy only

RM	Municipal Levy 2017	Proposed Levy 2017	Abatement 2017	Proposed Levy 2018
RM of Riverside 168	\$27,298	\$24,499	\$2,800	\$24,499
RM of Lacadena	\$945,478	\$270,689	\$674,789	\$270,689
RM of Miry Creek	\$375,341	\$300,273	\$75,068	\$300,273
Rm of Snipe Lake	\$282,573	\$52,006	\$230,567	\$52,006
RM of Clinworth	\$34,018	\$23,813	\$10,205	\$23,813
Total	\$1,664,709	\$671,279	\$993,430	\$671,279

1. Assessment values are taken from SAMA electronic documents as provided in December 2017
2. We are aware Miry Creek uses mill rate factors to the benefit of other property classes, we ask for consideration with respect to the use of the mill rate factor tool, increasing other property classes to reduce the burden of the full mill rate on the resource sector
3. Abbey is prepared to pay the education taxes as assessed by each RM.
4. Assumes no interest and no penalty is payable.
5. Education taxes for 2017 will be paid as assessed.

The decision to be made at this time is:

1. Municipalities can choose to continue with existing property taxes until the field is abandoned. (Enerplus has already abandoned the Cabri, Whitebear and the Sceptre fields, many of the RM's will no longer have a revenue base from these assets)
Or Choice 2.
2. The Municipalities can reduce property tax revenue and extend the life of the remaining wells in the Abbey field for another 30 years.

Thoughts to consider:

1. The value of Property tax revenues for the next 30 years is significantly more valuable than the existing property tax revenues over the next couple of years.
2. It is not in anyone's best interest to abandon the field recently purchased by Abbey. The company has a proposal for future power generation, and production growth, provided we have sufficient time and capital to bridge this \$1.60/GJ commodity price cycle.



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jim.gettis@abbeyr.ca

ABBHEY RESOURCES CORP.

Abbey will contact you next week to set up a meeting date that would coincide with the next council meeting. Abbey needs to discuss how we can work together to make this work. Abbey is aware the RM's have budgeted operating costs in 2018 that depend on tax revenue assessed in 2017. Abbey will work with you where we can.

Abbey has not paid the 2017 property tax levy as you know.

The proposed meeting agenda includes:

1. 2017 outstanding property taxes:
 - a. Payment plan,
 - b. Waiver of penalties related to outstanding taxes.

2. Saskatchewan Municipal Tax Policy:
 - a. SK Municipalities Act Section 274(1)
Subject to subsection (11), with respect to any year, if a council considers it equitable to do so in any of the circumstances set out in subsection (2), it may, generally or with respect to a particular taxable property, do one or more of the following, with or without conditions: (a) cancel or reduce tax arrears; (b) cancel or refund all or any part of a tax; (c) defer the collection of a tax.

 - b. 274(11) The Lieutenant Governor in Council may make regulations respecting: (a) limits to the compromises and abatements that may be provided by a council pursuant to this section; and (b) the reporting that must be done by the council of the compromises and abatements that are provided by a council pursuant to this section.

3. 2018 Property tax plan that works for each RM and Abbey's ability to pay.

Sincerely,



Jim Gettis, P Eng., President and CEO,
Abbey Resources Corp.



Suite 700 505 3rd Street SW
Calgary, AB, T2P-3E6
Office: 403-288-4642
jim.gettis@abbeyr.ca

This is Exhibit "B" referred to in the
Second Affidavit of Karen Paz.
SWORN before me at the Village
of Abbey, in the Province of
Saskatchewan, this 26th day
of July, 2021.

Kristal Graham
A COMMISSIONER FOR OATHS
OR NOTARY PUBLIC for Saskatchewan.
Being a Solicitor.
My Commission expires:



ABBHEY RESOURCES CORP.

July 12, 2018

Rural Municipality of Miry Creek No 229
Box 210
Abbey, SK S0N 0A0

Attention: Mark Hughes

RE: Abbey Resources Corp. Property Tax

Abbey Resources Corp. (Abbey) has a proposal to pay the 2017 property taxes on a monthly schedule for the next 15 months starting October 31, 2018 and ending December 19, 2019. The proposed monthly payments are attached as a schedule to this letter. Abbey requests that there is no interest and penalty payable on the RM portion of taxes due for 2017, Abbey is aware it will have to pay interest on the education taxes due.

Abbey is a sweet gas producer and has been selling its gas volumes into the market at prices lower than we have seen in 20 years. Once the 2017 taxes are paid, Abbey will propose a monthly payment schedule for 2018 taxes which would commence on January 31, 2020.

Abbey is asking council to consider a more equitable split between the various classes (Agricultural, Residential and Commercial -resource and non-resource) for 2018 property taxes and subsequent years. This would involve a tax reduction for the property taxes due 2018.

If gas prices and production improve during the period between now and December 31, 2019, Abbey reserves the right to accelerate the monthly payments based on available cash flow.

These are very difficult times for the company and Abbey appreciates your cooperation to work our way through this.

If you are in agreement to this proposal Abbey is prepared to provide post-dated cheques for the payment schedule provided in Schedule A.

I would be happy to come to your next council meeting to explain the situation.

Sincerely,



Jim, Gettis, P.Eng., President

ABBHEY RESOURCES CORP

Cc:
Twyla Paget-Turcotte, CFO



Suite 700 505 3rd Street SW
Calgary, AB, T2P-3E6
Office: 403-288-4642
Jim.gettis@abbeyr.ca

ABBAY RESOURCES CORP.

