



COURT FILE NUMBERS 25-2332583
25-2332610
25-2335351

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PROCEEDINGS IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF MANITOK ENERGY INC.

IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF RAIMOUNT ENERGY CORP.

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF CORINTHIAN OIL CORP.

DOCUMENT **THIRTEENTH REPORT OF THE RECEIVER**
NOVEMBER 7, 2019

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ALVAREZ & MARSAL

TABLE OF CONTENTS OF THE THIRTEENTH REPORT OF THE RECEIVER

INTRODUCTION3
TERMS OF REFERENCE4
STATUS OF THE RECEIVERSHIP PROCEEDINGS.....4
PERSIST REQUEST FOR AN AMENDMENT5
RECEIVER’S CONCLUSIONS AND RECOMMENDATIONS10

LISTING OF APPENDICES TO THE THIRTEENTH REPORT OF THE RECEIVER

APPENDIX A Nisku Pipelines and Facilities to be Deleted
APPENDIX B Municipal Property Taxes Outstanding

INTRODUCTION

1. On February 20, 2018 (the “**Receivership Date**”), the Court of Queen’s Bench of Alberta (the “**Court**”) granted an order in these proceedings (the “**Consent Receivership Order**”) appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as receiver and manager (the “**Receiver**”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, including but not limited to real property and wherever situate including all proceeds thereof (the “**Property**”) of Manito Energy Inc. (“**Manitok**”) and its wholly owned subsidiary Raimount Energy Corp. (“**Raimount**”) (together, or either of them, as the context requires, the “**Company**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, (the “**BIA**”) and section 13(2) of the *Judicature Act*, RSA 2000, c J-2.
2. Concurrently with the Receivership, Manito Energy Inc., Raimount and Manito Energy Inc.’s other wholly owned subsidiary, Corinthian Oil Corp. (“**Corinthian**”), were deemed bankrupt and A&M became the Trustee in Bankruptcy of each of them.
3. As discussed in previous Reports, the most significant stakeholders in the Receivership are now the National Bank of Canada (“**NBC**”) and the Alberta Energy Regulator (“**AER**”). NBC continues to hold a first charge over all of the undistributed assets of the Company and the proceeds therefrom. As a result of the decision of the Supreme Court of Canada (“**SCC**”) in *Orphan Well Association v Grant Thornton Ltd*, 2019 SCC 5 (“**Redwater**”), the AER is a significant stakeholder in the Receivership even though it is not a “creditor” *per se*.
4. Pursuant to a Purchase and Sale Agreement dated November 23, 2018 (“**PSA**”), the Receiver (“**Vendor**”) sold the majority of the core assets of Manito Energy Inc. to Tantalus Energy Corp. (now Persist Oil and Gas Inc. being “**Persist**” or the “**Purchaser**”). The PSA was amended twice, including to add and delete certain assets, and was approved by the Court. The transaction contemplated therein closed on April 15, 2019 (all as described in more detail below).

5. Persist has advised the Receiver that it is seeking to have the Court rectify the Second Amending Agreement to the PSA dated March 29, 2019 (the “**Second Amendment**”) and amend the previously granted Amending Order that amended the original Sale Approval and Vesting Order for the Receiver’s sale to Persist (the “**SAVO**” which, as amended, is the “**Amended SAVO**”). Persist’s application is intended to remove (or clarify the non-inclusion) of certain Nisku pipelines and facilities, as listed at Appendix A, from the Assets that Persist acquired from the Receiver under the Second Amended PSA (such pipelines and facilities being the “**Nisku Pipelines and Facilities**”).
6. The purpose of this Thirteenth Report of the Receiver (the “**Thirteenth Report**” or “**this Report**”) is to provide the Court with information in respect of Persist’s application, a concurrent application by the Receiver to be discharged over the Nisku Pipelines and Facilities (if Persist’s application is granted), and the impacts of those applications on Manitok’s stakeholders and creditors.
7. Capitalized words or terms not defined in this Report are as defined in the Receivership Order or the previous reports of the Receiver.
8. All references to dollars are in Canadian currency.

