

March 3, 2025

**DELIVERED VIA E-MAIL (CLUDA@BROWNLEE.LAW.COM)**

Our Matter: [00832-Poker Chip Exploration Ltd.]

Flagstaff County Council  
c/o Brownlee LLP  
2200 - 10155 – 102 Street  
Edmonton, Alberta T5J 4G8  
Attention: Corey Luda

**RE: Request for Relief from Penalties and Interest**

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We have recently been retained by Poker Chip Exploration Ltd. ("**Poker Chip**") to seek relief from penalties and interest imposed by the County of Flagstaff (the "**County**") on property tax arrears attributed to several oil wells that were acquired by Poker Chip pursuant to a farm-in agreement with the prior owner, PISMO Energy Ltd. ("**PISMO**").

The roll numbers for the subject properties are: 804150, 809600, 811020, 811590, 811860, 811930 (collectively the "**Subject Properties**").

At the time that Poker Chip entered into the farm-in agreement with PISMO in 2022, Poker Chip was unaware that PISMO had failed or neglected to satisfy property tax assessments on the Subject Properties. Poker Chip has made considerable investments of both time and money in the Subject Properties to put the stripper wells back into production after many years of neglect.

Poker Chip and PISMO submitted applications to the Alberta Energy Regulator ("**AER**") to effect the transfer of the licenses associated with the Subject Properties late in 2024. On February 24, 2025, the AER conditionally approved the applications for transfer. The conditional approval by the AER of the transfer of licenses is indicative of the AER's confidence in Poker Chip's ability to operate the wells on the Subject Properties in accordance with applicable laws and good industry practices.

In early 2025, Poker Chip, the County, and the County of Paintearth entered into an agreement concerning the property taxes owing by PISMO on the assets to be transferred, pursuant to which, upon the transfer of the subject properties, Poker Chip accepts liability for the tax arrears properly attributable to the subject properties, and which permitted Poker Chip to submit a request for a reduction in the taxes or penalties, and for a deferral of the payment of the tax debt (the "**Agreement**").

In situations that a council considers it equitable to do so, a council is permitted under Section 347(1) of the *Municipal Government Act*, RSA 2000 c. M-26 [MGA] to cancel or reduce tax arrears and to defer the collection of a tax.

Presently, we understand that the total tax debt owing to the County in relation to the assets being transferred from PISMO totals \$152,173.47, and which amount is subject to adjustment in accordance with the Agreement. The principal amount of the tax levy for the Subject Properties for years 2017-2024 totals \$47,160.25.

At the time that Poker Chip entered into the farm-in agreement with PISMO, Poker Chip did not have reason to believe that PISMO was not paying its property taxes in a timely manner. It would not have been commercially feasible for Poker Chip enter into the farm-in agreement or to acquire the Subject Properties if Poker Chip would become liable for the full amount of PISMO's property tax debt.

Poker Chip has a history of responsibly operating oil and gas sites in Alberta, and Poker Chip is committed to maintaining positive relations with all of its stakeholders. Had Poker Chip owned the Subject Properties at the times that property taxes were levied, Poker Chip would have promptly satisfied the amounts owing. Poker Chip intends to continue to make payment of property taxes in a timely manner.

Poker Chip respectfully submits that it would be inequitable to require it to pay the full amount of the current tax debt attributable to the Subject Properties. This inequity arises from the fact that Poker Chip was not liable for property taxes on the Subject Properties at the time taxes and penalties were levied. Poker Chip should not be held liable for the sins of the predecessor owner of the Subject Properties, particularly if Poker Chip is prepared to promptly satisfy the principal amount of the tax debt. Conversely, by accepting the following proposal, the County would recover the principal amount of tax levies that have been in arrears for 7 years. Further, as a responsible producer, the County can expect that future property tax levies will be satisfied in a timely fashion.

Poker Chip is prepared to pay the principal amount of tax levies owing to the County in relation to the Subject Properties (being \$47,160.25, subject to adjustment pursuant to the Agreement) within 30 days of the County's Council's agreement to waive property tax penalties applied to the Subject Properties. For clarity, Poker Chip does not seek the immediate cancellation of the property tax penalties; rather, Poker Chip seeks the cancellation of the property tax penalties *conditional upon* Poker Chip paying the principal amount of tax levies attributable to the Subject Properties within 30 days of the County's decision in this matter.

The foregoing offer is open for consideration at the County's next County Council meeting, which we understand is scheduled for March 12, 2025. This offer will expire without further notice if acceptance is not communicated in writing by the County to Poker Chip (or its counsel) before March 14, 2025 at 5:00 PM.

If you have any questions or wish to discuss this matter in further detail, please feel free to contact the undersigned writer via e-mail at [andrew@peaklc.ca](mailto:andrew@peaklc.ca) or Vincent Murphy, who is the President of Poker Chip, via telephone at 403-969-6828.

Sincerely,

**PEAK Legal Counsel**



Andrew McLeod,  
Lawyer

