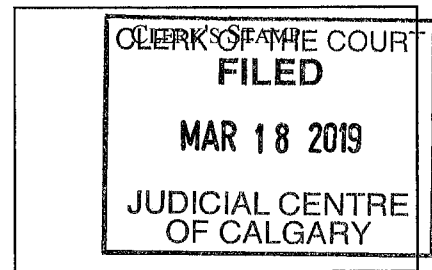


FORM 49
[RULE 13.19]



COURT FILE NUMBER 1901 – 02578
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

**IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, R.S.C. 1985,
c. C-36, as amended**

**IN THE MATTER OF THE BUSINESS
CORPORATIONS ACT, R.S.A. 2000, c. B-9, as
amended**

**AND IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT OF ELCANO
EXPLORATION INC., ELCANO EXPLORATION
LTD. and ELCANO EXPLORATION
PARTNERSHIP**

DOCUMENT **AFFIDAVIT OF RICHARD FULTON**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT **BENNETT JONES LLP**
Barristers and Solicitors
4500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4K7

Attention: Chris Simard and Kelsey Meyer
Telephone No.: 403-298-4485 / 403-298-3323
Fax No.: 403-265-7219
Client File No.: 86037.1

AFFIDAVIT OF RICHARD FULTON

Sworn on March 18, 2019

I, Richard Fulton, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the President and Chief Executive Officer of Elcano Exploration Inc. ("**EEI**") and as such I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I verily believe the same to be true. The other Applicant, Elcano Exploration Ltd. ("**EEL**"), is a direct wholly-owned subsidiary of EEI. Elcano Energy Partnership ("**EEP**") is a partnership, with respect to which EEI and EEL are partners. EEI, EEL and EEP are collectively referred to herein as the "**Elcano Group**".
2. Capitalized terms not defined herein have the meaning given to those terms in the Affidavit of Scott Pincock sworn in these proceedings on February 20, 2019 (the "**Pincock Affidavit**").
3. On February 26, 2019, the Elcano Group was granted an order by this Court for protection under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**Initial Order**"). The Initial Order provided for a stay of all proceedings and remedies taken in respect of the Elcano Group or any of its business or property, except as specifically permitted therein (the "**Stay**"). Under the terms of the Initial Order, the Stay is to expire on March 28, 2019 (the "**Stay Period**").
4. Also pursuant to the Initial Order, this Court approved a sale and investment solicitation process (the "**SISP**"), a copy of which is attached as Schedule "A" to the Initial Order, intended to solicit interest in and opportunities for a sale of all or part of the assets, property and undertakings (the "**Property**") of the Elcano Group or for an investment in, restructuring, recapitalization, refinancing or other form of reorganization of all or part of the Elcano Group or its business.
5. This Affidavit is made in support of an application by the Elcano Group for Orders, among other things:
 - (a) extending the Stay Period to June 14, 2019 (the "**Extended Stay Period**");
 - (b) approving a procedure (a "**Claims Procedure**") for identifying, classifying, valuing, proving and adjudicating various claims by creditors of the Elcano Group;

- (c) authorizing the Elcano Group to pay for certain goods and services supplied to the Elcano Group by certain critical suppliers prior to the date of the Initial Order;
- (d) sealing Confidential Exhibit "1" to this Affidavit; and
- (e) if necessary, abridging the time for service of the Application and supporting materials and declaring service to be good and sufficient.

Extension of Stay

a. Summary

- 6. I am advised by the Monitor and do verily believe that the Monitor supports this application to extend the stay of proceedings.
- 7. Since the granting of the Initial Order, the Elcano Group has been working diligently and in good faith toward a restructuring of its affairs for the benefit of its stakeholders. This work has taken place in conjunction with and under the supervision of the Monitor, and in consultation with the stakeholders of the Elcano Group, including National Bank of Canada ("**NBC**"), being the main secured creditor of the Elcano Group. Among other things, the Elcano Group and /or their counsel have:
 - (a) cooperated with the Monitor to facilitate its monitoring of the Elcano Group's business and operations;
 - (b) communicated with various stakeholder groups and/or their advisors, including counsel for NBC, trade creditors, employees, contractors and others;
 - (c) worked with the Monitor and GMP FirstEnergy ("**GMP**") to pursue the SISF; and
 - (d) continued to operate and manage the business and operations of the Elcano Group in the ordinary course, subject to the terms of the Initial Order.
- 8. With respect to ongoing operations of the Elcano Group, since the granting of the Initial Order, the Elcano Group's average daily production volumes have been 514 bbls/d. This production volume is slightly lower than was forecast due to cold weather and other normal

variations in operating conditions as a result. Revenue during this period of time has exceeded the Elcano Group's forecast, due to strong prices and narrowing differentials between the prices at the oil terminal at Cromer, Manitoba and the WTI price.

