

COURT FILE NUMBER

QBG 1705 of 2020

**COURT OF QUEEN'S BENCH FOR SASKATCHEWAN IN BANKRUPTCY AND
INSOLVENCY**

JUDICIAL CENTRE

REGINA

APPLICANT

R.M. of Eye Hill No. 382

RESPONDENTS

Her Majesty the Queen, Saskatchewan
(as represented by the Minister of Energy and
Resources) BDO CANADA LIMITED in its
capacity as Receiver of BOW RIVER ENERGY
LTD.

IN THE MATTER OF THE RECEIVERSHIP OF BOW RIVER ENERGY INC.


AFFIDAVIT

I, Janice Carbert, of the RM of Meadow Lake in the Province of Saskatchewan, MAKE
OATH AND SAY:

1. I am the legal assistant to Russell Q. Gregory of the Gregory Law Office ("GLO"), solicitor to the RM of Eye Hill No. 382 and as such have personal knowledge of the matters hereinafter deposed to except where stated to be based on information and belief.
2. Solicitor for the Receiver did forward accounting to GLO under cover of letter dated August 16, 2021. Attached hereto and marked as Exhibit A is page 1 of the Estate General Ledger that was part of the accounting received.
3. GLO did write by letter dated December 15, 2021 to solicitor for the Receiver seeking certain questions about the accounting, specifically the sum of \$648,305.04. A copy of such letter is attached hereto and marked as Exhibit B.
4. Solicitor for the Receiver did write letter dated December 21, 2021 to GLO that included information about how the source of the \$648,305.04. A copy such letter is attached hereto and marked as Exhibit C.
5. GLO and the Receiver's lawyer have exchanged multiple emails and I am also advised by Russell Gregory and do verily believe that there have been multiple telephone calls with solicitor for the Receiver. Accordingly, the exhibits to this Affidavit are not intended to be a complete recitation of the communication between GLO and the Receiver.

6. I make this Affidavit to put evidence before the Court of the Receiver's receipt of monies of \$648,305.04 so that the Court may address the legal issues regarding entitlement to such funds.

SWORN BEFORE ME at Meadow Lake
Saskatchewan, this 11 day of February
2022



Commissioner for Oaths in and for the
Province of Saskatchewan

RUSSELL Q. GREGORY
Barrister & Solicitor

)


JANICE CARBERT

THIS IS EXHIBIT " A "
referred to in the Affidavit of
Janice Carber
Sworn before me this 11
day of FEB A.D. 2022

.....
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ~~ALBERTA~~
SASK

RUSSELL Q. GREGORY
Barrister & Solicitor

Estate General Ledger Report

Estate Name: Bow River Energy Ltd. (Saskatchewan)
 Estate Number: 22-031426
 File Name: Bow River Energy Ltd. (SASK)
 Administration: Corporate, Receivership
 Account Type: Estate Account - VBK, 10008, 77 14595;

