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**COURT OF QUEEN'S BENCH OF
ALBERTA**

CALGARY

PLAINTIFF

SAFeway HOLDINGS (ALBERTA) LTD.

DEFENDANTS

**PETROCAPITA OIL AND GAS L.P. AND
PETROCAPITA G.P. I LTD.**

DOCUMENT

**FIRST REPORT OF THE COURT APPOINTED
RECEIVER AND MANAGER OF PETROCAPITA
OIL AND GAS L.P. AND PETROCAPITA G.P. I
LTD.**

DATED AUGUST 12, 2019

**PREPARED BY HUDSON & COMPANY
INSOLVENCY TRUSTEES INC.**

**ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT**

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INTRODUCTION AND BACKGROUND

Introduction

1. Pursuant to an Order (the “**Receivership Order**”) granted by the Court of Queen’s Bench of Alberta (the “**Court**”) on June 11, 2019 (the “**Date of Receivership**”), Hudson & Company Insolvency Trustees Inc. (“**Hudson**”) was appointed as receiver and manager (the “**Receiver**”) of Petrocapita Oil and Gas L.P. and Petrocapita G.P. I Ltd. (together, “**Petrocapita Oil and Gas**”). A copy of the Receivership Order is attached as **Appendix A**.
2. The Receivership Order was granted as a result of an application by Safeway Holdings (Alberta) Ltd. (“**Safeway**”), which holds registered security over all of Petrocapita Oil and Gas’s present and after acquired property pursuant to a general security agreement.
3. The Receiver retained Dentons Canada LLP (“**Dentons**”) as its independent legal counsel. Dentons is in the process of reviewing Safeway’s loan and security documentation.

Notice to Reader

4. In preparing this report, the Receiver has relied on unaudited financial statements, Petrocapita Oil and Gas’s books and records and discussions with former management, interested parties and other stakeholders. The Receiver has not performed an independent audit or review of the information provided, or otherwise made any attempt to verify the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the use of this Report, or the reproduction, publication or circulation thereof.

Background

5. Petrocapita Oil and Gas is an oil and gas operating company with a focus on acquisition and development of heavy oil production and midstream assets. Petrocapita Oil and Gas holds licenses for approximately 450 operating and shut-in wells in Eastern Alberta and Western Saskatchewan.
6. This report constitutes the first report of the Receiver (the "**First Report**"). This First Report is filed to provide this Honourable Court with an update as to the Receiver's activities since the Date of Receivership, and in support of the Receiver's application to this Honourable Court seeking expansion of the Receivership Order to include Petrocapita Processing L.P. and Petrocapita GP II Ltd. (collectively, "**Petrocapita Processing**").
7. The Receiver further respectfully seeks approval of the Receiver's reported actions to date in respect of administering these receivership proceedings.

Powers of the Receiver

8. The Receiver's powers are detailed in Paragraph 3 of the Receivership Order. They include the power to take and maintain possession and control of the assets, undertakings and property of Petrocapita; the power to manage, operate and carry on the business of Petrocapita Oil and Gas; and the power to market and sell the assets of Petrocapita Oil and Gas (subject to Court approval if one sale exceeds \$500,000 or if in the aggregate the sales exceed \$1,500,000).

Possession and Control

9. Petrocapita Oil and Gas operated from Suite 1400, 717 – 7th Ave. SW in downtown Calgary (the "**Calgary Office**"). There is minimal office furniture and computer equipment held in the Calgary Office.
10. The Receiver has taken the following steps to take possession of, maintain control of, preserve and/or protect Petrocapita Oil and Gas's assets:
 - a. Met with the employees and management of Petrocapita Oil and Gas and enquired as to

- the whereabouts of any assets of Petrocapita Oil and Gas;
- b. Contacted all of the contractors of Petrocapita Oil and Gas and retained those needed in order to perform ongoing work on behalf of the Receiver, on an as-needed basis; and
 - c. Arranged to maintain the insurance coverage over Petrocapita Oil and Gas's assets.
11. The Receiver terminated all Petrocapita Oil and Gas contracted staff on the Date of Receivership. However, at the Date of Receivership, Petrocapita Oil and Gas operated twelve (12) wells and instead of capping these wells, the Receiver retained the existing contracted operators to continue to operate the wells in order to generate funds into the receivership, with the hopes that parties interested in acquiring the assets of Petrocapita Oil and Gas see the ongoing production as advantageous in a sale.