9. The SISP has deadlines for submission of non-binding letters of intent (defined in the SISP as a "Phase 1 Qualified Bid") by April 26, 2019 and submission of binding offers in the form of a purchase and sale agreement (defined in the SISP as a "Phase 2 Qualified Bid") by May 17, 2019. Further, the SISP timeline contemplates completion of confirmatory title and environmental due diligence and execution of purchase and sale agreement(s) in respect of Successful Bid(s) (as defined in the SISP) by June 3, 2019, with Court approval of the Successful Bid(s) by June 12, 2019 and closing of the contemplated transaction(s) by June 14, 2019. The requested extension of the Stay Period corresponds to the SISP timeline and proposed closing of resulting transaction(s) by June 14, 2019.
10. I believe that the Elcano Group has been acting in good faith and with due diligence in these proceedings and I believe that it is in the best interests of the Elcano Group and all of its stakeholders that the Stay Period be extended to June 14, 2019, and that such an extension is appropriate in the circumstances.

b. Communications with NBC

11. On February 28, 2019, the Elcano Group's primary secured creditor, NBC, advised the Elcano Group that it elected to terminate the remaining Mandatory Hedges. I am advised by the Elcano Group's counsel and believe that the Mandatory Hedges are "eligible financial contracts" as defined in the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "CCAA"). NBC further requested that EEI initiate the termination of the Mandatory Hedges, for administrative ease. EEI complied with this request and the Mandatory Hedges were terminated on February 28, 2019. NBC has advised EEI that the termination amount resulting from the termination of the Mandatory Hedges is \$542,103.63.
12. I am advised by the Elcano Group's solicitors and do believe that they have advised counsel for NBC that the Elcano Group will provide copies of bids received in both Phase 1 and

Phase 2 of the SISP (on a confidential basis) to them, and that the Elcano Group will seek Court approval to pay the fees of NBC's advisors from the Elcano Group's cash flow. I am advised by Mr. Pincock and do believe that NBC has closed the Elcano Group's existing accounts with NBC and that the balances in those accounts have been applied to payment of interest owed to NBC.

c. Progress of the SISP

13. I am advised by GMP and do believe that on or about March 7, 2019, the SISP Advisor caused a notice of the SISP to be published in the *Daily Oil Bulletin* (the "**DOB**"). Attached hereto as **Exhibit "1"** is a true copy of the notice published in the DOB.
14. On or about March 7, 2019, the Elcano Group issued a press release setting out notice of the SISP. Attached hereto as **Exhibit "2"** is a true copy of the press release.
15. I am advised by GMP and do believe that the SISP is proceeding in accordance with the Procedures for the SISP attached as Schedule "A" to the Initial Order. Now shown to me and marked as **Confidential Exhibit "1"** is a true copy of a summary of the progress of the SISP prepared by GMP. The majority of the participants in the SISP as of March 15, 2018 had not participated in the previous marketing efforts undertaken by the Elcano Group as described in the Pincock Affidavit.
16. As Confidential Exhibit "1" includes commercially sensitive information about the parties that have expressed interest in and have participated in the SISP to date, the Elcano Group seeks a sealing order over Confidential Exhibit "1" until the conclusion of these proceedings pursuant to the CCAA.
17. The Elcano Group proposes to provide all the Phase 1 bids and all the Phase 2 bids to NBC, on a confidential basis, after the respective Phase 1 and Phase 2 bid deadlines.

d. Status of Optimization Program

18. The Pincock Affidavit described the Elcano Group's intention to execute an optimization program to convert proved develop non-producing reserves to proved developed producing (the "**Optimization Program**"). The Optimization Program is a low-risk, high return

optimization opportunity for three existing, non-producing wells in the Lodgepole pool in the North Hargrave area of Manitoba. The gathering systems for these and other wells have insufficient capacity to handle increased production from the three wells. The Optimization Program will depressurize and expand the fluid-handling capacity of the gathering system associated with the three wells by adding three additional pipelines (flowlines) and a new disposal well. The resulting expanded capacity of the gathering system will allow the gathering system to handle additional fluid and accordingly increase production from the three wells and other wells in the area. The Elcano Group anticipates that the Optimization Program will result in an additional 125 bbls/day of production from the three wells; additional production may also result from other wells in the area as a result of the depressurization.

19. The risk associated with the Optimization Program is low, because the Elcano Group is aware, based on its own analysis and on the reserve report completed for EEI by Sproule Associates Limited effective December 31, 2018, that oil is present at the three existing, non-producing wells.
20. The Elcano Group has entered into surface rights agreements with all landowners affected by the Optimization Program, and has issued cheques to the landowners in relation to the same. On March 12, 2019, the Elcano Group received all three flowline licenses for which it had applied to the Manitoba Petroleum Branch. Snow has been removed from the flowline rights-of-way and any existing flowlines or other underground barriers have been identified. Two flowline boring units with crews have been secured, and the Elcano Group began construction of the new flowlines on or about March 15, 2019. The Optimization Program is proceeding in accordance with the timeline for the same, a copy of which is attached hereto as **Exhibit "3"**. The longest deliverable in order to complete the Optimization Program is a new pump for the battery, which has been ordered and for which a deposit has been paid. As previously projected, the Elcano Group expects that the Optimization Program will be complete by May 1, 2019, resulting in increased oil production at that time.

