

COURT FILE NUMBER 2101-00814

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, as amended

AND IN THE MATTER OF CALGARY OIL & GAS  
SYNDICATE GROUP LTD., CALGARY OIL AND GAS  
INTERCONTINENTAL GROUP LTD. (IN ITS OWN  
CAPACITY AND IN ITS CAPACITY AS GENERAL  
PARTNER OF T5 SC OIL AND GAS LIMITED  
PARTNERSHIP), CALGARY OIL AND SYNDICATE  
PARTNERS LTD., and PETROWORLD ENERGY LTD.

DOCUMENT

**FIRST REPORT OF BDO CANADA LIMITED,  
IN ITS CAPACITY AS MONITOR OF CALGARY OIL &  
GAS SYNDICATE GROUP LTD., CALGARY OIL AND  
GAS INTERCONTINENTAL GROUP LTD., CALGARY  
OIL AND SYNDICATE PARTNERS LTD.,  
PETROWORLD ENERGY LTD. and  
T5 SC OIL AND GAS LIMITED PARTNERSHIP**

**FEBRUARY 18, 2021**

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**MONITOR'S COUNSEL**  
Cassels Brock & Blackwell LLP  
Suite 3800, 888 - 3<sup>rd</sup> Street SW  
Calgary, AB T2P 5C5

Attention: Jeff Oliver  
Telephone: 403-351-2921  
Facsimile: 403-648-1151  
Email: [joliver@cassels.com](mailto:joliver@cassels.com)

**FIRST REPORT OF THE MONITOR  
BDO CANADA LIMITED  
FEBRUARY 18, 2021**

**I N D E X**

INTRODUCTION.....	1
TERMS OF REFERENCE AND DISCLAIMER.....	2
MONITOR’S INITIAL ACTIVITIES .....	2
INITIAL RESTRUCTURING ACTIVITIES .....	3
AMENDED AND RESTATED INITIAL ORDER.....	3
CONCLUSIONS AND RECOMMENDATIONS .....	5

**A P P E N D I X**

CREDITOR NOTICE .....	A
NEWSPAPER NOTICE.....	B

## **INTRODUCTION**

1. On February 10 and February 11, 2021, Calgary Oil & Gas Syndicate Group Ltd. (“**Syndicate Group**”), Calgary Oil & Gas Intercontinental Group Ltd. (“**Intercontinental**”) ( in its own capacity and in its capacity as General Partner of T5 SC Oil and Gas Limited Partnership (the "**Partnership**")), Calgary Oil and Syndicate Partners Ltd. (“**Syndicate Partners**”), and Petroworld Energy Ltd (“**Petroworld**”) (collectively referred to as the “**Applicants**”) made an application to the Court of Queen’s Bench of Alberta (the “**Court**”) for an initial order (the “**Initial Order**”) pursuant to the *Companies Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “**CCAA**”).
2. On February 11, 2021 (the “**Filing Date**”), the Initial Order was granted by the Honourable Mr. Justice D. B. Nixon of the Court providing certain relief to the Applicants as well as the Partnership (collectively referred to as the “**Companies**”), including, but not limited to, an initial stay of proceedings (the “**Stay**”) against the Companies and their assets.
3. The Court appointed BDO Canada Limited (“**BDO**”) as monitor (the “**Monitor**”) of the Companies within the CCAA proceedings (the “**Proceedings**”).
4. On February 8, 2021, BDO prepared a report (the “**Pre-Filing Report**”) with the Court in contemplation of the initial application held on February 10, 2021.
5. The purpose of this report (the “**First Report**”) is to provide information to this Honourable Court with respect to:
  - a. the initial activities of the Monitor;
  - b. the Companies’ restructuring activities since the Filing Date; and
  - c. background information in respect of the Companies’ upcoming application for an Order amending and restating the Initial Order and the Monitor’s recommendation thereon.

## **TERMS OF REFERENCE AND DISCLAIMER**

6. In preparing this First Report, the Monitor has been provided with, and has relied upon unaudited financial information, certain books and records of the Companies, financial information prepared by the Companies and discussions with the Companies' management ("**Management**") and the Companies' legal counsel.

