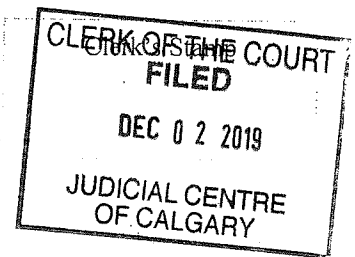


COURT FILE NUMBER	1901-14615
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	Calgary
APPLICANTS	ORPHAN WELL ASSOCIATION
RESPONDENTS	HOUSTON OIL & GAS LTD.
DOCUMENT	APPLICATION BY RECEIVER FOR APPROVAL OF SALE SOLICITATION PROCESS
ADDRESS FOR SERVICE AND	Robyn Gurofsky Borden Ladner Gervais LLP 1900, 520 3 rd Ave. S.W.
CONTACT INFORMATION OF	Calgary, AB T2P 0R3 Telephone: (403) 232-9774 Facsimile: (403) 266-1395
PARTY FILING THIS DOCUMENT	Email: RGurofsky@blg.com File No. 436743.24



NOTICE TO THE ATTACHED SERVICE LIST (SCHEDULE "A")

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the master/judge.

To do so, you must be in Court when the application is heard as shown below:

Date	December 12, 2019
Time	2:00 PM
Where	Calgary Courts Centre, 601-5 th Street S.W., Calgary, AB
Before Whom	The Honourable Mr. Justice J.T. Eamon

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1. Hardie & Kelly Inc. is the court-appointed receiver and manager (the "**Receiver**") over all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**"), of Houston Oil & Gas Ltd. (the "**Debtor**"), pursuant to a receivership order (the "**Receivership Order**") of the Court of Queen's Bench of Alberta dated October 29, 2019 (the "**Receivership Date**").

2. In this Application, the Receiver seeks from this Honourable Court:
- (a) an Order substantially in the form attached hereto as **Schedule “B”**, which seeks, among other things, orders:
 - (i) approving the Receiver’s activities since the Receivership Date as set out in the First Report of the Receiver dated December 2, 2019 (the **“First Report”**);
 - (ii) approving the Sale Solicitation Process (the **“SSP”**) with respect to the Property, assets or business of the Debtor, which is attached as Appendix **“D”** to the First Report; and
 - (iii) temporarily sealing confidential Appendix **“C”** to the First Report; and
 - (b) such further and other relief as Counsel may advise and this Honourable Court permit.

Grounds for making this application:

Background

3. The Receiver was appointed the receiver and manager of the Debtor, pursuant to the Receivership Order. Among other things, the Receivership Order provides that the Receiver is expressly empowered and authorized to:
- (a) take possession of and exercise control over the Property;
 - (b) market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
 - (c) sell, convey, transfer, lease or assign the Property or any part or parts thereof, out of the ordinary course of business, subject to the approval of this Honourable Court for any transactions exceeding \$1,000,000, or the aggregate of multiple transactions exceeding \$5,000,000; and
 - (d) engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, to assist the exercise of the Receiver’s powers and duties.
4. The Debtor is a private oil and gas exploration and production company based in Calgary, Alberta. Its property is primarily comprised of natural gas wells located in south eastern Alberta and includes approximately 1,426 well licenses, 73 facility licenses and 269 pipeline licenses.
5. The Receiver was appointed by an application of the Orphan Well Association after the Debtor had advised the Alberta Energy Regulator (the **“AER”**) that due to its financial situation, it intended to shut-in all of its operations.

SSP for Houston

6. As is more fully set out in the First Report, the Receiver has analyzed and evaluated Houston's Property, assets and business, and determined that a SSP in respect of the same is the most commercially reasonable manner by which to generate much needed cash flow for the receivership estate and, where possible, transfer as many of the oil and gas properties to responsible third parties.
7. Accordingly, pursuant to its powers set out in the Receivership Order, the Receiver has negotiated an engagement agreement with Sayer Energy Advisors ("**Sayer**"), which is well known in the local industry and specializes in coordinating disposition programs in the oil and gas industry.
8. The Receiver has prepared a SSP, attached as Appendix "D" to the First Report.
9. The Receiver considers that the form of SSP proposed is fair, reasonable and appropriate in the circumstances. Among other things, the Receiver notes that:
 - (a) the sale of property is on an 'as is where is' basis and subject to Court approval;
 - (b) the SSP will require that any Successful Bidder (as defined in the SSP) be compliant with AER regulations; and
 - (c) the process itself is contemplated to commence in January, after the holiday season, and is sufficiently robust to provide the market with sufficient exposure.
10. The proposed SSP is expressly or impliedly contemplated by the Receivership Order.