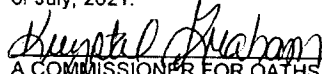
Schedule A Payment for 2017 Property Taxes

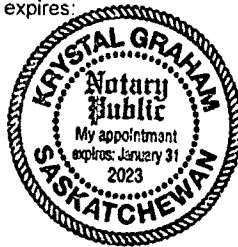
October 31, 2018	- \$59,600.00
November 30, 2018	- \$59,600.00
December 31, 2018	- \$59,600.00
January 31, 2019	- \$59,600.00
February 28, 2019	- \$59,600.00
March 31, 2019	- \$59,600.00
April 30, 2019	- \$59,600.00
May 31, 2019	- \$59,600.00
June 30, 2019	- \$59,600.00
July 31, 2019	- \$59,600.00
August 31, 2019	- \$59,600.00
September 30, 2019	- \$59,600.00
October 31, 2019	- \$59,600.00
November 30, 2019	- \$59,600.00
December 31, 2019	- \$59,984.00



Suite 700 505 3rd Street SW
Calgary, AB, T2P-3E6
Office: 403-288-4642
Jim.gettis@abbeyr.ca

This is Exhibit "C" referred to in the
Second Affidavit of Karen Paz.
SWORN before me at the Village
of Abbey, in the Province of
Saskatchewan, this 26th day
of July, 2021.


A COMMISSIONER FOR OATHS
OR NOTARY PUBLIC for Saskatchewan.
Being a Solicitor.
My Commission expires:



R.M. of Miry Creek No. 229

From: Jim Gettis <jim.gettis@abbeyr.ca>
Sent: Monday, July 30, 2018 1:31 PM
To: RM Miry Creek
Cc: Twyla Paget-Turcotte
Subject: Revised Payment plan for RM Miry Creek 229 to accommodate 2017 arrears and 2018 taxes,v2

Hi Mark;

The following is a payment plan for the RM of Miry Creek's consideration:

1. Payment plan for 2017 arrears (\$744,051)
 - a. Abbey would pay \$82,672 per month on the 25th of each month for 9 months commencing September 25th, 2018 until the 2017 property taxes are paid in full. Payment would be issued with 9 postdated cheques.
2. Payment plan for 2018 taxes would continue on the 25th of each month commencing June 2019
 - a. Abbey would pay the 2018 taxes over a period of 7 months ending December 25, 2019
 - b. Payment would be with 7 postdated cheques commencing June 25, 2019.

Abbey is asking council to consider the following:

1. No interest or penalty for 2017 arrears or 2018 monthly tax payments,
2. Equitable allocation of taxes between, Agriculture, Resources (Commercial and non-commercial) and Residential. Currently Agriculture has a MRF of .4, Abbey has a MRF of 1. (an average would be a MRF of .7 for each class),
3. Abbey will pay all future property taxes monthly with postdated cheques to be issued at the beginning of each year.

Call me if you have any questions.

Jim

Abbey Resources Corp.

Jim Gettis, P Eng, President & CEO

Suite 700, 505 3rd Street SW

Calgary, Alberta, T2P-3E6

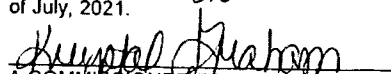
Office 403-288-4642

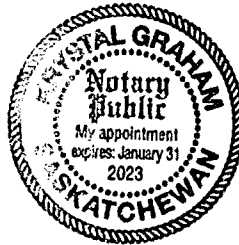
Cell 403-650-7511

jim.gettis@abbeyr.ca



This is Exhibit "D" referred to in the
Second Affidavit of Karen Paz.
SWORN before me at the Village
of Abbey, in the Province of
Saskatchewan, this 26th day
of July, 2021.


A COMMISSIONER FOR OATHS
OR NOTARY PUBLIC for Saskatchewan.
Being a Solicitor.
My Commission expires:



ABBAY RESOURCES CORP.

March 23, 2020

Rural Municipality

Attention: Reeve, Council and MLA

**RE: Discussion Meeting Request
Abbey Resources Corp. ("Abbey")**

Please find a fact sheet that sets out the basis for discussions to formulate a go forward plan with the RM's. The discussions will involve an equitable tax levy going forward and payment of arrears. I have also attached a recent letter sent to Minister Lori Carr with Government relations, prepared by the Saskatchewan Chamber of Commerce suggesting various changes to be made to ensure property taxation is fair and encourages development of resources that are aligned with the Saskatchewan government's growth plan for 2020 to 2030.

Abbey would like to convene a meeting at Millennium's offices in Swift Current, SK in the coming months, to discuss how we can proceed with changes suggested in the fact sheet designed to grow the shallow gas industry and ensure its ability to pay future property taxes. The intention is to invite the Reeve, the Administrator and the MLA currently representing each RM to the meeting.

No firm date for the meeting has been set due to the current restrictions on public gatherings as a direct result of the COVID19 pandemic.


In the meantime written comments should be sent to jim.gettis@abbeyr.ca for Abbey's review. These comments will be discussed at the meeting in Swift Current.

We look forward to open and productive discussions to find a way forward that is mutually beneficial.

Stay Safe and Stay Healthy.

Should you have any questions or comments please contact me directly at 403-650-7511.

Yours truly,
Abbey Resources Corp.


Jim Gettis, P Eng
President.



Suite 700 505 3rd Street SW
Calgary, AB, T2P-3E6
jim.gettis@abbeyr.ca

**FACT SHEET:**

The Goal is to Breakeven at \$1.50/GJ. In 2019 Abbey had a direct operating loss exceeding \$3,000,000. Annual fixed cost reductions such as lease rentals (\$1,000,000), property tax reductions (\$1,000,000) and government fee reductions (\$1,000,000) are necessary. These reductions are based on sound business principles.

- Gas prices have remained historically low since 2009 and the forecast is similar for the next 5 years.
- Natural Gas prices averaged \$1.48 per gigajoule in 2018 and 2019.(See chart for 2019)
- Government of Saskatchewan has the same levies and fees for Oil as it does for Natural Gas. Oil is worth 5 times an equivalent amount of gas based on heat value. Oil has the ability to pay higher fixed costs compared to gas.
- Prior to purchasing the field, the operating costs for Husky and Enerplus were \$3.93/gj and \$2.86/gj respectively. (The field was scheduled for abandonment).
- Abbey has reduced operating expenses to \$2.14/gj by implementing permanent direct operating cost reductions of \$10,000,000 per year.
- Average revenue for Abbey before operating expenses is \$10.11/well/day.
- Each well has an average annual gross income of \$3690 before any rentals/property taxes/royalties or operating expenses (including wages).
- Inconsistency in Municipal Taxes and Mill Rates for the same services provided in each RM. (See Chart Below).

