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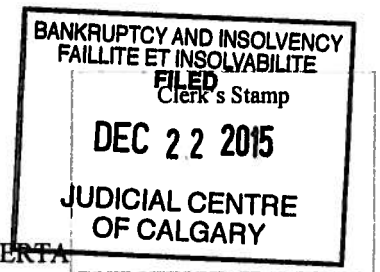
25-1993828

COURT

COURT OF QUEEN'S BENCH OF ALBERTA
In Bankruptcy and Insolvency

JUDICIAL CENTRE

CALGARY



IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

IN THE MATTER OF THE BANKRUPTCY OF
PREMIER PETROLEUM CORP.

DOCUMENT

**SECOND REPORT OF ALVAREZ AND MARSAL
CANADA INC. IN ITS CAPACITY AS TRUSTEE IN
BANKRUPTCY OF PREMIER PETROLEUM CORP.**

DECEMBER 22, 2015

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

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APPENDIX A	The First Report
APPENDIX B	October 8 th AER Letter and the October 21 st Trustee Letter
CONFIDENTIAL APPENDIX C	Trustee’s Analysis on the Sino APA
CONFIDENTIAL APPENDIX D	Sino APA

INTRODUCTION AND BACKGROUND

1. On May 13, 2015, Premier Petroleum Corp. (“Premier”) filed an assignment into bankruptcy (the “Bankruptcy Date”) with the official receiver pursuant to section 49 of the *Bankruptcy and Insolvency Act* (“BIA”). Alvarez & Marsal Canada Inc. (“A&M”) was appointed as trustee in bankruptcy (the “Trustee”) of Premier, which was affirmed by the creditors of Premier at the first meeting of creditors (“FMO”) on May 29, 2015.
2. Premier was incorporated on December 16, 2009 in the Province of Alberta and its head office is located in Calgary, Alberta. Premier is a private junior oil and gas producer that has certain oil and gas assets located mainly in Pembina, Alberta. Premier owns various non-operated working interests in several wells located in the Pembina region (the “Pembina Assets”) as well as certain minor lease interests in Niton, Alberta (the “Minor Assets”) (collectively, the “Properties”).
3. Premier began to experience financial difficulty in 2012, when its operator and working interest partner (the “Initial Operator”) of the Pembina Assets encountered higher than anticipated operating costs and less productivity, which these costs were proportionately billed back to Premier. The Initial Operator, through a change of board and management, made a decision to discontinue its operations and liquidate its Canadian assets. As a result, the Initial Operator sold its interest to another junior oil & gas producer (the “Current Operator”). The Current Operator (Sino Western Petroleum Inc.) continued to operate the Pembina Assets for a period of time but as additional work-overs were required to be completed, Premier did not have sufficient resources or funds available to pay for its share of the work-overs and eventually the wells were shut in. As such, Premier has not earned any production revenue from its Properties for well over a year.
4. The Trustee understands that Premier had made various efforts to raise funds in order to complete the required work-overs on its Pembina Assets and to keep its

operations alive, but as a result of the: i) significant decline in oil prices; and ii) negative cash flow burn being experienced from the Pembina wells, Premier found itself without liquidity and experienced an inability to satisfy its outstanding obligations when they came due. As a result, the Company determined that it was insolvent and assigned itself into bankruptcy on May 13, 2015.

5. Premier has no parent or subsidiary affiliates associated with it. At the Bankruptcy Date, the Company had no operations and no employees. The former President of Premier was not an employee of Premier, but rather, contracted his services to Premier for his role as President. The President, along with a couple of other contractors, have not been paid their fees for the several months leading up to the Bankruptcy Date.
6. The Trustee understands that Premier's books and records show approximately \$1.7 million of indebtedness owed to various creditors of Premier. To date, the Trustee received 31 proof of claims from creditors of Premier totaling approximately \$1.37 million. The Trustee is currently determining the validity of these claims and if they are to be admitted proven claims. There are no known secured creditors of Premier and the Trustee is advised by Canada Revenue Agency ("CRA") that Premier does not have any deemed trust obligations outstanding (i.e. GST or source deductions) with CRA nor has CRA filed any proofs of claim with respect to the Premier bankruptcy. The only creditors of Premier appear to be unsecured creditors.
7. On July 14, 2015, the Trustee engaged the services of NRG Divestitures Inc. ("NRG") to assist in the sale and marketing of the Properties (the "NRG Marketing Process"). On August 4, 2015, the NRG Marketing Process commenced for the sale and marketing of the Properties.
8. On September 10, 2015, the NRG Marketing Process concluded and the Trustee is filing an application seeking an order approving the sale and vesting of the Properties of Premier (the "Approval and Vesting Order").