ASSETS

Cash

12. Petrocapita Oil and Gas had an operating bank account at the Royal Bank of Canada ("RBC") at the Date of Receivership. The Receiver issued instructions to have this account closed and the balance remitted to the Receiver. An amount of \$48,384.01 was remitted to the Receiver.
13. Petrocapita Oil and Gas also had a Guaranteed Investment Certificate held at the RBC in the amount of \$5,000.00 (the "GIC") and which was understood to be held as a cash collateral for an RBC issued credit card. The Receiver is discussing the GIC with RBC, in view of its security and indebtedness.

Accounts Receivable

14. At the Date of Receivership, Petrocapita Oil and Gas was continuing to produce and sell oil in the average volume of 127 barrels of oil per day. Prior to the Date of Receivership, Petrocapita Oil and Gas sold its produced oil mainly to Shell and to Husky, and during the receivership, these sales continued.

15. As is standard practice within the oil and gas industry, on the 25th day of each month payments are made from purchasers to sellers and accordingly, to date the Receiver collected approximately \$343,000 plus GST from Shell Trading Canada. The Receiver expected to collect approximately \$94,000 plus GST from Husky Oil Operations Ltd. (“**Husky**”) on June 25th but these funds were only received in late July 2019. The Receiver demanded payment of the June production revenue from Husky, in the amount of approximately \$55,000 plus GST, which was thereafter received in early August 2019.

Prepaid Expenses

16. At the date of the Receivership Order, the Receiver reviewed the components of the prepaid expense account. This account is comprised of prepaid insurance, which is paid until mid-July 2019.

Property and Equipment

17. In addition to those assets noted above, Petrocapita Oil and Gas’s main oil and gas assets are composed primarily of Petroleum and natural gas rights – i.e. oil in the ground (“**Product Inventory**”).

18. The Product Inventory is held in the name of Petrocapita Oil and Gas through working interests and licenses, and the care and control of those assets are captured within the Receivership Order.

19. Following its appointment on June 11, 2019, the Receiver was informed by management of Petrocapita Oil and Gas that well-head processing equipment – items such as pumps, tanks, surface and downhole equipment etc. located at each well-head (the “**Processing Equipment**”) used in the operations to extract the Product Inventory is held by Petrocapita Processing.

20. Petrocapita Processing and Petrocapita Oil and Gas are part of a complex organizational structure, along with Petrocapita Energy Corp. and Petrocapita Income Trust. A copy of a basic corporate organization chart is attached to this Report as **Appendix B**.

21. The Receiver has been advised by Richard Mellis, Trustee of Petrocapita Income Trust and President and Chief Executive Officer of Petrocapita G.P. I Ltd., Petrocapita GP II Ltd. and Petrocapita Energy Corporation, and by Greg Marr, Trustee of Petrocapita Income Trust, that through a series of transactions involving Petrocapita Oil and Gas, Petrocapita Energy Corp., and Petrocapita Processing, the Processing Equipment was transferred from Petrocapita Oil and Gas into Petrocapita Processing with the intent to capture the value of the assets and equipment used in oil and gas processing, treating, blending, disposal and operations. Mr. Mellis and Mr. Marr have further advised that Petrocapita Processing generates revenues from third parties that use the Processing Equipment.
22. The Receiver understands that Safeway may have provided Petrocapita Oil and Gas with financing to acquire some or all of the Processing Equipment and is advised by Safeway that Safeway was not aware that subsequent transfers of the Processing Equipment by Petrocapita Oil and Gas would be taking place at the time its debentures were executed and loans advanced.
23. The Receiver continues to investigate the apparent transfer of the Processing Equipment from Petrocapita Oil and Gas to Petrocapita Processing.
24. The Processing Equipment is integral to the operations of Petrocapita Oil and Gas, and the Product Inventory cannot be exploited and sold without the accompanying Processing Equipment that is in place at each well site. In the Receiver's view, it will not be possible to continue Petrocapita Oil and Gas's production of the Product Inventory without use of the Processing Equipment nor ultimately maximize realizations from the Product Inventory without concurrently being able to convey the Processing Equipment.
25. It is further apparent, subject to further review by the Receiver's counsel, that assets currently held by Petrocapita Processing may be subject to competing claims from secured creditors of Petrocapita Oil and Gas.
26. Following discussions with management of Petrocapita Oil and Gas and Petrocapita Processing, the Receiver understands that the only assets held within Petrocapita Processing is

the Processing Equipment.