Date Of Insolvency: 28-Oct-2020

Date	Cheque / Deposit #	Received from / Payee	Transaction #	Deposit Date	Disbursements \$ (DEBITS)	Receipts \$ (CREDITS)	Balance
Account #: 10000 - Cash in bank							
14-Jan-2021	00005	BDO Receiver - BRE AB - Direct Deposit / EFT	38919502	14-Jan-2021		648,305.04	648,305.04
						Balance:	(CR) 648,305.04
Account #: 12125 - Accounts receivable							
14-Dec-2020	00003	Prosper Petroleum - Cheque# 17792	38829506	15-Dec-2020		550.40	550.40
14-Dec-2020	00003	Ridgeback Resources Inc. - Cheque# 10024742	38829581	15-Dec-2020		223.43	773.83
30-Dec-2020	00004	Prosper Petroleum - Cheque# 18856	38870484	05-Jan-2021		22.80	796.63
30-Dec-2020	00004	Ridgeback Resources - Cheque# 10025027	38870485	05-Jan-2021		9.50	806.13
30-Dec-2020	00004	Gear Energy - Cheque# 23403	38870486	05-Jan-2021		182.75	988.88
13-Jan-2021	00008	CNRL - Cheque# 4265194	39017275	04-Feb-2021		436.49	1,425.37
04-Mar-2021	00011	Rife Resources - Cheque# 00315612 - Various - Feb 2020 - Nov 2020	39131135	16-Mar-2021		450.76	1,876.13
15-Mar-2021	00022	Gear Energy - Cheque# 23667	39167758	15-Apr-2021		9.50	1,885.63
22-Mar-2021	00013	Bonavista Energy - Direct Deposit / EFT	39210572	22-Mar-2021		68,059.93	69,945.56
05-Apr-2021	00018	BDO Receiver BRE AB - Direct Deposit / EFT - Westlake deposits made to 77 14594	39253179	01-Apr-2021		5,152.10	75,097.66
07-Apr-2021	00022	Prosper Petroleum - Cheque# 17872	39264731	15-Apr-2021		1,080.00	76,177.66
16-Apr-2021	00023	Bonavista Energy - Direct Deposit / EFT	39314296	16-Apr-2021		93.54	76,271.20
26-Apr-2021	00032	Bonavista - Direct Deposit / EFT	39350546	26-Apr-2021		122,552.24	198,823.44
21-May-2021	00034	Bonavista Energy - Direct Deposit / EFT	39455292	21-May-2021		33,568.37	232,391.81
21-Jun-2021	00036	Bonavista - Direct Deposit / EFT	39565157	21-Jun-2021		31,063.77	263,455.58
21-Jun-2021	322	BDO Canada Limited Receiver Bow River Energy Ltd. - Invoice #12125 - Allocation of funds deposited to AB.	39584658		-39,477.70		302,933.28
						Balance:	(CR) 302,933.28
Account #: 13350 - Sale of inventory							
05-Apr-2021	00017	Heartland - Money Order	39249990	05-Apr-2021		5,000.00	5,000.00
						Balance:	(CR) 5,000.00
Account #: 13355 - Sale of assets enbloc							
05-Apr-2021	00021	Heartland - Money Order	39249968	06-Apr-2021		70,000.00	70,000.00
05-Apr-2021	00021	Heartland - Money Order - Equipment purchase	39249968	06-Apr-2021		5,000.00	75,000.00
05-Apr-2021	00017	Heartland - Money Order	39249970	05-Apr-2021		70,000.00	145,000.00
06-Apr-2021	00020	Talahassee - Money Order# 92768.53	39255714	06-Apr-2021		60,000.00	205,000.00
						Balance:	(CR) 205,000.00
Account #: 14100 - GST refund							
21-Jun-2021	322	BDO Canada Limited Receiver Bow River Energy Ltd.	39584658		-4,229.06		4,229.06
						Balance:	(CR) 4,229.06

Gregory Law Office

BARRISTER, SOLICITOR & NOTARY

RUSSELL Q. GREGORY, B.A. LL.B. Q.Arb., FCI Arb

Alberta office

Bankers Hall West Tower

1000, 888 3rd Street S.W.

Calgary Alberta T2P 5C5

TEL: (403) 243-8363

FAX: (306) 236-3663

Saskatchewan

Box 518 101B 2nd St W

Meadow Lake, SK S9X 1Y4

TEL: (306) 236-1973

FAX: (306) 236-3663

Email: russell@lawyergregory.com

December 15, 2021

VIA EMAIL (cameronk@bennettjones.com)

Bennett Jones LLP

4500 Bankers Hall East,

855 - 2nd Street SW, Calgary, AB, T2P 4K7

Attention: Keely Cameron

Dear Sir/Madam:

Re: QBG no 1705 of 2020

RM of Eye Hill No. 382 v. Her Majesty the Queen, Saskatchewan (as represented by the Minister of Energy and Resources), BDO Canada Limited in its capacity as Receiver of Bow River Energy Ltd.

THIS IS EXHIBIT " B "
referred to in the Affidavit of
Jamie Carbert
Sworn before me this 11
day of Feb A.D. 2022
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA
SAPK
RUSSELL Q. GREGORY
Barrister & Solicitor

Further to our recent telephone conversation I can confirm again that it is our position that the CCAA Orders govern the priority of Bow River assets during the CCAA period of time. The CCAA Orders provide for a priority to municipal taxes. As you know it is our position that those funds cannot be used to pay any expenses of the Receivership period of time. The MER did not 'deem' the wells as orphan during the CCAA time frame nor did the MER take any regulatory step in the CCAA time frame. Indeed, as per the attached Orphan Well Deeming Summary that has now been marked as evidence in the Saskatchewan proceedings, the MER notes that the municipal taxes had priority during the CCAA time frame.

