IN THE PROVINCIAL COURT OF ALBERTA

CRIMINAL DIVISION

BETWEEN:

HER MAJESTY THE QUEEN

- and –

STATOIL CANADA LTD.

STATEMENT OF AGREED FACTS

CHARGE

Statoil Canada Ltd. stands charged that:

> On or between the 15th day of December 2008 and the 29th day of May, 2009 both dates inclusive, at or near Conklin, in the Province of Alberta, did contravene the terms or conditions of a licence; to wit Licence No. 00252194-00-00, as amended and did thereby commit an offence contrary to section 142(1)(e) of the *Water Act*.

STATOIL CANADA LTD.

Statoil Canada Ltd. ("Statoil") is an Alberta corporation. It is a wholly owned subsidiary of Statoil ASA, a large international oil and gas company. In June of 2007, Statoil entered the Canadian oil sands industry with the purchase of North American Oil Sands Corporation ("NAOSC"), and subsequently obtained a licence for an oil sands project to produce 80,000 barrels of oil per day (the Kai Kos Dehseh project).

KAI KOS DEHSEH PROJECT

The objective of the Kai Kos Dehseh project is to operate and continue to develop a steam assisted gravity drainage ("SAGD") bitumen recovery operation near Conklin, Alberta.

Statoil's drilling activities in the Conklin area consist of exploratory drilling as part of Oil Sands Exploration Programs (OSE drilling) as well as horizontal drilling on specific surface dispositions to develop the resource (SAGD drilling).

All of these drilling activities require water. In winter, water is used first to "freeze down" access to the drilling locations and later to freeze down the actual drilling pads. Water is also needed for the drilling activity itself (i.e. for drilling mud, boiler water, washing etc).

The Kai Kos Dehseh project was the subject of an Environmental Impact Assessment ("EIA"). In a document sent to the regulator in July of 2008 as part of the EIA process, Statoil stated that:

> "Water sources for drilling, construction and dust control will be sourced from the larger streams or lakes in the area. The concept for selection of streams or lakes for water withdrawal will be to utilize larger streams or lakes, where possible, so that the impact of water withdrawal is minimized."

ARCTIC GRAYLING

Arctic Grayling is a fish species native to Alberta. It has been identified as a species which may be sensitive with limited populations in the Conklin area. Grayling overwinter in pools of intermittent and flowing streams, beaver ponds and spring or groundwater fed areas of streams. Removal of excessive water volumes in winter from streams with overwintering grayling may result in harm to the fish. When reviewing applications for water diversion licences, the regulator takes into account the potential impact of the proposed diversion and may reject diversion sources or adjust diversion volumes to ensure protection of fish populations.

DIVERSION LICENCE CONTRAVENTIONS

Underestimating Diverted Volume

Statoil was issued a Temporary Diversion Licence (TDL 00252194-00-00) by AENV on December 11, 2008 authorizing water diversion. This licence listed an unnamed lake at SE 36-80-09-W4 ("Argo Lake") as an approved location for the diversion of up to 10,000 m^3 of water.

A term of this diversion licence required Statoil to provide AENV with a Water Use Report within 30 days after the licence expiry. This report was to include an estimate of the total volume of water diverted from Argo Lake. Statoil's Water Use Report was sent to AENV on May 29, 2009. In this report, Statoil stated that the volume of water diverted from Argo Lake was 9,800 m^3. This reported diversion volume included estimates of water diverted for construction purposes (i.e. freezing down roads); it did not include water diverted for drilling.

Investigators obtained estimates of Statoil's water diversion volumes for Argo Lake. The total water diversion volume from Argo Lake is estimated to be 13,675 m^3.

Diversions of Water from Waterhole 1 and Waterhole 2

Statoil held a surface disposition known as "Pad 2" as part of the Kai Kos Dehseh Project. Water was diverted to support SAGD drilling on Pad 2 from two sources:

- "Waterhole 1", a wetland area in the southwest corner of a different surface disposition located at NE 21-78-10-W4; and
- "Waterhole 2", an unnamed stream located at NW 27-78-10-W4.

Between September 27, 2008 and December 21, 2008, water was diverted from Waterhole 1 for use at Pad 2. Water was also diverted from Waterhole 2 for use at Pad 2. It was a term of the Temporary Diversion Licence (TDL 00252194-00-00) that water could only be diverted from points of diversion specified therein, which did not include Waterhole 1 or Waterhole 2. Statoil did not hold a licence authorizing water diversions from either of those sources, nor were the diversions otherwise authorized.

A consultant acting on behalf of Statoil had included Waterhole 2 as a source for diversion in his November 26, 2008 application for a temporary diversion licence. On December 8, 2008 however, AENV advised the consultant that Waterhole 2 had been rejected as a source for diversion. Diversions from Waterhole 2 by Statoil continued until February 18, 2009.

Intake Screen Size

It was also a term of the Temporary Diversion Licence that any water entering a pump must first pass through a screen on the pump intake with openings no larger than 2.54 mm. The purpose of this requirement was to protect fish and other aquatic life. Investigators seized an intake screen with 8 mm openings from a water hauler working for Statoil. He told investigators that the use of 8mm screens was "standard". Other water haulers also confirmed using 8 mm screens.

Monitoring Water Diversion

The terms of the Temporary Diversion Licence required Statoil to estimate water diversion on a daily basis. The licence terms also required Statoil to measure, record, and retain records of the water level in a particular lake before commencing any diversions from that source and then daily during diversions. Statoil was required to stop diversions if the lake level went down by more than 5 cm.

In the Water Use Report, Statoil admitted that it did not estimate daily water diversion nor did it measure, by use of a staff gauge, or record the water level in the particular lake.

AGREED TO THIS _____ DAY OF _____, 2011.

BENNETT JONES LLP

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Grant N. Stapon, Q.C. Counsel for the Defendant Statoil Canada Ltd.	Agent for the Attorney General