



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

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  
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Attention: Kyle D. Kashuba  
[kyle.kashuba@nortonrosefulbright.com](mailto: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: Thursday, January 15, 2015  
Time: 2:00 p.m.  
Where: Calgary Courts Centre  
Before Whom: The Honourable Madam Justice J. Streckf, 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. 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**") (collectively referred to as 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 7, 2015 (the "**First Report**");
  - 1.2 An Order in substantially the same form as that attached as Schedule "B" to this Application, authorizing and approving a Specified Sales Procedure Process (the "**SSP Process Order**"), with respect to the proposed marketing and sale of the Oil and Gas Assets as described and defined in the First Report;
  - 1.3 An Order in substantially the same form as that attached as Schedule "C" to this Application (the "**Receiver's Charge Confirmation Order**"), confirming and approving the Receiver's Charge against and with respect to the proceeds from the sale of the Oil and Gas Assets as described and defined in the First Report;
  - 1.4 A declaration deeming the service of this Application and supporting materials to be good and sufficient; and
  - 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.
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. Specified Sales Procedure Process Order*

8. Pursuant to the terms of the Receivership Order, and in particular paragraph 3(k) thereof, the Receiver is entitled to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
9. Pursuant to the terms of the Receivership Order, and in particular paragraph 3(l)(i) and (ii) thereof, the Receiver is entitled to sell, convey, transfer, lease or assign the Companies' Property, or any part or parts thereof, in some cases with and in other cases without the approval of this Court.
10. The Receiver intends on marketing and arranging for a sale of certain portions of the Companies' Property, in compliance with the Receivership Order, as set out and described in the First Report.
11. The SSP Process Order has been prepared and proposed in order to facilitate the Receiver in marketing and arranging for a sale of the Oil and Gas Assets.

*C. Receiver's Charge Confirmation Order*

12. Pursuant to the terms of the Receivership Order, and in particular paragraph 17 thereof, the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges, and are entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to section 14.06(7), 81.4(4) and 81.6(2) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3.

13. The Receiver's Charge is authorized and approved by the Receivership Order; however, in light of the uncertainty surrounding what may be Karl's and/or Bradley's actual ownership interest in the Oil and Gas Assets, the Receiver is seeking confirmation that the Receiver's Charge applies over any proceeds arising from the sale of the Oil and Gas Assets.
14. The Receiver's Charge Confirmation Order has been prepared and proposed in order to confirm that the Receiver and its counsel are to be paid in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, including any interest that may be claimed by the Alberta Energy Regulator, with respect to the proceeds arising from the sale of the Oil and Gas Assets.
15. Such further and other grounds as counsel may advise and this Honourable Court may permit.

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

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

**Applicable rules:**

21. Rules 6.3(1), 6.9(1)(a), 6.47(d), (e) and (f) and 11.27.

**Applicable Acts and regulations:**

22. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, the *Judicature Act*, RSA 2000, c J-2, 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:**

23. None.

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

24. Oral submissions by counsel at an Application in Justice Chambers as agreed and scheduled by counsel, before the Honourable Madam Justice K.M. Eidsvik at the Calgary Courts Centre, 601 - 5<sup>th</sup> Street SW, at Calgary, Alberta, on Thursday, January 15, 2015 at 2:00 p.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 January 8, 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    Norton Rose Fulbright Canada LLP  
AND CONTACT             400 3<sup>rd</sup> Avenue SW, Suite 3700  
INFORMATION OF        Calgary, Alberta T2P 4H2  
PARTY FILING THIS      Phone:      +1 403.267.8222  
DOCUMENT                Fax:         +1 403.264.5973

Attention:    Kyle D. Kashuba  
                  [kyle.kashuba@nortonrosefulbright.com](mailto:kyle.kashuba@nortonrosefulbright.com)