Application for Claims Procedure Order

21. The Elcano Group seeks to establish a procedure whereby the claims of the Elcano Group's creditors can be assessed in terms of their classification, value and validity for the purposes of a plan under the CCAA (a "**Claims Procedure**").
22. The Elcano Group, in consultation with the Monitor, has developed and is proposing a Claims Procedure, to include the following steps:
 - (a) the Elcano Group will, based on its books and records, and in consultation with the Monitor, determine the classification and value of the claims of its known creditors (the "**Known Claimants**");
 - (b) the Monitor will notify the Known Claimants of the classification and value of each of their claims, and the Known Claimants will have the option of whether accepting this classification and value of their claims, or objecting to the same by delivery of a notice to the Monitor;
 - (c) the Monitor will advertise the Claims Procedure in the manner set out in the Claims Procedure Order, so that any creditors with claims that are not determinable using the Elcano Group's books and records ("**Unknown Claimants**") may identify themselves, and have an opportunity to prove their claims;
 - (d) the Elcano Group, in consultation with the Monitor, will review each proof of claim received from Known and Unknown Claimants and will accept, revise or disallow each such claim, subject to the rights of Claimants to dispute the revision or disallowance of their Claims; and
 - (e) the Elcano Group may attempt to resolve any disputes over the classification of value of claims by consent, failing which any such disputes are to be referred to this Honourable Court for resolution.
23. I believe that the Claims Procedure as described above and as set out in the proposed form of Claims Procedure Order is reasonable and appropriate, because:

- (a) the majority of creditors of the Elcano Group are Known Claimants;
- (b) the books and records of the Elcano Group are sufficiently accurate and complete that the claims of such Known Claimants can be classified and valued by the Elcano Group at the start of the Claims Procedure;
- (c) to the extent that there are any Unknown Claimants, they will be notified by the Monitor as provided for in the Claims Procedure Order, and will have the right to advance and prove their claims in accordance with the Claims Procedure; and
- (d) knowledge of all claims against the Elcano Group will facilitate the distribution of the proceeds of the SISP, or the making of a Plan of Compromise and Arrangement following the SISP.

Critical Suppliers

- 24. The Elcano Group seeks the Court's approval to pay certain critical suppliers for the provision of goods and services prior to the date of the Initial Order in an aggregate amount of CDN \$36,684.37.
- 25. The Elcano Group has contracted three well operators of certain of its non-core production assets in Alberta and Saskatchewan and certain of its core production assets in Manitoba that are critical to the ongoing operations of the Elcano Group. These operators are:
 - (a) Crosswind Farms Ltd. (in Manitoba);
 - (b) Du-All Oilfield Services Ltd. (in Alberta); and
 - (c) L.C.'s Contract Operating Ltd. (in Saskatchewan)(collectively, the "**Critical Suppliers**"). The Critical Suppliers are owed the aggregate amount of CDN \$36,684.37 for outstanding invoices for goods and services supplied by them in January and February 2019, prior to the date of the Initial Order.
- 26. The continued, uninterrupted provision of goods and services by the Critical Suppliers is crucial to allowing the Elcano Group to continue its business operations and preserve the

value of the business operations. The potential disruption to business operations of the Elcano Group should these critical suppliers not continue to be paid in the ordinary course (and possibly withhold their goods and services while other payment arrangements were put in place, going forward), could be material and could negatively affect the Elcano Group's cash flow forecast.

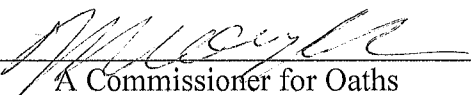
27. I am advised by the Monitor and do believe that the Monitor supports payment of the outstanding invoices owed to the Critical Suppliers, in the amount of CDN \$36,684.37.

Cash Flow Forecast

28. Attached hereto as **Exhibit "4"** is a true copy of a cash flow forecast through to June 30, 2019.
29. As can be seen in **Exhibit "4"**, the Elcano Group proposes to make ongoing interest payments to NBC, as was initially proposed in the cashflow statement attached as Exhibit "19" to the Pincock Affidavit (the "**First Cashflow**"). Additionally, the Elcano Group proposes to make voluntary payments of the professional fees of NBC's counsel, Norton Rose Fulbright Canada LLP and NBC's financial advisor, FTI Canada Consulting Inc., in the aggregate amount of approximately \$200,000 (including \$150,782 invoiced for services that pre-date the Initial Order, and \$50,000 for anticipated further professional fees) during the Extended Stay Period, as reflected in the cash flow forecast attached as Exhibit "4". Because NBC elected to terminate the Mandatory Hedges, as described above, rather than leaving the Mandatory Hedges in place, the ongoing monthly hedge settlement amounts that were previously accrued in the First Cashflow are not reflected in Exhibit "4". The first monthly settlement payment in the amount of \$62,128 was effectively collected by NBC on February 25, 2019 as NBC added that amount to the final outstanding balance under EEI's line of credit.
30. As shown in Exhibit "4", the Elcano Group is projected to have sufficient cash to fund its operations, its restructuring costs and the proposed voluntary payments to NBC during the proposed Extended Stay Period, without requiring interim financing from a third party.