9. Further background to the Premier bankruptcy proceeding, including a copy of the bankruptcy filings and the Trustee's Report to its Creditors on the Preliminary Administration (the "First Report"), are posted on the Trustee's website at: www.alvarezandmarsal.com/ppc (the "Website"). The First Report is attached as Appendix A to this second report of the Trustee (the "Second Report").

PURPOSE OF THIS SECOND REPORT

10. The purpose of this Second Report is to provide this Honourable Court with information in respect of the following:
- a) the events since the FMOC;
 - b) the NRG Marketing Process initiated by the Trustee, with the assistance of NRG, to solicit offers for the purchase of the Properties;
 - c) an update on the interim statement of cash receipts and disbursements as at December 18, 2015 ("Interim R&D");
 - d) the asset purchase agreement (the "Sino APA") entered into between the Trustee and Sino Western Petroleum Inc. ("Sino") dated December 4, 2015, along with the proposed Approval and Vesting Order (subject to Court approval);
 - e) a temporary sealing of the confidential summary of offers to purchase the Properties, an analysis of the Sino APA, as well as the Sino APA with respect to the Properties (the "Restricted Court Access Order"); and
 - f) the Trustee's recommendations.

TERMS OF REFERENCE

11. In preparing this Second Report, the Trustee has relied primarily upon unaudited financial information of Premier and discussions with Premier's previous

management and its working interest partners and operator of the Properties. The Trustee has not performed an audit, review or other verification of such information.

12. Capitalized words or terms not defined or ascribed a meaning in the Second Report are as defined or ascribed a meaning in the First Report.
13. All references to dollars are in Canadian currency unless otherwise noted.

TRUSTEE'S ACTIVITIES

14. Since the First Report, the Trustee's activities have included, among other things, the following:
 - a) managing the NRG Marketing Process for the Properties;
 - b) consulting with NRG, reviewing and analyzing offers received resulting from the NRG Marketing Process;
 - c) confirming and/or clarifying certain offer terms from the offers received on the Properties (the "Offers");
 - d) various calls with creditors of Premier;
 - e) responding to a letter submitted by the Alberta Energy Regulator (the "AER") to the Trustee dated October 8, 2015 (the "October 8th AER Letter") confirming, amongst other things, A&M's role as Trustee of Premier and whether the Trustee was or continued to be in possession of one well license located at 12-12-054-12W5 (the "12-12 Well"), as further discussed below. A copy of the October 8th AER Letter and the Trustee's response letter (the "October 21st Trustee Letter") are attached as Appendix B to the Second Report;

- f) discussions with the Current Operator and other working interest owner of the Properties and confirmation that all wells are temporarily shut-in;
- g) retention of NRG as the Trustee's marketing agent to sell the Properties;
- h) retention of and instruction to the Trustee's independent legal counsel, Norton Rose Fulbright Canada LLP ("Norton Rose"), in respect of various matters;
- i) numerous calls and emails with the Department of Energy regarding various mineral lease matters;
- j) negotiating the terms and condition of the Sino APA and executing the Sino APA, subject to Court approval; and
- k) numerous and on-going meetings and discussions with various creditors (or their representatives), and legal counsel to the Trustee, regarding the bankruptcy proceedings generally.

INTERIM STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

15. Summarized in the table below is the Trustee's Interim R&D from May 13, 2015 to December 18, 2015 (the "Interim R&D"):

Premier Petroleum Corporation		DRAFT
Interim Statement of Cash Receipts and Disbursements		
May 13, 2015 - December 18, 2015		
(\$CAD - Unaudited)		
	Actual	
Week ending	May 13 - Dec.18, 2015	
Receipts		
Funds advanced from Trustee's Retainer		
(in trust) for Professional Fees		13,061
Receipt of pre-bankruptcy cash		14,485
Rental Income		21,037
Other		18,000
Total receipts		66,583
Operating disbursements		
IT services		300
Insurance		7,546
NRG set-up and commission fees		5,250
Contractor expenses		1,239
Total operating disbursements		14,335
Non-operating disbursements		
Professional fees		37,350
Total non-operating disbursements		37,350
Net change in cash flows		14,898
Opening available cash		0
Net change in cash flow		14,898
Ending available cash		14,898

16. On September 1, 2015, the Trustee attended the Court of Queen's Bench Alberta (the "Court") and had its fees taxed on an interim basis by Registrar A. Robertson, for \$37,349.93 (inclusive of GST) that relates to the period May 7, 2015 to July 31, 2015. These fees were paid to the Trustee on September 23, 2015. The Trustee has incurred further obligations in respect of the Trustee's fees, legal fees and other commitments that have not yet been paid nor taxed and are not reflected in the Interim R&D.