FURTHER COST REDUCTION PLAN MOVING FORWARD:

- Reduce the size of each Private Surface Lease based on actual use, thereby reducing the annual rental to the area required to operate. This does not preclude Abbey from end of life reclamation responsibilities.
- Develop a repayment plan with Landowners for the 2019 rental arrears.
- Applications have been made to the Ministry of Agriculture, for leases on crown lands, to reduce the lease sizes and rentals based on actual areas being used.
- Work with Municipalities to standardize Mill Rates for the future and develop a repayment plan for 2018 & 2019 taxes in arrears. (See proposals for RM's)
- Proposals have been made to the Government of Saskatchewan to decouple natural Gas from Oil and adjust levies and fees to correlate with the difference in commodity pricing.
- Discussions have been initiated with other Natural Gas Producers in the Province to make a joint proposal to the Government of Saskatchewan.

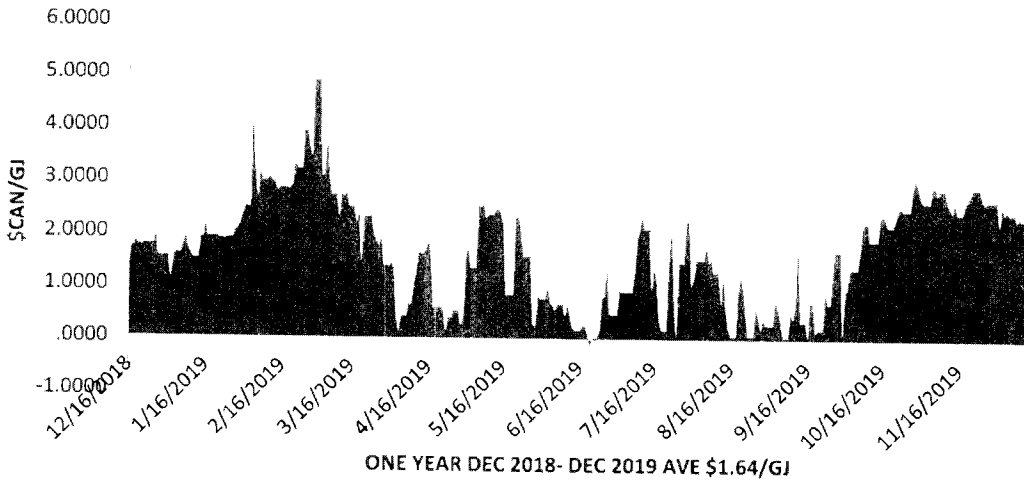
Consequences if all cost reductions are not achieved in 2020:

- Abbey Resources will not be financially capable of operating.
- All wells and facilities will be turned over to the Government of Saskatchewan Orphan Well Fund.
- Landowners will receive no compensation for Surface Leases from the Orphan Well Fund.
- Rural Municipalities will receive no property taxes from the orphan well fund.
- All employees, consultants and services providers of Abbey Resources Corp. will be terminated.

Addendum Information: Gas Pricing, Private lease rental payouts, Crown lease payouts, Summary of property taxes payable.



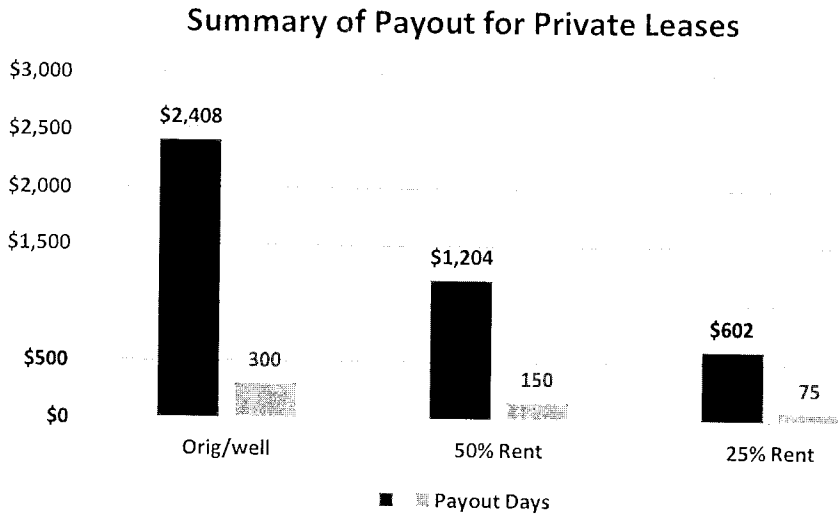
AB-NIT INDEX 5A CAD/GJ



Natural gas averaged \$1.64 Cdn at AECO last year. (Adjusted for heating value Abbey received \$1.56/gj)
 The price exceeded the \$1.50/GJ bench mark, because of severe cold in February 2019 and lack of gas in storage.
 There is a lot of information on the price of natural gas. Abbey uses the price it receives as our bench mark to remain profitable. Our goal is to breakeven at \$1.50/gj. If prices increase the free cash flow will be put back into the property to abandon wells and increase production using new technology. This technology is exclusive to Abbey. These new tools have the ability to double existing production from 15,000 gj/d to 30,000 gj/day and extend the life of the field for another 30 years.
 Everybody wins!!



Private Surface Lease rentals.

