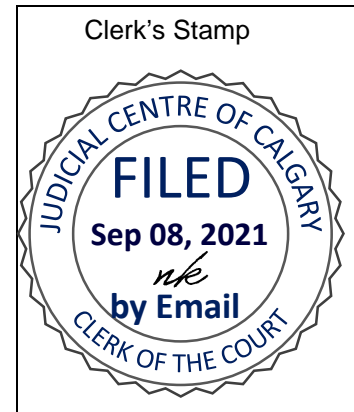


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COURT FILE NO.

25-2719774

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

Justice Jones
COM
Sep 17, 2021

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GS E&R CANADA INC.

DOCUMENT

SECOND REPORT OF MNP LTD., PROPOSAL TRUSTEE

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING
THIS DOCUMENT

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PROPOSAL TRUSTEE
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APPENDICES

APPENDIX A Cash flow projection for the period May 7, 2021 to August 7, 2021

APPENDIX B Trustee's report on Cash Flow Statement and the Report on Cash Flow Statement by Person Making a Proposal (Forms 29 and 30) for the Projected Statement of Cash Flow for the Period Ending August 7, 2021.

INTRODUCTION

1. On March 11, 2021, GS E&R Canada Inc. (the “Company”) filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to the *Bankruptcy and Insolvency Act* (“BIA”) and MNP Ltd. consented to act as trustee under the NOI (the “Proposal Trustee”). The original documentation was erroneously filed under the name GS E&R Canada Ltd. and MNP Ltd. provided the Office of the Superintendent of Bankruptcy (the “OSB”) with updated filing documentation on March 16, 2021. On March 18th, 2021 the OSB issued a new certificate of filing with the Company’s correct name.
2. On March 24, 2021, the Company obtained an Order extending the initial NOI stay period until May 25, 2021 (the “March 24 Order”).
3. This is the Proposal Trustee’s second report to the Court of Queen’s Bench of Alberta (the “Court”) (the “Second Report”).
4. Defined terms used in the Second Report will have the same meaning as in the First Report of the Trustee dated March 18, 2021.
5. All references to currency are in Canadian dollars unless otherwise stated.
6. A copy of the Second Report and other relevant documents in the Company’s restructuring proceedings are available on the Proposal Trustee’s website at:
<https://mnpdebt.ca/en/corporate/corporate-engagements/gseandr-canada>.

REPORT LIMITATIONS

7. In preparing the Second Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information of the Company, the Company’s books and records, and information from other third-party sources (collectively, the “Information”). The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance or other standards established by the Chartered Professional Accountants of Canada.
8. In preparing this report and making comments herein, the Trustee has relied upon, certain unaudited, draft or internal financial information, including the Company’s 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 or completeness 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 have 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.
9. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report. Any use, which any party

makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.

PURPOSE OF THE REPORT

10. The purpose of the Second Report is to provide the Court and other interested parties with:
 - a. The Trustee’s position with respect to the Company’s application to pay NorthRiver Midstream Operations LP’s (“NorthRiver”) pre filing accounts for February and March 2021, of \$113,184.06 and \$40,421.02, respectively; and
 - b. Information on the Company’s application seeking the Court’s approval of an extension of the period for the Company to file its proposal until July 9, 2021 (the “Extension Period”).

CASH FLOW STATEMENT AND VARIANCE ANALYSIS

11. The Trustee has monitored the Company’s actual cash receipts and disbursements up to the week ending May 8, 2021 and provides the following variance analysis:

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In the Matter of the Notice of Intention				
to File a Proposal under the Bankruptcy & Insolvency Act by GS E&R Canada Inc				
Comparison of Actual to Forecast Cash Receipts and Cash Disbursements				
For the Period March 11, 2021 to May 8, 2021				
	Actual	Forecast	Variance	Notes
Cash Receipts				
Operated revenue (after royalties)	1,368,201	1,219,892	\$ 148,308	a
Other	5,242	3,600	1,642	
Total Cash Receipts	1,373,443	1,223,492	149,951	
			-	
Cash Disbursements				
Field Operators	124,216	122,333	1,882	
Field Operating costs	142,011	286,205	-144,194	b
Trucking, Waste/Water Disposal and Pipeline Costs	402,093	382,368	19,725	
Crown Rentals (P&NG and Surface)	55,321	61,907	-6,585	
Contingency	11,035	100,000	-88,965	c
Total Field Operations & Related	734,675	952,813	-218,138	
			-	
Software & Computer	1,847	3,440	-1,593	
Management Fees (Salaries&benefit)	80,954	83,000	-2,046	
Consultants & legal costs	83	9,600	-9,517	d
Office Rent Only	6,300	6,000	300	
Storage, Phones, Supplies, etc.	-	1,370	-1,370	
Meals & Entertainment	-	1,000	-1,000	
Contingency	24,191	10,000	14,191	e
Total Office & Related	113,376	114,410	-1,034	
			-	
Carbon tax	17,324	31,421	-14,097	f
BC Levies	-	8,406	-8,406	g
Total Other	17,324	39,827	-22,503	
			-	
Total Cash Disbursements Before Restructuring Costs	865,375	1,107,051	-241,675	
			-	
Restructuring costs (trustee and legal)	115,726	230,000	-114,274	h
			-	
Total Cash Disbursements	981,101	1,337,051	-355,950	
Net Cash Receipts over Net Cash Disbursement	392,342	-113,558	505,900	
Opening Cash	1,925,510	1,925,510		
Less Adjustment to Opening Cash	475,000		-475,000	i
Adjusted Opening Cash	1,450,510	1,925,510	475,000	
CASH AT MAY 8, 2021	\$ 1,842,852	\$ 1,811,952	\$ 30,900	