## **MONITOR'S INITIAL ACTIVITIES**

7. The Monitor established a website for the Proceedings at <https://www.bdo.ca/en-ca/extranets/calgaryoilandgas/> (the "**Website**").
8. The Monitor issued notice of the Proceedings (the "**Creditor Notice**") to all known creditors as represented by Management (the "**Initial Creditor Listing**"). Creditors have been directed to the Website to obtain copies of the Initial Order and the Initial Creditor Listing. The Creditor Notice encourages creditors to refer back to the Website regularly for updates as to the status of the Proceedings. A copy of the Creditor Notice is attached as **Appendix "A"**.
9. Pursuant to the terms of the Initial Order and the CCAA, the Monitor published notice of the CCAA Proceedings (the "**Newspaper Notice**") in the *Calgary Herald* and *Daily Oil Bulletin* on February 16, 2021. A copy of the form of the Newspaper Notice is attached as **Appendix "B"**.
10. Pursuant to the terms of the CCAA, the Monitor filed *Forms 1 and 2* containing certain prescribed information regarding the Proceedings with the Office of the Superintendent of Bankruptcy.
11. The Monitor has had ongoing discussions with Management and the Companies' legal counsel as to the status of the Proceedings and restructuring activities.
12. The Monitor and its legal counsel have also communicated with legal counsel for Crown Capital Partnership Funding LP, by its general partner, Crown Capital LP Partner Funding Inc. ("**Crown Capital**"), the Companies' principal secured lender.

13. The Monitor has also reached out to legal counsel for Sunchild First Nation, upon whose lands the Companies' oil and gas assets are located, offering to engage in a discussion surrounding the Proceedings.

#### **INITIAL RESTRUCTURING ACTIVITIES**

14. Since the Filing Date, Management has worked to ensure the ongoing continuity of operations.
15. As was previously set out in the Supplemental Affidavit of Ryan Martin sworn February 10, 2021 and filed in the Proceedings, the Companies have been in confidential negotiations with a third party (the "**Third Party**") in respect of a potential transaction that would see the retirement of the Companies' indebtedness to Crown Capital and form the basis of an overall restructuring plan.
16. On February 17, 2021, the Companies and the Third Party entered into a non-binding Letter of Intent (the "**LOI**") in respect of a potential transaction, a copy of which is attached as Confidential Exhibit "A" to the Affidavit of Ryan Martin sworn February 17, 2021 (the "**February 17<sup>th</sup> Martin Affidavit**") and filed in the Proceedings.
17. The Monitor has reviewed the LOI and wishes to highlight that, as noted in the February 17<sup>th</sup> Martin Affidavit, the LOI provides for the payment of a refundable 10% deposit by the Third Party in respect of the contemplated value of the potential transaction.
18. The Companies will be making application to seal the LOI contained in Confidential Exhibit "A" of the February 17<sup>th</sup> Martin Affidavit on the basis that it contains commercially sensitive terms. The Monitor is supportive of the Companies request to seal that document at this time, in light of the fact that the Proceedings and the LOI itself are at an early stage.

## **AMENDED AND RESTATED INITIAL ORDER**

19. The CCAA limits the period of an initial Stay to 10 days and requires an applicant to make a subsequent application to the Court (“**Comeback Application**”) prior to the expiration of the Initial Stay. Typically, an applicant will seek an Amended and Restated Initial Order (“**ARIO**”) at a Comeback Application providing for additional relief, including an extension of the Stay.
20. On February 19, 2021, the Companies will be making application seeking an ARIO providing for only one amendment to the Initial Order, being a brief extension of the Stay.
21. Upon being served notice of the Companies application seeking an Initial Order, Crown Capital filed a competing application opposing the granting of the Initial Order and seeking the appointment of an interim receiver and manager over the Companies’ assets.
22. The Monitor understands that at this time, Crown Capital still intends to advance its opposition at the Comeback Application and seek the appointment of a Receiver. Due to the contested nature of such application, each of Crown Capital and the Companies may look to question the other party’s affiants in order to prepare for a fulsome Comeback Application.
23. In light of the above, the time restrictions imposed by the statutory imposed 10 day initial Stay and limited Court availability, the Companies and Crown Capital have agreed to a brief extension of the Stay to permit the hearing of a fulsome Comeback Application.
24. The Monitor is supportive of a brief extension of the Stay in advance of a fulsome Comeback Application for the following reasons:
  - a. the Companies and Crown Capital, the secured creditor, have agreed to a brief extension; and
  - b. it allows Management an opportunity in the interim period to attempt to further engage with the Third Party in respect of the LOI with a view to potentially leading to the formulation of a viable overall restructuring plan.

## **CONCLUSIONS AND RECOMMENDATIONS**

25. The Monitor is satisfied that Management has been acting in good faith and with due diligence since the commencement of the Proceedings.
26. For the reasons set out in this First Report, the Monitor is supportive of:
  - a. a brief extension of the Stay; and
  - b. the sealing of Confidential Exhibit “A” of the February 17<sup>th</sup> Martin Affidavit.

All of which is respectfully submitted this 18<sup>th</sup> day of February, 2021.