It is also our position that the Redwater case does not apply during the Receivership period. The Receivership was done under the auspices of the Bankruptcy and Insolvency Act. The MER did not take any regulatory steps prior to the vesting Orders which is distinct from the Redwater case. Further, the MER in the case at bar was a creditor for orphan well funds as per the Orphan Well Deeming Summary. Finally, the MER has expressly stated in its Affidavits that the intention is to take over and expend funds to abandon the Bow River orphan wells. This later fact also distinguishes the matter from what the Court stated in the Redwater case.

The accounting provided by the Receiver indicated a starting receipt by the Receiver by EFT on January 14, 2021 in the sum of \$648,305.04.

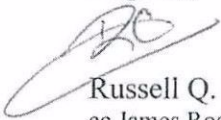
Please advise:

1. Who forwarded those funds?
2. What was the source of those funds?
3. If those funds were Bow River bank or cash proceeds at the end of the CCAA and if Bow River had a blended account of Alberta and Saskatchewan operations, what amount total was in hand and how was it allocated between Alberta and Saskatchewan?
4. What amount, if any, of Bow River bank or cash proceeds at the end of the CCAA was forwarded to the Alberta Receiver?

It is our view that the likely source of these funds was what was likely left in Bow River at the termination of the CCAA. As such same in our view are still governed by the CCAA Orders and to be dealt with in accordance with the CCAA Orders.

We look forward to your reply on the foregoing questions.

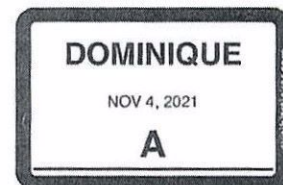
Regards,



Russell Q. Gregory
cc James Rose - counsel for the MER
RM Eye Hill

Orphan Deeming Summary

Licensee (BA ID) Name:	(34755) Bow River Energy Ltd.	
Field Office Area:	1 (Lloydminster), 2 (Kindersley)	
Potential Orphan Work Required:	<p>Please refer to LLI report dated October 19, 2020 for further details regarding licences, surface locations and associated liabilities.</p> <p>Wells: # requiring abandonment: 516 # requiring reclamation: 642 Associated liability: \$22,593,475.00</p> <p>Facilities: # requiring decommissioning: 28 # requiring reclamation: 29 Associated liability: \$3,714,100.00</p> <p>Orphan Work Not Required: # of wells that do not require work under the orphan program: 183 # of facilities that do not require work under the orphan program: 1</p>	
Company Information:		
Address:	IRIS Address: P.O. BOX 22105 BANKERS HALL CALGARY, AB T2P 4J5	Enerlink Address: 1900, 321-6 th Ave SW CALGARY, AB T2P 3H3
Phone Number:	IRIS: 403-803-9612	Enerlink: 403-475-4100
Company Description & History:		
<p>ISC Corporate Registry Details:</p> <ul style="list-style-type: none"> • Incorporation Date: June 22, 2010 • Name Changed From: Full Cycle Energy Investment Management Inc. on March 13, 2013 • Status: Active (Effective date: June 30, 2010) • Corporation Details: Kelly D. Ruse (Power of Attorney), no other director or officer information provided in the corporate registry information, however, as of October 22, 2020 we were informed the Current Director is Dale Miller and the Current Officer is Daniel Belot. <p>Enerlink Details:</p> <ul style="list-style-type: none"> • Status: Active (effective date of March 8, 2013) • Other pertinent information found on Enerlink: Director is Dale Allen Miller <p>Current Situation under the SK LLR Program:</p> <ul style="list-style-type: none"> • Number of wells licenced in Sask: 825 • Number of facilities licenced in Sask: 30 • Number of wells identified as problem sites: 0 • Number of facilities identified as problem sites: 0 • Total Abandonment Liability: \$9,679,175.00 • Total Reclamation Liability: \$16,628,400.00 • LLR: 1.01 • Total Security Held by the Ministry: \$0.00 <p>CCAA Protection:</p> <ul style="list-style-type: none"> • June 1, 2020, court appointed BDO Canada Limited to act as Monitor for CCAA. 		



