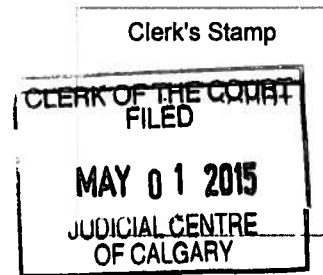


COURT FILE NUMBER 1401-08324
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF KRACK ENERGY INC.
DEFENDANTS KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.



IN THE MATTER OF THE RECEIVERSHIP OF
KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.
APPLICANT HARDIE & KELLY INC., in its capacity as Court-appointed
Receiver and Manager of the assets, undertakings and property of
KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.

DOCUMENT **APPLICATION**
(Advice and Directions)

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta T2P 4H2
Phone: +1 403.267.8399
Fax: +1 403.264.5973
Attention: Kyle D. Kashuba
kyle.kashuba@nortonrosefulbright.com
File No. 01135476-0011

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 Justice.

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

Date: Friday, May 8, 2015
Time: 11:00 a.m.
Where: Calgary Courts Centre
Before Whom: The Honourable Mr. Justice B. Nixon

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. in its capacity as Court-appointed receiver and manager (the "**Receiver**") of the assets, undertakings and property (the "**Property**") of Karl Energy Trust Inc. ("**Karl**") and Bradley Oil & Gas Inc. ("**Bradley**") (together, the "**Companies**") seeks certain relief, advice and directions from this Honourable Court, as follows:
 - 1.1 An Order in substantially the same form as that attached as Schedule "A" to this Application, authorizing and approving a Proof of Ownership Interest Process (the "**Proof of Ownership Interest Process Order**"), with respect to claims of various parties alleging an interest in certain Property of the Companies (the "**Oil and Gas Assets**") as described and defined in the First Report of the Receiver, filed January 8, 2015 (the "**First Report**") and the Second Report of the Receiver filed May 1, 2015 (the "**Second Report**");
 - 1.2 An Order in substantially the same form as that attached as Schedule "B" to this Application (the "**Apache Funds Order**"), declaring that the funds in the amount of \$329,841.64 (the "**Apache Funds**") paid into Court by Apache Canada Ltd. ("**Apache**") by an Order of the Court dated August 21, 2014, be released in the following amounts:
 - 1) \$32,159.56 to be paid to Carrara Resources Ltd., in respect of their 10% gross overriding royalty; and
 - 2) \$297,682.08 to be held in trust by the Receiver for the benefit of any proven working interest holders, which will be paid out to the working interest holders only upon proof of their respective interests being provided and approved by the Receiver.
 - 1.3 An Order abridging, if necessary, the time for service of this Application and deeming service to be good and sufficient.
 - 1.4 A cost allocation of \$2,500.00, representing a proportionate amount of fees that have been incurred by the Receiver to be paid by Carrara Resources Ltd.
 - 1.5 Such further and other relief, advice and directions as counsel may advise and this Honourable Court may deem just and appropriate.

Grounds for making this Application:

A. *Proof of Ownership Interest Process Order*

2. On August 21, 2014, Hardie & Kelly Inc. was appointed the Receiver over the Property of the Companies by the Receivership Order granted in this matter by Madam Justice K.M. Eidsvik (the "**Receivership Order**").
3. Pursuant to the terms of the Receivership Order, and in particular paragraph 5 thereof, all Persons (as that term is defined in the Receivership Order) shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Companies (collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver those Records.

4. Since the time of the granting of the Receivership Order, the Receiver and their agents have been investigating, locating, reviewing and analyzing the available Records of the Companies, in order to, among other things, confirm the amount and nature of the claims against the Companies and their Property.
5. The Receiver and their agents have not been able to confirm with certainty the chain of title to the Oil and Gas Assets given a lack of available Records and available evidence of registered interests, and the Receiver has received unsubstantiated allegations that some working interest may have been conveyed at undervalue.
6. There are a significant amount of claims against both Karl and Bradley in respect of the Oil and Gas Assets and the entitlement of the Companies to the same. The Records of the Companies are substantially incomplete and in some instances it appears that certain relevant documentation may have been removed from the Companies' files.
7. The Proof of Ownership Interest Process Order has been prepared and proposed in order to facilitate the Receiver in identifying and confirming the claims of various Persons in respect of the Property of the Companies, and in particular, with respect to the Oil and Gas Assets.

