



ESTATE NUMBER 25-2624152
~~25-624152~~

COURT COURT OF QUEEN'S BENCH OF ALBERTA IN
BANKRUPTCY AND INSOLVENCY #1101424

JUDICIAL CENTRE CALGARY

PROCEEDING IN THE MATTER OF THE BANKRUPTCY AND
INSOLVENCY OF DIRECT OIL & GAS INC.

APPLICANT MNP LTD., IN ITS CAPACITY AS TRUSTEE IN
BANKRUPTCY OF DIRECT OIL & GAS INC.

DOCUMENT **APPROVAL AND VESTING ORDER**
(Sale by Trustee)

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
GOWLING WLG (CANADA) LLP
Suite 1600, 421 – 7th Avenue SW
Calgary AB T2P 4K9

Attention: Tom Cumming / Caireen E. Hanert
Telephone: (403) 298-1938 / (403) 298-1992
Email: tom.cumming@gowlingwlg.com
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File No. A163489

DATE ON WHICH ORDER WAS PRONOUNCED: October 30, 2020

LOCATION WHERE ORDER WAS PRONOUNCED: Edmonton Law Court - by Webex

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice D.L. Shelley

UPON THE APPLICATION by MNP Ltd., in its capacity as trustee in bankruptcy (the “Trustee”) of Direct Oil & Gas Inc. (the “Debtor”) for an order approving the sale transaction (the “Transaction”) contemplated by an agreement of purchase and sale (the “Sale Agreement”) between the Trustee and Tallahassee Exploration Inc. (the “Purchaser”) dated October 16, 2020 and appended to the Trustee’s Second Report and the Trustee’s Confidential Supplement to the

Second Report (collectively, the “**Report**”), and vesting in the Purchaser the Trustee and Debtor’s right, title and interest in and to the assets described in the Sale Agreement (the “**Purchased Assets**”);

AND UPON HAVING READ the Report and the Affidavit of Service; **AND UPON HEARING** the submissions of counsel for the Trustee, the Purchaser, no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service, filed.

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application and time for service of this application is abridged to that actually given.

APPROVAL OF TRANSACTION

2. The Transaction is hereby approved and execution of the Sale Agreement by the Trustee is hereby authorized and approved, with such minor amendments as the Trustee may deem necessary. The Trustee is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for completion of the Transaction and conveyance of the Purchased Assets to the Purchaser.

VESTING OF PROPERTY

3. Subject only to approval by the Alberta Energy Regulator (the “**Energy Regulator**”) of transfer of any applicable licenses, permits and approvals pursuant to section 24 of the *Oil and Gas Conservation Act* (Alberta) and section 18 of the *Pipeline Act* (Alberta), upon delivery of a Trustee’s certificate to the Purchaser substantially in the form set out in **Schedule “A”** hereto (the “**Trustee’s Closing Certificate**”), all of the Trustee and Debtor’s right, title and interest in and to the Purchased Assets shall vest absolutely in the name of the Purchaser, free and clear of and from any and all caveats, security interests, hypothecs, pledges, mortgages, liens, trusts or deemed trusts, reservations of ownership,

royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgements, executions, levies, taxes, writs of enforcement, charges, or other claims, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, “**Claims**”) including, without limiting the generality of the foregoing:

- (a) any charges, security interests or claims evidenced by registrations pursuant to (i) the *Personal Property Security Act* (Alberta), (ii) the *Mines and Minerals Act* (Alberta) (the “**MMA**”); or (iii) or any other personal property registry system;
- (b) any liens or claims of lien under the *Builders’ Lien Act* (Alberta); and
- (c) those Claims listed in **Schedule “B”** hereto (all of which are collectively referred to as the “**Encumbrances**”, which term shall not include the permitted encumbrances, caveats, interests, easements, and restrictive covenants listed in **Schedule “C”** (collectively, “**Permitted Encumbrances**”)),

and for greater certainty, this Court orders that all Claims including Encumbrances other than Permitted Encumbrances, affecting or relating to the Purchased Assets are hereby expunged, discharged and terminated as against the Purchased Assets.