27. The Receiver is advised by management of Petrocapita Processing that Petrocapita Processing is in agreement with expanding the within receivership to include Petrocapita Processing.
28. In view of these circumstances, the Receiver believes that the expansion of the receivership proceedings to include Petrocapita Processing will best enable the Receiver to fulfil its mandate under the Receivership Order.

SALES PROCESS

29. Since the Date of Receivership, the Receiver has, among other things, engaged in ongoing communications with various stakeholders of Petrocapita Oil and Gas, including creditors, the Alberta and Saskatchewan energy regulators, employees and contractors, prospective purchasers, and others carried on the business of Petrocapita Oil and Gas, including by retaining contractors to assist in this process.
30. The Receiver has, following its appointment and in accordance with the powers granted to it by the Receivership Order, reached out to potential purchasers and sought offers on the Product Inventory and Processing Equipment (initially being unaware that the Processing Equipment was owned by Petrocapita Processing). Interested parties contacted have indicated that any resulting offer would necessarily include the Processing Equipment.

The Efficacy of the Sayer Process

31. The Receiver is aware that prior to its appointment, Petrocapita Income Trust (“PIT”) had retained Sayer Energy Advisors in an attempt to market the Product Inventory and Processing Equipment for sale (the “Sayer Process”). Following this sale process, only one offer was received at an amount substantially below the value of the debt owing by Petrocapita Oil and Gas.
32. On June 18, 2019, the Receiver discussed with Sayer the Sayer Process. The Receiver confirmed that PIT actively sought to find a buyer for the assets of Petrocapita which included

the Product Inventory and the Processing Equipment and ultimately concluded there were no parties willing to pay sufficient funds for the Product Inventory and the Processing Equipment to fully repay the secured creditors.

33. The Receiver is satisfied that the Sayer Process was fulsome, recently completed, met or exceeded industry standard, and properly exposed the Product Inventory and Processing Equipment to the market.
34. The Receiver is of the view that the Product Inventory and the Processing Equipment have been effectively marketed and that a further formal solicitation and sale process would incur unnecessary expense for the estate creditors. The Receiver intends to rely on the efficacy of the Sayer Process, limit unnecessary time and resources being spent on another sales process, and re-solicit parties that the Receiver is already aware may have an interest in acquiring the assets. The Receiver has already received several expressions of interest, regarding both specific wells or bulk asset purchases, and the Receiver will be assessing all such inquiries and offers.
35. The Receiver is continuing discussions with the Alberta Energy Regulator and the Ministry of Energy and Resources in Saskatchewan about the type of offer that may be considered acceptable in each respective province.

APPROVAL SOUGHT

36. As a result of the information outlined in this First Report, the Receiver respectfully requests the following:
 - a. Approval of the reported actions of the Receiver to date in respect of administering these receivership proceedings;
 - b. Expansion of the Receivership Order so as to appoint the Receiver over Petrocapita Processing, and
 - c. Such ancillary relief as this Honourable Court may deem just and appropriate.

HUDSON & COMPANY INSOLVENCY TRUSTEES INC.

