

Court of King's Bench for Saskatchewan

Minutes of the First Meeting of Creditors

In the Matter of the Bankruptcy of
Kingsland Oil Corp.
Trustee appointed by Official Receiver

Province of Saskatchewan
District No.: 1 - Regina
Estate No.: 22-3027497
BDO Canada Limited

Location of meeting:
Via Conference Call

Chairperson of meeting: Breanne Scott
Date of meeting: January 23, 2024
Time of meeting: 10:00 am

Introduction

The meeting was officially called to order at 10:00 a.m. Mountain Time. Breanne Scott (the "**Chairperson**"), a LIT of BDO Canada Limited (the "**Trustee**" or "**BDO**"), acted as chairperson. Laura Demchuk of BDO acted as official secretary to take minutes.

Typically, prior to COVID these meetings were held in person, and we would table certain documents in the event parties wished to review. These documents, which have all been reviewed by the Trustee, include:

- Attendance list;
- Certificate of Appointment by the Official Receiver;
- Affidavit of service as proof of mailing;
- Proof of advertisement in the Regina Leader-Post;
- Statement of affairs; and
- Proofs of claim filed to date.

The Chairperson informed all those present of the following:

- that a quorum is present, which is one creditor entitled to vote either in person or by proxy. It was also noted that Mr. Jason Wang, a Company director and also Darryl Firmaniuk are in attendance; and
- the agenda for the meeting, being to:
 - affirm the appointment of the Trustee or substitute another in place thereof;
 - appoint inspectors, as applicable;
 - discuss the trustee's preliminary findings. Following the delivery of the report, there will be a period for questions; and
 - give such directions to the Trustee as the creditors may see fit with respect to the administration of the estate.

Affirmation of Trustee's Appointment

As the first line of business, the Chairperson requested a motion to affirm the Trustee's appointment, which was:

Moved by: Richard Toney
Opposed by: None.

Therefore, the Trustee's appointment was affirmed.

Trustee's Report

The Trustee prepared its Trustee's Preliminary Report on Administration, a copy of which is attached to and forms a part of these minutes.

The creditor in attendance asked for clarification, and there was some further discussion regarding information contained in the Trustee's Report and the Statement of Affairs, primarily relating to the funds on deposit with the Saskatchewan Ministry of Energy and Resources and the abandonment obligations, in conjunction with the effect on any distributions to unsecured creditors.

Question Period

The Chairperson then opened the floor for questions. No questions were raised.

Appointment of Inspectors

Richard Toney nominated himself to act as inspector and accordingly, the Chairperson asked for a motion to approve the nominated inspector which was:

Moved by: Richard Toney

Opposed by: None

Therefore, the party listed was appointed as inspector.

Creditors' Instructions

The Chairperson then inquired as to whether any creditors had any instructions or directions for the Trustee. No instructions or directions were provided.

Adjournment

There being no further business, a motion to adjourn the meeting was made and the meeting was adjourned at 10:21 a.m.

Appendices

Attendance List

Trustee's Report



Chairperson

District of: Saskatchewan
Division No: 1 - Regina
Estate / Court No: 24-2954758

**IN THE MATTER OF THE BANKRUPTCY OF
KINGSLAND OIL CORP**

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

DISCLAIMER: The Trustee's Report to Creditors on Preliminary Administration (the "Trustee's Report") has been prepared based on the Statement of Affairs filed in these proceedings (the "SOA"), the unaudited books and records of the Company (defined herein), and discussions with former management and/or employees of the Company, among other sources of information (the "Information").

The Trustee has not audited or reviewed any of the Information and therefore makes no assurances as to the accuracy of same.

SECTION A – BRIEF BACKGROUND AND REASONS FOR INSOLVENCY

Kingsland Oil Corp. ("Kingsland" or the "Company") is a private oil and gas exploration and production company, with properties located in the province of Saskatchewan.

The Company faced financial difficulty / insolvency as it was ultimately unable to maintain its oil and gas properties and/or comply with regulatory requirements imposed on it, including deposit requirements to secure reclamation and abandonment obligations owing.

Accordingly, after resolution by the Company's directors, on January 5, 2024, the Company was assigned into bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (the "BIA") and BDO Canada Limited ("BDO") was appointed as Licensed Insolvency Trustee (the "Trustee"), subject to the affirmation by the Company's creditors at the First Meeting of Creditors.

SECTION B – TRUSTEE'S PRELIMINARY EVALUATION OF ASSETS

The Company's assets are listed on the SOA provided to creditors. The Trustee provides additional commentary on, as understood as at the date of this Trustee's Report, in the discussion that follows.

