

COURT/ESTATE NO. 25-2592139/ 25-095053

COURT COURT OF QUEEN'S BENCH OF ALBERTA IN BANKRUPTCY and INSOLVENCY

JUDICIAL CENTRE CALGARY

MATTER IN THE MATTER OF THE BANKRUPTCY OF SIKSIKA ENERGY LIMITED PARTNERSHIP AND IN THE MATTER OF THE BANKRUPTCY OF SIKSIKA ENERGY RESOURCES CORPORATION

DOCUMENT TRUSTEE'S FIRST REPORT TO THE COURT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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Clerk's Stamp

TABLE OF CONTENTS

INTRODUCTION.....1

NOTICE TO READER.....1

PURPOSE OF THE REPORT.....1

ACTIVITIES OF THE TRUSTEE3

CONSOLIDATING THE BANKRUPT ESTATES3

STATEMENT OF RECEIPTS AND DISBURSEMENTS4

RECOMMENDATION OF THE TRUSTEE5

Schedules

Schedule 1

Claim Register for Siksika Energy Resources Corporation

Schedule 2

Claim Register for Siksika Energy Limited Partnership

Schedule 3

**Consolidated Interim Statement of Receipts and Disbursements for the Period
ended June 30, 2020**

INTRODUCTION

1. On December 4, 2019, Siksika Energy Resources Corporation ("SERC") and Siksika Energy Limited Partnership ("SELP") made voluntary assignments in bankruptcy pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (as amended) (the "BIA") and MNP Ltd. (the "Trustee") was appointed as trustee of the bankrupt estates of SERC and SELP (collectively, the "Bankrupt Estates").
2. On January 14, 2020, the first meetings of creditors for both SERC and SELP were held. There was no quorum present at the first meeting of creditors for SELP. There was a quorum present at the first meeting of creditors for SERC (the "SERC Meeting"). At the SERC Meeting, two inspectors were appointed (the "inspectors"). A subsequent inspectors' meeting was held for SERC at which the inspectors approved the appointment of Caron & Partners, LLP as legal counsel for the Trustee (the "Trustee's Counsel").

NOTICE TO READER

3. In preparing this report and making comments herein, the Trustee has relied upon certain unaudited, draft or internal financial information, including the Bankrupt Estates' books and records, and information from other third-party sources (collectively, the "Information"). The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy of the information in a manner that would wholly or partially comply with generally accepted assurance standards or other standards established by the Chartered Professional Accountants of Canada (the "Standards"). Additionally, none of the Trustee's procedures were intended to disclose defalcations or other irregularities. If the Trustee were to perform additional procedures or to undertake an audit examination of the information in accordance with the Standards, additional matters may come to the Trustee's attention. Accordingly, the Trustee does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.

PURPOSE OF THE REPORT

4. This is the Trustee's first report to Court (the "First Report"). The First Report is being filed in support of the Trustee's application, scheduled to be heard at a hearing on July 13, 2020 (the "July 13 Hearing") requesting an Order for procedural and administrative consolidation of the Bankrupt Estates.

BACKGROUND

5. SERC was incorporated in Alberta on December 18, 1995 for the purpose of having a Siksika Nation owned and managed oil and gas company. As of March 17, 2003, SERC held interests in oil and gas assets in Canada.
6. In March 2003, pursuant to a Limited Partnership Agreement (the "LP Agreement"), and as reflected in the results of an Alberta Partnership search, SELP was formed and duly registered. Siksika Energy Resources Trust ("SERT"), by its Trustee 1036258 Alberta Ltd. is the sole limited partner of SELP. The one and only general partner of SELP was, at all material times, SERC.
7. SERT is not bankrupt and its property has not vested in the Trustee being only a limited partner of SELP.
8. The initial limited partner of SELP was an Alberta company known as Siksika Energy Management Limited ("SEML") a corporation first formed on in March 2003. SEML remained a limited partner until its dissolution (as discussed below).
9. Upon the formation and registration of SELP, SERC conveyed to SELP all or substantially all of its interests in its Canadian oil and gas assets (the "Conveyance"). As such, these assets became not just the separate property of SERC, but the joint property of the limited partnership. This was done to preserve certain income tax advantages SERC was in danger of losing as a result of the expansion of its portfolio of oil and gas assets to include some off-reserve lands.
10. Also, in March 2003, a trust agreement was entered into between SERC and SELP that required SERC to hold the assets that were subject to the Conveyance in trust for SELP.
11. The Trustee has been informed by former management of SELP and SERC ("Management") that working interest participants were not informed of the Conveyance as, in Management's view, there had been no change to the beneficial interest and ownership of the assets and therefore no requirement to notify the working interest participants.
12. SEML was dissolved in June of 2007. The dissolution is recorded in both the Alberta partnership search for the LP and the Alberta corporate search for SEML. At that point, the limited partnership unit held by SEML was transferred to SERC.
13. The assignments into bankruptcy by both SERC and SELP were necessitated by an overall downturn in the oil and gas industry.
14. At the date of bankruptcy, SERC was listed as the operator of one well in southern Alberta (the "Well"), which was abandoned in March 2017. The Well was beneficially owned by SELP. In addition to their interest in the Well, SELP also had working interests in various oil and gas properties in Alberta (the "Working Interests"). Sproule Asset Management Limited ("Sproule")

