



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**  
**(Order for Final Distribution, Approval of Receiver's Fees and Disbursements, Approval of Receiver's Activities and Discharge of Receiver)**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Norton Rose Fulbright Canada LLP  
 400 3<sup>rd</sup> Avenue SW, Suite 3700  
 Calgary, Alberta T2P 4H2  
 Phone: +1 403.267.8222  
 Fax: +1 403.264.5973  
 Email: Kyle.Kashuba@nortonrosefulbright.com

Attention: Kyle D. Kashuba  
 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 Master/Judge.

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

Date: Tuesday, December 1, 2015

Time: 2:00 p.m.

Where: Calgary Courts Centre

Before Whom: The Honourable Madam Justice B.E.C. Romaine, of the Commercial List

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. Abridging, if necessary, the time for service of this Application and deeming service to be good and sufficient.
2. An Order in substantially the same form as that attached as Schedule "A" to this Application, granting the following relief and directions:
  - 2.1 authorizing Hardie & Kelly Inc. in its capacity as Court-appointed receiver and manager (the "**Receiver**") of the assets, undertakings and property (collectively, the "**Property**") of Karl Energy Trust Inc. and Bradley Oil & Gas Inc. (together, "**Karl and Bradley**"), to make a final distribution of funds in accordance with the distribution proposed in the Fourth Report of the Receiver, filed on November 24, 2015 (the "**Fourth Report**");
  - 2.2 authorizing the Receiver to have all of Karl's and Bradley's remaining books and records destroyed on or after January 1, 2016, unless a former director or officer of Karl and/or Bradley, or a representative of Krack Energy Inc. ("**KEI**"), makes arrangements with the Receiver to physically take possession of the records, at their sole cost and expense, by December 31, 2015;
  - 2.3 approving the Receiver's actions and those of its legal counsel to date;
  - 2.4 the review and approval of the professional fees, receipts and disbursements of the Receiver, and those of the Receiver's legal counsel, as set out in the Fourth Report;
  - 2.5 discharging Hardie & Kelly Inc. as Receiver of the Property of Karl and Bradley upon the conclusion of the remaining administrative duties as described in the Fourth Report, and declaring that the Receiver is not liable for any environmental condition that arose or environmental damage that occurred before or after the Receiver's appointment; and
  - 2.6 granting leave to the Receiver to apply to this Court for advice and directions as may be necessary to carry out the terms of the Order sought.

3. 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:**

4. On August 21, 2014, Hardie & Kelly Inc. was appointed as Receiver over the Property of Karl and Bradley by Application of KEI and by Order of the Honourable Madam Justice K.M. Horner (the "**Receivership Order**").
5. On May 8, 2015, the Court granted an Order directing the Receiver to administer a Proof of Ownership Interest Claims Process (the "**Claims Process**") whereby any party wishing to advance a claim of an ownership interest in any of the oil and gas assets or interests of Karl and or Bradley was to complete and forward a proof of ownership claim form to the Receiver.
6. Over the 3 months that followed the commencement of the Claims Process, the Receiver reviewed and assessed a number of claims advanced by various creditors and other parties claiming an ownership interest over certain of the Property of Karl and Bradley.
7. The Receiver has determined that the Companies' oil and gas assets and associated well licences are unrealizable in the present circumstances concerning the administration of this receivership estate.
8. On September 22, 2015, the Application for the discharge of the Receiver was first scheduled heard, and was opposed by the Alberta Energy Regulator (the "**AER**"), and ultimately adjourned at the direction of the presiding Justice.
9. Following the adjournment of the first Application for the discharge of the Receiver, the Receiver has discussed the steps to be taken and has met with the AER in order to come to a mutually agreeable solution to alleviate any immediate dangers and/or risks to wildlife by removing free standing liquids caused by a pre-receivership spill on a particular well site, as set out in detail in the Fourth Report.
10. The Receiver has now completed, or is about to complete, all aspects concerning the administration of this receivership.

11. There are funds certain funds remaining in the receivership estate, which the Receiver intends on using to partially repay amounts that were advanced pursuant to certain Receiver's Certificates, and to pay professional fees of the Receiver and their counsel.
12. The distribution of remaining funds as proposed in the Fourth Report is necessary, just and appropriate, and in the best interest of the receivership estate and the stakeholders affected thereby.
13. All of the actions in respect of the fees and disbursements incurred by the Receiver and its legal counsel during the course of the administration of the within proceedings are reasonable, have been validly incurred in connection with the conduct of the Receiver's obligations herein, and have now been or are about to be completed.
14. The Receiver is not aware of any reason that it should be required for any further purposes herein, and should be discharged as Receiver of the Property of Karl and Bradley upon the conclusion of the remaining administrative duties as described in the Fourth Report.
15. The discharge of the Receiver as proposed is just, appropriate and in the best interest of the administration of the receivership estate and the stakeholders affected thereby.
16. Such further and other grounds as counsel may advise and this Honourable Court may permit.