SALES PROCESS UPDATE

Overview

The Properties

17. The Properties contemplated as part the sale to Sino are summarized and attached as an appendix to the Sino APA. The Properties include the following:
- a) 50% non-operated working interest in four wells located in the Belly River zone that are currently all shut-in;

- b) 100% non-operated working interest in three wells located in the Cardium, Lea Park and Belly River zone that are either abandoned and/or suspended; and
 - c) certain other minor lease interests in Pembina and Niton, Alberta.
- 18. The Trustee understands that the wells being sold to Sino, subject to Court approval, are non-operated and Premier is not the license holder of these particular wells. As such, the Trustee will not be seeking any request from the AER to transfer any licenses from Premier to Sino as a result of this proposed sales transaction. If the Sino APA is approved by this Honourable Court, there will not be any remaining oil and gas properties remaining within Premier, other than the 12-12 Well that was previously turned over to the AER by Premier prior to the Bankruptcy Date, as discussed below.

The 12-12 Well

- 19. As discussed above, Premier previously held one (1) well licence number (W0441400) relating to the 12-12 Well located in Drayton Valley, Alberta. The Trustee was advised by Premier's previous management (and subsequently confirmed by the AER) that in February 2015, the 12-12 Well was turned over to the AER to abandon, and that the AER currently holds Premier's security deposit of \$40,421.00 to address this well abandonment. On October 11, 2015, the AER advised the Trustee that the abandonment of the 12-12 Well is expected to be completed by the AER in December 2015 and if there were any cost-overruns on the abandonment, the AER would likely seek payment from Premier for the difference (i.e. a claim against Premier).
- 20. The Trustee advised the AER that it did not include the 12-12 Well in the NRG Marketing Process as it understood that this well was no longer in Premier's possession as at the Bankruptcy Date and the Trustee did not want to disrupt and/or interfere with the AER's attempts to abandon this well.

21. As a result, the Trustee is of the position that the 12-12 Well does not form part of the Properties being sold to Sino and the Trustee did not take possession of the 12-12 Well, as it was turned over to the AER by Premier prior to the Bankruptcy Date.

Trustee's Powers to Market and sell the Properties

22. Pursuant to section 30(1) of the BIA, the Trustee with the approval of the inspectors' is empowered to, among other things:

"...(a) to sell or otherwise dispose of for such consideration as the inspectors may approval all or any part of the property of the bankrupt, including the goodwill of the business, if any, and the book debts due or growing due to the bankrupt, by tender, public auction, or private contract, with power to transfer the whole thereof to any person or company, or to sell the in parcels;"

23. There were no inspectors appointed by the creditors of Premier at the FMOC. In the event that no inspectors are appointed to a bankrupt estate, the Trustee may sell the assets to a non-related party of Premier (without further approval), pursuant to section 30(3) of the BIA.
24. Notwithstanding the above, the Trustee is respectfully requesting that this Honourable Court to approve the sale and grant the Approval and Vesting Order with respect to the Sino APA because:

- a) the Sino APA contemplates and requires that Court approval be obtained to provide proper title to the assets being conveyed;
- b) of the nature of these Properties (oil and gas properties) and the stakeholders involved as more fully discussed in the Confidential Appendix C;
- c) the Court has the inherent jurisdiction to grant an Order to approve Sino APA; and

- d) Court approval of the Sino APA will assist in facilitating the transfer of the Properties, which is in the best interests of the administration of the Premier estate and the stakeholders affected thereby.

NRG Marketing Process

Implementation

25. NRG undertook a significant sales and marketing process to ensure it effectively and thoroughly canvassed the market. The NRG Marketing Process is summarized below:

- a) The NRG Marketing Process commenced on August 4, 2015, with information brochures summarizing the Company being emailed out to approximately 1,500 oil and gas contacts. In addition, the brochure was posted on NRG's website, where statistics demonstrate that website was visited over 1,000 times per week.
- b) On August 27, 2015 and September 3, 2015, an advertisement was placed in the Daily Oil Bulletin announcing the divestiture of the sale of the Properties owned by Premier. In addition to the website and email promotion, both Geoscout and Oil & Gas Index were used to identify companies with interests in the same areas as the Properties which are being sold. These companies were contacted by NRG and were made aware of the sales process. In addition, NRG reviewed the publically available monthly AER liability management programs results report (the "AER LLR Report") that lists all licensee holders and their respective licensee liability rating ("LLR"). NRG contacted over 50 companies whose LLR was less than 1 to determine if any interest existed on behalf of these companies to purchase the Properties;