TERMS OF REFERENCE

9. In preparing this Thirteenth Report, the Receiver has relied upon financial and other information contained in the Company’s books and records and affidavit material filed by Persist in connection with their application. The Receiver has not performed an audit, review or other verification of such information.

STATUS OF THE RECEIVERSHIP PROCEEDINGS

10. The Receivership proceedings are substantially complete, excepting the collection of receivables, sales of a few marginally accretive assets, transfers of AER licenses to purchasers, final distributions to stakeholders and any priority creditors, and the final discharge of the Receiver.

PERSIST REQUEST FOR AN AMENDMENT

Background

11. The Vendor and Persist entered into the PSA on November 23, 2018.
12. The PSA was amended by a Waiver and Amending Agreement dated December 14, 2018 (the “**First Amendment**”, which together with the PSA is the “**First Amended PSA**”). The First Amendment added and deleted wells, pipelines and lands in the Carseland, Rockyford, Wayne and Wildcat Hills areas. The amendments were meant to clarify the assets that Persist was purchasing but were unintentionally included or omitted in the preparation of the schedules to the original PSA.
13. The First Amended PSA was approved by the Court pursuant to the granting of the SAVO on January 18, 2019.
14. Before a sale under the First Amended PSA could be closed, the Supreme Court of Canada released its decision in *Redwater*.
15. As a result of *Redwater*, the Vendor, the Purchaser and other stakeholders agreed to postpone closing in order to evaluate the impact of *Redwater* on the First Amended PSA. The Vendor and Purchaser undertook further discussions and negotiations with the input of other stakeholders, which ultimately led to a further agreement between the Vendor and the Purchaser to amend the First Amended PSA to add and delete certain Assets by way of the Second Amendment (which together with the First Amended PSA, is the “**Second Amended PSA**”). Further details relating to the Second Amended PSA are discussed in the Receiver’s Eighth Report, dated April 5, 2019, and the Second Amendment is attached as Appendix A to the Receiver’s Eight Report.
16. As set out in clauses 2(b)(iii) and (iv) of the Second Amendment, the assets to be deleted from the PSA were certain Nisku formation wells and associated lands and leases in the Wayne area that were included as Assets in Schedules “A” and “B” of

the First Amended PSA (such deleted Assets are the “Nisku Wells, Lands and Leases”). The effect of this amendment was that all of the Nisku Wells, Lands and Leases would not form part of the Assets.

17. The Second Amendment did not address the deletion of the Nisku Pipelines and Facilities associated with the Nisku Wells, Lands and Leases as Assets in Schedules “A” and “B” of the First Amended PSA, notwithstanding the deletion of the Nisku Wells, Lands and Leases.
18. At the time of Second Amendment, the Receiver understood that Persist was seeking to delete the Nisku Wells, Lands and Leases from Schedules “A” and “B” of the First Amended PSA because producing those assets was uneconomic. The Receiver’s objective in negotiating the Second Amendment was to facilitate closing (because Persist was refusing to close). The inclusion of the Nisku Pipelines and Facilities as Assets in the First Amended PSA was never identified as an impediment to closing so the Receiver gave no consideration to the Second Amendment’s failure to delete the Nisku Pipelines and Facilities from the First Amended PSA.
19. The Second Amended PSA was approved by the Court and the Amended SAVO was granted on April 12, 2019.
20. The Receiver’s sale to Persist pursuant to the Second Amended PSA closed on April 15, 2019.
21. Subsequent to closing, Persist advised the Receiver that three (3) facilities and seventeen (17) pipeline segments related to and utilized in conjunction with the Nisku Wells, Lands and Leases were inadvertently not deleted by the Second Amendment. Those three (3) facilities and seventeen (17) pipeline segments are the Nisku Pipelines and Facilities that are listed at Appendix A of this Report.
22. Persist is now applying to rectify the Second Amendment and amend the Amended SAVO to reflect the deletion of the Nisku Pipelines and Facilities from the definition of Assets in the Second Amended PSA.