31. I make this Affidavit in support of the relief requested by the Elcano Group in the within Application, and for no other or improper purpose.

SWORN BEFORE ME)
at Calgary, Alberta, this 18th)
day of March, 2019.)



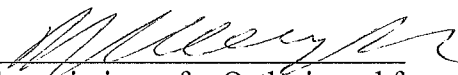
A Commissioner for Oaths
in and for the Province of Alberta


RICHARD FULTON

Kelsey Meyer
Barrister & Solicitor

EXHIBIT 1

This is EXHIBIT "1" referred to in the Affidavit of Richard Fulton sworn before me this 18th day of March, 2019.


A Commissioner for Oaths in and for
the Province of Alberta

Kelsey Meyer
Barrister & Solicitor

Elcano Exploration Inc. Announces Sale And Investment Solicitation Process

Thursday, March 7, 2019, 6:49 AM MST

[Print](#)

On February 26, 2019, Elcano Exploration Inc. and its affiliates Elcano Exploration Ltd. and Elcano Energy Partnership (collectively, "Elcano" or the "Company") commenced restructuring proceedings under the Companies' Creditors Arrangement Act ("CCAA") pursuant to an initial order (the "Initial Order") granted by the Alberta Court of Queen's Bench (the "Court"). Hardie & Kelly Inc. has been appointed as Monitor of the CCAA proceedings (the "Monitor").

The CCAA proceedings enable the Company to maintain normal business operations through a restructuring process. Pursuant to the Initial Order, the Company has also initiated a sale and investment solicitation process ("SISP") to be conducted in conjunction with the CCAA proceedings. GMP FirstEnergy has been engaged as financial advisor to the Company in connection with the SISP.

Elcano and GMP FirstEnergy are seeking parties interested in acquiring or investing in the business or the assets of the Company. The SISP procedures contained in the Initial Order describe the timelines associated with the SISP, the manner in which prospective bidders may gain access to due diligence materials concerning the Company and its assets, the manner in which bidders become Qualified Bidders and bids become Qualified Bids (as each term is defined under the SISP procedures), the receipt and negotiations of Qualified Bids received, the ultimate selection of the successful bidder and the approval thereof by the Company and the Court.

Qualified Bidders, if they wish to submit a bid, will be required to deliver a bid proposal to GMP FirstEnergy at the address specified in the SISP procedures, no later than 5:00 p.m. Mountain Time on April 26, 2019. The bid proposal must be in the form of a non-binding letter of intent for the acquisition of Elcano or all or a portion of its assets, business or undertaking, or any combination thereof, or some other form of transaction (including without limitation, a refinancing or recapitalization), and must comply with the SISP procedures.

A copy of all court orders or amendments thereto, the SISP procedures and other details related thereto may be accessed on the Monitor's website at <https://relieffromdebt.ca/elcano-group>.

Interested parties that would like to participate in the SISP can contact:

Scott Robertson

Director, Investment Banking

GMP FirstEnergy

rsrobertson@gmpfirstenergy.com

403-262-0606

Mark Pearson

Director, Acquisitions & Divestitures

GMP FirstEnergy

mcpearson@gmpfirstenergy.com

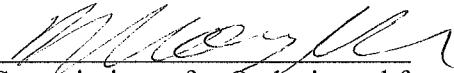
403-262-0677

Categories:

[Asset Sales and Acquisitions \(/category/asset-sales-and-acquisitions/\)](/category/asset-sales-and-acquisitions/)

EXHIBIT 2

This is EXHIBIT "2" referred to in the Affidavit of Richard Fulton sworn before me this 18th day of March, 2019.

A handwritten signature in black ink, appearing to read 'Kelsey Meyer', written over a horizontal line.

A Commissioner for Oaths in and for
the Province of Alberta

Kelsey Meyer
Barrister & Solicitor

Elcano Exploration Inc. Announces Sale and Investment Solicitation Process

NEWS PROVIDED BY

Elcano Exploration Inc. →

Mar 07, 2019, 10:00 ET

CALGARY, March 7, 2019 /CNW/ - On February 26, 2019, Elcano Exploration Inc. and its affiliates Elcano Exploration Ltd. and Elcano Energy Partnership (collectively, "Elcano" or the "Company") commenced restructuring proceedings under the Companies' Creditors Arrangement Act ("CCAA") pursuant to an initial order (the "Initial Order") granted by the Alberta Court of Queen's Bench (the "Court"). Hardie & Kelly Inc. has been appointed as Monitor of the CCAA proceedings (the "Monitor").

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manner in which prospective bidders may gain access to due diligence materials concerning the Company and its assets, the manner in which bidders become Qualified Bidders and bids become Qualified Bids (as each term is defined under the SISP procedures), the receipt and negotiations of Qualified Bids received, the ultimate selection of the successful bidder and the approval thereof by the Company and the Court.

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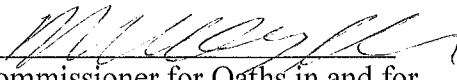
A copy of all court orders or amendments thereto, the SISP procedures and other details related thereto may be accessed on the Monitor's website at <https://relieffromdebt.ca/elcano-group>.