Orphan Deeming Summary

- July 24, 2020, the Court approved a sales and investment solicitation process and engaged Sayer Energy Advisors as the sales agent
- Potential transfers were brought forward to both SK and AB Regulators for consideration, however, after review both regulators could not agree to the proposals made regarding the potential transfers, as the CCAA protection had a number of conditions that were not in the best interest of the Orphan Fund:
 - Cure cost clause that the new buyer would take on Bow River's debt, which the Ministry does not have the legislation or authority to transfer debt.
 - Sales proceeds from CCAA were to go towards municipal taxes not into the orphan fund.
 - Bow Rivers clearly indicated after the sale they had no intention to operate the remaining Bow River licences, as is the spirit of the CCAA process. Their intention was to walk away from the unsold licences which would then fall to the Orphan Fund.
- The Ministry received a letter, dated October 15, 2020, advising that "With no viable sales transactions in either Alberta or Saskatchewan, the Company simply cannot continue. As a result, Bow River has made the incredibly difficult decision to cease operations in both Alberta and Saskatchewan. Effective as of October 29, 2020, please be advised that all of Bow River's present directors and officers will resign, and all Bow River employees and contractors will be terminated."

Non-Compliance/Complaints Related to the Licensee/Licences Sites?

Non-Compliance: 12 outstanding well inspections

Complaints: No complaints that the Ministry is aware of

Alberta's Orphan Well Association (OWA): Since the CCAA resulted in no viable transfers that AER could support, OWA/AER have retained MLT law firm in Calgary in relation to filing a receivership application. After which, any remaining Alberta licences would be orphaned by the OWA.

Enforcement actions taken:

Security Deposit Invoices: None

MROs: None

Returned-to-Sender Letters: None

Outstanding Debt:

- **Ministry of Energy and Resources:** \$336,144.87 as of October 22, 2020
 - \$153,800.39 - 2020 Royalties
 - \$135,694.39 - 2020 Annual Lease Rentals (\$65,051.76 provided by Bonavista, may be returned)
 - \$34,795.00 - 2020 Admin Levy
 - \$11,855.09 - 2020 Orphan Fund Levy
- **Ministry of Environment:** \$1,023,500.97 as of October 22, 2020
- **Ministry of Parks, Culture and Sport:** \$124,021.34 as of October 22, 2020
- **Ministry of Agriculture:** \$540,021.07 as of October 22, 2020
- **Alberta Energy Regulator (AER):** arrears, but the amount has not been disclosed
- **Indian Oil and Gas Canada (IOGC):** arrears, but the amount has not been disclosed
- **Municipal Taxes:**
 - **Loon Lake (R.M. 561):** \$222,297.87 arrears, last payment received December 2019
 - **Grass Lake (R.M. 381):** no arrears, last payment received December 2019
 - **Northern Admin District (R.M. 998):** no arrears that the Ministry is aware of
 - **Beaver River (R.M. 622):** no arrears that the Ministry is aware of
 - **Eye Hill (R.M. 382):** no arrears that the Ministry is aware of
- **Landowner Surface Leases:** known arrears to IOGC
- **Crown and Freehold Mineral Leases:** known arrears to IOGC and ER

Working Interest Participants:

Based on our investigation, Bonavista Energy Corporation (04627) is a viable WIP in several wells and facilities. Refer to Bow River Licensee Inventory for information regarding working interest participants and their shares.

Orphan Deeming Summary

None of Bow River's wells are part of a designated unit.

Wells/Facilities with Transfer Potential:

of Productive (volume in the last 12 months) Wells: 132
 # of Productive (volume in the last 12 months) Facilities: 10

The LLI Report (column R) provides further information on the potential transfers identified during the CCAA process, summarized below:

	Bow River Pre-Transfer	Potential Transfer to Heartland Oil Corp.	Potential Transfer to Opulence Resources Inc.	Bow River Post-Transfer
Total Deemed Assets	\$27,031,198.03	\$20,502,684.56	\$3,751,930.34	\$2,776,583.13
Total Liabilities	\$26,307,575.00	\$6,197,900.00	\$825,300.00	\$19,284,375.00
LLR	1.03	3.31	4.55	0.1440
Wells	825	106	21	698
Productive Wells	132	92	16	24
Facilities	30	17	1	12
Productive Facilities	10	6	1	3
Productive Liability	\$6,640,200.00	\$4,475,100.00	\$660,900.00	\$1,504,200.00
Uneconomic Liability	\$19,667,375.00	\$1,722,800.00	\$164,400.00	\$17,780,175.00


As the CCAA pointed out, there are viable companies interested in acquiring some of the SK licences. Therefore, the Ministry of Energy and Resources intends to initiate a receivership process in an attempt to limit the amount of liability in the orphan program and use the sale proceeds to offset the remaining orphan expenses. Bow River's Saskatchewan assets were marketed in the CCAA proceedings which would potentially resulted in about 95% of the producing wells being sold for a total of \$730,000.