completed a review of the Well and the Working Interests and determined that they did not have any realizable value.

ACTIVITIES OF THE TRUSTEE

16. Since its appointment, the Trustee has undertaken a number of activities including, but not limited to, the following:
 - 15.1. Notifying all the known creditors of the Bankrupt Estates;
 - 15.2. Collecting cash in bank accounts held by SELP and SERC;
 - 15.3. Confirming adequate insurance coverage;
 - 15.4. Chairing the first meeting of creditors and two subsequent Inspectors' meetings;
 - 15.5. Undertaking collection efforts with respect to outstanding accounts receivable due to SERC;
 - 15.6. Communicating with stakeholders, including the Alberta Energy Regulator;
 - 15.7. Engaging Sproule to evaluate the Well and the Working Interests;
 - 15.8. Quitclaiming the Working Interests; and
 - 15.9. Updating and maintaining the Trustee's website.

CONSOLIDATING THE BANKRUPT ESTATES

16. At the time that the statements of affairs were sworn for the respective Bankrupt Estates, Management informed the Trustee that SELP was the entity with the majority of the creditors.
17. Attached as "Schedule 1" and "Schedule 2" respectively are the claims registers that records those proofs of claim received by the Trustee to date as against SELP and SERC respectively (the "Claims"). As at the date of this report, proofs of claim totalling approximately \$44,900 has been filed against SELP and proofs of claim totalling approximately \$2.0 million had been filed against SERC. The Trustee, with the assistance of the Trustee's Counsel considered against which of the Bankrupt Estates the Claims should be filed.
18. On May 25, 2020, Trustee's Counsel provided an opinion that pursuant to the BIA, and partnership law in force in Alberta, the proofs of claims that were lodged against SERC should be considered as being lodged against the joint property of the partnership. SELP and SERC did not maintain separate offices and both insolvencies were the result of the same transactions and occurrences.
19. The Trustee is of the view that there is no utility in attempting to delineate between separate and joint property of SELP and SERC as all property appears to be joint property of the partnership. The only fair and just treatment of the Claims is to treat them as being lodged against the joint partnership property of SELP.

20. Additionally, section 85(1) of the BIA directs that, despite the separate assignments into bankruptcy, SELP's assets already vested in the Trustee by virtue of the assignment into bankruptcy of SERC as the sole general partner of SELP.
21. In light of the foregoing, the Trustee is of the view that there is little benefit to maintaining two separate proceedings and administering two separate Bankrupt Estates. Procedural consolidation will save significant estate resources by avoiding duplication in the administration of the respective Bankrupt Estates and by avoiding the need for the Trustee to resolve any factual or legal issues among the respective Bankrupt Estates relating to:
 - 21.1. Accounting for funds in the two separate bank accounts between the creditors of SELP and SERC;
 - 21.2. Administering two separate claims processes for SELP and SERC; and
 - 21.3. The allocation of professional and legal fees as between SELP and SERC.
22. Further, unless the respective Bankrupt Estates are consolidated, the Trustee may technically need to require the creditors that filed claims against SERC to withdraw their proofs and re-issue them in the name of the SELP.
23. At a meeting held on June 16, 2020, the Inspectors of SERC approved a resolution that the Bankrupt Estates be administratively and procedurally consolidated.
24. It was decided that the primary estate would be SERC, which is action and estate No. 25-095053. Most of the proofs of claim were lodged against SERC and, moreover, SERC continues to hold legal title to the joint-partnership assets, including the Well, in trust for SELP.
25. The Trustee knows of no prejudice to any creditor as a result of administrative and procedural consolidation and believes it is unlikely any creditor would be prejudiced.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

26. The Trustee has prepared an Interim Statement of Receipts and Disbursements for the Bankrupt Estates up to the June 30, 2020 (the "Interim R&D"). A copy of the Interim R&D is attached hereto as "Schedule 3". As reflected in the Interim R&D, as at June 30, 2020, approximately 224,700 was held in trust by the Trustee.
27. The Interim R&D reflects receipts totaling approximately \$225,300 from cash held in various bank accounts held by the Bankrupt Estates at the date of bankruptcy.
28. The Interim R&D reflects miscellaneous disbursements of approximately \$600.