4. Upon delivery of the Trustee’s Closing Certificate, and upon filing of a certified copy of this Order, together with any applicable registration fees, the Registrar or Registrars under the *Land Titles Act* (Alberta) (the “**LTA**”), the Department of Energy and the Minister of Energy of Alberta, and all other government ministries and authorities in Alberta, respectively, exercising jurisdiction with respect to or over the Purchased Assets (collectively, the “**Governmental Authorities**”), as applicable, are hereby authorized, requested and directed to accept delivery of such Trustee’s Closing Certificate and certified copy of this Order as though they were originals and to register such transfers, interest authorizations, discharges and discharge statements of conveyance as may be required to convey to the Purchaser or its nominee clear title to the Purchased Assets subject only to Permitted Encumbrances. Without limiting the foregoing:

- (a) Alberta Energy (“**Energy Ministry**”) shall and is hereby authorized, requested and directed to forthwith:
- (i) cancel and discharge those Claims including builders’ liens, security notices, assignments under section 426 (formerly section 177) of the *Bank Act* (Canada) and other Encumbrances (but excluding Permitted Encumbrances) registered (whether before or after the date of this Order) against the estate or interest of the Debtor in and to any of the Purchased Assets located in the Province of Alberta; and
 - (ii) transfer all Crown leases listed in **Schedule “D”** to this Order standing in the name of the Debtor, to the Purchaser free and clear of all Claims including Encumbrances but excluding Permitted Encumbrances;
- (c) the Registrar of the Alberta Personal Property Registry (the “**PPR Registrar**”) shall and is hereby directed to forthwith cancel and discharge any registrations at the Alberta Personal Property Registry (whether made before or after the date of this Order) claiming security interests (other than Permitted Encumbrances) in the estate or interest of the Debtor in any of the Purchased Assets which are of a kind prescribed by applicable regulations as serial-number goods.
5. In order to effect the transfers and discharges described above, this Court directs each of the Governmental Authorities to take such steps as are necessary to give effect to the terms of this Order and the Sale Agreement. Presentment of this Order and the Trustee’s Closing Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of title or interest and cancel and discharge registrations against any of the Purchased Assets of any Claims including Encumbrances but excluding Permitted Encumbrances.
6. No authorization, approval or other action by and no notice to or filing with any governmental authority or regulatory body exercising jurisdiction over the Purchased Assets is required for the due execution, delivery and performance by the Trustee of the

Sale Agreement, other than any required approval by the Energy Regulator referenced in paragraph 3 above.

7. Upon delivery of the Trustee's Closing Certificate together with a certified copy of this Order, this Order shall be immediately registered by the Land Titles Registrar notwithstanding the requirements of section 191(1) of the LTA and notwithstanding that the appeal period in respect of this Order has not elapsed. The Land Titles Registrar is hereby directed to accept all Affidavits of Corporate Signing Authority submitted by the Trustee in its capacity as Trustee of the Debtor and not in its personal capacity.
8. For the purposes of determining the nature and priority of Claims, net proceeds from sale of the Purchased Assets (to be held in an interest bearing trust account by the Trustee) shall stand in the place and stead of the Purchased Assets from and after delivery of the Trustee's Closing Certificate and all Claims including Encumbrances (but excluding Permitted Encumbrances) shall not attach to, encumber or otherwise form a charge, security interest, lien, or other Claim against the Purchased Assets and may be asserted against the net proceeds from sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale. Unless otherwise ordered (whether before or after the date of this Order), the Trustee shall not make any distributions to creditors of net proceeds from sale of the Purchased Assets without further order of this Court, provided however the Trustee may apply any part of such net proceeds to repay any amounts the Trustee has borrowed for which it has issued a Trustee's Certificate pursuant to the Trusteeship Order.
9. The Purchaser shall not, by completion of the Transaction, have liability of any kind whatsoever in respect of any Claims against the Debtor.
10. Upon completion of the Transaction, the Debtor and all persons who claim by, through or under the Debtor in respect of the Purchased Assets, and all persons or entities having any Claims of any kind whatsoever in respect of the Purchased Assets, save and except for persons entitled to the benefit of the Permitted Encumbrances, shall stand absolutely and

