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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, re:
 ADVICE AND DIRECTION REGARDING
 BANKRUPTCY**

\$50
 COM
 Jan. 19, 2021
 Justice Graesser

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Jack R. Maslen / Garrett Finegan
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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 January 19, 2021
Time 2:00 PM
Where Edmonton Courts Centre (Via WebEx Video Conference)
Before Whom The Honourable Mr. Justice R.A. Graesser

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. BDO Canada Limited (“**BDO**”) 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**” or “**Houston**”), pursuant to a receivership order (the “**Receivership Order**”) of the Court of Queen’s Bench of Alberta (the “**Court**”) pronounced on October 29, 2019

(the “**Receivership Date**”), as amended, by an Order of the Court in Action Number 2001-07870 pronounced on June 30, 2020 (the “**Receivership Order**”). Unless otherwise indicated, capitalized terms used herein have the meanings given to them in the Fourth Report of the Receiver dated and filed on January 11, 2021 (the “**Fourth Report**”).

2. In this Application, the Receiver seeks this Court’s advice and direction in respect of Potentially Reviewable Transactions (as defined below). In particular, the Receiver seeks an Order, substantially in the form attached hereto as **Schedule “B”**, for the following relief:
 - (a) declaring service of this Application (and all supporting materials) to be good and sufficient, and abridging the time for notice of this Application to the time actually given, if necessary;
 - (b) authorizing and directing the Receiver to file an assignment in bankruptcy on behalf of Houston, pursuant to Section 49 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (“**BIA**”);
 - (c) authorizing and directing BDO to act as trustee in bankruptcy (the “**Trustee**”) in respect of the bankrupt estate of Houston; and
 - (d) lifting the stay of proceedings under Sections 8 and 9 of the Receivership Order, to permit the Receiver to assign Houston into bankruptcy, if necessary.
3. Such further and other relief as counsel may advise and this Honourable Court may deem just in the circumstances.

GROUNDS FOR MAKING THIS APPLICATION:

Background

4. As detailed in the pleadings and other materials filed in these proceedings, in August 2019, Houston notified the Alberta Energy Regulator (the “**AER**”) that it intended to shut-in all of its oil and gas operations due to its financial situation.
5. The AER then issued several orders to Houston, including an order on October 2, 2019, whereby the AER ordered Houston to abandon its remaining wells, facilities and pipelines and shut in its oil and gas facilities by October 16, 2019. Houston subsequently confirmed to the AER it was unable to comply with the order.
6. Ultimately, on October 29, 2019, the Orphan Well Association (“**OWA**”) applied to this Honourable Court for the appointment of the Receiver as interim receiver and receiver and manager

in respect of Houston's property in order to safeguard the assets, and transfer assets to responsible producers that could meet regulatory and financial obligations. This Honourable Court granted the Receivership Order, thereby authorizing and directing the Receiver to take possession of and control of the Property.

7. Among other things, the Receivership Order states that:
 - (a) the Receiver may, from time to time, apply to this Court for advice and directions in respect of the discharge of its powers and duties (Section 27); and
 - (b) nothing in the Receivership Order shall prevent the Receiver from acting as a trustee in bankruptcy of Houston (Section 29).
8. The Receiver understands that, as at the Receivership Date, Houston did not have any employees or any other personnel working for Houston or undertaking any responsibility for Houston's assets.
9. After the Receivership Date, and among other things, the Receiver took steps to ensure the shut-in and safe preservation of Houston's assets, took possession of Houston's available books and records (and reviewed the same), and reinstated necessary insurance coverage that Houston had cancelled in or around September 2019.
10. In December 2019, the Receiver applied for and obtained an Order from this Honourable Court approving a sale solicitation process (the "**SSP**") in respect of Houston's Property. The Receiver commenced the SSP in January 2020 and substantially concluded the SSP by November 2020. The SSP resulted in this Honourable Court approving twelve purchase and sale, or quitclaim transactions, as detailed in the Receiver's prior reports to the Court.
11. On December 11, 2020, the Receiver applied for and obtained a Limited Discharge Order permitting it to be discharged in respect of Houston's remaining interests in wells, pipelines and facilities licenses, which were not sold during the SSP (the "**Remaining Properties**"). The Limited Discharge Order entitles the Receiver to become discharged in respect of the Remaining Properties upon delivering a Receiver's certificate to the AER (a "**Limited Discharge Certificate**"), which identifies relevant Remaining Properties. To date, the Receiver has delivered two Limited Discharge Certificates to the AER.

