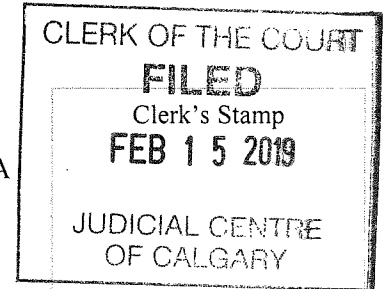


COURT FILE NUMBER **1701-03460**
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE Calgary
APPLICANT **ALBERTA ENERGY REGULATOR**
RESPONDENT **LEXIN RESOURCES LTD., 1051393 B.C.
LTD., 0989 RESOURCE PARTNERSHIP, LR
PROCESSING LTD. and LR PROCESSING
PARTNERSHIP**
DOCUMENT **APPLICATION BY RECEIVER**



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PARTY FILING THIS
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 File No. 547730/000021

NOTICE TO RESPONDENTS: See Service List, Schedule "A" to this Application

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the master/judge.

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

Date February 26, 2019
Time 2:00 p.m.
Where Calgary Courts Centre, 601-5th Street SW, Calgary AB
Before Whom The Honourable K. Horner

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1. Grant Thornton Limited, in its capacity as the court-appointed receiver ("**Receiver**") of Lexin Resources Ltd. ("**Lexin**"), 1051393 B.C. Ltd. ("**105**"), 0989 Resource Partnership ("**0989**"), LR Processing Ltd. ("**LR Ltd.**") and LR Processing Partnership ("**LR Processing**" and collectively with Lexin, 105, 0989 and LR Ltd. the "**Lexin Group**"), seeks an order, in substantially the same form as the one attached hereto as **Schedule "B"**, for the following relief:
 - (a) Declaring service of this Application good and sufficient, and abridging the time for notice of this Application to the time actually given, if necessary;
 - (b) Approving a distribution of funds to the priority creditors as more particularly set out in the Twelfth Report, in order to satisfy the Curative Costs provision of the purchase and sale agreement (the "**PSA**") entered into with Long Term Asset Management Inc. ("**LTAM**");
 - (c) Approving a holdback from the distribution in the amount of \$100,000 for a period of 60 days to satisfy any discrepancies in the calculations of amounts payable to freehold mineral and surface lessors;
 - (d) Authorizing a 60 day period in which such freehold mineral and surface lessors may raise arrears calculation discrepancies with the Receiver, and failing any agreement in respect of such calculation, authorizing and directing such parties to bring an application to the Court to revise the distribution amount payable to such freehold mineral or surface lessor, on no less than 7 days' notice to the Receiver;
 - (e) Approving a distribution to repay the Receiver's Certificates properly due and owing to the Alberta Energy Regulator (the "**AER**"); and
2. Such further and other relief as this Honourable Court may deem just in the circumstances.

Grounds for making this application:

3. The grounds for making this application are as set out in the Twelfth Report. These grounds include, but are not limited to the following:

Background of Receivership Proceedings

- (a) On March 20, 2017, this Court granted the Alberta Energy Regulator's ("**AER**") application to petition Lexin into receivership (the "**Lexin Receivership Order**"). Subsequently, on June 13, 2017, this Court granted the Receiver's application to petition 105, 0989, LR Ltd. and LR Processing into receivership pursuant to a consent receivership order (the "**Expanded Receivership Order**" and together with the Lexin Receivership Order the "**Receivership Orders**"). All capitalized terms used but not otherwise defined herein shall have the meaning given to them in the Receivership Orders.

- (b) The Receivership Orders appointed the Receiver over all of the Debtors' Property, but provided that, while the Receiver may take possession and exercise control over the Property, the Receiver is not required to take possession or exercise physical control over any of the Debtors' oil or gas wells, pipelines, facilities or sites regulated by the AER (the "Sites").
- (c) The Sites for which the Debtors were the sole operator and owner are now under the care and custody of the Orphan Well Association; however, Sites operated by the Debtors (or any one of them) in which there are working interest participants ("WIPs") have been placed under the care and custody of those WIPs.
- (d) While the Receiver cannot take physical possession of the Sites, the Receiver is authorized to conduct a sales and marketing process with respect to all of the Debtors' Property.