B. The funds paid into Court by Apache

8. In August 2014, concurrent with the Application for the Receivership Order, Apache applied for an Order seeking authority to pay into Court funds in the amount of \$333,544.86 in its possession representing the net proceeds derived by Apache processing and marketing petroleum substances delivered during November and December 2013, and January 2014, in relation to the following wells:
 - 1) 00/01-26-114-06W6/02;
 - 2) 00/16-31-114-05W6/02; and
 - 3) 00/09-05-115-06W6/02.
9. On August 21, 2014, the Court approved the payment of \$329,841.64 into Court by Apache after providing for legal costs incurred by Apache.
10. Since the granting of the Receivership Order, the Receiver has requested that its legal counsel investigate the various claims to the Apache Funds. The Receiver's legal counsel has notified all creditors and claimants who may claim an interest in the Apache Funds that a review process was being undertaken with a goal of having the Apache Funds paid out of Court. The Receiver's legal counsel has reviewed and analyzed all the records available and provided to it by the various creditors and claimants to confirm the amount and nature of the claims against the Apache Funds.
11. The Receiver has determined that Carrara Resources Ltd. had a 10% Gross Overriding Royalty on the above mentioned wells and that Carrara Resources Ltd. is entitled to the sum of \$32,159.56. A cost allocation of \$2,500.00 is being sought of Carrara Resources Ltd., representing a proportionate amount of fees that have been incurred by the Receiver.
12. The Receiver has determined that there may be potential working interest claims against the above mentioned wells based on the limited and incomplete information currently available to the Receiver. The Receiver proposes to hold the remaining portion of the

Apache Funds in trust for the benefit of any proven working interest holders, which will be paid out to the working interest holders upon proof of their respective interests being provided and approved by the Receiver.

13. The Receiver has determined that the receivership estate of Karl and Bradley appears to be entitled to a portion of the Apache Funds based on the limited and incomplete information available to the Receiver.
14. The Receiver has determined that the builders' lien claimants with registered interest against the leases of the above mentioned wells do not have a valid claim against the Apache Funds because, pursuant to the *Alberta Builders' Lien Act*, their registered interest do not attach to the proceeds of sale of the minerals.
15. The Receiver has determined that the claims against the Apache Funds based on garnishee summons are unsecured claims as against the receivership estate of Karl and Bradley and not valid claims against the Apache Funds.
16. The Receiver has brought this Application to establish a process to have the entitlement to the Apache Funds determined by this Court.
17. Such further and other grounds as counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

18. All pleadings and proceedings, including the Statement of Claim, the Receivership Order, and the other materials filed in the within action.
19. All pleadings and proceedings and the other materials filed by Apache in its Interpleader Application.
20. The First Report and the Second Report of the Receiver filed in the within action.
21. The proposed forms of Orders attached as Schedules "A" and "B" to this Application.
22. The inherent jurisdiction of this Honourable Court to control its own process.
23. Such further and other material and evidence as counsel may advise and this Honourable Court may permit.

Applicable rules:

24. Rules 6.3(1), 6.9(1)(a), 6.47 and 11.27.

Applicable Acts and regulations:

25. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, the *Judicature Act*, RSA 2000, c J-2, as amended, the *Alberta Builders' Lien Act*, RSA 2000, c B-7, as amended, the *Trustee Act*, RSA 2000, c T-8, as amended, and such other Rules, Acts and Regulations as counsel may advise and that this Honourable Court may permit.