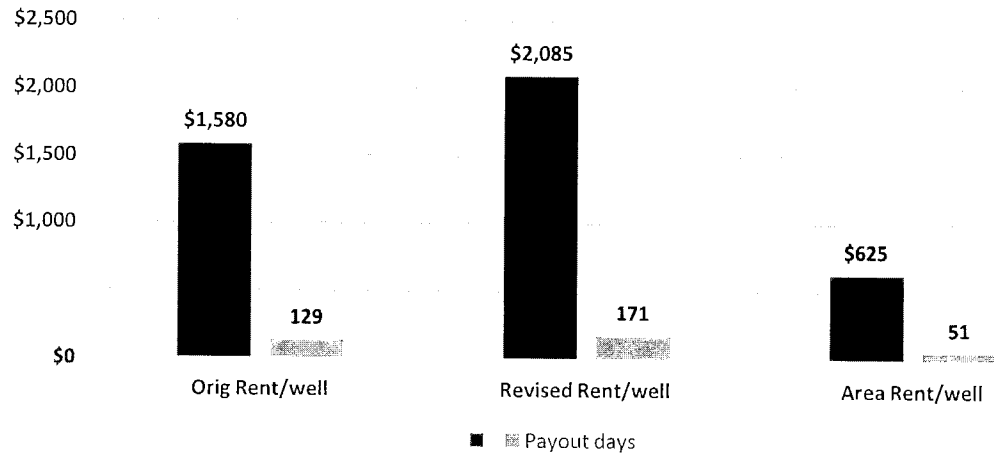


1. There are 1826 wells on Private Lands.
2. Gas Prices averaged \$1.51/gj from Private lands
3. Total revenue from all wells was \$5,341,893 (no deductions for royalties or operating costs).
4. Total gross revenue was \$8.01/well/day.



Crown Land Surface Lease rentals.

Summary of payout for MOA Rentals



1. There are 537 wells on MOA Lands.
2. Gas Prices averaged \$1.51/gj from MOA Lands
3. Total revenue from all wells was \$2,392,728 (no deductions for royalties or operating costs).
4. Total gross revenue was \$12.2/well/day.



Rural Municipality Tax Chart:

RM	Year	SAMA Assessment	Mill Rate	Municipal Levy	MRF	Total MRF Levy	Tax Tool Impact	Levy Tax tools	Effective Mill Rate	School Mill Rate	School Levy	Total Tax
Riverside	2017	\$3,499,800	6.5	\$22,749	1.20	\$27,298	\$4,550	\$27,299	7.80	9.68	\$33,878	\$61,177
	2018	\$4,170,400	6.5	\$27,108	1.20	\$32,529	\$5,422	\$32,530	7.80	9.68	\$40,369	\$72,899
	2019	\$4,041,100	6.5	\$26,267	1.20	\$31,521	\$5,253	\$31,521	7.80	9.68	\$39,118	\$70,638
Lacadena	2017	\$38,669,800	13	\$502,707	1.20	\$603,249	\$442,770	\$945,477	24.45	9.68	\$374,324	\$1,319,801
	2018	\$39,459,175	13	\$512,969	1.25	\$641,212	\$128,242	\$641,211	16.25	9.68	\$381,965	\$1,023,176
	2019	\$36,496,800	13	\$474,458	1.25	\$593,073	\$118,615	\$593,073	16.25	9.68	\$353,289	\$946,362
Miry Creek	2017	\$53,620,200	7	\$375,341	1.00	\$375,341	\$0	\$375,341	7.00	9.68	\$519,044	\$894,385
	2018	\$41,905,250	7	\$293,337	1.00	\$293,337	\$0	\$293,337	7.00	9.68	\$405,643	\$698,980
	2019	\$41,269,950	7	\$288,890	1.00	\$288,890	\$0	\$288,890	7.00	9.68	\$399,493	\$688,383
Snipe Lake	2017	\$7,429,400	12	\$89,153	2.92	\$260,059	\$193,420	\$282,573	38.03	9.68	\$71,917	\$354,489
	2018	\$9,604,000	12	\$115,248	2.00	\$230,496	\$150,317	\$265,565	27.65	9.68	\$92,967	\$358,532
	2019	\$9,770,200	12	\$117,242	2.00	\$234,485	\$153,003	\$270,246	27.66	9.68	\$94,576	\$364,821
Clinworth	2017	\$3,401,800	10	\$34,018	1.00	\$34,018	\$0	\$34,018	10.00	9.68	\$32,929	\$66,947
	2018	\$2,906,200	10	\$29,062	1.00	\$29,062	\$0	\$29,062	10.00	9.68	\$28,132	\$57,194
	2019	\$2,909,400	10	\$29,094	1.00	\$29,094	\$0	\$29,094	10.00	9.68	\$28,163	\$57,257
Total	2017	\$106,621,000		\$1,023,968	1.27	\$1,299,965	\$640,740	\$1,664,708	15.61	9.68	\$1,032,091	\$2,696,800
	2018	\$98,045,025		\$977,724	1.25	\$1,226,635	\$283,981	\$1,261,705	12.87	9.68	\$949,076	\$2,210,780
	2019	\$94,487,450		\$935,952	1.26	\$1,177,062	\$276,871	\$1,212,823	12.84	9.68	\$914,639	\$2,127,462

Total revenue for 2019 was approximately \$8,000,000. The Property tax levy for 2019 is slightly more than \$2,000,000. Payout for property taxes alone is over 3 months. (Taxes take 25% of Abbey's revenue right off the top)

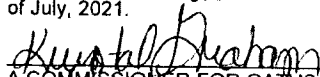
Property taxes are a tax on Capital. Abbey has an assessed value in excess of \$94,000,000 for 2019. This assessed value results in a tax levy that Abbey is unable to pay at a commodity price of \$1.50/gj.