Curative Cost Distribution

- (e) On November 27, 2018, the Court approved the PSA pursuant to a sale approval and vesting order (the "AVO"), and vested the High River properties to LTAM.
- (f) No distributions were contemplated in the AVO, nor have any been made as yet.
- (g) The transaction contemplated in the PSA closed on January 31, 2019.
- (h) Pursuant to Section 2.12 of the PSA, the Receiver covenanted and agreed that a portion of the net sale proceeds payable on closing would be applied to pay and discharge when due, the Curative Costs.
- (i) Curative Costs is defined in section 1.1(p) of the PSA as "all costs and expenses required to reinstate and bring into good standing any of the Title Documents which are not in good standing, and any and all municipal property taxes, surface lease rentals or other payments related to any contract or agreement forming part of the Miscellaneous Interests which are payable as of the Closing Date but for certainty, excluding any costs and expenses associated with the Excluded Contracts, and excluding any associated out-of-pocket or overhead costs of the Purchaser."
- (j) The Receiver has undertaken a considerable amount of work to calculate the Curative Costs, using limited information available within the company, as well as information provided by Third Parties, including but not limited to Alberta Energy, the Surface Rights Board and surface and freehold mineral lessors. The Receiver is satisfied with the calculations made, although requires additional time to confirm certain amounts that may reduce the amounts payable to Alberta Energy.
- (k) The Receiver considers the distribution proposed to be fair and reasonable and reflective of amounts properly due and owing to the Lexin Group's stakeholders.
- (l) While the Receiver is comfortable with the calculations, given that no formal claims process has been run, it is prepared to hold back the amount of \$100,000 for a period of 60 days from the date of the order, to allow any individual freehold mineral or surface lessors to advise if any one of them disputes the amount of its personal distribution, with evidence to support the dispute. In the event the Receiver is unable to reach agreement with the disputing party with respect to any additional amounts the disputing party says is owing,

that disputing party may bring an application to Court to determine the amount of its distribution, on no less than 7 days' notice to the Receiver.

- (m) While each party has received notice of this application and notice of the amount of its proposed distribution, the proposed holdback and 60 day period provides additional fairness to this process to ensure all parties are satisfied with the amount of their distribution.

Repayment of Receiver's Certificates

- (n) The Receiver has borrowed \$2,462,710 from the AER since the inception of the receivership on March 20, 2017, which borrowings are reflected in Receiver's Certificates. None of the Receiver's Certificates have been repaid.

- 4. Such further and other basis as Counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

- 5. The Twelfth Report of the Receiver, dated February 15, 2019.
- 6. The pleadings and Receiver's Reports previously filed in these proceedings.
- 7. Such further and other evidence as counsel may advise and this Honourable Court permit.

Applicable rules:

- 8. *Alberta Rules of Court*, AR 124/2010, and in particular, Rules 1.3, 6.3, 11.27, 11.29 and 13.5
- 9. *Bankruptcy and Insolvency General Rules*, and in particular Rules 3, 6 and 11.
- 10. Such further and other rules as counsel may advise and this Honourable Court permit.

Applicable Acts and regulations:

- 11. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, and in particular Part XI thereof.
- 12. *Judicature Act*, RSA 2000, c J-2.

Any irregularity complained of or objection relied on:

- 13. None.

How the application is proposed to be heard or considered:

14. In person before the Honourable Justice K. Horner, with some or all of the parties present.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule "A" Service List

COURT FILE NUMBER	1701-03460
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	Calgary
APPLICANT	ALBERTA ENERGY REGULATOR
RESPONDENT	LEXIN RESOURCES LTD.
DOCUMENT	SERVICE LIST

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Phillips Petroleum Canada Ltd. (0945) 1600-401 9 Avenue SW Calgary AB T2P 2H7	R.W. Berry Canada, Inc. c/o Bennett Jones LLP 4500-855 2 Street SW Calgary AB T2P 3K7
Prospex Resources Ltd. (A120) c/o Paramount Resources Ltd. (04W4) 4700-888 3 Street SW Calgary AB T2P 5C5	Westhill Petroleum Ltd. (0EX2) 3300, 421 7 th Ave SW Calgary, AB T2P 4K9
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Chessor Holdings Ltd. 460 30 Ave NW Calgary AB T2M 2N4	Copper Creek Gold Corp. 710 750 West Pender Street Vancouver BC V6C 2T7
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Schedule "B" Order