In its capacity as Court-Appointed Receiver and Manager of
Petrocapita Oil and Gas LP and Petrocapita G.P. I Ltd,
and not in its personal capacity



Stefan DuChene, CPA, CA, CIRP
Senior Vice-President

Appendix A



COURT FILE NUMBER 1901 - 07098
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF SAFEWAY HOLDINGS (ALBERTA) LTD.
DEFENDANT(S) PETROCAPITA OIL AND GAS L.P. and PETROCAPITA G.P.I LTD.
DOCUMENT **RECEIVERSHIP ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Burnet, Duckworth & Palmer LLP
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Calgary, Alberta T2P 1G1
Lawyer: David LeGeyt
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Email Address: dlegeyt@bdplaw.com
File No. 54227-2

DATE ON WHICH ORDER WAS PRONOUNCED: June 11, 2019
NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Justice J.T. Eamon
LOCATION OF HEARING: Calgary Courts Centre

RECEIVERSHIP ORDER

UPON the application of Safeway Holdings (Alberta) Ltd. ("**Safeway**") in respect of Petrocapita Oil and Gas L.P. and Petrocapita G.P.I Ltd. (collectively the "**Debtor**"); **AND UPON** having read the Application, the Affidavit of William Kujat dated, May 27, 2019; and the Affidavit of Service of Una Pirija, filed June 7, 2019; **AND UPON** reading the consent of Hudson & Company Insolvency Trustees Inc. to act as receiver and manager (the "**Receiver**") of the Debtor, filed; **AND UPON** hearing counsel for Safeway; **IT IS HEREBY ORDERED AND DECLARED THAT:**

SERVICE

1. The time for service of the notice of application for this order is hereby abridged and service thereof is deemed good and sufficient.

APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("**BIA**"), and sections 13(2) of the *Judicature Act*, R.S.A. 2000, c.J-2, 99(a) of the *Business Corporations Act*, R.S.A. 2000, c.B-9, and 65(7) of the *Personal Property Security Act*, R.S.A. 2000, c.P-7 Hudson & Company Insolvency Trustees Inc. is hereby appointed Receiver, without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:
 - (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property, which shall include the Receiver's ability to abandon, dispose of or otherwise release any interest in any of the Debtor's real property, or any right in any immovable, and any license or authorization issued by the Alberta Energy Regulator, or any other similar government authority, in respect of such interest in real property or immovable, including pursuant to section 14.06(4) of the BIA, notwithstanding the provisions of the *Oil and Gas Conservation Act*, RSA 2000, c O-6 the *Pipeline Act*, RSA 2000, or any other similar provincial legislation¹;
 - (b) to receive, preserve and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard

¹ On January 31, 2019, the Supreme Court of Canada released its decision in *Orphan Well Association v. Grant Thornton Limited* (2019 SCC 50) relating to the effect of disclaimer by receivers and trustees of real property. The impact of this decision on the template receivership order is currently under consideration.

it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to manage, operate and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to or by the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, and provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court.
- (k) to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.

- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$500,000 provided that the aggregate consideration for all such transactions does not exceed \$1,500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 60(8) of the *Personal Property Security Act*, R.S.A. 2000, c. P-7 or any similar legislation in any other province or territory shall not be required.

- (m) to apply for any vesting order or other orders (including without limitation, confidentiality or sealing orders) necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other orders in respect of the Property against title to any of the Property, and when submitted by the Receiver for registration this Order shall be immediately registered by the Registrar of Land Titles of Alberta, or any other similar government authority, notwithstanding Section 191 of the Land Titles Act, RSA 2000, c. L-4, or the provisions of any other similar legislation in any other province or territory, and notwithstanding that the appeal period in respect of this Order has not elapsed and the Registrar of Land Titles shall accept all Affidavits of Corporate Signing Authority submitted by the Receiver in its capacity as Receiver of the Debtor and not in its personal capacity;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;

- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (r) to assign the Debtor into bankruptcy;
- (s) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person (as defined below).

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. (i) The Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependent on maintaining possession) to the Receiver upon the Receiver's request.
5. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or

documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.

6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. No proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph 8; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. "**Regulatory Body**" means a person or body that has powers, duties

or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a Province.

NO EXERCISE OF RIGHTS OF REMEDIES

9. All rights and remedies of any Person, whether judicial or extra-judicial, statutory or non-statutory (including, without limitation, set-off rights) against or in respect of the Debtor or the Receiver or affecting the Property are hereby stayed and suspended and shall not be commenced, proceeded with or continued except with leave of this Court, including, without limitation, any rights or remedies or provisions in any agreement, construction, ownership, and operating agreement, joint venture agreement or any such similar agreement or agreements to which the Debtor is a party that purport to effect or cause a cessation of operatorship as a result of the occurrence of any default or non-performance by or the insolvency of the Debtor, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings and under no circumstances shall the Debtor be replaced as operator pursuant to any such agreements without further order of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" (as defined in the BIA), and further provided that nothing in this Order shall (i) empower the Receiver or the Debtor to carry on any business that the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

10. No Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, except with the written consent of the Receiver or leave of this Court. Nothing in this Order shall prohibit any party to an eligible financial contract from closing out and terminating such contract in accordance with its terms.

