



COURT FILE NUMBER **1401-01356**

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE Calgary

PLAINTIFFS **LONE MOUNTAIN RESOURCES LTD., R. ERNIE
ANDERSON AND 1404788 ALBERTA LTD.**

DEFENDANT **SEDNA OIL AND GAS LTD.**

DOCUMENT **APPLICATION BY HARDIE AND
KELLY INC. in its capacity as Court
appointed Receiver of SEDNA OIL AND
GAS LTD. and not in its personal capacity**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT Robyn Gurofsky
 Borden Ladner Gervais LLP
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 File No. 436743-000013

NOTICE TO RESPONDENT(S)

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 18, 2014
Time	2:00 o'clock p.m.
Where	Calgary Courts Centre, 601 – 5 th Street S.W., Calgary, AB
Before Whom	The Honourable Justice K. Horner

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. An Order substantially in the form attached hereto as Schedule "A":
 - (a) Declaring service of notice of this application and supporting materials to be good and sufficient;
 - (b) Approving the Receiver's accounts for fees and disbursements, as set out in the Receiver's Second Report dated December 11, 2014 (the "Second Report"), without the necessity of a formal passing of its accounts;
 - (c) Approving the accounts of the Receiver's legal counsel, Borden Ladner Gervais LLP, for its fees and disbursements, as set out in the Second Report, without the necessity of a formal passing of its accounts;
 - (d) Ratifying and Approving the Receiver's activities set out in the Second Report and in all of its other reports filed herein, together with the Statement of Receipts and Disbursements as attached to the Second Report;
 - (e) Authorizing the Receiver to make distribution of the residual funds in the receivership estate to each of the secured creditors being, Lone Mountain Resources Inc., R. Ernie Anderson, Tyler Theberge and 1404788 Alberta Ltd. on a pro rata basis;
 - (f) Discharging the Receiver as the court appointed Receiver of Sedna Oil and Gas Ltd., including without limitation, discharging the Receiver as receiver of the Unrealizable Licenses, as such term is defined in the Second Report, and declaring that the Receiver has satisfied its obligations under and pursuant to the terms of the orders granted in the within proceedings, up to and including the date hereof;
 - (g) Retracting, or alternatively, amending the Surrender Order issued in the within proceedings on May 30, 2014 such that the Unrealizable Assets are not surrendered, but rather the Receiver is discharged as against the Unrealizable Assets;
 - (h) Declaring that the Receiver is not liable for any act or omission on its part, including, without limitation, any act or omission pertaining to the discharge of its duties in the within proceedings, save and except the usual exclusions, and declaring that any claims against the Receiver in connection with the performance of its duties are stayed, extinguished and forever barred;
 - (i) Authorizing the Clerk of the Court to unseal and file the Confidential Report of the Receiver relied upon in these proceedings at the May 30, 2014 application; and
2. Such further and other relief as counsel may advise and this Honourable Court permit.

Grounds for making this application:

3. Hardie and Kelly Inc. was appointed as the receiver (the "Receiver") of Sedna Oil and Gas Ltd. ("Sedna" or the "Company") pursuant to a receivership order issued in these proceedings on February 19, 2014.
4. On May 23, 2014, the Receiver filed an initial report and a confidential report providing an overview of the Company along with a summary of the Receiver's activities in support of an application to approve i) the sale of Sedna's interest in the Meekwap area properties (the "Meekwap Assets") to a consortium of Sedna's working interest partners led by Westhill Resources Limited, and ii) the sale of Sedna's non-operated working interests in the Ronalane and Retlaw areas (the "Ronalane Assets") to Petroviking Management Corp. Orders approving these sales were granted on May 30, 2014.
5. The Meekwap Assets sale closed at the end of July, 2014 and the total gross sale proceeds from that sale, being \$80,000.00, were remitted to the Alberta Energy Regulator to facilitate the transfer of the subject licenses. The Ronalane Assets sale closed in June, 2014, generating gross sale proceeds of \$150,000.00.
6. Since the date of the initial report of the Receiver, the Receiver entered into a sale and conveyance agreement with Canadian Natural Resources Limited ("CNRL") in respect of a 5.7% non-operated interest in a property operated by CNRL. Because this interest had generated no interest in the sales process completed by the Receiver, the Receiver had planned to be discharged from this asset. However, CNRL requested that the Receiver enter into the sale and conveyance agreement and the Receiver did so.
7. After expending efforts marketing the properties of the Company, which marketing efforts are described in the Second Report as well as the initial report of the Receiver, the Receiver was unable to generate sales in respect of certain licenced interests held by the Company. The unsold licenced interests are listed in Exhibit "A" to the Second Report (the "Unrealizable Assets"). As there are no further assets remaining in the estate of the Company, save for the Unrealizable Assets, the Receiver is seeking a discharge, including a discharge as against the Unrealizable Assets.
8. The secured creditors listed in the Second Report (the "Secured Creditors") are owed collectively, over \$300,000. The Receiver is not aware of any claims that would rank ahead of the Secured

Creditors and as such, seeks approval to distribute the residual funds in the receivership to the Secured Creditors on a pro rata basis more particularly outlined in the Second Report.