Sealing Order

11. The Receiver is seeking a temporary sealing order with respect to Confidential Appendix "C", being the proposed engagement letter with Sayer. Sayer has requested the Receiver to maintain the confidentiality of its commercially sensitive market data for as long as reasonably possible. The sealing order proposed represents a careful balance of interests, including those commercial interests of Sayer and the estate, together with the interest of public disclosure, and is appropriate in the circumstances.

General

12. Such further and other basis or grounds as Counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

13. The Receiver's First Report.
14. The pleadings, affidavits and other materials previously filed in these proceedings.
15. Such further and other material or evidence as Counsel may advise and this Honourable Court may permit.

Applicable rules:

16. The *Alberta Rules of Court*, AR 124/2010.
17. The *Bankruptcy and Insolvency General Rules*, CRC, c 368.

Applicable Acts and regulations:

18. The *Bankruptcy and Insolvency Act*, RSC 1985, c B-3.
19. The *Judicature Act*, R.S.A. 2000, c. J-2.
20. Such further and other Acts and regulations as Counsel may advise and this Honourable Court permit.

Any irregularity complained of or objection relied on:

21. None.

How the application is proposed to be heard or considered:

22. In person, before the Honourable Mr. Justice J.T. Eamon, with some or all of the parties present.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule "A"

Service List

SERVICE LIST

ADDRESS FOR SERVICE	NAME OF CREDITOR	METHOD OF SERVICE
Affinity Credit Solutions Inc. #202, 10217 – 106 Street N.W. Edmonton, AB T5J 1H5 clientservices@affinitycredit.ca	Alberta Boilers Safety Association (ABSA)	EMAIL
Prairie Sky Royalty Ltd. 1700, 350 – 7 th Avenue S.W. Calgary, AB T2P 3N9 matthew.mcmahon@prairiesky.com	Prairie Sky Royalty Ltd.	EMAIL
Jensen Shawa Solomon Duguid Hawkes LLP 800, 304 - 8 Avenue SW Calgary, AB T2P 1C2 Attention: Jordan Bierkos bierkosj@jssbarristers.ca	SemCAMS Midstream ULC	EMAIL
Stikeman Elliott LLP 4300, 888 – 3 Street S.W. Calgary, AB T2P 5C5 Attention: David M. Price dprice@stikeman.com	Journey Energy Partnership Journey Energy Inc.	EMAIL
Road 53 Resources Inc. Box 985 Cochrane, AB T2C 1B1 Attention: Daniel Jalbert dan@copperwoodventures.ca	Road 53 Resources Inc.	EMAIL
McLeod Law LLP 300, 14505 Bannister Road SE Calgary, AB T2X 3J3 Attention: Randolph (Randy) W. Mitchell rmitchell@mcleod-law.com	Patriot Energy Marketing Inc. and/or Patriot Power and Alternate Fuels Inc.	EMAIL
Borden Ladner Gervais LLP 1900, 520 – 3rd Ave. SW Calgary, AB, Canada T2P 0R3 Attention: Robyn Gurofsky/Jack Maslen rgurofsky@blg.com jmaslen@blg.com	Hardie & Kelly Inc.	EMAIL

Bennett Jones LLP 4500 Bankers Hall East 855 – 2 nd Street SW Calgary, AB T2P 4K7 Attention: Chris Simard SimardC@bennettjones.com	Heritage Royalty Resource Corp.	EMAIL
Workers Compensation Board/Collection Unit 9925 – 1078 Street, 8 th Floor Edmonton, AB T5J 3S9 Fax: (780) 498-7871	Workers Compensation Board/Collection Unit	FAX
Municipal District of Taber c/o Reynolds Mirth Richards & Farmer LLP #3200, 10180 – 101 Street Edmonton, AB T5J 3W8 File: #110391-011 Fax: (780) 429-3044	Municipal District of Taber	FAX
Vulcan County P.O. Box 180 Vulcan, AB T0G 2K0 Fax: (403) 485-2920	Vulcan County	FAX
Houston Oil and Gas Ltd. 53120A Range Road 13 Parkland County, Alberta T7Y 2T2	Houston Oil and Gas Ltd.	COURIER
Harmattan Gas Processing Limited Partnership 1700, 355 – 4 Avenue S.W. Calgary, AB T2P 0J1	Harmattan Gas Processing Limited Partnership	COURIER
Nova Gas Transmission Ltd. 450 – 1 Street S.W. Calgary, AB T2P 5H1	Nova Gas Transmission Ltd.	COURIER
Semcams ULC #2500, 450 – 1 Street S.W. Calgary, AB T2P 5H1		COURIER

Schedule "B"

Proposed Form of Order

COURT FILE NUMBER 1901-14615
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE Calgary
APPLICANTS ORPHAN WELL ASSOCIATION
RESPONDENTS HOUSTON OIL & GAS LTD.

