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COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

COM
June 20 2022

PLAINTIFF ORPHAN WELL ASSOCIATION

DEFENDENT POINT LOMA RESOURCES LTD.

IN THE MATTER OF THE RECEIVERSHIP OF
POINT LOMA RESOURCES LTD.

DOCUMENT **FOURTH REPORT OF THE RECEIVER,
BDO CANADA LIMITED
JUNE 13, 2022**

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**FOURTH REPORT OF THE RECEIVER
BDO CANADA LIMITED
JUNE 13, 2022**

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INTRODUCTION

1. On June 8, 2020 (the “**Receivership Date**”), the Orphan Well Association (“**OWA**”) made an application to the Court of Queen’s Bench of Alberta (the “**Court**”) for the appointment of a receiver and manager (the “**Receiver**”) of the current and future assets, undertakings and property of Point Loma Resources Ltd. (“**Point Loma**” or the “**Company**”) located in Alberta, pursuant to which the Court granted an Order (the “**Receivership Order**”) appointing BDO Canada Limited as the Receiver of Point Loma.
2. On February 16, 2021, the Receiver prepared a report (the “**First Report**”) in advance of its application seeking the Court's approval of three separate *Asset Purchase and Sale Agreements* (the “**Initial PSAs**”) with prospective purchasers derived from the Sale and Solicitation Process (the “**SSP**”) administered by the Receiver.
3. The Receiver also prepared a Confidential Supplement to the First Report dated February 16, 2021 (the “**First Confidential Supplement**”), containing information in respect of the Initial PSAs that the Receiver considered to be commercially sensitive.
4. On February 23, 2021, the Court granted the following Orders:
 - a. three Approval and Vesting Orders, in respect of the transactions contemplated by the Initial PSAs (the “**Initial Transactions**”); and
 - b. an Order sealing the First Confidential Supplement.
5. On April 19, 2021, the Receiver prepared a report (the “**Second Report**”) in advance of its application seeking the Court’s approval of three additional *Asset Purchase and Sale Agreements* (the “**Subsequent PSAs**”) with additional prospective purchasers arising from the SSP. The Receiver also prepared a Confidential Supplement to the Second Report dated April 19, 2021 (the “**Second Confidential Supplement**”); containing information in respect of the Subsequent PSAs that the Receiver considered to be commercially sensitive.

6. On April 26, 2021, the Court granted the following Orders:
 - a. three Approval and Vesting Orders, in respect of the transactions contemplated by the Subsequent PSAs (the “**Subsequent Transactions**”); and
 - b. an Order sealing the Second Confidential Supplement and approving the activities of the Receiver.

7. On June 7, 2021, the Receiver prepared a report (the “**Third Report**”), and a supplementary report (the “**Supplement to the Third Report**”) dated June 16, 2021, in contemplation of the Receiver’s application seeking a partial discharge in respect of Point Loma’s interests (the “**Residual Interests**”) in wells, pipelines and facilities including their associated licenses that were not the subject of:
 - a. the Initial Transactions,
 - b. the Subsequent Transactions,
 - c. the quitclaim agreement entered into with Salt Bush Energy Inc. (the “**Salt Bush Quitclaim**”),
 - d. additional potential offers; or
 - e. possible candidates for abandonment and rehabilitation work pursuant to the Government of Alberta’s (the “**Government**”) Site Rehabilitation Program (the “**SRP**”).

8. On June 17, 2021, the Court granted an Order (the “**Order for Partial Discharge of Receiver**”) discharging the Receiver over the Residual Interests.

9. The purpose of this report (the “**Fourth Report**”) is to provide the Court with:
 - an update of the status of the administration of the receivership proceedings (the “**Proceedings**”);
 - background information in relation to the Receiver’s request for its full discharge including a proposed mechanism to address the remaining few well site interests for which planned SRP work has not yet been completed;
 - an updated Interim Statement of Receipts and Disbursements;

- details of the Receiver's accounts and those of its legal counsel in contemplation of the passing of the respective accounts;
- the Receiver's proposed course of action with respect to the disposition of the Company's remaining books and records that came into the Receiver's possession; and
- the Receiver's recommendations in respect of the foregoing, as appropriate.