- c) NRG advised prospective purchasers and interested parties that all offers for any or all of the Properties were due by September 10, 2015 at 4:00 p.m. MST (the “Bid Deadline”);
- d) 8 confidentiality agreements (“CAs”) were received, which the Trustee was advised is an exceptional number of CAs for a divestiture of this nature. Each party signing a CA was provided with access to the virtual data room relating to the Properties and were given a presentation showing the up side in the opportunity; and
- e) A physical data room containing well files was made available to prospective purchasers in the offices of the Trustee.

Results from the NRG Marketing Process

- 26. As a result of the NRG Marketing Process, two offers were submitted to the Trustee with respect to the Properties. One prospective purchaser submitted a verbal offer to purchase the Properties and the other prospective purchaser submitted a written non-binding letter of intent (“LOI”) to purchase the Properties. In both cases, no deposits were provided to the Trustee prior to the Bid Deadline with respect of these offers.
- 27. The highest and best offer was the non-binding LOI received from Sino for the Properties and the LOI was accepted by the Trustee (subject to Court approval) on October 1, 2015. The terms of the LOI entered into with Sino required that the Trustee not disclose the details of the offer to any third-party, without the prior written consent of the Purchaser. Accordingly, the Trustee proceeded to negotiate with Sino a form of asset and purchase agreement and this agreement became binding and was formalized in the Sino APA on December 4, 2015.
- 28. Due to the confidential nature of the information provided in the offers received on the Properties during the NRG Marketing Process, the Trustee is concerned that if the information is disclosed to third parties prior to the closing of the sale of the respective properties the disclosure could jeopardize the sale or, if the sale

does not close, could materially prejudice the value that the Trustee could subsequently obtain from the sale of these properties. As such, the Trustee is respectfully of the view that it is appropriate that this Honourable Court grant the Trustee's request for a temporary sealing of the following appendices to this Second Report:

- a) the Trustee's analysis on the Sino APA, which includes a summary of the two offers received for the Properties in the NRG Marketing Process (Confidential Appendix C); and
- b) the Sino APA (Confidential Appendix D).

29. The Trustee believes that the Properties were adequately exposed to the market through the NRG Marketing Process and all interested parties were given an opportunity to submit an offer on some or all of the interests of the Properties of Premier. In addition, the Trustee further believes that the Sino APA will provide the greatest recovery to the creditors as it was the best and highest offer achievable.

RECOMMENDATION

30. The Trustee respectfully recommends that this Honourable Court approve the:
- a) the Approval and Vesting Order sought by the Trustee in respect of the Sino APA; and
 - b) Restricted Court Access Order with respect to the Confidential Appendices C and D to this Second Report;

All of which is respectfully submitted this 22nd day of December, 2015.

ALVAREZ & MARSAL CANADA INC.

*in its capacity as the Trustee in Bankruptcy of
Premier Petroleum Corp.
and not in its personal capacity*



Orest Konowalchuk, CPA, CA, CIRP
Vice-President



Tim Reid, CPA, CA, CIRP
Senior Vice President

APPENDIX A

IN THE MATTER OF THE BANKRUPTCY OF

PREMIER PETROLEUM CORP.

**OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA**

**REPORT ON THE TRUSTEE'S
PRELIMINARY ADMINISTRATION**

ESTATE NO. 25-1993828

Background

On May 13, 2015, Premier Petroleum Corp. ("Premier" or the "Company") filed a voluntary assignment into bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* ("BIA") and Alvarez & Marsal Canada Inc. was appointed as trustee in bankruptcy ("A&M" or "Trustee") by the official receiver, subject to affirmation by the creditors of the trustee's appointment or substitution of another trustee by the creditors.

Premier was incorporated on December 16, 2009 in the Province of Alberta. Premier is a private junior oil and gas producer that has its asset focus in Pembina, Alberta and carries on its operations in Calgary, Alberta at a leased premise with office furniture and fixtures. Premier owns a 50% non-operated working interest in four wells located in the Pembina region (the "Pembina Assets") as well as certain minor lease interests in Ninton, Alberta (the "Minor Assets"). Premier has no parent or subsidiary affiliates associated with it. At the date of bankruptcy, the Company had no operations and no employees. The President, Mr. Charles Dove, was not an employee of Premier but contracted his services to Premier for his role as President. Mr. Dove has not been paid his fees by Premier for several months.