forever barred, estopped and foreclosed from and permanently enjoined from pursuing, asserting or claiming any and all right, title, estate, interest, royalty, rental, equity of redemption or other Claim whatsoever in respect of or to the Purchased Assets, and to the extent that any such persons or entities remain in the possession or control of any of the Purchased Assets, or any artifacts, certificates, instruments or other indicia of title representing or evidencing any right, title, estate, or interest in and to the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser.

11. The Purchaser shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for its own use and benefit without any interference of or by the Debtor, or any person claiming by, through or against the Debtor.
12. Immediately upon closing of the Transaction, holders of Permitted Encumbrances shall have no claim whatsoever against the Trustee.
13. The Trustee is directed to file with the Court a copy of the Trustee's Closing Certificate forthwith after delivery thereof to the Purchaser.

MISCELLANEOUS MATTERS

14. Notwithstanding the pendency of these proceedings and any insolvency of the Debtor, the assignment bankruptcy of the Debtor as of February 28, 2020, and the provisions of any federal or provincial statute, the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall not constitute nor be deemed to be a transfer at undervalue, settlement, fraudulent preference, assignment, fraudulent conveyance, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.
15. The Trustee, the Purchaser and any other interested party, shall be at liberty to apply for further advice, assistance and direction as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.

16. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Trustee 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 order and to provide such assistance to the Trustee, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Trustee and its agents in carrying out the terms of this Order.
17. 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;
 - (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;
 - (iv) the Purchaser or the Purchaser's solicitors; and
 - (b) posting a copy of this Order on the Trustee's website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/direct-oil-and-gas-inc>;
- and service on any other person is hereby dispensed with.
18. 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.



Justice of the Court of Queen's Bench of Alberta

Schedule "A"
Form of Trustee's Certificate

COURT FILE NUMBER	
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PROCEEDING	IN THE MATTER OF THE BANKRUPTCY OF DIRECT OIL & GAS INC.
APPLICANT	MNP LTD., IN ITS CAPACITY AS TRUSTEE IN BANKRUPTCY OF DIRECT OIL & GAS INC.
RESPONDENT	DIRECT OIL & GAS INC.
DOCUMENT	TRUSTEE'S CERTIFICATE
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<p>GOWLING WLG (CANADA) LLP Suite 1600, 421 – 7th Avenue SW Calgary AB T2P 4K9</p> <p>Attention: Tom Cumming / Caireen E. Hanert Telephone: (403) 298-1938 / (403) 298-1992 Email: tom.cumming@gowlingwlg.com / caireen.hanert@gowlingwlg.com File No.: A163489</p>

RECITALS

- A. Pursuant to an assignment in bankruptcy by Direct Oil & Gas Inc. (the "**Debtor**") filed on February 28, 2020 with the Official Receiver pursuant to section 49 of the *Bankruptcy and Insolvency Act* (Canada), the Debtor became bankrupt.
- B. Pursuant to an Order of the Honourable Justice D.L. Shelley of the Court of Queen's Bench of Alberta (the "**Court**") dated October 30, 2020, the Court approved the agreement of purchase and sale made as of October 16, 2020 (the "**Sale Agreement**") between the Trustee and Tallahassee Exploration Inc. (the "**Purchaser**") and provided for the vesting in the Purchaser of the Trustee and Debtor's right, title and interest in and to the Purchased

Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Trustee to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in sections 3.1, 3.2 and 3.3 of the Sale Agreement have been satisfied or waived by the Trustee and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Trustee.

- C. Unless otherwise indicated herein, capitalized terms have the meanings set out in the Sale Agreement.

THE TRUSTEE CERTIFIES the following:

1. The Purchaser has paid and the Trustee has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in sections 3.1, 3.2 and 3.3 of the Sale Agreement have been satisfied or waived by the Trustee and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Trustee.
4. This Certificate was delivered by the Trustee at [Time] on [Date].