Solutions to be agreed upon (based on the principles of fair and equitable taxation) are:

1. Apply a percentage of value (POV) of 45% to the assessed value similar to Non arable Agriculture
2. Reduce Education property Tax (EPT) from 9.68 mills to 6.27 mills similar to Commercial. Agriculture pays an EPT of 1.43 mills.
3. Establish a fixed mill rate levy of 4.0 applicable to shallow gas assets in a particular RM. (No Tax tools or Mill Rate Factors)
4. Include end of life and full life cycle depreciation in the SAMA calculations of assessed value

A combination of points 1-4 is needed to reduce the total property tax payable by Abbey from \$2,000,000 to \$800,000 per year. This would reduce the payout to slightly more than one month, which is a reasonable business principle when considered in conjunction with the marginal effective tax rate, (METR) the company must pay.

This is Exhibit "E" referred to in the
Second Affidavit of Karen Paz.
SWORN before me at the Village
of Abbey, in the Province of
Saskatchewan, this 26th day
of July, 2021.



A COMMISSIONER FOR OATHS
OR NOTARY PUBLIC for Saskatchewan.
Being a Solicitor.
My Commission expires:

ABBAY RESOURCES CORP.

July 2020

To whom it may concern:

A component of Abbey Resources Corp. cost reduction strategy includes reducing property taxes. Abbey has engaged on several occasions with the RM's and the Provincial Government to discuss how property taxes are currently levied for Shallow gas assets and the inherent inequities between Agriculture and each RM.

The attached document discusses how Abbey's properties are currently assessed by SAMA (Saskatchewan Assessment and Management Agency) and then taxed by the aforementioned RM's. The RM's have full authority to abate taxes and reduce taxes at their discretion. Each RM is autonomous and the resulting taxation variances between RM's are set out in the document for your review. Taxes amounts are very different for similar assets.

The Minister of Education sets the mill rate for education taxes, 1.43 mills for Agriculture and 9.68 mills for Abbey. The RM's collect the taxes on behalf of the government.

Abbey has asked the RM's of Lacadena, Snipe Lake, Miry Creek, Riverside and Clinworth and The Minister of Government Relations to make the necessary changes to have Shallow Gas taxed in parity with Agriculture.

To date we have been unsuccessful for the most part in getting the RM's to agree to a reduction in property taxes. Accordingly cash that could be distributed to Surface lease owners is taken up by the RM's. This all or nothing attitude is not in anyone's interest.

Abbey is willing to pay its fair share of taxes the same as the Agriculture community. Discretionary taxation on a perceived ability of the rate Payor (in this case Abbey) to pay is not working.

If you have any questions or concerns about the presentation, please contact the undersigned.

Abbey Resources Corp.



Jim Gettis, P Eng
President
Cell 403-650-7511



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Calgary, AB, T2P-3E6
Office: 403-288-4642
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**Abbey submits an application to each RM to use existing
Agricultural mill rates when calculating 2020 Property and
Education tax levies for Abbey's
Shallow Gas Assets.**

Contents:

Executive Summary:

Analysis based on Abbey's Shallow Gas operations:

- a) Summary of Fair Taxation principles.
- b) General Background Information.
- c) Current Provincial Municipal and Education tax situation.
- d) Comparison of Municipal Property Tax Levies.
- e) Comparison of Education Tax Levies.
- f) Comparison of RM's Taxation levies.

Recommendations:

Shallow Gas to pay taxes the same as Agriculture.

Conclusions:

Shallow Gas and Agriculture have similar asset profiles.
Parity with Agriculture allows Abbey to pay taxes annually.
Arrears are the result of Abbey's inability to pay existing levies.

Prepared By:
Abbey Resources Corp.

Jim Gettis, P Eng
President,
Cell 403-650-7511

**Executive Summary****RM's to use the same Mill Rates for Shallow Gas as currently being used for Agriculture in each RM.**

Shallow Gas is unable to pay existing Resource RM tax levies and Education tax levies due to the large number of wells inherent with a Shallow Gas project and the small production volumes per well (\$10/day/well). The commodity value of Dry Shallow Gas based on heat is significantly less when compared to oil, for example, if oil is \$60/bbl, Gas would have to be \$10/gj to be commodity value equivalent. Gas is in fact \$1.50/gj and not able to pay the same fixed costs as oil. If oil is \$30/bbl, an equivalent amount of Shallow Gas would be \$5/gj, which is still significantly less than the \$1.50/gj mentioned above.

Issues for the RM's to consider when calculating RM levies:

1. Shallow Gas to be placed in its own special needs "Resource Category" for RM and Education Tax Levies.
2. Horizontal equity principles to be applied across the sectors (Agriculture, Residential, Commercial and Resource). Assessments to be taxed the same (common mill rate) not on the vertical equity principle of perceived ability to pay using tax tools. The existing practice has no input from the rate payor and their ability to pay. If tax tools are applied they must be applied equally to all sectors.
3. These tax principles are discussed in relation to Abbey and the Shallow Gas assets operated in the various RM jurisdictions, under the heading "Fair Taxation."
4. RM's with local autonomy cooperate to tax Abbey's Shallow Gas assets equitably based on the SAMA assessed values calculated from the Manual. This provides incentive to operate all wells and facilities in each RM.

Issues for SAMA to consider when assessed values are calculated:

5. If wells are not producing no property tax is payable as the wells do not produce any revenue. If wells are shut in for 30 days or more, the tax should be prorated accordingly for that year based on producing days, instead of the present 30 day per year method.
6. The steel lines operated by Abbey are obsolete, Abbey repairs 70 pipelines or more each year. The assessed values for these steel pipelines should be reduced by 75% as provided for in the SAMA 2015 Manual under obsolescence.
7. Depreciation to be applied for all tangible assets in the Shallow Gas space, using 10% declining balance to a minimum value of 25% of the original SAMA Assessed value.

Issues for the Department of Education:

8. Presently, the Education tax mill rates assigned by the provincial government are as follows: Agriculture 1.43 mills, Commercial 6.27 mills and Resource 9.68 mills. Shallow gas to be equitable with Agriculture would be taxed using 1.43 mills.