BDO Canada Limited, in its capacity as  
the Monitor of Calgary Oil & Gas Syndicate Group Ltd., Calgary Oil & Gas  
Intercontinental Group Ltd., Calgary Oil and Syndicate Partners Ltd., Petroworld Energy  
Ltd. and T5 SC Oil and Gas Limited Partnership  
and not in its personal or corporate capacity



Per: Marc Kelly  
Senior Vice President

# **APPENDIX “A”**





Tel: 403-777-9999  
Fax: 403-640-0591  
www.bdo.ca

BDO Canada Limited  
5800-2nd Street SW  
Suite 110  
Calgary AB T2H 0H2 Canada

February 17, 2021

To the Creditors of Calgary Oil & Gas Syndicate Group Ltd., Calgary Oil & Gas Intercontinental Group Ltd., T5 SC Oil and Gas Limited Partnership, Calgary Oil and Syndicate Partners Ltd. and Petroworld Energy Ltd. (collectively referred to as the "Companies")

Dear Sirs/Mesdames:

**Re: Proceedings under the *Companies' Creditors Arrangement Act***

TAKE NOTICE that on February 11, 2021, an Order (the "CCAA Initial Order") was granted by the Honourable Mr. Justice D.B. Nixon of the Court of Queen's Bench of Alberta (the "Court") pursuant to the *Companies' Creditors Arrangement Act* granting the Companies various relief including, but not limited to, the imposition of an initial stay of proceedings against the Companies and their assets. The Court appointed BDO Canada Limited as the monitor of the Companies (the "Monitor").

Pursuant to the CCAA Initial Order, the Companies are to continue to carry on business in a manner consistent with the commercially reasonable preservation of their businesses while they consider and pursue restructuring alternatives.

The CCAA Initial Order provides that claims against the Companies in relation to obligations arising prior to February 11, 2021, including for goods and services supplied to the Companies prior to that date, are suspended, and creditors are prohibited from continuing or taking any actions or exercising any rights against the Companies except with leave of the Court. **You are not required to file a proof of claim at this time** as a claims process has not yet been ordered by the Court.

A copy of the CCAA Initial Order and a list of the names and addresses of the Companies' creditors and amounts due to creditors as estimated by the management of the Companies can be found on the Monitor's website at <https://www.bdo.ca/en-ca/extranets/calgaryoilandgas/> (the "Website") or by contacting the Monitor directly. Additional materials will be posted to the Website from time to time and creditors are encouraged to check the Website regularly for updates as to the status of the proceedings.

Should you have any questions or concerns, please contact Mr. Ryan Martin, of the Companies, at 403-454-5593 or [ryan.martin@petroworldenergy.com](mailto:ryan.martin@petroworldenergy.com), or Ms. Jerri Beauchamp, of the Monitor, at 825-509-0394 or [jlbeauchamp@bdo.ca](mailto:jlbeauchamp@bdo.ca).

Yours truly,

BDO Canada Limited,  
solely in its capacity as Monitor of Calgary Oil & Gas Syndicate Group Ltd., Calgary Oil & Gas Intercontinental Group Ltd., T5 SC Oil and Gas Limited Partnership, Calgary Oil and Syndicate Partners Ltd. and Petroworld Energy Ltd.

Per: Marc Kelly  
Senior Vice President

# **APPENDIX “B”**

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE OF CALGARY  
IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985,  
c C-36, as amended  
AND IN THE MATTER OF CALGARY OIL & GAS SYNDICATE GROUP LTD., CALGARY OIL  
AND GAS INTERCONTINENTAL GROUP LTD., T5 SC OIL AND GAS LIMITED  
PARTNERSHIP, CALGARY OIL AND SYNDICATE PARTNERS LTD. and PETROWORLD  
ENERGY LTD. (collectively referred to as the "COMPANIES")**

On February 11, 2021, the Court of Queen's Bench of Alberta granted an order (the "CCAA Initial Order") under the *Companies' Creditors Arrangement Act* in respect of the Companies providing various relief including, but not limited to, an initial stay of proceedings through to February 21, 2021. BDO Canada Limited was appointed as monitor (the "Monitor"). The CCAA Initial Order can be accessed by referring to the Monitor's website at <https://www.bdo.ca/en-ca/extranets/calgaryoilandgas/> (the "Website"). Interested parties are encouraged to check the Website regularly for updates as to the status of the proceedings. For further information, please contact Jerri Beauchamp, of BDO Canada Limited, at 825-509-0394 or by email at [jbeauchamp@bdo.ca](mailto:jbeauchamp@bdo.ca).



#110, 5800 - 2nd Street SW, Calgary, AB, T2H 0H2 Tel: 403-777-9999, Fax: 403-640-0591