**Material or evidence to be relied on:**

17. All pleadings, proceedings, orders and other materials filed in the within action.
18. The Receivership Order and the materials filed in support thereof.
19. The various Reports of the Receiver filed in these proceedings, and in particular the Third Report and the Fourth Report, both filed.
20. The proposed form of Order attached hereto as Schedule "A".
21. The inherent jurisdiction of this Honourable Court to control its own process.
22. Such further and other material and evidence as counsel may advise and this Honourable Court may permit.

**Applicable rules:**

23. Part 6, Division 7, and in particular Rules 6.47(e) and (f), and Rule 6.3.

**Applicable Acts and regulations:**

24. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, the *Judicature Act*, RSA 2000, c J-2, all as amended, and such further and other Rules, Acts and Regulations as counsel may advise and that this Honourable Court may permit.

**Any irregularity complained of or objection relied on:**

25. None.

**How the Application is proposed to be heard or considered:**

26. Oral submissions by counsel at an Application in Justice Chambers as agreed and scheduled by counsel, scheduled to be heard on Tuesday, December 1, 2015 at 2:00 p.m. before the Honourable Madam Justice B.E.C. Romaine, of the Commercial List.

**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 Application filed November 24, 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 of the assets, undertakings and property of KARL ENERGY TRUST INC. and BRADLEY OIL & GAS INC.

DOCUMENT **ORDER FOR FINAL DISTRIBUTION, APPROVAL OF RECEIVER'S FEES AND DISBURSEMENTS, APPROVAL OF RECEIVER'S ACTIVITIES AND DISCHARGE OF RECEIVER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Norton Rose Fulbright Canada LLP  
400 3<sup>rd</sup> Avenue SW, Suite 3700  
Calgary, Alberta T2P 4H2  
Phone: +1 403.267.8222  
Fax: +1 403.264.5973  
Email: Kyle.Kashuba@nortonrosefulbright.com  
  
Attention: Kyle D. Kashuba  
File No. 01135476-0011

DATE UPON WHICH ORDER WAS PRONOUNCED: Tuesday, December 1, 2015

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Madam Justice B.E.C. Romaine

LOCATION OF HEARING: Calgary, Alberta

**UPON THE APPLICATION** of Hardie & Kelly Inc. in its capacity as Court-appointed receiver and manager (the "Receiver") of the assets, undertakings and property (collectively,

the "**Property**") of Karl Energy Trust Inc. and Bradley Oil & Gas Inc. (together, "**Karl and Bradley**") for an Order for the final distribution of proceeds, approval of the Receiver's fees and disbursements, approval of the Receiver's activities and discharge of the Receiver; **AND UPON** having read the pleadings, proceedings, orders, affidavits, reports and other materials filed in this action, including the Third Report of the Receiver, filed on September 15, 2015 (the "**Third Report**") and the Fourth Report of the Receiver, filed on November 24, 2015 (the "**Fourth Report**"); **AND UPON** hearing counsel for the Receiver, counsel for Krack Energy Inc. ("**KEI**"), the Alberta Energy Regulator ("**AER**") 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** being satisfied that it is appropriate to do so;

**THE COURT IS CONVINCED AND HEREBY ORDERS AND DECLARES THAT:**

**Service:**

1. Service of 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.

**Final Distribution:**

2. The Receiver is authorized and directed to make a final distribution of funds in accordance with Appendix "A" hereto, which is the distribution proposed in the Fourth Report.

**Discharge of the Receiver:**

3. The Receiver is hereby authorized to have all of Karl's and Bradley's remaining books and records destroyed on or after January 1, 2016, unless a former director or officer of Karl and/or Bradley, or a representative of KEI, makes arrangements with the Receiver to physically take possession of the books and records, at their sole cost and expense, by December 31, 2015, subject to confirming whether any well related files may be required by the AER.
4. The Receiver's accounts for fees and disbursements, as set out in the Receiver's Fourth Report are hereby approved without the necessity of a formal passing of its accounts.