Premier began to experience financial difficulty in 2012, when its operator and working interest partner (the "Initial Operator") of the Pembina Assets encountered higher than anticipated operating costs and less productivity, which these costs were proportionately billed back to Premier. The Initial Operator, through a change of board and management, made a decision to discontinue its operations and liquidate its Canadian assets. As a result, the Initial Operator sold its interest to another junior oil & gas producer (the "Current Operator"). The Current Operator continued to operate the Pembina Assets for a period of time but as additional work overs were required to be completed, Premier did not have sufficient resources/funds available to pay for its share of the work overs and eventually the wells were shut in.

Premier has made various efforts to raise funds in order to complete the required work overs on its Pembina Assets and to keep its operations alive, but as a result of: i) the recent decline in oil prices; and ii) the negative cash flow burn being experienced from the Pembina wells, Premier found itself without liquidity and an inability to satisfy its outstanding obligations when they came due. As a result, the Company determined that it was insolvent and assigned itself into bankruptcy.

Conservatory & Protective Measures and Preliminary Evaluation of Assets

Since the Bankruptcy Date, the Trustee has secured all material assets, which include cash on hand, office furniture, IT equipment and other assets (the "Other Assets"). The Pembina Assets are currently shut-in. The Trustee informed the landlord of Premier's office space of the Bankruptcy and that it will likely not continue utilizing the space for its purposes as discussed below.

The Trustee has taken measures to ensure that the bank accounts of Premier have been frozen for "deposit only" and any balances in its accounts are to be transferred to the Trustee's trust account. The Trustee understands that approximately \$13,000 was in the Company's bank account at the Bankruptcy Date. The Trustee has requested copies of Premier's bank statements held at the Bank of Montreal ("BMO") and has yet to receive them,

The Company has indicated on their Statement of Affairs ("SOA") that they are currently due approximately \$82,000 in accounts receivables (the "Receivables") from various parties. These Receivables have been outstanding for an extended period of time and Premier believes that they are uncollectable. The Trustee has not investigated the nature of these Receivables and determined if they are in fact uncollectable.

Premier also owns office furniture and fixtures at its leased premise located at 2200, 635 8th Ave (the "Furniture"). The Trustee has taken an inventory of the Furniture and it is currently secured at Premier's office location. The Trustee intends to market the Furniture to interested parties after the first meeting of creditors. The Furniture consists of older desks, filing cabinets, chairs, computer equipment, etc. and does not appear to have any significant value to the estate.

Premier currently subleases space within its office to several subtenants. The Trustee has done a preliminary review of the potential value of the Company's lease and determined that the lease has no value. As discussed above, it is the Trustee's intention to terminate Premier's lease with authorization from the estate creditors or inspectors.

The Trustee has informed its current working interest partner (operator) of the bankruptcy proceedings. Premier is not the operator of the Pembina Assets.

The Trustee has contacted Premier's insurance broker to ensure the policy held by Premier is still in place. It appears that the current insurance coverage has sufficient coverage over the Asset of Premier and the Trustee has been added as a loss payee and beneficiary on the insurance policy.

The Company's last evaluation of oil and gas reserves with respect to the Pembina Assets was completed for December 31, 2012 (the "2012 Reserve Report"). The Trustee is currently reviewing the 2012 Reserve Report; however, it understands that these reserve values may not be indicative of its realization values. The Trustee's preliminary review indicates that the realization value of the Pembina Assets may be significantly lower than its book value. The Trustee is exploring options whether it will require to update the 2012 Reserve Report.

The Company has advised that there are no secured creditors of Premier. The Trustee has reviewed a personal property report of Premier as of May 13, 2015 and has determined that there is no secured creditor which has security over the Assets of the Company.

Based on the information available to the Trustee as discussed above, the Trustee initial belief is that there may be little to no equity from the Assets to be distributed to unsecured creditors in this estate.

Books and Records

The Trustee has taken possession of the books and records of Premier and has made arrangements with Premier's former IT consultant to arrange a backup of the electronic data. In the meantime, the servers have been disabled and no remote access is available. The records of the Company are currently being held at the Trustee's office located in Calgary, Alberta.

Provable Claims and Secured Claims

The Trustee is aware of approximately \$1.7 million of indebtedness owed to various creditors of Premier.

The Trustee has currently received 21 claims to date from the creditors of Premier totaling approximately \$520,000. The Trustee has reviewed these claims and determined that they are properly filed and subsequently has been admitted to the estate. The Trustee suspects it will receive additional proofs of claims from creditors as it continues its administration.