**The principles of fair taxation are:****1. Equity and Fairness:**

- a. Vertical equity is where taxes increase with the amount of earned income. The opposite is also true, taxes should decrease when earned income decreases. This works for personal income taxes. In effect a variable tax.
- b. Horizontal equity states that entities with similar income and assets should pay the same amount of tax. This principle to be applied to entities that are price takers such as Agriculture and Resources.

2. User Pay principle:

- a. The majority of the RM expense is for road maintenance. Road repairs are directly proportional to semi tractors and trailers hauling grain or livestock for Agriculture and hauling water in the case of Shallow Gas.
- b. Abbey has one Semi Vac Truck and a Coiled Tubing Unit, whereas the Farmers have many more Heavy duty Semi B Trains loaded with grain, yet Shallow Gas pays an average of 56% of the RM levies for two trucks.

3. Economic Efficiency:

- a. There are nearly 300 RM's in Sask. The administrative burden is significant compared to having 50 RM's and an economies of scale that could use equipment and people to deliver services for the community with a lower administrative cost.

4. Transparency:

- a. The property tax method of calculating property tax levies is reasonably transparent, however the amounts individual companies and their ability to pay is not.

5. Accountability:

- a. An assessment dollar to be taxed the same notwithstanding which sector is being assessed. Horizontal equity principles being applied.

6. Stability:

- a. When the economic conditions change, such as the price of natural gas, the property taxation calculation must change to keep the sector viable. This is not the case in the RM's Abbey operates.

7. Simplicity:

- a. SAMA's manual for calculating assessments is not simple, it requires expertise to discern how it applies to Abbey Asset's. Updating operational changes at Abbey with SAMA is not expeditious or simple.
- b. RM tax levies are complicated by tax tools such as Mill Rate Factors and Minimum Tax calculations.



Background Information:

Abbey operates a 2,363 well Shallow Gas property in 6 different RM's in the vicinity of Swift Current, Saskatchewan.

The RM's are: RM 168 Riverside, RM 228 Lacadena, RM 229 Miry Creek, RM 230 Clinworth, RM 259 Snipe Lake and RM 261 Chesterfield. Abbey's allocation of RM tax levies vary significantly between RM's when compared to SAMA assessments for similar equipment.

Outstanding 2019 RM Tax								
RM	RM Tax Levy	School Levy	Total 2019	Abbey Budget	Tax Year	SAMA Assessment	Number of Wells	Average Tax per well
Riverside # 168	\$31,521	\$39,118	\$70,639	\$51,322	2019	\$4,041,100	101	\$699
Lacadena #228	\$593,073	\$353,289	\$946,362	\$463,513	2019	\$36,496,800	913	\$1,037
Miry Creek #229	\$288,890	\$399,493	\$688,383	\$524,132	2019	\$41,269,950	1032	\$667
Snipe Lake #259	\$270,246	\$94,576	\$364,822	\$124,083	2019	\$9,770,200	244	\$1,495
Clinworth #230	\$29,094	\$28,163	\$57,257	\$36,950	2019	\$2,909,400	73	\$784
Total	\$1,212,824	\$914,639	\$2,127,463	\$1,200,000		\$94,487,450	2,363	\$900

Current Provincial Municipal and Education Tax Situation

Education mill rates are set by the provincial government with the Resource sector mill rate being 9.68 compared to 1.43 mills for the Agricultural sector. The Agricultural sector benefits disproportionately when compared to the Resource Sector's participation in the Education system.

Municipal

- Levies about \$ 1.4 billion in municipal taxes
- Prefers local autonomy
- Municipal tax policy decisions contained within single jurisdiction
- Ability to use tax tools for property tax distribution

Education

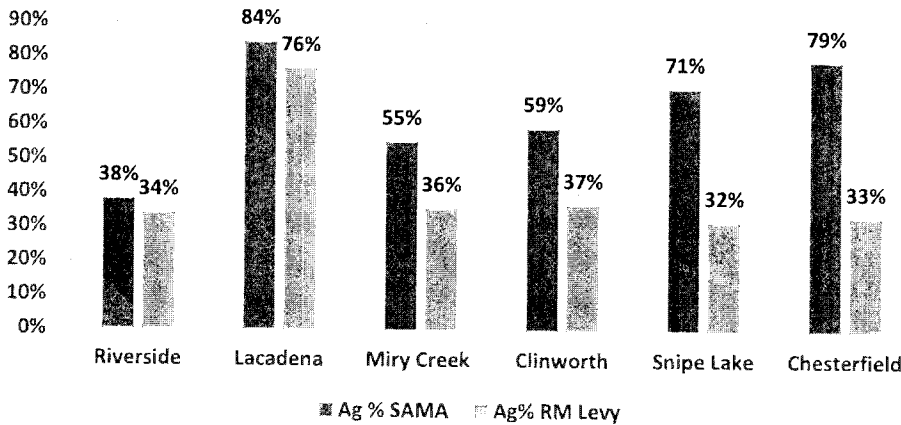
- \$ 750 million levied through education property tax
- Plus \$ 1.1 billion from the provincial General Revenue Fund (GRF)
- Mill rates set by the province
 - Agricultural – 1.43 mills
 - Residential – 4.12 mills
 - Commercial – 6.27 mills
 - Resource – 9.68 mills



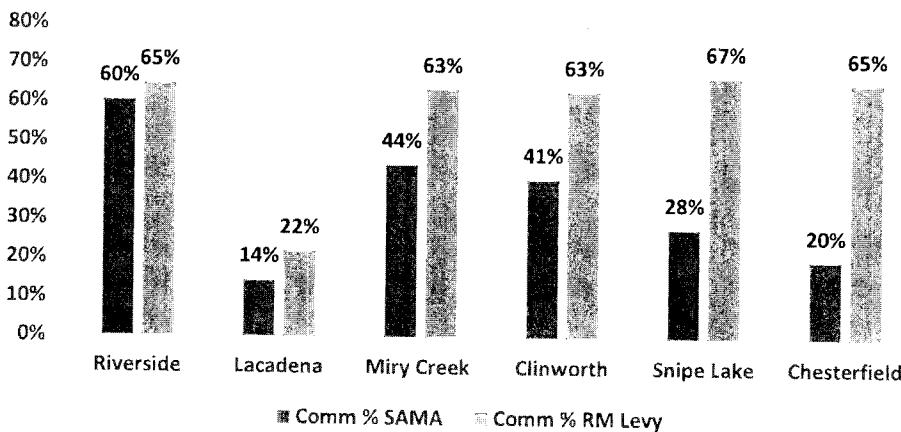
Comparison of Municipal Property Tax Levies

