



Sanjel Energy Services Inc.

PRIMARY SERVICE LINE Variable Pay Program

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Variable Compensation for Field Operations Personnel - PRIMARY

Field employees' total compensation includes a variable pay component for work performed under normal operating circumstances. The **Variable Pay Plan** is based on criteria related to the cementing job completed and takes into consideration the following:

- Hours of Service
- Service Ticket (revenue) amount
- Job quality and execution compliance
- Health, Safety & Environment incidents and performance
- Number of customer jobs completed (Job Count)

Variable Pay Plan Eligibility

Participation in the Variable Pay Plan is for field operations personnel only. Managers and Assistant Managers are not eligible for this program.

Variable Pay is paid in addition to salary to compensate eligible field professionals for work performed under normal operating circumstances. Final ticket revenue approval, hours of service, position performed, job quality, crew performance, and employee's individual job count are used to determine the amount paid (Exceptions - refer to Code 9000).

Variable Pay Paid for Jobs Performed out of Position:

For situations where employees are working in a position that is different from their position held, variable pay is based on the **position performed** on the job and not the position held.

Standby Rates:

Standby rates are paid when time on location exceeds 8 hours per shift; the amounts are outlined below.

*There are exceptions, such as when an employee is assigned to project work or shift work, standby rates may not apply. Exceptions will be communicated in advance of any work started.

| | Standby Rate Per Hour (> 8 Hrs. on location) |
|------------|---|
| Supervisor | \$16 |
| Operator | \$15 |
| Support | \$14 |

Code 9000:

When there is a significant issue on location due to human error, operational or mechanical failure, deemed by Sanjel Energy Services Inc. or the Client, tickets will be coded 9000.

In the event of a code 9000, **no variable pay** will be paid, but employees will receive a Standby rate for all hours worked while on location. This applies to all Variable Pay eligible employees on location. A review will occur and once the invoice amount is determined, and any variable pay owing, based on this revised invoice amount, will be paid. **Any exceptions to this will require approval of the Vice President - Operations.**

Job Not Performed (Incomplete Service):

When Sanjel Energy Services Inc. is unable to perform a job due to circumstances beyond its control, the applicable Variable Pay amount will be awarded.



VARIABLE PAY PLAN

BASE VARIABLE PAY– PRIMARY

When the employee completes a job for a client, and has met all criteria associated with the type of job, including length of time for the job, area the job is completed (east or west of the 5th meridian), meeting all quality and performance criteria, and compliance with Hours of Service, the position performed will be eligible for the amount of pay based on the chart below;

The Supervisor responsible for the cementing job will complete the Employee Variable Pay Summary sheet and submit it, along with the completed service ticket package, to the appropriate manager. Jobs must be reported within the reporting period in which they occur. Dates on the Variable Pay form must correspond with the “on-location” dates as reported on the service ticket. Variable Pay is paid 3 weeks in arrears (based on payroll cut-offs dates) from when the service ticket is completed.

VARIABLE PAY PROGRAM SCHEDULE - PRIMARY

| Variable Pay - WEST of the 5 th Meridian | | | |
|---|--|---|---|
| Position | WEST of the 5th Meridian \$0 to \$10,000 | WEST of the 5th Meridian \$10,000 to \$20,000 | Over \$20,000 |
| Supervisor 4 | \$320 | \$370 | \$370 plus 0.465% of revenue over \$20K |
| Supervisor 3 | \$300 | \$350 | \$350 plus 0.415% of revenue over \$20K |
| Supervisor 2 | \$280 | \$330 | \$330 plus 0.365% of revenue over \$20K |
| Supervisor 1 | \$260 | \$290 | \$290 plus 0.315% of revenue over \$20K |
| Operator 3 | \$250 | \$280 | \$280 plus 0.290% of revenue over \$20K |
| Operator 2 | \$230 | \$270 | \$270 plus 0.265% of revenue over \$20K |
| Operator 1 | \$220 | \$240 | \$240 plus 0.240% of revenue over \$20K |
| Support | \$210 | \$225 | \$225 plus 0.215% of revenue over \$20K |