Potentially Reviewable Transactions

12. As is more fully set out in the Fourth Report, through reviewing Houston's books and records, and through performing its other duties as Receiver, the Receiver has identified several pre-receivership transactions between Houston and parties believed to be related to Houston, which may potentially be classified as reviewable transactions under applicable insolvency laws (the "**Potential Reviewable Transactions**"). The Potentially Reviewable Transactions concern payments made by Houston to apparent non-arm's length parties, between 2017 and 2019, which total approximately \$3.94 million.
13. The Receiver is in the process of investigating these payments, but may determine that the Potential Reviewable Transactions constitute, among other things, preferences or transfers at undervalue within the meaning of Sections 95 and 96 of the BIA, respectively. Although additional investigations are necessary, applications or actions to set aside the Potentially Reviewable Transactions may result in substantial recoveries for the benefit of the Houston estate.

Assignment in Bankruptcy of Houston

14. The Receiver's authority is provided for under the Receivership Order, which is made pursuant to the *Judicature Act*, RSA 2000, c J-2, the *Business Corporations Act*, RSA 2000, c B-9, and the *Personal Property Security Act*, RSA 2000, c P-7.
15. To fully investigate, and pursue the Potentially Reviewable Transactions, as well as to preserve any limitations period applicable thereto, the Receiver requires the authority of a trustee in bankruptcy under the BIA.
16. This Honourable Court has the authority to authorize the Receiver to make an assignment in bankruptcy on behalf of Houston, and should exercise this authority in the present case since:
 - (a) Houston owes substantial liabilities to its creditors, has no realizable or valuable assets remaining, is unable to meet its obligations as they generally become due, and is an "insolvent person" within the meaning of Section 2 of the BIA;
 - (b) the investigations, and any forthcoming applications or actions, contemplated by the Receiver in respect of the Potentially Reviewable Transactions are in the interests of creditors and/or stakeholders as a whole;
 - (c) the OWA supports the Receiver pursuing the Potentially Reviewable Transactions;
 - (d) the Receiver is unaware of any other person willing to assign Houston into bankruptcy;

- (e) BDO has consented to act as Trustee and there is no conflict by BDO acting both as Receiver and Trustee; and
 - (f) the Receivership Order states that the Receiver shall not be prevented from acting as Trustee by having acted as the Receiver.
17. For the same or similar reasons, it is just and equitable for this Court, if necessary, to lift the stay of proceedings under the Receivership Order to permit the Receiver to assign Houston into bankruptcy. The circumstances as a whole, the balance of prejudice, and interests of stakeholders, support this Court lifting the stay in the limited manner sought.
18. Such further and other grounds as counsel may advise and this Honourable Court may permit.

MATERIAL OR EVIDENCE TO BE RELIED ON:

19. The Receiver's Fourth Report, dated and filed January 11, 2021.
20. The pleadings, affidavits, reports or other materials previously filed in these proceedings.
21. Such further and other material or evidence as counsel may advise and this Honourable Court may permit.

APPLICABLE RULES:

22. *Alberta Rules of Court*, AR 124/2010.
23. *Bankruptcy and Insolvency General Rules*, CRC, c 368.
24. Such further and other rules as counsel may advise and this Honourable Court permits.

APPLICABLE ACTS AND REGULATIONS:

25. *Judicature Act*, R.S.A. 2000, c. J-2.
26. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3.
27. Such further and other Acts and regulations as counsel may advise and this Honourable Court permit.

ANY IRREGULARITY COMPLAINED OF OR OBJECTION RELIED ON:

28. None.

HOW THE APPLICATION IS PROPOSED TO BE HEARD OR CONSIDERED:

29. Via Webex Video Conference, before the Honourable Mr. Justice R.A. Graesser, with some or all of the parties present.