SOURCE Elcano Exploration Inc.

For further information: Interested parties that would like to participate in the SISP can contact: Scott Robertson, Director, Investment Banking, GMP FirstEnergy, rsrobertson@gmpfirstenergy.com, 403-262-0606; Mark Pearson, Director, Acquisitions & Divestitures, GMP FirstEnergy, mcpearson@gmpfirstenergy.com, 403-262-0677

EXHIBIT 3

This is EXHIBIT "3" referred to in the Affidavit of Richard Fulton sworn before me this 18th day of March, 2019.


A Commissioner for Oaths in and for
the Province of Alberta

Kelsey Meyer
Barrister & Solicitor

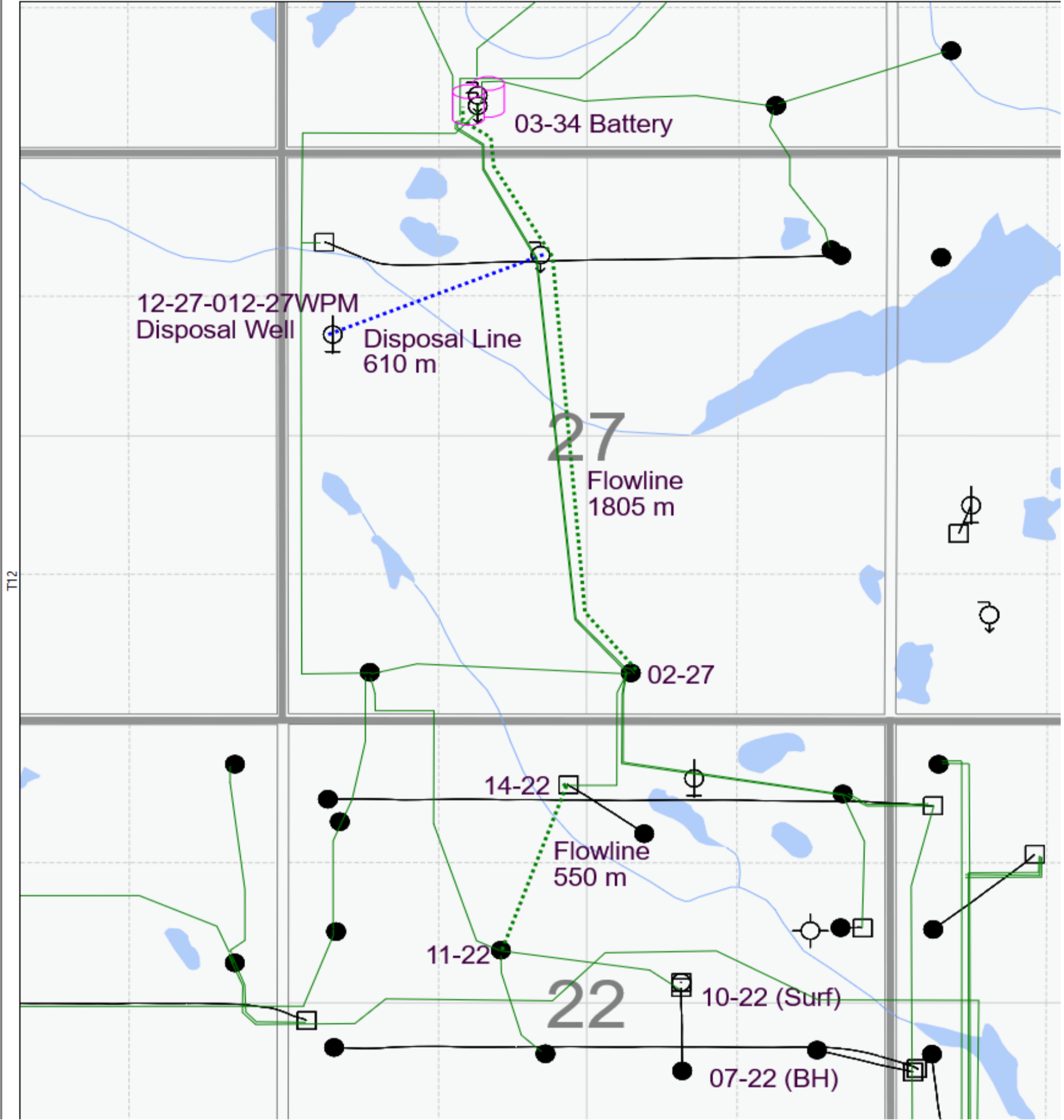
North Hargrave - Phase 1 Optimization

Elcano Exploration Inc.