The Trustee has not received any proof of claims or other notices to indicate there are any material differences in the claims listed on Premier's statement of affairs.

The Trustee has discussed any potential deemed trust claims with Premier and there appears to be no potential deemed trust claims for unremitted source deductions.

Legal Proceedings

No legal proceedings have been instituted by the Trustee to date.

The Trustee is not aware of any outstanding law suits initiated by or against Premier.

Reviewable Transactions and Preference Payments

Based on the Trustee's initial review of the books and records, the Trustee has not identified any transaction that would constitute a Preference or Transfer at Undervalue pursuant to s.95 and s.96 of the Bankruptcy and Insolvency Act (BIA).

Trustee's Intention to Act

A&M has not acted for any secured creditors, as set out in subsection 13.4(1.1) of the BIA.

A&M has accepted this engagement to act as Trustee, subject to affirmation by the creditors of the trustee's appointment or substitution of another trustee by the creditors. In its normal course, the Trustee is compensated based on its standard hourly rates times by the hours actually spent during the administration of the estate. A&M will be seeking approval from the creditors that its fees and costs will be paid on this basis.

Possible Conflict of Interest

A&M has no potential conflicts of interest with acting in this administration.

Anticipated Realization and Projected Distribution

Based on the information received by the Trustee, it appears that Premiers Assets are unencumbered. The estimated realizable value disclosed on Premiers SOA indicates that the creditors of Premier may potentially see a recovery of amounts due to them as at the date of bankruptcy, but this appears unlikely.

The Trustee has yet to begin a marketing process for the Assets and is uncertain at this time whether this process will retrieve any amounts for the Assets over and above the costs of administering the Estate.

Consequently, the Trustee it is uncertain of any range of recovery the creditors can expect after associated costs of its administration.

ALVAREZ & MARSAL CANADA INC.

*In its capacity as the Trustee in Bankruptcy of
Premier Petroleum Corporation
and not in it's personal capacity*



Orest Konowalchuk, CA, CIRP
Vice-President

APPENDIX B

October 8, 2015

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**Appointment of Trustee of the Assets of
Premier Petroleum Corp. (A60F)**

Dear Sir:

The Alberta Energy Regulator (AER) confirms receipt of appointment dated May 13, 2015 that Alvarez & Marsal Canada ULC (Trustee) has been appointed to act as Trustee of the property of Premier Petroleum Corp. (Licensee).

As you may know, the Licensee currently holds a number of AER licences or approvals (Licences). "Licensee" is defined in both the *Oil and Gas Conservation Act* (OGCA) and *Pipeline Act* to include a trustee or receiver-manager of the property of a licensee. Both the statutes noted above and case law confirm that the obligations of the Licensee to comply with both public safety and environmental standards imposed pursuant to statutory authority must be honoured by the Trustee.

Please note the AER is not a creditor of the Licensee and does not assert a provable claim in the bankruptcy. Rather, the AER has a statutory mandate to regulate the oil and gas industry in Alberta, which includes enforcement of the Acts, Regulations and Rules that it administers. As such, we advise that notwithstanding the bankruptcy, the Licensee remains obligated under the OGCA and *Pipeline Act* to comply with and fulfill all regulatory requirements associated with the Licences, including all applicable regulations, rules and AER directives. These include responsibility for care and custody of all AER licensed wells, pipelines and related facilities, including, but not limited to, emergency and incident response and obligations relating to the Alberta One-Call system, and fulfilment of all applicable end of life obligations in relation to all AER licensed wells, pipelines and related facilities. This may include a requirement to suspend, abandon and reclaim certain of the Licensee's AER licensed properties or post security for those obligations as per AER requirements.

The AER takes the position that the Trustee is legally and statutorily obligated to fulfill these obligations, and must do so prior to distributing any funds or finalizing any proposal to creditors, secured or otherwise. The AER is of the view that the current law in Alberta supports this position. Further, the AER notes that suspension and abandonment addresses primarily public safety issues

as opposed to environmental concerns, and constitutes a carrying out of a duty owed by the Licensee to the public.

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

While the AER is prepared to work with the Trustee to facilitate administration of the Licensee's AER licensed assets, please note that any agreements made by the Trustee with third parties to transfer ownership of AER licensed wells, pipelines or related facilities do not effect the transfer of the associated AER licences. Transfer of AER licences requires application to and approval by the AER under section 24 of the OGCA and section 18 of the *Pipeline Act*. When application for transfer is made, the AER assesses both the transferor's and transferee's ability to fulfil all applicable regulatory obligations then determines whether to approve the transfer of applicable licences and approvals.