Cash

The Receiver notified the Company's bank, Canadian Western Bank ("CWB"), immediately following the bankruptcy appointment of the bankruptcy, requesting that the account be frozen immediately, and requesting that the balance of the funds in the account be sent to the Trustee for the benefit of the bankrupt estate. CWB confirmed that the account was frozen, holding cash of approximately \$114,183; however, CWB requested a notarized original copy of the official bankruptcy documents in order to release the funds to the Trustee. As of this date of this report, the Trustee is working on obtaining the documents requested by CWB and has engaged with legal counsel for this purpose.

Oil and Gas Assets

The Company's oil and gas properties include 25 wells and four facilities all located in Saskatchewan, along with related rights pertaining to these properties.

Based on a License Liability Inventory Report, dated December 18, 2023, the deemed asset value was estimated at approximately \$606,808 and the deemed abandonment and reclamation liabilities was estimated at approximately \$942,819, indicating a deficiency.

The Trustee understands that the Saskatchewan Ministry of Energy and Resources (the "MER") is holding a cash deposit of approximately \$644,597 in respect of the regulatory obligations.

The Trustee intends on discussing a liquidation plan with any inspectors appointed in respect of these properties.

SECTION C – BOOKS AND RECORDS

The Trustee has arranged for the Company's physical books and records to be relocated to the Trustee's office from a related party's premises located in Saskatchewan are in currently in transit to the Trustee.

The Trustee is also working to obtain a back-up of the Company's electronic accounting software (Sage) and electronic information, although has obtained various accounting reports in the interim which are necessary to complete its duties at this time.

SECTION D - CONSERVATORY AND PROTECTIVE MEASURES

The Trustee undertook the following conservatory and protective measures, among other things, as at the date of this Trustee's Report:

- engaging Veracity Energy Services Ltd. ("**Veracity**") as operational consultant to the Trustee, to assist with securing and safeguarding the oil and gas properties. In this regard, Veracity attended the properties shortly following the bankruptcy appointment to review and inspect the status of the properties, including a review of the shut in procedures taken by the Company prior to bankruptcy. It was determined that the properties were generally left in a safe condition, although in the opinion of Veracity, may not have all been properly shut in in accordance with industry standards;
- as a result, based on a recommendation from Veracity following its inspection of the oil and gas properties, initiating certain procedures to properly shut in the properties, where possible, in an attempt to maintain the integrity of the properties for eventual sale;
- writing to CWB to request a freeze the account in the name of the Company and requesting that funds be forwarded to the Trustee as described above;
- writing to the Company's insurance broker to confirm that the Company's insurance is valid and in place, and request that the Trustee be added to the Company's insurance policies as a loss payee / additional insured. This has all been confirmed;
- obtaining access to the Company's records as indicated;

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- making inquiries of and obtaining information from former management and/or employees of the Company in respect of the Company's financial affairs and assets.

SECTION E - PROVABLE CLAIMS

Based on the SOA, the Company has disclosed approximately \$101,634 in unsecured liabilities. As the claims process is underway and not yet complete, the quantum of proven unsecured claims may differ than what is listed on the SOA.

Based a recent search of the Personal Property Registry of Saskatchewan, the Company has no known registered secured creditors. Furthermore, the Trustee is not aware of any other secured creditors pursuant to the provisions of the BIA.

SECTION F - LEGAL PROCEEDINGS, REVIEWABLE TRANSACTIONS AND PREFERENTIAL PAYMENTS

The Trustee is not aware of any legal proceedings commenced.

The Trustee is aware of a few payments made to service providers for services leading up to the bankruptcy, which it intends on discussing with any inspectors appointed.

SECTION G – THIRD PARTY DEPOSIT

The Trustee is not holding a Third Party Retainer or Guarantee. However, the MER has agreed to allow the Trustee's reasonable fees and costs to be paid from cash proceeds available in the estate in advance of the Company's regulatory obligations.

SECTION H – INTENTION TO ACT FOR A SECURED PARTY / POTENTIAL CONFLICT OF INTEREST

As indicated, the Trustee is not aware of any secured creditors. Furthermore, the Trustee is not aware of any potential conflict of interest that would prohibit it from acting as trustee in this matter.

SECTION I – PROJECTED REALIZATIONS AND DISTRIBUTIONS

As a result of the Supreme Court of Canada's decision in Redwater Energy Corp., an insolvent oil and gas company remains liable to satisfy its environmental obligations and proceeds of the sale of any assets must first be used to address those regulatory obligations. Therefore, a distribution to unsecured creditors is uncertain at this time.


SECTION J - OTHER MATTERS

If any creditor has information related to the bankruptcy that he / she believes would assist the Trustee in the administration of the bankruptcy, please forward this information and to the Trustee's attention for review and consideration.

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Dated in Calgary Alberta this January 23, 2024

BDO Canada Limited,
In its capacity as trustee in bankruptcy of
Kingsland Oil Corp.
And not in its personal or corporate capacity

Per: 

Breanne Scott, CPA, CIRP, LIT
Senior Manager / Vice President