WARNING

Subject to the Court's procedures having regard for the COVID-19 pandemic, 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

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J2 RESOURCES INC. 236 SCHOONER COVE NW CALGARY, AB T3L 1Z2		Courier
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JOLAR OILS LTD. BOX 15, SITE 7, RR#1 OKOTOKS, AB T1S 1A1		Courier
JUBB, AVERY E. 62 - 34TH AVENUE SW CALGARY, AB T2S 2Z1		Courier
JUDITH D. SNIDER BOX 30 ALDERSYDE, AB T0L 0A0		Courier
JUPITER RESOURCES INC. Suite 1100, 585-8th AVENUE SW CALGARY, AB T2P 1G1		Courier
Kaisen Energy Corp. 400, 522 - 11 Avenue SW Calgary, AB T2R 0C8		Courier

ADDRESS FOR SERVICE	PARTY REPRESENTING	METHOD OF SERVICE
Karon Resources Inc. 74 Chaparral Grove SE Calgary, AB T2X 3W1		Courier
KATHERINE F. STRICKLAND 2009 TRUST 14 STANWICH LAND GREENWICH, CT USA 06830		Courier
KAY RUSINKO P O BOX 212 THORHILD, AB TOA 3J0		Courier
KEN VAN RAAY INC. BOX 127 PICTURE BUTTE, AB T0K 1V0		Courier
KENNETH HARRY WEBER AND ROSEMARY WEBER RR 1 BLACKIE, AB T0L 0J0		Courier
KENNIBAR RESOURCES LTD. 1 - 3315 RIDEAU PLACE SW CALGARY, AB T2S 2T1		Courier
KIRK BOYKO BOX 203 THORHILD, AB T0J 3J0		Courier
KOPPENSTEIN FARMS LTD 2418 - 6 AVENUE SOUTH LETHBRIDGE, AB T1J 1C4		Courier
L. CALVIN FULENWIDER, III 2009 TRUST and L.C. FULENWIDER JR & CO. 2500, 1125 17TH STREET DENVER, CO USA 80202		Courier
LEIBEL, LISA CHERYL 7919 WENTWORTH DRIVE SW CALGARY, AB T3H 4P2		Courier
Lintus Resources Limited 700, 330 - 5 Avenue SW Calgary, AB T2P 0L4		Courier

ADDRESS FOR SERVICE	PARTY REPRESENTING	METHOD OF SERVICE
Long Run Exploration Ltd. 600, 600 - 3 Avenue SW Calgary, AB T2P 0G5		Courier
LORI VICKERSON 2830 AUTO ROAD SE SALMON ARM, BC V1E 2H4		Courier
LOWE, IDA PO BOX 460 CARDSTON, AB T0K 0K0		Courier
MAGNUS ONE ENERGY CORP. C/O QUESTERRE ENERGY CORPORATION 1650, 801 - 6 AVENUE SW CALGARY, AB T2P 3W2		Courier
MCRAE, DONNA BELLE & JOHN ANDREW 5720 - 186A STREET SURREY, BC V3S 7N2		Courier
MCWILLIAM FARMS LTD C/O BERNARD & DARLENE MCWILLIAM RR 1 BLACKIE, AB T0L 0J0		Courier
MD Greenview 4806 – 36 Ave Box 1079 Valleyview, AB T0H 3N0		Courier
Minister of Finance Provincial Treasurer - Alberta Energy Petroleum Plaza - North Tower 9945 - 108th Street, Edmonton, AB T5K 2G8		Courier
MONTRICHARD OIL & GAS LTD. 8 SYRACUSE CRESCENT TORONTO, ON M1E 2G6		Courier
NELSON, CHRISTIAN A. BOX 37 ARROWWOOD, AB T0L 0B0		Courier

ADDRESS FOR SERVICE	PARTY REPRESENTING	METHOD OF SERVICE
NIEBUHR, CAPRICE LARA AND/OR HANSON, DYLAN KONRAD HAUSER 106 TUSCANY RAVINE BAY NW CALGARY, AB T3L 2S9		Courier
NIZNIK, GENOVIA, GEORGE J & B. JOAN and JOHN STEPHEN BOX 337 BROOKS, AB T1R 1B4		Courier
Nova Gas Transmission Ltd. 450 – 1 Street S.W. Calgary, AB T2P 5H1		Courier
NUNA RESOURCES LTD P.O. BOX 414 IRRICANA, AB T0M 1B0		Courier
NUVISTA ENERGY 2500, 525 8TH AVENUE S.W. CALGARY, AB T2P 1G1		Courier
Obsidian Energy 200, 207 9 Ave SW Calgary, AB T2P 1K3		Courier
PALLISER PRODUCTION MANAGEMENT LTD. and TORXEN ENERGY LTD. 2700, 240 4TH AVENUE S.W. CALGARY, AB T2P 4H4		Courier
PARAMOUNT RESOURCES LTD. 2800, 421 - 7TH AVE SW CALGARY, AB T2P 4K9		Courier
PATRICK MURRAY PALIN & MARLENE A PALIN 46 SPRINGLAND WAY CALGARY, AB T3Z 3N6		Courier
PENGROWTH ENERGY CORPORATION 1900, 222 - 3 AVENUE SW CALGARY, AB T2P 0B4		Courier
PETROMIRA VENTURES LTD 109 SUNBANK WAY S.E. CALGARY, AB T2X 2H9		Courier