An analysis of the assessments calculated by SAMA for each RM are compared to the RM tax levied to the Commercial sector compared to the Agricultural sector. On average Agriculture has 64% of the SAMA value and pays 43% of the RM Levy, Commercial has 35% of the SAMA value and pays 56% of the RM levy. Results vary significantly between RM's as shown in the charts below.

% SAMA vrs AG %RM Levy



% SAMA vrs Commercial % RM Levy



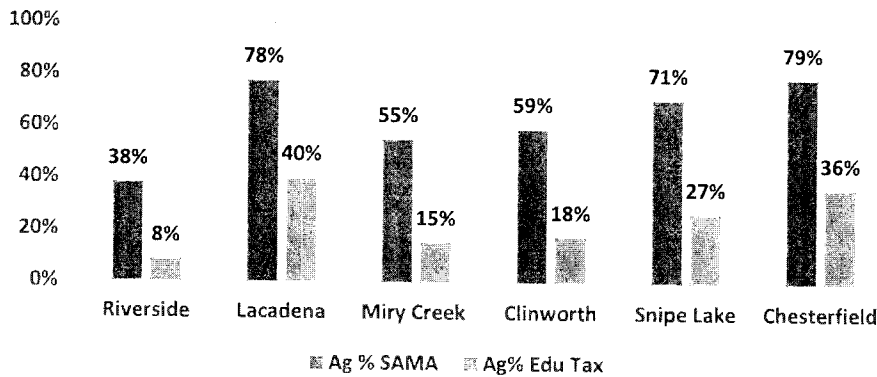
2018 Rural Municipality	2016 Census	Agriculture	A% Value	Residential	R% Value	Commercial and Industrial (less Potash & Regional Park)	C % value	Total Municipal Assessment	Agriculture	A% value	Residential	R %	Commercial and Industrial (less Potash & Regional Park)	C% Value	Total Municipal Tax Levy
Riverside	477	152,843,280	38%	6,043,558	2%	243,231,875	60%	402,118,713	993,481	34%	39,283	1%	1,897,209	65%	2,929,973
Lacadena	535	258,293,866	84%	4,281,125	1%	44,518,363	14%	307,093,354	2,518,365	76%	60,630	2%	723,423	22%	3,302,419
Miry Creek	370	143,360,875	55%	2,079,585	1%	114,993,450	44%	260,433,910	452,316	36%	11,978	1%	805,904	63%	1,270,198
Clinworth	154	130,362,630	59%	695,280	0%	89,314,425	41%	220,372,335	521,451	37%	4,172	0%	893,144	63%	1,418,766
Snipe Lake	396	300,024,222	71%	4,967,900	1%	118,633,726	28%	423,625,848	1,440,116	32%	65,576	1%	3,012,356	67%	4,518,048
Chesterfield	481	216,781,801	79%	3,931,490	1%	54,844,406	20%	275,557,697	758,736	33%	36,225	2%	1,483,433	65%	2,278,394
Totals		1,201,666,674	64%	21,998,938	1%	665,536,245	35%	1,889,201,857	6,684,466	43%	217,864	1%	8,815,469	56%	15,717,798



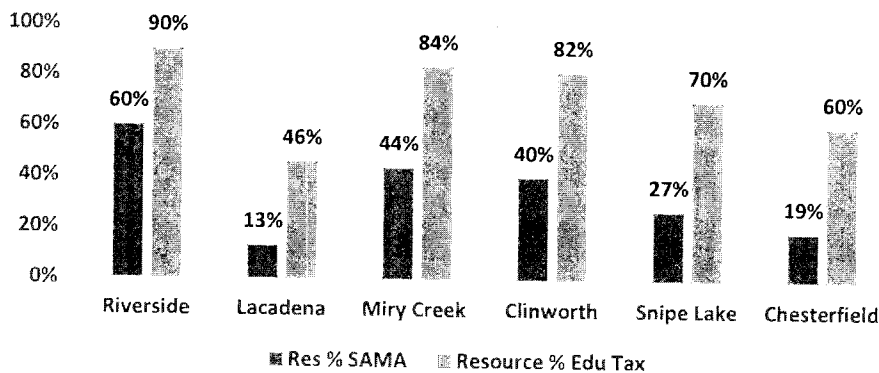
Comparison of Education Property Tax Levies

An analysis of the assessments calculated by SAMA for each RM are compared to the Education tax levied to the Resource sector compared to the Agricultural sector. On average Agriculture has 64% of the SAMA value and pays 21% of the Education tax Levy, Resources has 34% of the SAMA value and pays 76% of the education tax levy. Results vary significantly between RM's as shown in the charts below