NOTES: Flowline licenses submitted 03/11/19 Flowline licenses received 03/12/19

This projects considers the reactivation of three shut-in Lodgepole wells in section 22 (07-22, 11-22 & 15-22). The wells have been shut-in due to gathering system and disposal limitations. The project involves the construction of two additional flowlines and the construction of a disposal line to the 12-27 Birdbear disposal well. Sproule has the projected adding up to ~125 bbl/d (~19.9 m3/d) of oil production and up to ~7600 bbl/d (~1200 m3/d) of water

		Project Start Date	2-11-2019 (Monday)		Display Week	1																																																																																							
		Project Lead	DGR		TOTAL PROJECT COST:		\$ 839,500		Week 1		Week 2		Week 3		Week 4		Week 5		Week 6		Week 7		Week 8		Week 9		Week 10		Week 11		Week 12																																																														
										11 Feb 2019		18 Feb 2019		25 Feb 2019		4 Mar 2019		11 Mar 2019		18 Mar 2019		25 Mar 2019		1 Apr 2019		8 Apr 2019		15 Apr 2019		22 Apr 2019		29 Apr 2019																																																													
WBS	TASK	LEAD	START	END	DAYS	% DONE	WORK DAYS	As @ 03/08/19 EXPENDITURES	GROSS COST	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	1	2	3	4	5
1	Production Flowlines				37		27	\$ 64,787	\$ 335,298																																																																																				
1.1	survey permission	BG	Wed 1-23-19	Wed 1-23-19	1	100%	1	\$ -																																																																																					
1.2	survey	DWB	Mon 2-25-19	Fri 3-01-19	5	100%	5	\$ -																																																																																					
1.3	negotiate ROW with land owners	BG	Sat 3-02-19	Wed 3-06-19	5	100%	3	\$ -																																																																																					
1.4	license flow lines	DWB	Thu 3-07-19	Wed 3-13-19	7	100%	5	\$ -																																																																																					
1.5	pay surface owners	BG	Thu 3-14-19	Thu 3-14-19	1	100%	1	\$ 3,955																																																																																					
1.6	construction of flow lines	DWB	Fri 3-15-19	Mon 4-01-19	18	0%	12	\$ 60,832	\$ 335,298																																																																																				
2	12-27 Disposal Well				28		20	\$ 25,890	\$ 182,714																																																																																				
2.1	update disposal line survey	DWB	Thu 2-28-19	Fri 3-01-19	2	100%	2	\$ -																																																																																					
2.2	license disposal lines	DWB	Thu 3-07-19	Wed 3-13-19	7	100%	5	\$ -																																																																																					
2.3	pay surface owners	BG	Thu 3-14-19	Thu 3-14-19	1	100%	1	\$ -																																																																																					
2.4	construction of disposal line	DWB	Fri 3-15-19	Mon 4-01-19	18	0%	12	\$ 25,890	\$ 182,714																																																																																				
3	Battery				93		67	\$ 47,658	\$ 277,532																																																																																				
3.1	03-34 HPS & Booster	DWB	Mon 2-11-19	Tue 4-30-19	79	40%	57	\$ 47,658	\$ 210,356																																																																																				
3.2	inlet header upgrade	DWB	Tue 3-19-19	Mon 4-01-19	14	0%	10	\$ -	\$ 67,176																																																																																				
4	Wells				5		4	\$ -	\$ 43,956																																																																																				
4.1	repair 07-22 ESP	DWB	Tue 3-19-19	Sat 3-23-19	5	0%	4	\$ -	\$ 43,956																																																																																				



	AFE#	Cost Center	Project Description	CapEx	Tax	Contingency	Admin	AFE Total
1	70029	54000	North Hargrave Flowline Twin from 02-27 to 03-34 Battery	\$ 228,553	\$ 10,285	\$ -	\$ -	\$ 238,838
2	70039	54000	North Hargrave Flowline from 11-22 to 14-22-012-27WPM	\$ 92,750	\$ 3,710	\$ -	\$ -	\$ 96,460
3	70049	54045	North Hargrave Disposal Line from 14-27 to 12-27-012-27WPM	\$ 175,687	\$ 7,027	\$ -	\$ -	\$ 182,714
4	70059	54010	Elcano North Hargrave HPS Upgrade 03-34-12-27 WPM Battery	\$ 195,680	\$ 14,676	\$ -	\$ -	\$ 210,356
5	70069	54010	Elcano North Hargrave Inlet Header 03-34-12-27WPM Battery	\$ 62,200	\$ 4,976	\$ -	\$ -	\$ 67,176
6	60079	54020	Elcano North Hargrave DIR 07-22-012-27WPM	\$ 41,080	\$ 2,876	\$ -	\$ -	\$ 43,956
				\$ 795,950	\$ 43,550	\$ -	\$ -	\$ 839,500

Phase 1 (Sproule Numbers):

Well Information			Operation	Timing	Sproule 12/31/18 - Net Incremental			Project	Totals
Area	WI	Entity	Description	CapEx Date	Oil Rate PNP (bbl/d)	Water Rate PNP (bbl/d)	Oil Reserves PNP (bbl)		
North Hargrave	100.0%	100/07-22-012-27W1/0	Reactivation	Mar 2019	22	1128	17900	\$ 43,956	
North Hargrave	100.0%	100/11-22-012-27W1/0	Reactivation	NA	62	3064	46200	\$ -	
North Hargrave	100.0%	102/15-22-012-27W1/0	Reactivation	NA	41	3413	26200	\$ -	
North Hargrave	100.0%	100/12-27-012-27WPM	Disposal	Feb - Apr 2019	NA	-7234	NA	\$ 393,070	
North Hargrave	100.0%	03-34 Header	Gathering	Mar - Apr 2019	NA	NA	NA	\$ 67,176	
North Hargrave	100.0%	02-27 to 03-34 Loop	Gathering	Mar - Apr 2019	NA	NA	NA	\$ 238,838	
North Hargrave	100.0%	11-22 to 14-22 Loop	Gathering	Mar - Apr 2019	NA	NA	NA	\$ 96,460	
					125	372	90300	\$ 839,500	