MNP LTD., in its capacity as Trustee in
Bankruptcy of **Direct Oil & Gas Inc.**, and
not in its personal capacity

Per:

Name:

Title:

Schedule "B"
Claims

1. Security interest in favour of Rothwell Development Corporation registered under the *Personal Property Security Act* (Alberta) (the "PPSA") as number 17082334112 on August 23, 2017, as amended by registration number 18100239995 made on October 2, 2018 in respect of the following collateral:
 - (a) all present and after acquired personal property of the Debtor; and
 - (b) proceeds: all of the Debtor's present and after acquired goods, motor vehicles, accounts, money, chattel paper, documents of title, investment property, instruments and intangibles as defined in the PPSA, insurance proceeds and all other substitutions, renewals, alterations or proceeds of every description and of any kind whatsoever derived directly or indirectly from any dealings with the general collateral or serial number collateral (if any) described above, or proceeds therefrom

2. Land charge in favour of Rothwell Development Corporation registered in the Personal Property Registry of Alberta (the "PPR") as number 17082334177 on August 23, 2017, as amended by registration number 18100240035 made on October 2, 2018.

Schedule "C"
Permitted Encumbrances

"Permitted Encumbrances" are as set out in the Sale Agreement, and are as follows (and capitalized terms have the definitions set out in the Sale Agreement):

- (a) all encumbrances, overriding royalties, net profits interests and other burdens identified in Schedule "A" to the Sale Agreement;
- (b) any ROFR or any similar restriction applicable to any of the Purchased Assets;
- (c) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents;
- (d) defects or irregularities of title as to which the relevant statute(s) of limitations or prescription would bar any attack or claim against Trustee's and Debtor's interest in the Purchased Assets;
- (e) the right reserved to or vested in any grantor, Governmental Authority or other public authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
- (f) liens securing taxes not yet due and payable;
- (g) easements, right of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;
- (h) any obligation of the Debtor or Trustee to hold any portion of its interest in and to any of the Purchased Assets in trust for Third Parties;
- (i) the right reserved to or vested in any municipality or other Governmental Authority to control or regulate any of the Purchased Assets in any manner, including any directives or notices received from any municipality or other Governmental Authority pertaining to the Purchased Assets;
- (j) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Purchased Assets, as regards the Trustee's or Debtor's share of the costs and expenses thereof which are not due or delinquent as of the date hereof;
- (k) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;

- (l) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
- (m) liens granted in the ordinary course of business to a public utility, municipality or other Governmental Authority with respect to operations pertaining to any of the Purchased Assets for which any required payments are not delinquent as of Closing.

Schedule "D"
Crown Leases

The following Alberta Crown leases, licenses or agreements held by Direct Oil & Gas Inc.:

See attached redacted excerpts of the Direct Oil & Gas Inc. Mineral Property Report generated by Nicole Edwards dated January 24, 2019 at 12:50:07 pm (20 pages including cover page)

PNG Lease Number	Lands	Rights	Hectares	Working Interest (%)
5496030062	91-3-W6M Sec 34	PNG to base Bluesky-Bullhead	256	100
177050037	92-2-W6M Sec 19	PNG to base Debolt	256	100
1755	92-3-W6M Sec 11	NG in Bluesky-Bullhead-Belloy	256	100
598010378	92-3-W6M Sec 12	PNG to base Bluesky-Bullhead	256	100
1752	92-2-W6M Sec 7 & 92-3-W6M Sec 13	NG in Bluesky-Bullhead-Belloy; NG in upper Debolt (Excl. Wellbore 5-7-92-2-W6)	512	100
5497120140	92-3-W6M Secs 14 & 15	PNG to base Bluesky-Bullhead	512	100
5497120140	92-3-W6M Secs 14 & 15	PNG to base Bluesky-Bullhead	512	100
580040228	92-3-W6M Sec 3	PNG to base Bluesky-Bullhead	256	81.332257
178030003	87-3-W6M NW 29	PNG TO BASE LEDUC	64	100