9. Such further and other grounds as are outlined in the Second Report.

Material or evidence to be relied on:

10. The Second Report and the previous reports and materials filed in these proceedings; and
11. Such further and other material or evidence as counsel may advise and this Honourable Court permit.

Applicable rules:

12. The Alberta *Rules of Court*, Alta Reg 124/2010, including but not limited to Rule 6.47, and such further and other rules as counsel may advise and this Honourable Court permit.

Applicable Acts and regulations:

13. The *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, including but not limited to s. 246, and such further and other acts and regulations as counsel may advise and this Honourable Court permit.

Any irregularity complained of or objection relied on:

14. n/a

How the application is proposed to be heard or considered:

15. In person, before the Honourable Madam Justice K. Horner, on evidence contained in the Second Report and previous reports filed herein.

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"

COURT FILE NUMBER **1401-01356**

COURT **COURT OF QUEEN'S BENCH OF ALBERTA**

JUDICIAL CENTRE **Calgary**

PLAINTIFFS **LONE MOUNTAIN RESOURCES LTD., R. ERNIE
ANDERSON AND 1404788 ALBERTA LTD.**

DEFENDANT **SEDNA OIL AND GAS LTD.**

DOCUMENT **ORDER**

Clerk's Stamp

ADDRESS FOR SERVICE AND
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Facsimile: (403) 266-1395
Email: RGurofsky@blg.com
File No. 436743-000013

DATE ON WHICH ORDER WAS PRONOUNCED: December 18, 2014

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice K. Horner

UPON the application of Hardie & Kelly Inc. in its sole capacity as court appointed receiver (the "Receiver") of Sedna Oil and Gas Ltd. (the "Debtor"), and not in its personal capacity; **AND UPON** having read the Second Report of the Receiver filed in these proceedings on December __, 2014 (the "Second Report"); **AND UPON** having read the Initial Report of the Receiver filed May 23, 2014; **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 THAT:

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with notice of this application.
2. The Receiver's accounts for fees and disbursements, as set out in the Second Report, are hereby approved without the necessity of a formal passing of its accounts.
3. The accounts of the Receiver's legal counsel, Borden Ladner Gervais LLP, for its fees and disbursements as set out in the Second Report are hereby approved without the necessity of a formal assessment of its accounts.
4. The Receiver's activities as set out in the Second Report and in all of its other reports filed herein, and the Statement of Receipts and Disbursements, together with the estimated final accounts as set out therein, are hereby ratified and approved.
5. The Receiver is authorized to destroy any records of the Debtor in respect of the Licensed Properties, as defined below, which have not been requested by the Alberta Energy Regulator
6. The Receiver is authorized and directed to make the following distributions with the Residual Funds, as such term is defined in the Second Report, on a pro rata basis to:
 - (a) Lone Mountain Resources Ltd. as to an 8.34% share;
 - (b) Tyler Theberge as to a 33.33% share;
 - (c) R. Ernie Anderson as to an 8.33% share; and
 - (d) 1404788 Alberta Ltd. as to a 50.00% share.

and is hereby authorized to issue notices of surrender to the known respective mineral and surface lease holders and working interest partners associated with the Licensed Properties, as defined below.

7. On the evidence before the Court, the Receiver has satisfied its obligations under and pursuant to the terms of the orders granted in the within proceedings, up to and including the date hereof and the Receiver shall not be liable for any act or omission on its part including, without limitation, any act or omission pertaining to the discharge of its duties in the within proceedings, save and except for any liability arising out of any claim in fraud, gross negligence or wilful misconduct on the part of the Receiver, unless leave of the Court is obtained. Subject to the foregoing any claims against the Receiver in connection with the performance of its duties are hereby stayed, extinguished and forever barred.
8. No action or other proceedings shall be commenced against the Receiver in any way arising from or related to its capacity or conduct as Receiver, except with prior leave of this Court on Notice to the Receiver and upon such terms as this Court may direct.

9. Upon the Receiver filing with the Clerk of the Court a certificate from the Receiver confirming that all steps contemplated in paragraph 5 hereof are completed, then the Receiver shall be discharged as Receiver of the Debtor, which for the avoidance of doubt includes the Alberta Energy Regulator licensed properties listed in Exhibit "A" to the Second Report (the "Licensed Properties"). The Receiver shall, however, remain Receiver of the Debtor for the performance of such incidental duties as may be required to complete the administration of the receivership herein and the Receiver shall continue to have the benefit of the provisions of all orders made in these proceedings, including all approvals, protections and stays of proceedings in favour of the Receiver, in its capacity as Receiver of the Debtor to the extent necessary to complete the administration of the receivership estate.
10. The Surrender Order is issued in the within proceedings on May 30, 2014 is hereby retracted and replaced with paragraph 8 of this order.
11. The Clerk of the Court is hereby authorized to unseal and to file in these proceedings the Confidential Report of the Receiver relied upon in support of the application of the Receiver heard on May 30, 2014 and Borden Ladner Gervais LLP is hereby directed to facilitate the unsealing and filing of said Report.
12. This order shall be served on the Service List and any interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal deliver or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents. Service of this order on any other party is hereby dispensed with.

The Honourable Justice K. Horner