12. Notes to the Variance Analysis:

- a. Operating revenues are higher primarily due to significant increases in the Western Canada Select oil prices. This is a permanent variance.
- b. The forecast field operation expenses include pre filing invoice amounts which have not been paid. This is a permanent variance.
- c. This amount relates to the payment of miscellaneous costs charged to credit cards.
- d. No legal costs, other than restructuring costs, were incurred during the period under review. This is a permanent variance
- e. Includes \$21,540 GST payment for the post filing period that had not been forecast. This is a permanent variance.
- f. The forecast included the total carbon tax payable. Only the post filing amount was paid. This is a permanent variance.
- g. The forecast BC Levies amount included the pre filing amount outstanding. This amount was not paid. This is a permanent variance.
- h. The restructuring cost variance is a temporary variance and these payments will be incurred in future periods.
- i. The opening cash amount included a \$125,000 term deposit held by the Company's Bank as security for the corporate credit cards and a \$350,000 term deposit held as security for an outstanding letter of credit held by NorthRiver for pipeline services. Both of these amounts cannot be used by the Company for ongoing operations and should not have been included in the Company's cash balance. Therefore, the opening cash balance has been reduced by \$475,000. This is a permanent variance.

PROJECTED STATEMENT OF CASH FLOW

13. The Company has prepared a cash flow projection for the period May 9, 2021 to August 7, 2021 (the "Extension Period Cashflow") and it is attached as "Appendix A". The Company's report and Trustee's Reports on the cash flow projection, Forms 29 and 30 are attached hereto as "Appendix B".

14. A summary of the Company prepared Extension Period Cashflow is as follows:

**In the Matter of the Notice of Intention to File a Proposal
Under the Bankruptcy & Insolvency Act by GS E&R Canada Inc.
Summary of Estimated Cash Flow
For the Period from May 9, 2021 to August 7, 2021**

Opening Cash - May 8, 2021	\$ 1,843,000
Production Revenue Receipts	<u>1,587,000</u>
Subtotal	<u>3,430,000</u>
Cash Disbursements	
Field Operating Costs	1,328,000
Administration Costs	131,000
Carbon Tax & B.C Production Levy	109,000
Municipal Property Taxes	410,000
Contingency	<u>93,000</u>
Total Cash Disbursements before Restructuring Costs	<u>2,071,000</u>
Net Estimated Cash before Restructuring Costs	1,359,000
Restructuring Costs	<u>370,000</u>
Net Estimated Cash - August 7, 2021	<u>\$ 989,000</u>

15. The Extension Period Cashflow does not include the payment of the \$119,873.26 BC Oil & Gas Commission Orphan Well Levy covering the period April 1, 2021 to March 31, 2022. As the invoice primarily covers a future period, the Company requested a deferral of the invoice until the sales process was completed. The BC Oil & Gas Commission replied advising that it was not prepared to grant the deferral at this time but would reconsider its decision once the results of Phase 1 of the SISP was known.
16. The Extension Period Cashflow also does not include the NorthRiver Pre Filing Amount (as defined below) for the payment of pre filing debt as this payment has not yet been approved by this Honorable Court.
17. From review of the Extension Period Cashflow, the Proposal Trustee notes that, after taking into account production revenue receipts and all cash disbursements including the payment of the BC Oil & Gas Commission invoice should no payment deferral be granted and the NorthRiver Pre Filing Amount, the Company should have sufficient cash to carry on operations during the period to August 7, 2021, which date is beyond the Extension Period.

NORTHRIVER MIDSTREAM OPERATIONS LP

18. NorthRiver is a supplier of pipeline services and these services are critical to the Company's ongoing operations. NorthRiver is owed \$113,184.06 for February 2021 and \$40,421.02 for the period from March 1-10, 2021 for pre filing pipeline services (together, the "Pre Filing Amount"). While NorthRiver is in possession of a Letter of Credit in the amount of \$350,000, NorthRiver has advised the Company that should the Pre Filing Amount not be paid it will terminate the Company's access to the pipeline.
19. As the payment of the Pre Filing Amount would not put the Company into an adverse position given that NorthRiver has a letter of credit, the Trustee does not object to this amount being paid.