Phase 1 (Test Numbers):

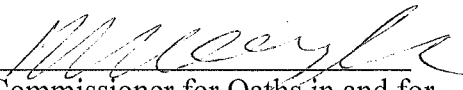
Well Information			Well Test Data				Wellbore			Pump Upgrade							
Area	WI	Entity	Test Date	Oil Rate (bbl/d)	Water Rate (bbl/d)	Cut	Fluid Rate (bbl/d)	JTF Date	JTF	JIH	Pump Factor	New Oil Rate (bbl/d)	Incremental Oil Rate (bbl/d)	New Water Rate (bbl/d)	Incremental Water Rate (bbl/d)	New Fluid Rate (bbl/d)	Incremental Fluid Rate (bbl/d)
North Hargrave	100.0%	100/06-22-012-27W1/0	01-Feb-19	107	5774	98.2%	5881	23-Jan-19	23	56	0.00	0	0	0	0	0	0
North Hargrave	100.0%	100/07-22-012-27W1/0	05-Nov-17	15	752	98.0%	767	04-Nov-17	11	61	7.49	113	98	5637	4885	5750	4983
North Hargrave	100.0%	100/08-22-012-27W1/0	15-Feb-19	39	2163	98.2%	2202	07-Nov-18	13	66	2.61	102	63	5648	3486	5750	3549
North Hargrave	100.0%	102/09-22-012-27W1/0	15-Feb-19	40	2224	98.2%	2264	07-Nov-18	15	60	2.54	102	62	5648	3424	5750	3486
North Hargrave	100.0%	100/11-22-012-27W1/0	04-Nov-18	31	1498	98.0%	1528	25-Mar-18	15	60	3.76	116	85	5634	4136	5750	4222
North Hargrave	100.0%	102/15-22-012-27W1/0	04-Nov-17	26	2163	98.8%	2189	02-Oct-17	23	58	2.63	69	43	5681	3518	5750	3561
				259	14573	98.3%	14832					503	351	28247	19448	28750	19799

Well Information			Well Test				Max Rate - Borets Model				Max Rate - Historical				
Area	WI	Entity	Test Date	Oil Rate (bbl/d)	Water Rate (bbl/d)	Cut	Fluid Rate (bbl/d)	Oil Rate (bbl/d)	Water Rate (bbl/d)	Cut	Fluid Rate (bbl/d)	Oil Rate (bbl/d)	Water Rate (bbl/d)	Cut	Fluid Rate (bbl/d)
North Hargrave	100.0%	100/06-22-012-27W1/0	01-Feb-19	107	5774	98.2%	5881	128	6917	98.2%	7045	108	5836	98.2%	5944
North Hargrave	100.0%	100/07-22-012-27W1/0	05-Nov-17	15	752	98.0%	767	32	1603	98.0%	1635	25	1233	98.0%	1258
North Hargrave	100.0%	100/08-22-012-27W1/0	15-Feb-19	39	2163	98.2%	2202	39	2163	98.2%	2202	44	2459	98.2%	2503
North Hargrave	100.0%	102/09-22-012-27W1/0	15-Feb-19	40	2224	98.2%	2264	47	2620	98.2%	2667	47	2620	98.2%	2667
North Hargrave	100.0%	100/11-22-012-27W1/0	04-Nov-18	31	1498	98.0%	1528	43	2065	98.0%	2107	47	2305	98.0%	2352
North Hargrave	100.0%	102/15-22-012-27W1/0	04-Nov-17	26	2163	98.8%	2189	29	2392	98.8%	2422	29	2392	98.8%	2422
				259	14573	98.3%	14832	318	17759	98.2%	18077	301	16845	98.2%	17147

Phase 1 Opt:	72	4412	98.4%	4485	104	10842	98.3%	11033	101	11009	98.3%	11202
Additional Gains:					28				14			
Totals Opt Gains:					132				115			

EXHIBIT 4

This is EXHIBIT "4" referred to in the Affidavit of Richard Fulton sworn before me this 18th day of March, 2019.