Please provide written confirmation that the Trustee has taken possession of Licensee's AER licensed properties, is providing care and custody of the properties and is taking steps to ensure compliance with the Licensee's responsibilities and obligations under the *OGCA* and *Pipeline Act*, associated regulations and rules and all applicable AER directives. If the Trustee intends to operate Licensee's properties, it must provide confirmation that it maintains adequate insurance, as per *Directive 067: Applying for Approval to Hold AER Licences*.

Alternatively, if the Trustee has not assumed care and custody and the Licensee's AER licensed properties, please provide written confirmation that the Licensee has retained those responsibilities.

For public safety reasons, it is imperative that the AER have assurances there will be a party responsible for ongoing care and custody of all AER licensed properties, including complaint incident and emergency response. For that reason, we request the above confirmation by October 15, 2015.

Also, we attach a list of AER licences, permits and approvals held by the Licensee as per the AER's current records. Please provide any corrections to the attached list of AER licences, permits and approvals held by the Licensee, including licence number, surface location, and all working interest participants including full corporate names, contact information, and working interest percentage(s) for each licence no later than **November 8, 2015**.

Also, we hereby request that the Trustee and or its counsel provide advance notice to the AER of all future applications to the court in connection with this matter.

Please note that failure to provide the information requested above by the dates noted may result in enforcement action by the AER.

Please direct questions to the undersigned by e-mail at Carole.Hachey@aer.ca or by telephone at 403-297-8448.

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Regards,

A handwritten signature in black ink, appearing to read 'CHachey'.

Carole Hachey, Compliance Officer
Liability Management, Closure and Liability

cc. Patricia M. Johnston, Q.C., AER Law Branch (via E-Mail)
Anu Nandiwada, Manager, Liability Management (via E-Mail)

SCHEDULE A
PREMIER PETROLEUM CORP.

inquiries **1-855-297-8311**
24-hour
emergency **1-800-222-6514**

LIST OF LICENCES

WELL LICENCES

Licence No.	Well Location	Working Interest Participant(s)	Percent Interest
W 0441400	12-12-054-12W5	Premier Petroleum Corp.	100



October 21, 2015

Alberta Energy Regulator
c/o Ms. Carole Hachey, Compliance Officer
Calgary Head Office
Suite 1000, 250-5th Street SW
Calgary, Alberta T2P 0R4

Dear Ms. Hachey:

Re: **Premier Petroleum Corp. ("Premier") (A60F) – In Bankruptcy**

Thank you for your letter dated October 8, 2015 and our various email conversations regarding within subject matter over the past couple of weeks.

We confirm and take cognizance of the statement from the Alberta Energy Regulator ("AER") that it has received a copy of the Trustee's appointment letter dated May 13, 2015, which indicates that Alvarez & Marsal Canada Inc. ("A&M") became the Trustee of the property of Premier Petroleum Corp., and is not acting in its personal capacity. The Trustee relies on and is administering the bankruptcy in accordance with the protections, rights and priorities provided and prescribed under the Canada *Bankruptcy and Insolvency Act* (the "BIA"). Without limitation, the Trustee notes and specifically relies on the following provision in the BIA in connection with the Trustee's ongoing administration of the Premier bankruptcy estate:

1. s.14.06(1.2) *No Personal liability in respect of matters before appointment*, where despite anything in federal or provincial law, if a trustee, in that position, carries on the business of a debtor or continues the employment of a debtor's employees, the trustee is not by reason of that fact personally liable in respect of a liability, including one as a successor employer.
2. s.14.06(2) *Liability in respect of environmental matters*, notwithstanding anything in any federal or provincial law, a trustee is not personally liability in that position for any environmental condition that arose or environmental damage that occurred (a) before the trustee's appointment; or (b) after the trustee's appointment unless it is established that the condition arose or the damage occurred as a result of the trustee's gross negligence or wilful misconduct.
3. s.14.06(4) *Non-Liability re certain orders*, notwithstanding anything in any federal or provincial law, subject to subsection (2), where an order is made which has the effect of requiring a trustee to remedy any environmental condition or environmental damage affecting property involved in a bankruptcy, the trustee is not personally liable for failure to comply with the order and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,
 - a. (a) if within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the appointment of the trustee, if the order is in effect when the trustee is appointed, or during the period of the stay referred to in

paragraph b), the trustee complies with the order, or on notice to the person who is issued the order, abandons, disposes of or otherwise releases any interest in any real property, or any right in any immovable, affected by the condition or damage;

- b. During the period of a stay of the order granted, on application made within the time specified in the order referred to in paragraph (a), within 10 days after the order is made or within 10 days after the appointment of the trustee, if the order is in effect when the trustee is appointed, by
 - i. The court or body having jurisdiction under the law pursuant to which the order was made to enable the trustee to contest the order, or
 - ii. The court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order;
- c. If the trustee had, before the order was made, abandoned or renounced or been divested of any interest in any real property or any right in any immovable, affected by the condition or damage.