| Variable Pay - EAST of the 5 th Meridian | | | |
|---|--|---|---|
| Position | EAST of the 5th Meridian \$0 to \$10,000 | EAST of the 5th Meridian \$10,000 to \$20,000 | Over \$20,000 |
| Supervisor 4 | \$285 | \$335 | \$335 plus 0.365% of revenue over \$20K |
| Supervisor 3 | \$265 | \$315 | \$315 plus 0.315% of revenue over \$20K |
| Supervisor 2 | \$245 | \$295 | \$295 plus 0.265% of revenue over \$20K |
| Supervisor 1 | \$225 | \$255 | \$255 plus 0.215% of revenue over \$20K |
| Operator 3 | \$215 | \$245 | \$245 plus 0.190% of revenue over \$20K |
| Operator 2 | \$195 | \$235 | \$235 plus 0.165% of revenue over \$20K |
| Operator 1 | \$185 | \$205 | \$205 plus 0.140% of revenue over \$20K |
| Support | \$175 | \$190 | \$190 plus 0.115% of revenue over \$20K |



Variable Pay Examples:

1. The employee is the Supervisor on a Primary job and the employee's position title is **Supervisor 3**.
 - Service Point of Client Job = Fort St. John (**WEST** of the 5th Meridian)
 - The revenue if the completed job was under **\$10,000**
 - All criteria was met for Variable Pay to be earned
 - The employee will be paid **\$300.00**
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2. The employee is the Supervisor on a Primary job and the employee's position title is **Supervisor 3**.
 - Service Point of Client Job = Fort St. John (**WEST** of the 5th Meridian)
 - The revenue if the completed job was **\$32,890**
 - All criteria was met for Variable Pay to be earned
 - The employee will be paid as per the calculation below:

$$\text{Amount} = \$350 + (0.00415 \times (32,890 - 20,000)) \rightarrow = \$350 + (0.00415 \times 12,890) \rightarrow = \$403.49$$

3. The employee is the Supervisor on a Primary job and the employee's position title is **Supervisor 3**.
 - Service Point of Client Job = Lac La Biche (**EAST** of the 5th Meridian)
 - The revenue if the completed job was **\$32,890**
 - All criteria was met for Variable Pay to be earned
 - The employee will be paid as per the calculation below:

$$\text{Amount} = \$315 + (0.00315 \times (32,890 - 20,000)) \rightarrow = \$315 + (0.00315 \times 12,890) \rightarrow = \$355.60$$

****Client Charged Day Rate for Non-Operating Unit:**

When a client requires a Sanjel Energy Unit on location, and is paying a day rate for the unit to stay, but the unit is not pumping on that day, the crew will earn the level 1 based on position to be performed, specific to the job pending on location, Variable Pay amount for that day.

Example of when a Unit is on location but not pumping a job.

The Sanjel Unit is required to remain on location and the client is paying a day rate for the equipment to remain on location (i.e. pad work or project work). A single crew is required to remain on location. The crew will earn the base Variable Pay.

- *If the location is **East of the 5th Meridian**, a Supervisor 3 will earn \$265, an Operator 3 will earn \$215 and if Support is required, the Support employee will earn \$175.*

Single Well:

Variable Pay will be paid on jobs that have met all of the required criteria. The amount earned is classed by the location of the job, either West or East of the 5th Meridian, and any associated standby-hours, after 8-hours in a shift and in accordance with the Sanjel Energy Services Inc. Variably Pay Plan.

Example for Single Well. *All criteria for Variable Pay eligibility has been met.

*A single crew completes 3 jobs for different clients in a shift, located East of W5, the revenue is \$5,000 for 1, \$10,000 for another and \$11,000 for the last job. The crew will receive variable pay based on the revenue generated for each job, based on the revenue they would receive, 1 - category 1 amount, and 2 - category 2 amounts as per the "**East of the 5th Meridian**" Variable Pay Plan Schedule.*



Multiple Well Project in a day – for a single client (24 hours):

Variable Pay will be paid by summing up all of the revenue for the wells completed on 1 particular day, the revenue will be totaled and the variable pay amount will be based on this total. This is not limited to project work and must be approved by the Manager – Operations.