5. The accounts of the Receiver's legal counsel, for its fees and disbursements, as set out in the Receiver's Fourth Report are hereby approved without the necessity of a formal assessment of its accounts.
6. The Receiver is hereby authorized to pay any remaining professional fees up to the discharge of the Receiver, particulars of which are set out in the Fourth Report.
7. The Receiver's reported actions and those of its legal counsel to date in respect of administering the receivership and as described in the Third Report are hereby approved.
8. 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, or any reliance thereon, including without limitation, any act or omission pertaining to the discharge of its duties in these proceedings from time to time or with respect to any other duties or obligations, save and except for any liability arising out of any fraud, gross negligence or wilful misconduct on its part, or with leave of the Court. Subject to the foregoing, any claims against the Receiver in connection with the performance of its duties are hereby stayed, extinguished and forever barred.
9. For greater certainty, on the evidence before the Court, and pursuant to paragraph 15 of the Receivership Order granted in this matter on August 21, 2014 by Justice K.M. Eidsvik, and pursuant to sections 14.06, 81.4(5) or 81.6(3) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, the Receiver is not liable for any environmental condition that arose or environmental damage that occurred before or after the Receiver's appointment. In particular, the Receiver shall not be subject to Closure/Abandonment No. AD 2015-88, Closure/Abandonment No. AD 2015-88A, and the Order issued by the Alberta Energy Regulator under section 113 of the *Environmental Protection and Enhancement Act*, RSA 2000, c E-12 with respect to License No. W0338273 and F35213.
10. No action or other proceeding 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 the Court may direct.



11. The Receiver is at liberty to reapply for further advice, assistance and direction as may be necessary to give full force and effect to, and in carrying out the terms of, this Order.
12. Upon the Receiver filing with the Clerk of the Court a sworn Affidavit of a licensed Trustee employed by the Receiver confirming that all matters set out in paragraph 2 of this Order have been completed, then the Receiver shall be discharged as Receiver of Karl and Bradley, which for the avoidance of doubt includes the Alberta Energy Regulator licensed properties listed in Appendix "B" to this Order, provided however, that notwithstanding its discharge herein (a) the Receiver shall remain Receiver for the performance of such incidental duties as may be required to complete the administration of the receivership herein, and (b) the Receiver shall continue to have the benefit of the provisions of all Orders made in this proceeding, including all approvals, protections and stays of proceedings in favour of the Receiver in its capacity as Receiver.
13. This Order must be served only upon those interested parties attending or represented at the within Application and service may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents.
14. Service of this Order on any party not attending this Application is hereby dispensed with.

---

Justice of the Court of Queen's Bench of Alberta

Appendix "A" to the Order granted December 1, 2015

**Karl Energy Trust Inc. and Bradley Oil and Gas Inc., In Receivership  
Statement of Proposed Distribution**

Cash on hand, as of November 21, 2015	78,568.36
Less: Estimated accruals	
Payable to Sabelli (09-05 Spill clean up costs)	31,447.98
Legal fees (WIP and estimate to complete)	5,000.00
Receivers fees (WIP and estimate to complete)	5,000.00
Cord Resource Management Ltd. fees (estimate to complete)	1,500.00
Estimated cost of destruction of records	1,500.00
	<hr/> 44,447.98
Estimated partial repayment of Receiver's Certificate in favour of KEI (subject to adjustment to actual of above estimates)	34,120.38
Proposed ending cash on hand	<hr/> <hr/> -

Appendix "B" to the Order granted December 1, 2015

**BRADLEY OIL & GAS INC.**

**LIST OF LICENCES**

**WELL LICENCES**

<b>Licence No.</b>	<b>Surface Location</b>	<b>Working Interest Participant(s)</b>	<b>Percent Interest</b>
W 0097257	04-12-116-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0116147	15-20-114-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0155818	13-33-114-05W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0170273	04-22-114-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0170332	12-22-114-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0336335	13-22-114-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0338273	09-05-115-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0343672	10-24-038-13W4	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0356909	10-22-115-05W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0446094	15-32-114-05W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
W 0446096	01-26-114-06W6	1506928 Alberta Ltd.	22
		Bradley Oil & Gas Inc.	78
W 0446974	16-31-114-05W6	1506928 Alberta Ltd.	26
		Bradley Oil & Gas Inc.	74

**FACILITY LICENCES**

<b>Licence No.</b>	<b>Surface Location</b>	<b>Working Interest Participant(s)</b>	<b>Percent interest</b>
F 18178	00/16-21-114-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
F 35213	00/09-05-115-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82
F 35224	00/13-22-114-06W6	1506928 Alberta Ltd.	18
		Bradley Oil & Gas Inc.	82