Any irregularity complained of or objection relied on:

26. None.

How the application is proposed to be heard or considered:

27. Oral submissions by counsel at an Application in Justice Chambers as agreed and scheduled by counsel, before the Honourable Mr. Justice B. Nixon at the Calgary Courts Centre, 601 - 5th Street SW, at Calgary, Alberta, on Friday, May 8, 2015 at 11:00 a.m. or as soon thereafter as counsel may be heard.

AFFIDAVIT EVIDENCE IS REQUIRED IF YOU WISH TO OBJECT

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 rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.

Schedule "A"
to the Notice of Application filed May 1, 2015

Clerk's Stamp

COURT FILE NUMBER 1401-08324

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF KRACK ENERGY INC.

DEFENDANTS KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.

 IN THE MATTER OF THE RECEIVERSHIP OF
 KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.

APPLICANT HARDIE & KELLY INC., in its capacity as Court-appointed
 Receiver and Manager of the assets, undertakings and property of
 KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.

DOCUMENT **ORDER**
 (Proof of Ownership Interest Process)

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Norton Rose Fulbright Canada LLP
 400 3rd Avenue SW, Suite 3700
 Calgary, Alberta T2P 4H2
 Phone: +1 403.267.8399
 Fax: +1 403.264.5973

Attention: Kyle D. Kashuba
 kyle.kashuba@nortonrosefulbright.com

File No. 01135476-0011

DATE ON WHICH ORDER WAS PRONOUNCED: **Friday, May 8, 2015**

NAME OF JUDGE WHO MADE THIS ORDER: **Mr. Justice B. Nixon**

LOCATION OF HEARING: **Calgary, Alberta**

UPON THE APPLICATION of counsel to Hardie & Kelly Inc. in its capacity as Court-appointed receiver and manager (the "**Receiver**") over the assets, undertakings and property of the Defendants Karl Energy Trust Inc. and Bradley Oil & Gas Inc.; **AND UPON** having read the pleadings, proceedings, orders and other materials filed in this action, including the Second Report of the Receiver, filed May 1, 2015; **AND UPON** hearing from counsel to the Receiver and from any other interested parties that may be present; **AND UPON** it appearing that all interested and affected parties have been served with notice of this Application; **AND UPON** it

appearing that the relief requested is just, fair and appropriate in all the circumstances and in the best interests of the administration of the receivership estate;

THE COURT IS CONVINCED AND HEREBY ORDERS AND DECLARES THAT:

1. Service of the notice of this Application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this Application, and the time for service of this Application is abridged to that actually given.
2. The Receiver shall, on or before May 15, 2015, send instructions along with a claim form ("**Proof of Ownership Interest Claim**") and any other relevant information (collectively referred to as the "**Ownership Interest Claims Package**") by regular prepaid mail, facsimile, courier or e-mail to each of the parties identified as potentially holding a working interest ownership in the Oil and Gas Assets based on the available books and records of the Companies.
3. The Receiver shall arrange to publish one advertisement of the Proof of Ownership Interest Process in the Calgary Herald newspaper on or before May 22, 2015.
4. The Receiver shall arrange to post the Ownership Interest Claims Package on the Receiver's website by May 15, 2015.
5. Any party who wishes to advance a claim of an ownership interest in any of the Oil and Gas Assets must complete and forward to the Receiver, a completed Proof of Ownership Interest Claim form supported by appropriate documentation including proof of payment for the interest claimed on or before 5:00 p.m. (Mountain Time) on June 19, 2015 (the "**Ownership Interest Claims Bar Date**"), or such other date as may be ordered by the Court.
6. Where a Proof of Ownership Interest Claim is sent to the Receiver by a creditor on or before the Ownership Interest Claims Bar Date, the Receiver shall review the Proof of Ownership Interest Claim and shall accept, revise or dispute the respective claim.
7. Where the Receiver determines to revise or disallow a claim to an ownership interest, the Receiver shall send a Notice of Revision or Disallowance to the respective claimant on or before 5:00 p.m. (Mountain Time) on July 3, 2015.