REQUEST FOR EXTENSION

20. Pursuant to the BIA, and the March 24 Order granted by this Honourable Court, the Company must file a Proposal no later than May 25, 2021 unless an application is made to the Court for an extension.
21. In accordance with the March 24 Order, the Trustee retained the services of Sayer to run the SISP which had a deadline for initial offers of noon on May 13, 2021. Offers have been received and the Company, together with Sayer and the Trustee, are presently reviewing the offers to determine which would likely obtain approval from the BCOGC and would also provide the greatest return to the estate. Any offer acceptable to the Company and the Trustee will be subject to approval by this Honourable Court at a future Court application.
22. The Trustee intends to provide this Honourable Court with a detailed review of the steps taken in the SISP to generate the offers received at the future application to approve the offer or offers selected by the Company.
23. The Company is requesting an extension of the stay of proceedings until July 9, 2020.

CONCLUSION

24. The Trustee is of the view that:
 - a. The requested extension is in the best interest of all of the Company's stakeholders; and
 - b. The NorthRock Pre Filing Amount should be paid to allow the Company to continue operations.
25. The Trustee is also of the view that the Company is acting in good faith and with due diligence in supporting the SISP process, maintaining ongoing operations, and taking steps to resolve certain outstanding issues and claims of creditors in order that it might be in a position to make a proposal to its creditors.

26. In addition, the Trustee does not believe that any creditor would be materially prejudiced if the extension were granted.

All of which is respectfully submitted this 14th day of May, 2021.

MNP Ltd. in its capacity as Trustee in the Notice of Intention to Make a Proposal of GS E&R Canada Inc. and not in its personal or corporate capacity



Per: _____
Victor P. Kroeger CPA, CA, LIT, CIRP, CFE
Senior Vice President

Appendix A

GE E&R Canada Inc. (the "Company")
Statement of Weekly Projected Cash Flow
For the period from May 03 to July 26, 2021

Court No.: 25-2719774
Estate No.: 25-2719774


Notes	Opening Balance	week 1	week 2	week 3	week 4	week 5	week 6	week 7	week 8	week 9	week 10	week 11	week 12	week 13	Total
	and actual	10/05/2021	17/05/2021	24/05/2021	31/05/2021	07/06/2021	14/06/2021	21/06/2021	28/06/2021	05/07/2021	12/07/2021	19/07/2021	26/07/2021	02/08/2021	Total
Opening Balance	\$ 1,925,510	\$ 1,842,852	\$ 1,790,352	\$ 1,790,352	\$ 1,719,020	\$ 1,710,520	\$ 1,651,520	\$ 1,651,520	\$ 2,138,405	\$ 1,232,086	\$ 1,175,586	\$ 1,175,586	\$ 1,119,086	\$ 1,046,932	\$ 1,925,510
Cash Inflows															
Operated revenue (after royalties)	1	1,368,201			510,868			545,885					525,275		2,950,229
Non-Operated revenue (after royalties)															0
DIP Financing															0
Other	2	5,242		1,800					1,800				1,800		10,642
Total Inflows		\$ 1,373,443	\$ -	\$ -	\$ 512,668	\$ -	\$ -	\$ -	\$ 545,885	\$ 1,800	\$ -	\$ -	\$ 527,075	\$ -	\$ 2,960,871
Cash Outflows															
Field Operators	3	124,216	31,500		31,500		31,500	31,500		31,500		31,500		29,667	342,882
Field Operating costs	4	142,011			140,128				140,528				106,878		529,544
Trucking, Waste/Water Disposal and Pipeline Costs	5	402,093			204,282				227,503				218,903		1,052,781
Crown Rentals (P&NG and Surface)	6	55,321			7,183				-13,793				-563		48,149
Contingency		486,035			50,000				14,000				14,000		564,035
Non-operated Operating costs															0
Total Field Operations & Related		\$ 1,209,675	\$ 31,500	\$ -	\$ 433,093	\$ -	\$ 31,500	\$ -	\$ 31,500	\$ 368,238	\$ 31,500	\$ -	\$ 31,500	\$ 339,217	\$ 2,537,390
Software & Computer		1,847			1,720				1,720				1,720		7,007
Management Fees (Salaries&benefit)	7	80,954	21,000		24,000	5,500	27,500	27,500		25,000		25,000		28,000	264,454
Consultants & legal costs	8	83			2,800				2,800				2,800		8,483
Office Rent Only		6,300				3,000			3,150				3,150		15,600
Storage, Phones, Supplies, etc.		0			685				685				685		2,055
Meals & Entertainment		0			500				500				500		1,500
Contingency		24,191			5,000				5,000				5,000		39,191
Total Office & Related		\$ 113,376	\$ 21,000	\$ -	\$ 34,705	\$ 8,500	\$ 27,500	\$ -	\$ 27,500	\$ 13,855	\$ 25,000	\$ -	\$ 25,000	\$ 13,855	\$ 338,291
Municipal Taxes Paid									410,000						410,000
Carbon tax	9	17,324			31,421				31,421				31,421		111,588
BC Levies	10	0			4,781				4,605				4,735		14,121
Total Other		\$ 17,324	\$ -	\$ -	\$ 36,202	\$ -	\$ -	\$ -	\$ 446,026	\$ -	\$ -	\$ -	\$ 36,156	\$ -	\$ 535,709
Restructuring costs (trustee and legal)	11	115,726			80,000				80,000				210,000		485,726
Other Finance Charges	12														0
Total Other		\$ 115,726	\$ -	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ 210,000	\$ -	\$ 485,726
Total outflows		\$ 1,456,101	\$ 52,500	\$ -	\$ 584,000	\$ 8,500	\$ 59,000	\$ -	\$ 59,000	\$ 908,119	\$ 56,500	\$ -	\$ 56,500	\$ 599,229	\$ 3,897,116
Closing Balance		\$ 1,842,852	\$ 1,790,352	\$ 1,790,352	\$ 1,719,020	\$ 1,710,520	\$ 1,651,520	\$ 1,651,520	\$ 2,138,405	\$ 1,232,086	\$ 1,175,586	\$ 1,175,586	\$ 1,119,086	\$ 1,046,932	\$ 989,266