Example for Multi-Well (abandonment or conductor barrel). *All criteria for Variable Pay eligibility has been met.

Crew A, working West of W5 completes 5 consecutive jobs for client X successfully on Tuesday and the sum of the revenue from the 5 wells is \$65,000. The variable pay amount will be based on \$65,000, plus any associated standby after 8 hours per shift, as per “West of the 5th Meridian” Variable Pay Plan Schedule.

MONTHLY JOB COUNT INCENTIVE

The Monthly Job Count Incentive is paid on the **second pay period** of the following month.

When the employee completes a specific number of jobs (either Primary or Remedial) within a month, the employee is eligible for an additional amount of pay. Monthly Job Count does not include Client Charged Day Rate for Non-Operating Unit (**see above).

| Monthly Job Count Incentive | |
|-----------------------------|-------------|
| Job Count | Amount Paid |
| 0 to 10 | \$0 |
| 11 to 15 | \$100 |
| over 15 | \$150 |

Example:

The employee completed 21 jobs in the month of January. The chart below shows what the employee would earn per job after completion of the first 15 jobs:

| Job Date | Amount Earned | Job Date | Amount Earned |
|-----------|---------------|--------------|----------------|
| 1/4/2020 | \$0 | 1/19/2020 | \$0 |
| 1/6/2020 | \$0 | 1/20/2020 | \$100 |
| 1/7/2020 | \$0 | 1/22/2020 | \$100 |
| 1/9/2020 | \$0 | 1/23/2020 | \$100 |
| 1/11/2020 | \$0 | 1/25/2020 | \$100 |
| 1/13/2020 | \$0 | 1/26/2020 | \$100 |
| 1/13/2020 | \$0 | 1/27/2020 | \$150 |
| 1/14/2020 | \$0 | 1/28/2020 | \$150 |
| 1/16/2020 | \$0 | 1/30/2020 | \$150 |
| 1/18/2020 | \$0 | 1/30/2020 | \$150 |
| 1/19/2020 | \$0 | 1/31/2020 | \$150 |
| | | Total | \$1,250 |

OTHER VARIABLE PAY PROGRAMS

A Manager or approved designate must sign and approve all other variable pay amounts based on the final approval of the job ticket.

Crew Efficiency Bonus:

When a 2-Person Crew successfully completes a job, the 2-Person crew will split an Operator 3 Variable Pay Amount where **50%** is paid to the Supervisor and **50%** is paid to the Operator.

District and Operations Management approval is required prior to dispatching a 2-Person Crew.

A 2-Person Crew Bonus **is not permitted** for any job that:

- That has a 3rd party bulker on location with only 2 Sanjel Operations personal
- Would require additional equipment and or chemical for the job that would need transported in an additional unit
- Requires multiple stage completion
- Requires more than 1 source of air for bulk delivery
 - Multiple storage tanks or bulk units
 - Any combination of bulk units to tanks
- Has more than 1 fluid pumped for pre-flush/displacement
 - Any pre-hydrate chemicals needed for pre-flush or displacements, Invert, sweeps
- Would exceed 20m³ displacement volume
- Exceeds 1m³ programmed pump rate
- Ranks higher than 60 points on the complexity matrix
- Requires more than 1 fluid pumper unit on location
- Has an employee that is junior to his/her position (≤ 6 months)
- Does not meet Sanjel Energy's cold weather work standards
- Crew has performed more 2 jobs in a 16hr shift
- Requires any additional iron for rig-up or rig-in
- Has lease conditions that warrant a tow vehicle(s) to support or position equipment onto lease
- Does not meet Client expectations or policies

Extended Travel Bonus:

An \$84.00 extended travel bonus will be paid when it is necessary to travel over **600 km or greater than 7 hours, one way**, to perform a revenue generating service job. This bonus also applies to all crew-members traveling to a job including personnel driving pick-up trucks that are associated with this crew, as these individuals (Supervisor) are expected to assist in the driving duties as required.