CONTINUATION OF SERVICES

11. All Persons having statutory or regulatory mandates for the supply of goods and/or services or having oral or written agreements or arrangements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services,

insurance, transportation services, utility or other services to the Debtor are hereby restrained until further order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Receiver or exercising any other remedy provided under such agreements or arrangements, and this Court directs that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

12. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further order of this Court.

EMPLOYEES

13. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*, S.C. 2005, c.47 ("**WEPPA**").
14. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each,

a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,
- (i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:
 - A. complies with the order, or

- B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
 - A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
 - (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE RECEIVER'S LIABILITY

- 16. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.

RECEIVER'S ACCOUNTS

- 17. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver shall be entitled to the benefits of and are hereby granted a charge (the "Receiver's Charge") on the Property, which shall not exceed the amount of \$500,000, as security for such fees and disbursements, incurred both before and after the making of this Order in respect of these proceedings, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to section 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA.
- 18. The Receiver and its legal counsel shall pass their accounts from time to time.

19. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including the legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. The Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA.
21. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
22. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.
23. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

24. The Receiver shall be allowed to repay any amounts borrowed by way of Receiver's Certificates out of the Property or any proceeds, including any proceeds from the sale of any assets without further approval of this Court.

ALLOCATION

25. Any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge amongst the various assets comprising the Property.

GENERAL

26. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
27. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence. The Receiver's reports shall be filed by the Court Clerk notwithstanding that they do not include an original signature.
28. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.
29. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any foreign jurisdiction to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Receiver in any foreign proceeding, or to assist the Receiver and its agents in carrying out the terms of this Order.
30. The Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Receiver is authorized and empowered

to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. The Plaintiff and Petrocapita Income Trust shall have their costs of this application, up to and including entry and service of this Order, and in these proceedings generally, as provided for by the terms of the their respective security or, if not so provided by their respective security, then on a substantial indemnity basis, including legal costs on a solicitor-client full indemnity basis, to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.
32. Any interested party may apply to this Court to vary or amend this Order on not less than 7 days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

33. The Receiver shall establish and maintain a website in respect of these proceedings (the "**Receiver's Website**") and shall post there as soon as practicable:
 - (a) all materials prescribed by statute or regulation to be made publically available; and
 - (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.
34. Service of this Order shall be deemed good and sufficient by:
 - (a) serving the same on:
 - (i) the persons listed on the service list created in these proceedings or otherwise served with notice of these proceedings;
 - (ii) any other person served with notice of the application for this Order;
 - (iii) any other parties attending or represented at the application for this Order; and
 - (b) posting a copy of this Order on the Receiver's Website and service on any other person is hereby dispensed with.

Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

"J.T. Eamon"

Justice J.T. Eamon

CONSENTED TO BY:

Bennett Jones LLP

Per:



Chris Simard

Counsel to Petrocapita Oil and Gas
L.P. and Petrocapita G.P. I Ltd.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Hudson & Company Insolvency Trustees Inc., the interim receiver and receiver and manager (the "Receiver") of all of the assets, undertakings and properties of Petrocapita Oil and Gas L.P. and Petrocapita G.P.I Ltd. appointed by Order of the Court of Queen's Bench of Alberta and Court of Queen's Bench of Alberta in Bankruptcy and Insolvency (collectively, the "Court") dated the _____ day of _____, 2019 (the "Order") made in action number _____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily] [monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at [●].
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property) as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

Hudson & Company Insolvency Trustees Inc., solely in
its capacity as Receiver of the Property (as defined in the
Order), and not in its personal capacity

Per: _____
Name:
Title:

Appendix B

PETROCAPITA INCOME TRUST

Final Structure

April, 2018