The Receiver's Discharge over the Nisku Pipelines and Facilities

23. The Receiver and Persist share the opinion that the Nisku Wells, Lands and Leases cannot be produced economically. There was no realizable value for the Nisku Wells, Lands and Leases removed from the First Amended PSA by the Second Amendment, which is why they were renounced, and the Receiver was discharged over them in accordance with the Partial Discharge Order, filed July 9, 2019.
24. The Receiver is seeking to renounce and be discharged over the Nisku Pipelines and Facilities immediately, in accordance with the terms of the Partial Discharge Order, if Persist's application is granted and the Nisku Pipelines and Facilities are recognized as forming part of the Manitok estate. Upon being so discharged, the Receiver would have no further liability or obligation with respect to the Nisku Pipelines and Facilities.
25. The Nisku Pipelines and Facilities would have been captured by the Partial Discharge Order's definition of Discharged Assets had they been recognized as forming part of the Manitok estate when the Partial Discharge Order was granted.

Impact on Stakeholders and Creditors

26. Rectifying the Second Amended PSA to reflect the deletion of the Nisku Pipelines and Facilities and amending the Amended SAVO accordingly will not result in a purchase price adjustment under the Second Amended PSA.
27. Removing the Nisku Pipelines and Facilities from the Second Amended PSA and discharging the Receiver over them will increase the Manitok estate's unfunded end-of-life obligations. Persist has estimated the end-of-life obligations associated with the Nisku Pipelines and Facilities as approximating \$400,000. The Receiver has not investigated the accuracy of that estimate. However, subject to Persist's satisfaction of certain conditions, the Receiver understands that the AER does not object to Persist's application to remove the Nisku Pipelines and Facilities from the Second Amended PSA, nor to the Receiver's application to renounce and be discharged over the Nisku Pipelines and Facilities.

28. The Nisku Assets were owned 100% by Manitoak and there are no other owners or working interest parties who the Receiver expects to be impacted by Persist's proposed rectification and amendment.
29. The Nisku Pipelines and Facilities are subject to municipal taxation in Kneehill County. The Receiver has held back for outstanding taxes relating to the Nisku Pipelines and Facilities, approximately \$66,000, excluding penalties, for 2017 and 2018, as summarized in the attached Appendix B. If the Receiver is discharged over the Nisku Pipelines and Facilities, there would be no realizations from such assets and depending on the determination of priorities, these municipal taxes may not be paid. The Receiver does not know the amount of municipal taxes that will be assessed on the Nisku Pipelines and Facilities for 2019, but if consistent with 2018, those municipal taxes would approximate \$37,000.
30. The three Nisku Facilities are on lands subject to surface leases; however, these surface leases were not acquired by Persist, and the Receiver's interest in them was renounced and the Receiver was discharged over them in July 2019 in accordance with the Partial Discharge Order. The Nisku Pipelines are not subject to any surface leases.
31. The Receiver continues to hold back funds from the Persist sale for known priority claims against the cash proceeds. If the Nisku Pipelines and Facilities are deleted from the Second Amended PSA and Amended SAVO, anyone claiming through those assets would no longer have a claim against the Persist sale proceeds; however, other than as discussed above, the Receiver is not aware of any claims against the Nisku Pipelines and Facilities.

Receiver's Position

32. The Receiver is of the view that:
 - a) rectifying the Second Amendment and amending the Amended SAVO, as proposed by Persist, will not result in a purchase price adjustment

that would reduce the Receiver's realization from the sale to Persist pursuant to the Second Amended PSA;

- b) rectifying the Second Amendment and amending the Amended SAVO may cause Kneehill County not to receive municipal tax payments;
- c) the Nisku Pipelines and Facilities will most likely be orphaned such that the Orphan Well Association would control their reclamation and abandonment; and
- d) had the Nisku Pipelines and Facilities been deleted by the Second Amendment, the Nisku Pipelines and Facilities would have been captured by the definition of Disclaimed Assets in the Partial Discharge Order and the Receiver would therefore have been discharged over the Nisku Pipelines and Facilities in July, 2019.