To ensure there is a smooth transition when Bow River ceases operation on October 29, 2020 the ministry is moving quickly on the receivership process. As such, an application to appoint a receiver over the Bow River assets located in Saskatchewan has been scheduled for Wednesday, October 28, 2020.

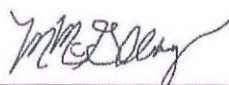
It is our intention to appoint BDO Canada Limited (who was the Monitor appointed for the CCAA) as the receiver manager as they have already run the marketing process once for Bow River and have familiarity with the sites. Also, it is the Ministry's intention to have the receiver operate the Saskatchewan locations, where viable, with the product sales proceeds helping to offset the cost of the receivership.

Although typically the Ministry would wait to deem an insolvent licensee an orphan until after the receivership process has occurred, in this case as the Ministry is initiating the receivership, we are planning to deem the company prior, so that receivership expenses come out of the Orphan Fund.

This package has been prepared by the Ministry of Energy and Resources on October 23, 2020.



 Candy Dominique
 Manager, Liability Regulation



 Megan McGillivray
 Engineer, Liability Regulation



Bennett Jones

Bennett Jones LLP
4500 Bankers Hall East, 855 - 2nd Street SW
Calgary, Alberta, Canada T2P 4K7
Tel: 403.298.3100 Fax: 403.265.7219

Keely Cameron
Associate
Direct Line: 403.298.3324
e-mail: cameronk@bennettjones.com
Our File No.: 68775.6

December 21, 2021

VIA EMAIL: russell@lawyergregory.com

Mr. Russell Q. Gregory
Barrister, Solicitor & Notary
Gregory Law Office
Box 518
Meadow Lake, SK S9X 1Y4

Dear Mr. Gregory:

Re: In the Matter of the Receivership of Bow River Energy Ltd. ("Bow River")

We confirm receipt of your correspondence dated December 15, 2021, wherein you inquire into the receipt of \$648,305.04 by the Receiver on January 14, 2021.

Following the commencement of the receivership proceedings in Alberta and Saskatchewan, Scotiabank forwarded to the Receiver the cash in Bow River's bank accounts in the amount of \$2,091,306.57. As Bow River did not segregate its funds as between its Saskatchewan and Alberta operations, the Receiver needed to allocate the funds as between the two proceedings. The Receiver apportioned the funds on a pro rata basis based on the percentage of production revenues generated from each province over the recent months preceding the receivership. 69% (\$1,443,001.53) was allocated to the Alberta receivership proceeding and 31% (\$648,305.04) was allocated to the Saskatchewan proceeding.

We trust the foregoing answers your questions. With respect to your clients' assertion that they are entitled to the \$648,305.04, we note the following:

- no such argument was advanced during the CCAA Proceedings despite having notice of them, and Bow River advising the court that it did not intend to pay the Saskatchewan Municipal Taxes;
- the CCAA proceedings have been terminated, the current proceedings are under different legislation and reflect a higher risk profile with different priorities than a CCAA proceeding;
- no evidence has been provided to demonstrate that taxes became owing during the CCAA Proceedings; and

THIS IS EXHIBIT ".....^C....."
 referred to in the Affidavit of
Janice Carbert.....
 Sworn before me this11.....
 day ofFeb..... A.D. 19.....2022

.....
 A COMMISSIONER FOR OATHS
 IN AND FOR THE PROVINCE OF ALBERTA

RUSSELL Q. GREGORY
 Barrister & Solicitor

December 21, 2021

Page 2

- no authority has been provided to substantiate a claim to the \$648,305.04, which appears to fall outside of the "property" for which a lien attaches under *The Municipalities Act*.

Should you wish to discuss this matter further, please contact the undersigned.

Yours truly,

BENNETT JONES LLP

Keely Cameron

Keely Cameron

KC

cc: James Rose, MLT Aikins LLP (via email)
Leanne Lang, Saskatchewan Energy Regulator (via email)