A Commissioner for Oaths in and for
the Province of Alberta

Kelsey Meyer
Barrister & Solicitor

The Elcano Group
Cash Flow forecast
For the period March 18 to June 30, 2019
(Unaudited - prepared by management)

	Week of 18-Mar-19	Week of 25-Mar-19	Week of 1-Apr-19	Week of 8-Apr-19	Week of 15-Apr-19	Week of 22-Apr-19	Week of 29-Apr-19	Week of 6-May-19	Week of 13-May-19	Week of 20-May-19	Week of 27-May-19	Week of 3-Jun-19	Week of 10-Jun-19	Week of 17-Jun-19	Week of 24-Jun-19	Total
Receipts																
Production revenues	-	919,495	-	-	-	1,010,747	-	-	-	886,880	-	-	-	-	1,133,396	3,950,518
	-	919,495	-	-	-	1,010,747	-	-	-	886,880	-	-	-	-	1,133,396	3,950,518
Disbursements																
Royalties	-	-	-	-	22,659	-	-	-	232,472	-	-	-	203,982	-	-	459,113
Transportation	25,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	144,500
OPEX	90,000	-	132,500	16,500	-	-	110,000	16,500	-	-	110,000	16,500	-	-	110,000	602,000
Power	65,000	66,500	20,000	-	-	45,000	20,000	-	-	45,000	-	53,500	-	-	-	360,000
Optimization operations	11,253	225,000	49,500	50,000	-	100,000	25,000	-	-	225,000	-	-	-	45,000	-	685,753
General and administrative	5,000	61,480	-	5,000	49,500	5,000	61,480	5,000	49,500	5,000	61,480	5,000	49,500	5,000	61,480	429,420
Insurance	-	-	-	-	-	-	40,000	-	-	-	-	-	-	-	-	40,000
Bank interest	-	33,045	-	-	-	33,045	-	-	-	33,045	-	-	-	-	33,045	132,180
Financial advisory	-	-	20,000	-	-	-	-	20,000	-	-	-	20,000	-	-	-	60,000
Restructuring	50,000	25,000	25,000	12,500	12,500	12,500	12,500	12,500	12,500	25,000	25,000	25,000	25,000	12,500	12,500	300,000
Professional fees	-	150,000	-	-	-	50,000	-	-	-	-	-	-	-	-	-	200,000
Critical suppliers	-	-	36,685	-	-	-	-	-	-	-	-	-	-	-	-	36,685
	246,753	569,525	292,185	92,500	93,159	254,045	277,480	62,500	302,972	341,545	204,980	128,500	286,982	71,000	225,525	3,449,651
Net cash flow for period	(246,753)	349,970	(292,185)	(92,500)	(93,159)	756,702	(277,480)	(62,500)	(302,972)	545,335	(204,980)	(128,500)	(286,982)	(71,000)	907,871	500,867
Cash - beginning	832,117	585,364	935,334	643,149	550,649	457,490	1,214,192	936,712	874,212	571,240	1,116,575	911,595	783,095	496,113	425,113	832,117
Cash - closing	585,364	935,334	643,149	550,649	457,490	1,214,192	936,712	874,212	571,240	1,116,575	911,595	783,095	496,113	425,113	1,332,984	1,332,984

Elcano Group

Per: Richard Fulton
President & CEO

March 18, 2018
CALGARY, ALBERTA

ASSUMPTIONS AND NOTES

- Please refer to the attached.

Elcano Group

Note to the Cash Flow Forecast

- 1) **Production revenues** - relate to net proceeds from the sale of oil and gas revenues. Funds are forecast to be received in the month following production. Production forecast is based on recent production levels adjusted for anticipated production decline. The forecast sales price is based on current strip pricing in USD West Texas Intermediate crude ("WTI") adding foreign exchange ("FX") to Canadian Dollars ("CAD") and differentials index to Cromer Light Sour Blend ("LSB") less historical quality discount. Changes in WTI and LSB index will have an impact on Elcano's realized prices and subsequently on revenues collected.
- 2) **Royalties** - include crown/freehold in Manitoba and are assumed to be paid by the 15th of the month following the month production revenues are received. Royalties are estimated based on historical results of being approximately 23% production revenues. Royalties due in relation to production revenues associated with the pre-filing period are assumed to be stayed.
- 3) **Transportation** - represents charges for clean oil transportation from Elcano facilities to truck terminal sales points.
- 4) **OPEX** - based on historical expenses and assumed production levels including but not limited to such expenditures as lease rentals, utilities, maintenance, repairs, contract operators and property taxes. Payments are assumed to be made in the month goods or services are provided.
- 5) **Optimization** - Elcano is in the process of executing the phase one optimization program which includes line looping and the deepening of an existing disposal well. This will result in increases in production May 1, 2019 from three existing wells that are currently shut in due to facility constraints. The optimization is booked as proven developed non-producing reserves in the Sproule December 31, 2018 reserve report.
- 6) **General and administrative** - includes but is not limited to such expenses as payroll and benefits for five full time and two part - time office employees as well as two field employees. Includes rent, technology and systems subscriptions and miscellaneous office related expenses.
- 7) **Interest** - represent payment of monthly interest charged by the company's Lender on the existing credit facility.
- 8) **Financial Advisory** - monthly work fees in respect of the SISP advisor.

- 9) **Restructuring** - includes the fees and expenses of the company's legal counsel and those of the Monitor and its legal counsel.
- 10) **Professional Fees** - represent fees and expenses of the company's Lender's professional advisors.
- 11) **Critical Suppliers** - represents payment of pre-filing obligations to three field operators responsible for supervision of production assets assuming such payments are approved by the Court.
- 12) **Cash** - represents funds maintained in the operating bank account and in trust with the company's legal counsel.