Clerk's Stamp

Clerk's Stamp

DOCUMENT **ORDER APPROVING SALE
SOLICITATION PROCESS**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Robyn Gurofsky
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3
Telephone: (403) 232-9774
Facsimile: (403) 266-1395
Email: RGurofsky@blg.com
File No. 436743.24

DATE ON WHICH ORDER WAS PRONOUNCED: December 12, 2019

NAME OF JUSTICE WHO MADE THE ORDER: The Honourable Mr. Justice J.T. Eamon

LOCATION OF HEARING: Calgary, Alberta

UPON the application of Hardie & Kelly Inc. in its capacity as the court-appointed receiver and manager (the "**Receiver**") of Houston Oil & Gas Ltd. (the "**Debtor**"), and not in its personal capacity; **AND UPON** having read the First Report of the Receiver dated December 2, 2019 (the "**Receiver's First Report**") the receivership order granted on October 29, 2019; **AND UPON** hearing from counsel for the Receiver and counsel for any other interested parties appearing at the hearing of this application:

IT IS HEREBY ORDERED AND DECLARED THAT:

Approval of Sales Solicitation Process

1. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the sales solicitation process attached hereto as Appendix “A” (“SSP”).
2. The SSP is hereby approved, and the Receiver is hereby authorized and directed to implement the SSP and do all things as are reasonably necessary to conduct and give full effect to the SSP and carry out its obligations thereunder, including seeking approval of this Court as soon as reasonably practicable following the selection of a Successful Bidder or Successful Bidders under the SISF.
3. The Receiver is hereby authorized to engage Sayer Energy Advisors as the Selling Agent pursuant to the terms of Confidential Appendix “C” appended to the Receiver’s First Report, which engagement is hereby approved.
4. Neither the Receiver nor the Selling Agent shall have any liability whatsoever to any person or party for any act or omission related to the SSP, except to the extent such act or omission is the result of gross negligence or wilful misconduct of the Receiver or the Selling Agent.

Sealing Order

5. Confidential Appendix “C” referred to in the Receiver’s First Report shall be sealed on the Court file, kept confidential and shall not be available for public inspection until three months following the discharge of the Receiver.
6. The Receiver is empowered and authorized, but not directed, to provide Confidential Appendix “C” (or any portion thereof, or information contained therein) to any interested party, entity or person that the Receiver considers reasonable in the circumstances, subject to confidentiality arrangements satisfactory to the Receiver.
7. The Clerk of the Court shall file Confidential Appendix “C” in a sealed envelope attached to a notice that sets out the style of cause of these proceedings and states that:

THIS ENVELOPE CONTAINS CONFIDENTIAL MATERIALS, BEING CONFIDENTIAL APPENDIX “C” TO THE RECEIVER’S FIRST REPORT DATED DECEMBER 2, 2019 (THE “**CONFIDENTIAL MATERIALS**”) PURSUANT TO THE SEALING ORDER ISSUED BY THE HONOURABLE JUSTICE J.T. EAMON ON DECEMBER 12, 2019.

8. Leave is hereby granted to any person, entity or party affected by this sealing order to apply to this Court for a further order vacating, substituting, modifying or varying the terms of this Order, with such application to be brought on notice to the Receiver and any other affected party in accordance with the Alberta *Rules of Court*, Alta Reg 124/2010 and this Order.

Miscellaneous Matters

9. The Receiver's activities as set out in the Receiver's First Report are hereby ratified and approved.
10. The time for service of this Application together with all supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with such documents, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.
11. Service of this Order shall be deemed good and sufficient by serving the same on:
 - a) the persons listed on the service list (attached as **Schedule "A"** to the Application); and
 - b) by posting a copy of this Order on the Receiver's website at: www.relieffromdebt.ca/houston-oil-gas-ltd/.
12. No other persons are entitled to be served with a copy of this Order.

Justice of the Court of Queen's Bench of Alberta