%SAMA vrs AG% Edu Tax



%SAMA vrs Resource % Edu Tax



2018 Rural Municipality	C% Value	Resource	Res% Value	Total School Taxable Assessment			A% Tax	Residential	R% Tax	Residential Condo	Multi-Unit Residential	Commercial and Industrial	C% Tax	Resource	R% Tax	Total School Levy
				Agriculture												
Riverside	0%	241,859,075	60%	402,118,713	218,568	8%	24,899	1%	-	-	-	8,607	0%	2,341,196	90%	2,593,269
Lacadena	0%	43,837,775	13%	332,951,419	369,377	40%	123,196	13%	-	-	-	5,683	1%	424,350	46%	922,605
Miry Creek	0%	114,525,350	44%	260,433,910	205,006	15%	8,568	1%	-	-	-	2,935	0%	1,108,605	84%	1,325,114
Clinworth	0%	88,719,525	40%	220,372,335	186,419	18%	2,865	0%	-	-	-	3,730	0%	858,805	82%	1,051,818
Snipe Lake	1%	118,085,700	27%	425,412,088	429,035	27%	27,827	2%	-	-	-	15,976	1%	1,123,710	70%	1,596,547
Chesterfield	1%	53,087,375	19%	275,557,697	309,998	36%	16,198	2%	-	-	-	11,017	1%	513,886	60%	851,098
Totals	0%	658,114,800	34%	1,916,846,162	1,718,400	21%	203,553	2%				47,948	1%	6,370,551	76%	8,340,452



Comparison of RM levies

On average inactive wells pays 10% of the tax and pipelines pay 40% of the RM Tax Levy

	Inactive Wells		Active Wells		Facilities		Pipelines		Total	
	Assessment	2020 Tax*	Assessment	2020 Tax*	Assessment	2020 Tax*	Assessment	2020 Tax*	Assessment	2020 Tax*
Clinworth	157,300	1,600	953,000	9,500	628,200	6,300	2,217,000	22,200	3,955,500	39,600
Lacadena	1,791,000	29,100	8,395,000	136,500	7,938,600	129,000	15,459,000	251,200	33,583,600	545,800
Miry Creek	1,238,000	8,700	11,803,000	83,000	10,469,375	73,300	16,567,000	116,000	40,077,375	281,000
Riverside	151,100	1,100	1,298,000	9,350	86,325	600	2,765,000	20,000	4,300,425	31,050
Snipe Lake	471,960	81,000	2,644,000	63,450	2,916,100	70,000	3,802,771	55,300	9,834,831	269,750
Total	3,809,360	121,500	25,093,000	301,800	22,038,600	279,200	40,810,771	464,700	91,751,731	1,167,200
% of Assessment	4%		27%		24%		44%		100%	
% of RM Tax		10%		26%		24%		40%		100%

Recommendations:

1. Inactive wells should pay no tax as they generate no revenue.
2. Pipelines are fully depreciated. The provisions of obsolescence in Section 1 of SAMA’s 2015 manual are to be applied. Abbey repairs 70 lines per year. Since March 2017, Abbey has repaired 200 steel lines.
3. Implementing steps one and two above would reduce Abbey’s RM tax burden by 50%. Abbey has the ability to pay these RM levies and still meet its other operational obligations. This is another option to establish parity with Agriculture.
4. RM’s to use the same Mill Rates for Shallow Gas as currently being used for Agriculture in each RM.

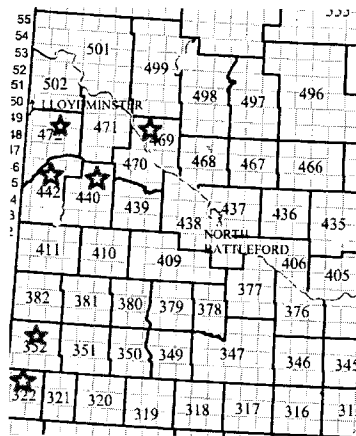
Conclusions:

1. Agricultural and the Resource Sector assessed values are not taxed equitably.
2. Resource is subsidizing the Agriculture and Residential sectors.
3. Resource is a commodity price taker the same as the agricultural industry. Taxation should be equitable based on assessed values for each sector.
4. Resource sector to be placed in a separate class for RM levies. Resource sector is already in a separate class for Education tax levies. Consistency would be preferable to deal with the argument that what is done to benefit Resource must be done for the Commercial sector. The Commercial sector assessed value in Abbey’s Shallow Gas space is very small compared to the Resource sector.
5. Resource needs to be further sub divided into Oil and a Shallow Gas category. The same as Agriculture has (Range land) and (Cultivated land) categories. Shallow Gas would be in the Residue Gas category and can now be decoupled from oil for property tax and education levies. This deals with the argument about adjusting taxes for Abbey while others struggle. Parity with Agriculture allows Abbey to pay its fair share of annual tax.

Tax Year 2020

As a result of the efforts of industry lobbying, provincial and municipal governments, a group of NW SK municipalities (RM) have shared strategies and implemented tax mitigation opportunities for oil and gas producers in the NW area.

Information is arriving daily through tax notice mailings, with a variety of strategies being implemented. The map below indicates those RM that have confirmed participation in the relief effort through published tax mitigation. Details of each RM offering is found in the table that follows.



RM#	RM Name	2020 Mitigation #1	2020 Mitigation #2	Comments
440	Hillsdale	Reduced Base Tax from \$2,000 to \$1,350	Reduced commercial MRF from 9.0 (Maximum allowed) to 7.5	Effective Mill Rate Remains very high MRF and Base tax
442	Manitou Lake	Abated municipal tax for resource properties totalling \$1.1M, 32% of the 2019 total commercial tax revenue (all commercial property classes)	Total achieved through abated Base Tax (\$500/roll) and percentage credit calculated by RM.	Formula used for calculated credit was not shared but reduced producing properties to a rate similar to a non-producing property in 2019
472	Wilton	Tax credited on temporarily shut-in wells to align with tax paid if well was assessed at minimum value		Shut in wells were self reported in June 2020 in response to request from RM
352	Heart's Hill	38% MRF reduction		Tax notice not yet mailed, uniform mill rate not yet confirmed, though rumored to be unchanged resulting in 38% tax reduction
322	Antelope Park	10% early payment discount, instead of 5%		
469	Meota	Reduced commercial MRF from 7.68 to 7.0071	\$1500 Base Tax Abatement for non-producing wells, resulting in Base Tax of \$500 for these wells PLUS the factored mill rate tax	INCREASED Base Tax from \$1000 to \$2000, consider non-prod well abatement, also INCREASED the protective services levy 195%, from \$105/roll to \$310/roll