The Trustee is not aware of any orders being issued by any regulatory body, including the AER, requiring the trustee or the bankruptcy debtor to remedy any environmental condition or damage.

- 4. s.14.06(6) *Costs for remedying not costs of administration*, if the trustee has abandoned or renounced any interest in any real property, or any right in any immovable, affected by the by the environmental condition or environmental damage, claims for costs or remedying the condition or damage shall not rank as costs of administration.
- 5. s.14.06(8) *Claim for clean-up costs*, despite subsection 121(1), a claim against a debtor in a bankruptcy for the costs of remedying any environmental condition or environmental damage affecting real property or an immovable of the debtor shall be a provable claim, whether the condition arose or the damage occurred before or after the date of the bankruptcy.
- 6. s.39(2) *Remuneration of the trustee*. At common law, a trustee is entitled to indemnity out of a trust property for all expenses of administration properly incurred, and has a first charge on the trust property for all costs, charges and expenses properly incurred. Section 39(2) gives a trustee in bankruptcy in addition to this common law right, a lien for its remuneration. The rights of the trustee to payment are postponed to those of secured creditors (s.136) and the lien of the trustee attaches only to that portion of the estate that passes to the trustee.

The Trustee derives its authority and takes the direction from the BIA, the estates creditors and inspectors (if any) and ultimately the court and will continue to rely on the protections afforded to it by the BIA and the relatives priorities afforded to the Trustee.

Licensed Property

In your letter referenced above, you have requested the Trustee to provide written confirmation that the Trustee has taken possession of the following license(s) held by Premier:

- License #: W0441400
- Well Location: 12-12-054-12 W5
- Percentage Interest: 100%

Upon review of the company records, discussion with former management and officers of Premier and confirmation with the AER through an email by yourself dated September 24, 2015, the Trustee understands that in February 2015, the above-mentioned well was turned over by Premier to the AER prior to the bankruptcy date for the purpose of having the said well abandoned by the AER. As such, Premier was not in possession of this well license as at the date of bankruptcy. The Trustee further understands that the AER currently holds Premier's security deposit of approximately \$40,400, which will be applied against the abandonment of the above-mentioned well, such that is expected to be completed in December 2015. The Trustee was advised that certain costs have already been incurred by the AER to abandon the well, in the amount of approximately \$3,500 to date.

As a result of the foregoing, the Trustee confirms that it has not taken possession of the above-mentioned licensed property as this licensed property was turned over to the AER prior to the date of bankruptcy and was not in Premier's possession at that time or thereafter.

License Transfer

The Trustee takes cognizance of the AER's position as articulated in the above referenced letter, relative to the transfer of licenses. The Trustee confirms that there are no AER licensed assets in the Trustee's possession and if there are any assets that are realized by the Trustee to any third party; it will not require the approval or permission of the AER to transfer any license to complete any transaction.

Website address

The Trustee has established a website that lists all publicly available information in relation to the Premier bankruptcy estate, including but not limited to the Trustee's appointment letter, proof of claim forms and instruction letter and the Trustee's reports. Should you require any of these information, please visit our website at www.alvarezandmarsal.com/ppc

In conclusion, the Trustee reiterates its position and mandate that it will continue to administer the Premier bankruptcy estate in accordance with the provisions of the BIA. The Trustee is mindful of the potential conflict as between Premier's creditors and the AER. It is the Trustee's desire that the stakeholders attempt to work together to find a consensual resolution to the issues that may arise (if any) and, to this end, welcomes the opportunity to engage in further discussion with the AER as it pertains to the administration of the Premier bankruptcy. The Trustee will make itself available to meet if the AER is favourably disposed to having such a meeting.



We hope this letter will provide the AER the information it requires. If you have any further questions, please do not hesitate to contact the undersigned at (403) 538-4736.

Sincerely yours,

ALVAREZ & MARSAL CANADA INC.

*Trustee for the Estate of Premier Petroleum Corp.,
and not in its personal capacity*



Orest Konowalchuk
Vice-President

cc. Kyle Kashuba – Norton Rose Fulbright Canada LLP



CONFIDENTIAL

APPENDIX C

CONFIDENTIAL

APPENDIX D