TERMS OF REFERENCE

10. In preparing this Fourth Report, the Receiver has relied upon unaudited financial information, available books and records of the Company, information provided by the Receiver's legal counsel and discussions with and information provided by Sproule Asset Management Limited ("**Sproule**"), the Receiver's operational consultants and Vertex Professional Services Ltd. ("**Vertex**") (collectively referred to as the "**Information**"). The Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Information and accordingly, the Liquidator expresses no opinion or other form of assurance in respect of the Information.

ADMINISTRATIVE STATUS UPDATE

Sale and Solicitation Process

11. The Initial Transactions, the Subsequent Transactions and the Salt Bush Quitclaim have all closed.
12. As noted in the Third Report, the Receiver was at that time continuing to have discussions with several parties regarding minor potential transactions for which Court approval would not be sought. The Receiver has since entered into and closed the following three transactions that were not subject to Court approval (the "**Additional Transactions**") as the individual and collective sales prices were within the criteria set out in paragraph 3(1)(i) of the Receivership Order for not requiring Court approval:

- a. *Assignment and Assumption of Interest Agreement* with Tallahassee Exploration Inc. in respect of certain petroleum and natural gas rights and lands related to one well license and one facility license held by Point Loma for cash consideration of \$20,000 and the assumption of all related liabilities and responsibility for any applicable cure costs;
- b. *Assignment and Assumption of Interest Agreement* with 818541 Alberta Ltd. in respect of certain petroleum and natural gas rights and lands related to ten well licenses for which Point Loma held non-operated working interests for cash consideration of \$100,000 and the assumption of all related liabilities and responsibility for any applicable cure costs; and
- c. *Pipeline Assignment of Interest Agreement* with North Fork Resources Ltd. in respect of Point Loma's 16% non-operated interest in one pipeline segment and respective pipeline license for \$10,000 cash consideration of consideration and the assumption of all related liabilities and responsibility for any applicable cure costs.

13. The Receiver does not anticipate concluding any further transactions.

Site Rehabilitation Program

14. As set out in the Second Report, the Receiver entered into an agreement with Vertex to act as its contractor to perform well, pipeline, and oil and gas site closure and reclamation work in respect of funds made available by the Government to Point Loma through the SRP.
15. As of the date of the Second Report, Vertex had completed the work associated with the SRP Period 3 offering and was working to attempt to identify the opportunities to utilize the SRP funding available to Point Loma through the Period 5 offering.
16. The Supplement to the Third Report included a schedule of approximately 30 well licences and surface locations that were under consideration by Vertex for potential work pursuant to the SRP Period 5 offering. Based on the funds ultimately made available by the Government and Vertex's analysis of the respective well files, Vertex selected six wells to abandon and cut and cap pursuant to the SEP Period 5 offering.

As of the date of this Third Report, the planned work has yet to be completed on three of these wells (the “**Remaining SRP Work**”) as set out on **Appendix “A”** of this Fourth Report.

REQUEST FOR DISCHARGE

17. The Receiver has sold or transferred Point Loma’s property to the extent commercially reasonable. Subject to the completion of the Remaining SRP Work by Vertex, the Receiver has otherwise substantially completed its mandate. As a result, the Receiver is now in a position to seek its final discharge and is of the view that a final discharge is appropriate.
18. In light of the Remaining SRP Work, the Receiver recommends the following in respect of its discharge:
 - a. that it be immediately discharged in respect of all of Point Loma’s remaining operated and non-operated interests in oil and gas wells, pipelines and facilities (the “**Remaining Properties**”) as well as the associated licenses, regulatory approvals, mineral leases, surface leases and agreements; excluding those that are the subject of the Remaining SRP Work; and
 - b. that its full discharge will be effective upon filing a certificate substantially in the form set out in Schedule “A” of the Order for Conditional Discharge of Receiver, Approval of Activities & Accounts with the Court, which the Receiver would anticipate filing after the Remaining SRP Work is completed.
19. The Receiver has had communications with the Alberta Energy Regulator and the OWA regarding the orderly transfer and transition of care and custody of the Remaining Properties to the OWA where applicable. As part of this transition, the Receiver intends to transfer relevant books and records related to the Remaining Properties to the OWA.