ADDRESS FOR SERVICE	PARTY REPRESENTING	METHOD OF SERVICE
PLAINS MIDSTREAM CANADA ULC 1400, 607 8TH AVENUE S.W. CALGARY, AB T2P 0A7		Courier
POLLEY, SHELLEY ALYSSA 8 W ANDISON CLOSE COCHRANE, AB T4C 1J5		Courier
PRASKACH, PAUL & MARY ANN BOX 27 PICTURE BUTTE, AB T0K 1V0		Courier
PROSPECT OIL & GAS MANAGEMENT LTD. 90B-2 SLATER ROAD STRATHMORE, AB T1P1V1		Courier
PROVEN OIL ASIA LTD. 2500, 450 1st Street SE Calgary, AB T2G 5E3		Courier
RAEDSCHELDERS, MARC 11015 OAKFIELD DRIVE SW CALGARY, AB T2W 3H3		Courier
RECEIVER GENERAL FOR CANADA INDIAN OIL & GAS CANADA 100, 9911 CHIILA BOULEVARD TSUU T'INA (SARCEE), AB T2W 6H6		Courier
REPSOL OIL & GAS CANADA INC. 2000, 888 - 3RD STREET SW CALGARY, AB T2P 5C5		Courier
RISING STAR RESOURCES LTD. 1000, 500 - 4TH AVENUE S.W. CALGARY, AB T2P 2V6		Courier
ROBERT & LORRAINE WOODWARD BOX 586 CARDSTON, AB T0K 0K0		Courier
RON MYKYTE P O BOX 493 THORHILD, AB T0A 3J0		Courier
Rose's Well Services Ltd. 101, 4209 - 99 Street NW Edmonton, AB T6E 5V7		Courier

ADDRESS FOR SERVICE	PARTY REPRESENTING	METHOD OF SERVICE
ROSENKRANZ, PAULINE 210 CANYON ESTATES WAY WEST LETHBRIDGE, AB T1K 7A4		Courier
Royal Bank of Canada 36 YORK MILLS ROAD, 4TH FLOOR TORONTO, ON M2P 0A4		Courier
SHARPE, KENNETH W & ARLANE L PO BOX 1053 BROOKS, AB T1R 1B8		Courier
SEREDA, RONALD BOX 38 ROLLING HILLS, AB T0J 2S0		Courier
Signalta Resources Ltd. 700, 840 - 6 Avenue SW Calgary, AB T2P 3E5		Courier
SINOPEC DAYLIGHT ENERGY LTD. LOCKBOX: CH3075 C/O CH3075 PO BOX 2509, STATION M CALGARY, AB T2P 0E2		Courier
SPECIAL AREAS BOARD 212 - 2ND AVENUE WEST HANNA, AB T0J 1P0		Courier
Strathcona Resources Ltd. 1900, 421 – 7th Avenue SW Calgary, AB T2P 4K9		Courier
SUFFIELD INDUSTRY RANGE CONTROL C/O IPC ALBERTA LTD 900, 215 - 9TH AVENUE SW CALGARY, AB T2P 1K3		Courier
SUNNYSIDE AG. INC. 1-55320 RGE RD 240 STURGEON COUNTY, AB T8T 1W1		Courier
TAMARACK ACQUISITION CORP. 600, 425 - 1ST STREET SW CALGARY, AB T2P 3L8		Courier

ADDRESS FOR SERVICE	PARTY REPRESENTING	METHOD OF SERVICE
THOMAS BARTO BOX 1001 THORHILD, AB T0A 3J0		Courier
Thorhild County PO Box 10, 801-1st Street Thorhild, AB T0A 3J0		Courier
TONILYNN C. LEMAY C/O PAT HAMMELL 15 EMENY ROAD ENDERBY, BC V0E 1V3		Courier
Universal Properties Inc. 53120A Range Road 13 Parkland County, AB T7Y 2T2		Courier
VALKENIER, CAROLE JEAN 737, 205 KIMTA ROAD VICTORIA, BC V9A 6T5		Courier
VAN RAAY PASKAL FARMS LTD and VAN RAAY, DARREN PO BOX 64 IRON SPRINGS, AB T0K 1G0		Courier
VENTURION OIL LIMITED 1600, 500 - 4TH AVENUE S.W. CALGARY, AB T2P 2V6		Courier
WARK, THOMAS DAVID & IONA MARLENE BOX 105 MOSSLEIGH, AB T0L 1P0		Courier
WENDY LEE DENBIGH BOX 131 VULCAN, AB T0L 2B0		Courier
WESTERSUND, CHASE, COLE & CONNOR 37 MOUNTAIN RIVER ESTATES CALGARY, AB T3Z 3J3		Courier
WESTHILL PETROLEUM LTD 3300, 421 – 7 th Ave SW Calgary, AB T2P 4K9		Courier