File No.      01135476-0011

**DATE ON WHICH ORDER WAS PRONOUNCED:**                      **Thursday, January 15, 2015**

**NAME OF JUDGE WHO MADE THIS ORDER:**                      **Madam Justice J. Strekaf**

**LOCATION OF HEARING:**    **Calgary, Alberta**

**UPON THE APPLICATION** of Hardie & Kelly Inc. in its capacity as Court-appointed receiver and manager (the "**Receiver**") over the assets, undertakings and property of Karl Energy Trust Inc. and Bradley Oil & Gas Inc. (collectively referred to as the "**Companies**"); **AND UPON** reading the Application and the First Report of the Receiver, filed January 7, 2015 (the "**First Report**"); **AND UPON** hearing counsel for the Receiver, Krack Energy Inc., and any other interested parties that may be present; **AND WHEREAS** all capitalized terms not defined herein shall take the meaning ascribed to them in the First Report; **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 and the stakeholders affected thereby;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. The time for service of the Application for this Order is hereby abridged and service thereof is deemed good and sufficient.
2. The Receiver shall, on or before January 30, 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 January 30, 2015.
4. The Receiver shall arrange to post the Ownership Interest Claims Package on the Receiver's website by January 30, 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 March 6, 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 March 20, 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.

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Justice of the Court of Queen's Bench of Alberta

**Schedule "B"**  
**to the Notice of Application filed January 8, 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	<b>ORDER (Specified Sales Procedure Process)</b>
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
	Attention: Kyle D. Kashuba <a href="mailto:kyle.kashuba@nortonrosefulbright.com">kyle.kashuba@nortonrosefulbright.com</a>
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**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. The time for service of the Application for this Order is hereby abridged and service thereof is deemed good and sufficient.
2. The Receiver shall be entitled to market and sell the Companies' Oil and Gas Assets associated with the Licences currently held in the name of Bradley.
3. In the event of a sale(s), all of the rights, title and interests will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests (collectively referred to as "**Claims and Interests**") with any such Claims and Interests to attach to the net sales proceeds pending further Order of the Court in respect to the allocation of net sales proceeds.
4. The Receiver, in conjunction with Cord Resource Management Limited, will prepare an information package for distribution to potential bidders by January 30, 2015 (the "**Information Package**").
5. The Receiver shall place an advertisement of the sales opportunity in three editions of the Daily Oil Bulletin and one edition of the Calgary Herald commencing no later than February 20, 2015.
6. The Receiver shall arrange to post the Information Package on the Receiver's website by January 30, 2015.
7. The Receiver shall establish a deadline for offers by way of sealed bid of Friday, April 10, 2015.
8. All bids shall be accompanied by a 15% deposit.
9. Upon acceptance of a successful bid(s), the Receiver shall negotiate a definitive agreement with the respective bidder(s) which shall be subject to approval of the Court.
10. The Secured Lender shall be entitled to submit a credit bid.
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 the terms of this Order.

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Justice of the Court of Queen's Bench of Alberta

**Schedule "C"**  
**to the Notice of Application filed January 8, 2015**

Clerk's Stamp

COURT FILE NUMBER      1401-08324

COURT                      COURT OF QUEEN'S BENCH OF ALBERTA

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PLAINTIFF                KRACK ENERGY INC.

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

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

DOCUMENT                **ORDER**  
                                  **(Receiver's Charge Confirmation)**

ADDRESS FOR SERVICE    Norton Rose Fulbright Canada LLP  
AND CONTACT              400 3<sup>rd</sup> Avenue SW, Suite 3700  
INFORMATION OF          Calgary, Alberta T2P 4H2  
PARTY FILING THIS        Phone:      +1 403.267.8222  
DOCUMENT                  Fax:         +1 403.264.5973

Attention:    Kyle D. Kashuba  
                  [kyle.kashuba@nortonrosefulbright.com](mailto:kyle.kashuba@nortonrosefulbright.com)

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**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. The time for service of the Application for this Order is hereby abridged and service thereof is deemed good and sufficient.
2. Notwithstanding what may ultimately be determined to be Karl's and/or Bradley's interests in the Oil and Gas Assets, the costs of the Receiver and its counsel associated with administering a sales process of the Companies' Oil and Gas Assets are costs that are secured by the Receiver's Charge prescribed by the Receivership Order.
3. The costs of the Receiver and its counsel are to be paid in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, including any interest that may be claimed by the Alberta Energy Regulator.
4. 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.

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Justice of the Court of Queen's Bench of Alberta