CORPORATE RECORDS

20. The Receiver took possession of the books and records of the Company (the “**Corporate Records**”) and has made arrangements to store them at a third-party records storage facility.
21. Subject to delivering any further records to the OWA that may be required to administer Point Loma’s Remaining Properties, the Receiver proposes to prepay the storage fees for the balance of the Corporate Records for the statutory required period of maintaining records for six years, as required by the Canada Revenue Agency, and prepay the ultimate destruction charges for the Corporate Records with a destruction date of June 2026.

PROFESSIONAL FEES

22. The Order for Partial Discharge of Receiver also provided for the approval of the initial professional fees and disbursements of the Receiver and its legal counsel, Bennett Jones LLP (“**Bennett Jones**”), incurred through to May 31, 2021.
23. The Receiver is now seeking approval of its subsequent fees and disbursements, as well as those of Bennett Jones, incurred during the period June 1, 2021 - May 31, 2022 (the “**Subsequent Accounts**”), specifically:
 - a. four invoices rendered by the Receiver, totalling \$58,249.00, plus GST. All charges are for time and services provided at standard rates; and
 - b. ten invoices rendered by Bennett Jones totalling \$16,805.00, plus GST. All charges are for time and services provided at standard rates.
24. A summary of the Subsequent Accounts rendered by the Receiver and Bennett Jones is attached hereto as **Appendix “B”**, copies of which will be made available for the Court in advance of the Court application scheduled for June 20, 2022 (the “**June Application**”).

25. At this time, the Receiver anticipates issuing a final account in the approximate amount of \$15,000, including GST, (the “**Receiver’s Final Account**”) in connection with unbilled WIP, preparing this Fourth Report, preparing for and attending the June Application, liaising with Vertex in respect of the Remaining SRP Work, attending to the Corporate Records, attending to final banking matters and filing the final statutory report with the Office of the Superintendent of Bankruptcy.
26. Currently, Bennett Jones anticipates issuing a final account in connection with unbilled WIP, preparing for and attending the June Application and steps to conclude the proceedings in the approximate amount of \$10,000, including GST (the “**Final Legal Account**”).
27. The detailed narratives contained in the Subsequent Accounts provide a fair and accurate description of the services provided. The Receiver is of the opinion that the Subsequent Accounts, the Receiver’s Final Account and the Final Legal Account (collectively the “**Professional Accounts**”) are appropriate and reasonable in the circumstances of the Proceedings, for the reasons that follow, including but not limited to:
 - the time and effort involved with closing the Initial Transactions, the Subsequent Transactions and the Salt Bush Quitclaim;
 - ongoing oversight and management of Point Loma's residual oil and gas assets;
 - the time and effort involved with addressing the Additional Transactions; and
 - the time involved with liaising with Vertex in respect of the SRP program.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

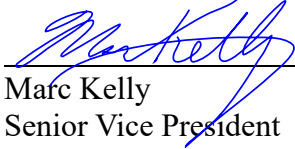
28. Pursuant to Paragraph 21 of the Receivership Order, the Receiver has been authorized to borrow up to \$5,000,000, with a charge against Point Loma's assets (the "**Receiver's Borrowings Charge**"). As noted on the updated Statement of Receipts and Disbursements as at June 13, 2022 (the "**June R&D**"), attached as **Appendix "C"** to this Fourth Report, the Receiver has to date borrowed \$736,000 from the OWA by way of the issuance of Receiver Certificates.
29. As set out on the June R&D, the Receiver currently maintains approximately \$97,000 of borrowed funds in its operational trust account. Pursuant to the Receiver's Charge as provided for in the Receivership Order, the Receiver intends to utilize these funds towards the estate's share of the costs of the Remaining SRP Work, attending to the Corporate Records, satisfaction of the Professional Accounts and the final costs incurred by Sproule (collectively, the "**Final Expenses**").
30. In the event the funds in the Receiver's possession are not sufficient to satisfy the Final Expenses, the Receiver would have to borrow additional funds from the OWA in order to conclude the administration of the Proceedings. In the event there are funds remaining after the satisfaction of the Final Expenses, the Receiver intends to pay such residual funds to the OWA as a partial repayment of the Receiver Certificates.