RECOMMENDATION OF THE TRUSTEE

29. The First Report has been prepared to provide the Court with information on the Trustee's application requesting an Order for procedural and administrative consolidation of the Bankrupt Estates
30. The Trustee is respectfully recommending to this Court that it grant the application for administrative and procedural consolidation of the respective Bankrupt Estates as this will simplify and streamline these proceedings. Further the Trustee is presently unaware of any prejudice to any creditor as a result of such consolidation.

All of which is respectfully submitted this 6th day of July 2020.

MNP Ltd., In its capacity as Trustee of the estates of Siksika Energy Resource Corporation, a bankrupt and Siksika Energy Limited Partnership, a bankrupt and not in its personal capacity



**Vanessa Allen, B. Comm, CIRP, LIT
Senior Vice President**

SCHEDULES

SCHEDULE 1

MNP Ltd.

Claims Register

In the matter of the bankruptcy of
Siksika Energy Resources Corporation
of the First Nations settlement of Siksika, in the Province of Alberta

Insolvency Date: 04-Dec-2019

Estate Number: 25-095053

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
Unsecured creditors						
1. AB Dept of Energy - Corp. Bankruptcies/Crown Royal Attn: Peter Mittal	No			1.00		
2. Alberta Energy Regulator	No	Not proved		35,000.00		
3. Harvest Operations Corp	Yes	Not proved			110,822.85	
4. Indian Oil & Gas Canada	Yes	Not proved			67,078.97	
5. Orphan Well Association	No	Not proved		1.00		
6. Prospect Oil & Gas Management Ltd.	Yes	Not proved			276,271.97	
7. Response Energy Corporation	Yes	Not proved			51,128.62	
8. Ridgeback Resources Inc. c/o Bennett Jones LLP	Yes	Not proved			1,522,930.48	
Total : Unsecured creditors					35,002.00	2,028,232.89
				Grand Total:	35,002.00	2,028,232.89

SCHEDULE 2

MNP Ltd.
Claims Register

In the matter of the bankruptcy of
Siksika Energy Limited Partnership
of the First Nations settlement of Siksika, in the Province of Alberta

Insolvency Date: 04-Dec-2019
Estate Number: 25-2592139

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
Secured creditors						
1. Workers' Compensation Board - Alberta	No	Not proved		1.00		
Total : Secured creditors				<u>1.00</u>		
Unsecured creditors						
1. Alberta Energy Regulator	No	Not proved		1.00		
2. Bellatrix Exploration Ltd.	No	Not proved		3,907.51		
3. Canadian Natural Resources Limited	No	Not proved		3,232.03		
4. CRA - Canada Revenue Agency Attn: Tax Centre	No	Not proved		1.00		
5. Encana Corporation	No	Not proved		5,743.83		
6. Geo Logic Systems	No	Not proved		15,288.00		
7. Getz & Associates, In Trust	No	Not proved		413.99		
8. Harvest Operations Corp.	No			112,917.35		
9. Husky Oil Operations Limited	No	Not proved		96.67		
10. Indian Oil & Gas	No			67,078.97		
11. Orphan Well Association	No	Not proved		1.00		
12. Outpost Energy	Yes	Not proved		25,223.30	44,890.90	
13. Prospect Oil & Gas Management Ltd.	No			320,420.58		
14. Receiver General for Canada-IOGC	No	Not proved		5,082.01		
15. Response Energy Corporation	No			84,266.79		
16. Ridgeback Resources Inc.	No			1,406,428.90		
17. Siksika Energy Resources Corporation	No	Not proved		11,433,610.17		
18. Siksika Resource Development Ltd.	No	Not proved		239,850.39		
19. Workers' Compensation Board - Alberta	No	Not proved		2,233.89		
Total : Unsecured creditors				<u>13,725,797.38</u>	<u>44,890.90</u>	
Grand Total:				13,725,798.38	44,890.90	

SCHEDULE 3

**Siksika Energy Resources Corporation and Siksika Energy Limited
Partnership - In Bankruptcy
Interim Statement of Receipts and Disbursements
For the period ended June 30, 2020**

		<u>Notes</u>
Receipts		
Cash in bank	\$ 225,282	1
Total Receipts	<u>225,282</u>	
Disbursements		
Micellaneous disbursements	<u>601</u>	
Total Disbursements	<u>601</u>	
Excess of receipts over disbursements:	<u>\$ 224,682</u>	

Notes:

1. Reflect cash held in accounts with the Bank of Montreal at date of bankruptcy.