Extended travel **will be paid** under the following circumstances:

- Travel from job to job.
- Travel from home district, or visiting district, to complete a job.
- Multi-day travel from home district, or visiting district, to complete a job.

Extended travel **will not be paid** under the following circumstances:

- Personnel who are compensated for travel by a Hot Shot (kilometer paid) bonus.
 - Travel from a job to a home district, or visiting district
 - Transporting equipment to the Calgary Shop, (this would be classed as a Hot Shot Bonus).
 - Relocating crews and equipment from home district or visiting district (this would be classed as a Hot Shot Bonus);
 - To another camp for revenue generating work
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- For project work
- Not specifically to a job
- To a job where equipment is already in place (air or ground).

Transport Bonus:

Transport bonuses are paid for hauling products, chemical and/or equipment to a job location that is planned for inter-district or a laydown area.

There are several components to the transport bonuses and in some cases, only certain parts of the bonus may apply. Transport bonuses **may** include:

- Per kilometer charge, at a minimum of 300km/ per day
and/or
- A flat dollar amount for an Off-load / Spotting

Driver 3 Positions

| | Kilometers | Off-Load / Spotting |
|-----------------|------------------------------|---------------------|
| B-Train | Kilometer = \$0.25/km | \$70.00 |
| Chem Van | Kilometer = \$0.25/km | \$20.00 |

Note:

- Maximum **one** off-load bonus per stop (station, town, or location).
- Should the Operator be required to split loads due to road or other conditions **only one** off-load will be paid.
- If an Operator or Supervisor is performing a job, he/she will only be eligible for the **variable pay amount** and will not be paid for a transport bonus; An Operator/Supervisor **cannot** get a transport bonus and a variable pay amount on the same trip.

Hot Shot Bonus

In the event equipment or product is required to be moved **outside of the employee's 8am to 5pm (8 hour) shift**, and the **employee is not on a related revenue generating ticket**, the employee will be paid per kilometer driven based on the return trip.

| | Kilometers |
|-----------------|------------------------------|
| Hot Shot | Kilometer = \$0.25/km |

Self-Load Bonus

A Self-Load Bonus of **\$40.00** per load is paid to employees for reloading a bulk unit from a mobile bulk unit or laydown bulk tank.

Product Hauls

This bonus is paid for hauling products (cement blends) to locations, bins or storage facilities.

| | Kilometers | Per Haul |
|-------------------|------------------------------|-----------------|
| West of W5 | Kilometer = \$0.10/km | \$150.00 |
| East of W5 | Kilometer = \$0.10/km | \$116.00 |

Note:

- If an Operator or Supervisor is performing a job, he/she will be eligible for **the variable pay amount** as per the Variable Pay Program Schedule and will not be paid for a product haul bonus; An Operator/Supervisor cannot get a product haul and variable pay amount on the same trip.



24 - Hour Operations (with multiple crew)

All criteria for Variable Pay eligibility has been met; Variable Pay will be paid on the total revenue of the well divided by the crew shifts required to perform this service.

Example Lost circulation plugs:

| Crew | Tuesday | Wednesday | Thursday | Friday |
|------|---------|-----------|----------|---------|
| A | | Cement | Cement | Rig Out |
| B | Rig In | Cement | Cement | |

The total revenue on this well, located West of W5th was \$60,000 (revenue)/ six crew shifts. Crews A & B, both receive 3 variable pay amounts based on \$10,000, plus any associated standby after 8 hours per shift.

Scheduled Days Off Worked

Any days off worked must be authorized by the Manager - District Service Line.

*When a field employee **performs a job** on a scheduled day off, the employee will be paid an additional day of pay based on his/her salary. The day will not be banked.

**An employee's day rate is calculated using his/her annual salary divided by 260 days per year → example:*

➤ $\$40,000 / 260 = \153.85 per day.

Field-based Engineering Positions

- A **Field Engineer** will earn an **Operator 3** level variable pay amount, ensuring all criteria has been met.
- An **Operations Engineer** will earn a **Supervisor 3** level variable pay amount, ensuring all criteria has been met.