RECOMMENDATIONS

31. For the reasons as set out in this Fourth Report, the Receiver respectfully requests and recommends approval of the following:
- the Professional Accounts without the need for formal taxation;
 - the June R&D;
 - the distribution of residual funds, if any, to the OWA pursuant to the Receiver's Borrowing Charge;
 - the Receiver's activities as more particularly outlined in this Fourth Report; and
 - the Receiver's discharge as proposed in this Fourth Report.

All of which is respectfully submitted this 13th day of June 2022.

BDO Canada Limited, in its capacity as
Receiver and Manager of Point Loma Resources Ltd.
and not in its personal capacity

Per: 

Marc Kelly
Senior Vice President

APPENDIX “A”

Remaining SRP Work

<u>Licence</u>	<u>Surface Location</u>	<u>Licensee</u>
0129297	100/14-21-57-09W5/00	Point Loma Resources Ltd
0187940	100/04-29-58-09W5/02	Point Loma Resources Ltd
0415113	100/11-31-57-09W5/00	Point Loma Resources Ltd

APPENDIX “B”

Point Loma Resources Ltd., in receivership
Summary of Professional Fees and Disbursements

<u>Receiver's Fees and Disbursements</u>	<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Amount</u>	<u>GST</u>	<u>Total</u>
	CINV1428830	1-Nov-21	33,509.00	1,675.45	35,184.45
	CINV1585608	22-Feb-22	7,701.00	385.05	8,086.05
	CINV1751822	18-May-22	9,739.00	486.95	10,225.95
	CINV1804629	13-Jun-22	7,300.00	365.00	7,665.00
			<u>\$ 58,249.00</u>	<u>\$ 2,912.45</u>	<u>\$ 61,161.45</u>
 <u>Legal Fees and Disbursements</u>					
	1406102	3-Aug-21	7,238.12	356.91	7,595.03
	1413317	17-Sep-21	2,306.13	107.11	2,413.24
	1417951	19-Oct-21	1,305.25	65.06	1,370.31
	1422938	22-Nov-21	1,207.50	60.38	1,267.88
	1428315	16-Dec-21	230.00	11.50	241.50
	1434469	31-Dec-21	1,380.00	69.00	1,449.00
	1439905	18-Feb-22	1,068.00	43.40	1,111.40
	1444045	21-Mar-22	460.00	23.00	483.00
	1454114	18-May-22	977.50	48.88	1,026.38
	1455320	3-Jun-22	632.50	31.63	664.13
			<u>\$ 16,805.00</u>	<u>\$ 816.87</u>	<u>\$ 17,621.87</u>

APPENDIX “C”

Point Loma Resources Ltd., in receivership
Statement of Receipts and Disbursements
as at June 13, 2022

Receipts

Receiver Certificates	\$ 736,000.00
Sale of Assets	607,150.00
Fluid sales	184,096.88
Accounts receivable	80,079.11
GST refunds	60,418.44
Cash in bank	28,037.36
GST collected	13,891.68
Miscellaneous refunds/interest	2,904.48

1,712,577.95

Disbursements

Field operating expenses	541,241.30
Operational consultants	347,352.74
Legal fees	148,687.80
Receiver's fees	142,779.00
Insurance	132,042.00
GST paid	86,578.46
Commission	81,370.59
Occupation rent	39,000.00
Software licences	31,194.89
Records storage/move out costs	26,883.00
Leases	18,881.90
Environmental consultants	9,567.01
Royalties	6,706.81
Wage Earner Protection Plan Act	2,000.00
Miscellaneous	1,171.60

1,615,457.10

Cash on hand

\$ 97,120.85