

## Orphan Deeming Summary

<b>Licensee (BA ID) Name:</b>	(34755) Bow River Energy Ltd.	
<b>Field Office Area:</b>	1 (Lloydminster), 2 (Kindersley)	
<b>Potential Orphan Work Required:</b>	Please refer to LLI report dated October 19, 2020 for further details regarding licences, surface locations and associated liabilities.  <b>Wells:</b> # requiring abandonment: 516 # requiring reclamation: 642 Associated liability: \$22,593,475.00  <b>Facilities:</b> # requiring decommissioning: 28 # requiring reclamation: 29 Associated liability: \$3,714,100.00  <b>Orphan Work Not Required:</b> # of wells that do not require work under the orphan program: 183 # of facilities that do not require work under the orphan program: 1	
<b>Company Information:</b>		
<b>Address:</b>	IRIS Address: P.O. BOX 22105 BANKERS HALL CALGARY, AB T2P 4J5	Enerlink Address: 1900, 321-6 <sup>th</sup> Ave SW CALGARY, AB T2P 3H3
<b>Phone Number:</b>	IRIS: 403-803-9612	Enerlink: 403-475-4100
<b>Company Description &amp; History:</b>		
<b>ISC Corporate Registry Details:</b> <ul style="list-style-type: none"> <li>• <b>Incorporation Date:</b> June 22, 2010</li> <li>• <b>Name Changed From:</b> Full Cycle Energy Investment Management Inc. on March 13, 2013</li> <li>• <b>Status:</b> Active (Effective date: June 30, 2010)</li> <li>• <b>Corporation Details:</b> 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.</li> </ul>		
<b>Enerlink Details:</b> <ul style="list-style-type: none"> <li>• <b>Status:</b> Active (effective date of March 8, 2013)</li> <li>• <b>Other pertinent information found on Enerlink:</b> Director is Dale Allen Miller</li> </ul>		
<b>Current Situation under the SK LLR Program:</b> <ul style="list-style-type: none"> <li>• <b>Number of wells licenced in Sask:</b> 825</li> <li>• <b>Number of facilities licenced in Sask:</b> 30</li> <li>• <b>Number of wells identified as problem sites:</b> 0</li> <li>• <b>Number of facilities identified as problem sites:</b> 0</li> <li>• <b>Total Abandonment Liability:</b> \$9,679,175.00</li> <li>• <b>Total Reclamation Liability:</b> \$16,628,400.00</li> <li>• <b>LLR:</b> 1.01</li> <li>• <b>Total Security Held by the Ministry:</b> \$0.00</li> </ul>		
<b>CCAA Protection:</b> <ul style="list-style-type: none"> <li>• June 1, 2020, court appointed BDO Canada Limited to act as Monitor for CCAA.</li> </ul>		

## 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
<b>Total Deemed Assets</b>	\$27,031,198.03	\$20,502,684.56	\$3,751,930.34	\$2,776,583.13
<b>Total Liabilities</b>	\$26,307,575.00	\$6,197,900.00	\$825,300.00	\$19,284,375.00
<b>LLR</b>	1.03	3.31	4.55	0.1440
<b>Wells</b>	825	106	21	698
<b>Productive Wells</b>	132	92	16	24
<b>Facilities</b>	30	17	1	12
<b>Productive Facilities</b>	10	6	1	3
<b>Productive Liability</b>	\$6,640,200.00	\$4,475,100.00	\$660,900.00	\$1,504,200.00
<b>Uneconomic Liability</b>	\$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