33. The Receiver advised Persist that the Receiver would not object to Persist's proposed relief, provided that:

- a) the Receiver is satisfied with the list of Nisku Pipelines and Facilities;
- b) the Receiver is satisfied with Persist's application materials;
- c) Persist agreed to certain terms to ensure that Persist's application does not result in a consequential reduction in the realizable assets in the Manito estate;
- d) the AER confirms its non-objection to Persist's application and the Receiver's concurrent application to be discharged over the Nisku Pipelines and Facilities; and
- e) Persist agrees to pay the Receiver for its and its legal counsel's reasonable fees and costs with respect to these applications to ensure the estate is not worse off from an estate funds perspective. It is estimated that the costs of the Receiver and its counsel will not exceed

approximately \$50,000 as a result of its involvement in these applications.

34. Persist agreed to these conditions and the AER provided the confirmation sought by the Receiver in condition (d) immediately above. The Receiver and its legal counsel will anticipate issuing separate invoices for the professional fees relating to these applications in accordance with condition (e) immediately above.

RECEIVER'S CONCLUSIONS AND RECOMMENDATIONS

35. As set out in the Eighth Report, the Receiver previously supported the Second Amendment and the Court's granting of the Amended SAVO. The Receiver does not object to Persist's proposed rectification of the Second Amendment and the amendment of the Amended SAVO subject to the conditions described at paragraph 33 above. However, if the Second Amendment is rectified to remove the Nisku Pipelines and Facilities from the Second Amended PSA and the Amended SAVO is amended accordingly, the Receiver should be immediately discharged over the Nisku Pipelines and Facilities as though they were Discharged Assets under the Partial Discharge Order.

All of which is respectfully submitted this 7th day of November 2019.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Manitok
its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX A
Nisku Pipelines and Facilities to be Deleted

Nisku Facilities

Area	Licence	Description	Surface Location	Licensee
WAYNE	F3802	Satellite	05-18-028-20W4	Manitok Energy Inc.
WAYNE	F3812	Satellite	11-12-028-21W4	Manitok Energy Inc.
WAYNE	F3831	Satellite	12-34-028-21W4	Manitok Energy Inc.

Nisku Pipelines

Area	Licence No.	From Location	From Facility	To Location	To Facility	Licensee
WAYNE	27754-17	12-07-28-20W4	Pipeline	05-18-028-20W4	Satellite	Manitok Energy Inc.
WAYNE	27754-18	12-07-028-20W4	Pipeline	05-18-028-20W4	Satellite	Manitok Energy Inc.
WAYNE	27754-19	05-18-028-20W4	Satellite	14-13-028-21W4	Pipeline	Manitok Energy Inc.
WAYNE	27754-22	11-12-028-21W4	Well	08-23-028-21W4	Satellite	Manitok Energy Inc.
WAYNE	27754-24	15-12-028-21W4	Well	11-12-028-21W4	Satellite	Manitok Energy Inc.
WAYNE	27754-25	16-12-028-21W4	Well	11-12-028-21W4	Satellite	Manitok Energy Inc.
WAYNE	27754-26	12-34-028-21W4	Satellite	08-23-028-21W4	Satellite	Manitok Energy Inc.
WAYNE	27754-32	15-12-028-21W4	Well	11-12-028-21W4	Satellite	Manitok Energy Inc.
WAYNE	27754-41	05-13-028-21W4	Well	11-12-028-21W4	Satellite	Manitok Energy Inc.
WAYNE	57270-1	11-12-028-21W4	Pipeline	06-13-028-21W4	Pipeline	Manitok Energy Inc.
WAYNE	57273-7	08-23-028-21W4	Satellite	14-14-028-21W4	Well	Manitok Energy Inc.
WAYNE	57273-8	08-23-028-21W4	Satellite	14-14-028-21W4	Well	Manitok Energy Inc.
WAYNE	57273-9	08-23-028-21W4	Satellite	14-14-028-21W4	Well	Manitok Energy Inc.
WAYNE	57273-10	14-13-028-21W4	Pipeline	05-18-028-20W4	Well	Manitok Energy Inc.
WAYNE	57273-14	08-23-028-21W4	Satellite	09-27-028-21W4	Pipeline	Manitok Energy Inc.
WAYNE	57273-16	15-27-028-21W4	Pipeline	12-34-028-21W4	Satellite	Manitok Energy Inc.
WAYNE	57273-17	03-18-028-20W4	Well	12-07-028-20W4	Pipeline	Manitok Energy Inc.