Purpose:


The Statement of Projected Cash Flow has been prepared by the Company's management pursuant to Section 50.4(2) of the *Bankruptcy and Insolvency Act* (the "BIA"). It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes.

In addition, the Statement of Projected Cash Flow has been prepared based on assumptions regarding future events, therefore actual results may vary from the estimates presented herein and these variances may be material.

GE E&R Canada Ltd.

Per: 
Jung Ho Park
Managing Director

MNP Ltd. in its capacity as Trustee under the Proposal of
GE E&R Canada Ltd., and not in its personal capacity


Per: Victor P. Kroeger
Senior Vice President

GE E&R Canada Inc. (the "Company")
Statement of Weekly Projected Cash Flow
For the period from July 26 to August 7, 2021

0
0

General Notes & Assumptions

Amounts are represented in Canadian dollars

Specific Notes & Assumptions

- 1 Revenue : Condensate and Gas sales
- 2 Payment by Bell for electricity useage on a Bell installed a tower on a GS E&R property
- 3 Field operators paid biweekly consistent with prior periods.
Field Operating Costs include: R&M, Chemical, Methanol & Fuel purchase, Safety costs, Camp costs, Meals & Entertainment, Gas Marketing fee, Insurance costs, Communication costs & SCADA software, Travel costs, Road maintenance, meter calibration, corrosion proection inspection, methanol delivery, P&A
- 4 Trucking costs (Condensate, water), water disposal and gas gathering & transportation costs
- 5 Based on mineral and surface lease rental agreements.
- 6 Salary & benefits(CPP, EI, Group insurance, etc) for Calgary office workers
- 7 Legal costs and annual corporate tax filing service fee (once a year)
- 8 Carbon tax is consistent with prior periods
- 9 BC production levy
- 10 BC production levy
- 11 Proposal Costs: MNP, Stikeman, Lawson Lundell and Sayer

GE E&R Canada Ltd.



Per: Jung Ho Park
Managing Director

MNP Ltd. in its capacity as Trustee under the Proposal of
GE E&R Canada Ltd., and not in its personal capacity



Per: Victor P. Kroeger
Senior Vice President

Appendix B

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2719774
Estate No. 25-2719774

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of GS E&R Canada Inc., as of the 3rd day of May 2021, consisting of a rolling 13 week cash flow projection with documented assumptions, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Calgary in the Province of Alberta, this 10th day of May 2021.

MNP Ltd. - Licensed Insolvency Trustee
Per:



Victor Kroeger - Licensed Insolvency Trustee
1500, 640 - 5 Avenue SW
Calgary AB T2P 3G4
Phone: (403) 538-3187 Fax: (403) 537-8437

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2719774
Estate No. 25-2719774

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

I, GS E&R Canada Inc., have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 3rd day of May 2021, consisting of .

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Calgary in the Province of Alberta, this 10th day of May 2021.



GS E&R Canada Inc.
Debtor

Jung Ho Park , Managing Director .

Name and title of signing officer

Name and title of signing officer