8. Where a claimant delivers a Notice of Dispute to the Receiver, the claimant shall thereafter file and serve on the Receiver a Notice of Application within 15 days of delivery of the Notice of Dispute for the determination of the disputed claim. Any claimant failing to file a Notice of Application within the time period set out above shall, unless otherwise ordered by this Court, be conclusively deemed to have accepted the disqualification of their ownership claim as set out in the Notice of Revision or Disallowance.
9. Prior to issuing a Notice of Revision or Disallowance, or upon receipt of a Notice of Dispute or Notice of Application, the Receiver may consensually resolve the propriety of a respective claim to ownership.
10. The Receiver is at liberty to reapply for further advice, assistance and direction as may be necessary to give full force and effect to the terms of this Order.

Justice of the Court of Queen's Bench of Alberta

Schedule "B"
to the Notice of Application filed May 1, 2015

COURT FILE NUMBER 1401-08324 Clerk's Stamp

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF KRACK ENERGY INC.

DEFENDANTS KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.

IN THE MATTER OF THE RECEIVERSHIP OF
KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.

APPLICANT HARDIE & KELLY INC., in its capacity as Court-appointed Receiver and Manager of the assets, undertakings and property of KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.

DOCUMENT **ORDER**
(Apache Funds)

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta T2P 4H2
Phone: +1 403.267.8399
Fax: +1 403.264.5973

Attention: Kyle D. Kashuba
kyle.kashuba@nortonrosefulbright.com

File No. 01135476-0011

DATE UPON WHICH ORDER WAS PRONOUNCED: Friday, May 8, 2015

NAME OF JUSTICE WHO MADE THIS ORDER: Mr. Justice B. Nixon

LOCATION OF HEARING: Calgary, Alberta

UPON THE APPLICATION of counsel to Hardie & Kelly Inc. in its capacity as Court-appointed receiver and manager (the "**Receiver**") of the assets, undertakings and property of the Defendants Karl Energy Trust Inc. and Bradley Oil & Gas Inc.; **AND UPON** having read the pleadings, proceedings, orders and other materials filed in this action, including the Second Report of the Receiver, filed May 1, 2015; **AND UPON** hearing from counsel to the Receiver and from any other interested parties who may be present; **AND UPON** it appearing that all interested and affected parties have been served with notice of this Application; **AND UPON** it

appearing that the relief requested is just, fair and appropriate in all the circumstances and in the best interests of the administration of the receivership estate;

THE COURT IS CONVINCED AND HEREBY ORDERS AND DECLARES THAT:

1. Service of the notice of this Application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this Application, and the time for service of this Application is abridged to that actually given.
2. The funds in the amount of \$329,841.64 paid into Court by Apache Canada Ltd. by an Order of the Court dated August 21, 2014 shall be released in the following amounts:
 - a) the sum of \$32,159.56, to be paid to Carrara Resources Ltd., in respect of their 10% gross overriding royalty; and
 - b) the sum of \$297,682.08, to be held in trust by the Receiver for the benefit of any proven working interest holders, which will be paid out to the working interest holders only upon proof of their respective interests being provided and approved by the Receiver, and after costs of production being deducted set off against the gross amounts that may otherwise be owing to the working interest holders, and after compensation for the administration of the trust.
3. A cost allocation of \$2,500.00, representing a proportionate amount of fees that have been incurred by the Receiver to be paid by Carrara Resources Ltd.
4. Service of this Order may be effected by sending a copy of this Order by email, facsimile transmission or by registered mail to the parties served with notice of this Application and to the parties we were in attendance at this Application, and further service of this Order is hereby dispensed with.
5. The Receiver is at liberty to reapply for further advice, assistance and direction as may be necessary to give full force and effect to the terms of this Order.

Justice of the Court of Queen's Bench of Alberta