APPENDIX B
Municipal Property Taxes Outstanding

Municipal Property Taxes Outstanding

Nisku Facilities									Property Tax Assessed - Non-Linear		
Area	Licence	Description	Sub Type	Surface Location	Status	Licensee	WIP	2017	2018	Arrears	
WAYNE	F3802	Satellite		05-18-028-20W4	Issued	Manitok Energy Inc.	100	9,380.60	9,396.80	18,777.40	
WAYNE	F3812	Satellite		11-12-028-21W4	Issued	Manitok Energy Inc.	100	13,625.15	12,865.65	26,490.80	
WAYNE	F3831	Satellite		12-34-028-21W4	Issued	Manitok Energy Inc.	100	7,054.45	7,050.60	14,105.05	
								30,060.20	29,313.05	59,373.25	

Nisku Pipelines									Property Tax Assessed - Linear		
Area	Lic_Line	Substance	From Location	From Facility	To Location	To Facility	Licensee	2017	2018	Arrears	
WAYNE	27754-17	OE	12-07-028-20W4	Pipeline	05-18-028-20W4	Satellite	Manitok Energy Inc.	1,493.08	-	1,493.08	
WAYNE	27754-18	OE	12-07-028-20W4	Pipeline	05-18-028-20W4	Satellite	Manitok Energy Inc.	2,026.98	-	2,026.98	
WAYNE	27754-19	OE	05-18-028-20W4	Satellite	14-13-028-21W4	Pipeline	Manitok Energy Inc.	2,739.30	-	2,739.30	
WAYNE	27754-22	OE	11-12-028-21W4	Well	08-23-028-21W4	Satellite	Manitok Energy Inc.	3,725.40	-	3,725.40	
WAYNE	27754-24	OE	15-12-028-21W4	Well	11-12-028-21W4	Satellite	Manitok Energy Inc.	282.50	277.06	559.56	
WAYNE	27754-25	OE	16-12-028-21W4	Well	11-12-028-21W4	Satellite	Manitok Energy Inc.	766.73	751.97	1,518.70	
WAYNE	27754-26	OE	12-34-028-21W4	Satellite	08-23-028-21W4	Satellite	Manitok Energy Inc.	5,807.18	-	5,807.18	
WAYNE	27754-32	OE	15-12-028-21W4	Well	11-12-028-21W4	Satellite	Manitok Energy Inc.	471.34	462.26	933.60	
WAYNE	27754-41	OE	05-13-028-21W4	Well	11-12-028-21W4	Satellite	Manitok Energy Inc.	850.53	834.16	1,684.69	
WAYNE	57270-1	NG	11-12-028-21W4	Pipeline	06-13-028-21W4	Pipeline	Manitok Energy Inc.	791.76	-	791.76	
WAYNE	57273-7	NG	08-23-028-21W4	Satellite	14-14-028-21W4	Well	Manitok Energy Inc.	-	-	-	
WAYNE	57273-8	NG	08-23-028-21W4	Satellite	14-14-028-21W4	Well	Manitok Energy Inc.	793.84	778.56	1,572.40	
WAYNE	57273-9	NG	08-23-028-21W4	Satellite	14-14-028-21W4	Well	Manitok Energy Inc.	793.84	778.56	1,572.40	
WAYNE	57273-10	NG	14-13-028-21W4	Pipeline	05-18-028-20W4	Well	Manitok Energy Inc.	1,511.09	1,481.99	2,993.08	
WAYNE	57273-14	NG	08-23-028-21W4	Satellite	09-27-028-21W4	Pipeline	Manitok Energy Inc.	-	-	-	
WAYNE	57273-16	NG	15-27-028-21W4	Pipeline	12-34-028-21W4	Satellite	Manitok Energy Inc.	473.61	464.49	938.10	
WAYNE	57273-17	NG	03-18-028-20W4	Well	12-07-028-20W4	Pipeline	Manitok Energy Inc.	948.93	-	948.93	
								25,493.11	7,847.05	29,305.16	