ADDRESS FOR SERVICE	PARTY REPRESENTING	METHOD OF SERVICE
WIGHAM RESOURCES LTD #255, 339 - 50TH AVENUE S.E. CALGARY, AB T2G 2B3		Courier
WILLISCHILD ENERGY LTD. 621 E STREET SNYDER, OK USA 73566-2244		Courier
WILLOW ISLAND FARM LTD C/O KAREN & ROBERT THOMPSON PO BOX 130 CARSELAND, AB T0J 0M0		Courier
WINSLOW RESOURCES INC. 4300 Bankers Hall West 888 – 3rd Street SW Calgary, AB T2P 5C5		Courier
WOLF COULEE RESOURCES INC 4500, 855 – 2 St SW Calgary, AB T2P 4K7		Courier
XTO ENERGY CANADA ULC P.O. BOX 2480 STATION M CALGARY, AB T2P 3M9		Courier
Yellowhead County 2716 1 Avenue Edson, AB T7E 1N9		Courier
ZARGON OIL & GAS LTD SUN LIFE PLAZA - EAST TOWER 1100, 112 - 4TH AVE. SW CALGARY, AB T2P 0H3		Courier

SCHEDULE "B"

ORDER SOUGHT

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 **ORDER, re: ASSIGNMENT IN
BANKRUPTCY**

Clerk's Stamp

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Jack R. Maslen
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3
Telephone: (403) 232-9790
Facsimile: (403) 266-1395
Email: JMaslen@blg.com
File No. 436743.24

DATE ON WHICH ORDER WAS PRONOUNCED: January 19, 2021

NAME OF JUSTICE WHO MADE THE ORDER: The Honourable Mr. Justice R.A. Graesser

LOCATION OF HEARING: Edmonton, Alberta

UPON the Application for Advice and Direction, by BDO Canada Limited (“**BDO**”), 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, filed on January 11, 2021 (the “**Application**”); **AND UPON** reading the Fourth Report of the Receiver dated and filed on January 11, 2021 (the “**Fourth Report**”), and such additional pleadings and proceedings had and taken in this action; **AND UPON** hearing from counsel for the Receiver and counsel for any other interested parties appearing at the hearing of this application, which occurred via WebEx Video Conference having regard to the Court’s procedures for the COVID-19 pandemic:

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of this Application, together with all supporting materials, is hereby abridged, if necessary, and 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.

ASSIGNMENT IN BANKRUPTCY

2. The Receiver is hereby authorized and directed to file an assignment in bankruptcy on behalf of the Debtor, pursuant to Section 49 of the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-3 (the “**BIA**”).
3. If necessary, the stay of proceedings under Sections 8 and 9 of the Receivership Order granted in these proceedings on October 29, 2019, as amended, is hereby lifted for the limited purpose of allowing the Receiver to make the assignment contemplated by paragraph 2 hereof.
4. Upon the Debtor’s assignment in bankruptcy, BDO is hereby authorized and directed to act as the trustee in bankruptcy (the “**Trustee**”) of the Debtor. Upon being appointed as Trustee, BDO shall forthwith give security in cash or by bond without delay, in accordance with Section 16 of the BIA.

MISCELLANEOUS

5. Nothing in this Order shall prevent or limit the Receiver from exercising its powers and duties as Receiver.
6. The costs of and incidental to this Application are to be paid to the Receiver out of the assets of the bankrupt’s estate on taxation, or upon further Order of this Court.
7. Service of this Order shall be deemed good and sufficient by posting a copy of this Order to the Receiver's Website at: <https://relieffromdebt.ca/houston-oil-gas-ltd/>.
8. No other persons are entitled to be served with a copy of this Order.

Justice of the Court of Queen’s Bench of Alberta