COURT FILE NUMBER **1701-03460**

COURT COURT OF QUEEN’S BENCH OF
ALBERTA

JUDICIAL CENTRE Calgary

APPLICANT **ALBERTA ENERGY REGULATOR**

RESPONDENT **LEXIN RESOURCES LTD., 1051393 B.C.
LTD., 0989 RESOURCE PARTNERSHIP,
LR PROCESSING LTD. and LR
PROCESSING PARTNERSHIP**

DOCUMENT **ORDER – Distribution**

Clerk’s Stamp

ADDRESS FOR SERVICE AND
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File No. 547730/000021

DATE ON WHICH ORDER WAS PRONOUNCED: February 26, 2019

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice K. Horner

UPON the Application of Grant Thornton Limited in its capacity as the court-appointed receiver (the “**Receiver**”) of Lexin Resources Ltd. (“**Lexin**”), 1051393 B.C. Ltd. (“**105**”), 0989 Resource Partnership (“**0989**”), LR Processing Ltd. (“**LR Ltd.**”) and LR Processing Partnership (“**LR Processing**” and collectively with Lexin, 105, 0989 and LR Ltd. the “**Lexin Group**”); **AND UPON** having read the Twelfth Report of the Receiver, dated February 15, 2019 (the “**Twelfth Report**”) and the Affidavit of Service of Stella Kim, filed, and the pleadings and Receiver’s reports previously filed herein, including the receivership order granted on March 20, 2017; **AND UPON** having heard submissions from counsel for the Receiver, and any other counsel in attendance at this Application; **AND UPON** it appearing that the distributions proposed are appropriate in the circumstances,

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. The time for service of this Application together with all supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with such documents, and this hearing is properly returnable before this Honourable Court today and further service thereof is dispensed with.

Distribution

2. The Receiver is hereby authorized, subject to the Receiver's investigation into the amounts owing to Alberta Energy in respect of crown royalties, to effect the distributions outlined in the Twelfth Report, summarized as follows:

(a)	Alberta Energy, in respect of crown royalties	\$2,099,591;
(b)	Alberta Energy, in respect of crown lease rentals	\$ 42,874;
(c)	Exxon, in respect of freehold mineral lease rentals	\$ 125,534;
(d)	Third parties, in respect of freehold mineral lease rentals and royalties	\$ 46,975;
(e)	Alberta Energy, in respect of freehold mineral taxes	\$ 4,505;
(f)	Third parties and where appropriate, Surface Rights Board, in respect of surface lease rentals	\$ 767,725;
(g)	Municipal District of Foothills	\$ 455,568;
(h)	Municipal District of Willow Creek 26	\$ 69,547.

Hold Back

3. The Receiver shall hold back the sum of \$100,000 to satisfy any discrepancies found, by agreement of the parties or order of the Court, to have been made in the calculations associated with the third party freehold mineral lease rentals and the surface lease rentals.
4. Any freehold mineral lessor or surface lessor subject to the above noted distribution may advise the Receiver if their individual distribution calculated in Appendix 6 (with respect to freehold mineral lease arrears) or Appendix 10 (with respect to surface lease rental arrears) of the Twelfth

Report is incorrect, with evidence provided to the Receiver to substantiate the freehold or surface lessor's calculations.

5. In the event the Receiver is unable to agree with the freehold or surface lessor's distribution calculations, such freehold or surface lessor shall bring an application to Court, within the 60 day holdback period, for an order declaring the amount of the distribution. Any such application by a freehold or surface lessor must include an Affidavit containing evidence clearly supporting the applicant's proposed distribution calculations and such application must be made on no less than 7 days' notice to the Receiver.
6. In the event a freehold or surface lessor does not bring an application to Court as aforesaid within the 60 day holdback period, the freehold or surface lessor shall be forever barred from making or enforcing a claim against the Receiver, LTAM or the receivership estate, in respect of the Receiver's distribution calculations as set out in the Twelfth Report, and all such claims will be forever extinguished and barred without further act or notification by the Receiver.
7. The Receiver is hereby authorized to make additional distributions to freehold or surface lessors from the holdback if, in its opinion, the revised distribution calculations provided by the freehold or surface lessor are reasonable in the circumstances, based on the evidence provided. Any portion of the holdback which is not subject to claims by the freehold or surface lessor shall be returned to the estate.

Receiver's Certificates

8. The Receiver is hereby authorized to immediately repay the amounts owing to the Alberta Energy Regulator pursuant to the Receiver's Certificates issued to date in these proceedings, together with interest calculated to February 28, 2019, in the total sum of \$2,781,819.