

CLERK OF THE COURT
FILED
MAR 13 2017
CALGARY, ALBERTA

FORM 27
[RULE 6.3]

COURT FILE NUMBER	1701 - 03460
COURT OF QUEEN'S BENCH OF ALBERTA JUDICIAL CENTRE	CALGARY
PLAINTIFF/APPLICANT	ALBERTA ENERGY REGULATOR
DEFENDANT/RESPONDENT	LEXIN RESOURCES LTD.
DOCUMENT	<u>APPLICATION BY THE ALBERTA ENERGY REGULATOR FOR THE APPOINTMENT OF A RECEIVER</u>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	JENSEN SHAWA SOLOMON DUGUID HAWKES LLP Barristers 800, 304 - 8 Avenue SW Calgary, Alberta T2P 1C2 Christa Nicholson Phone: 403 571 1520 Fax: 403 571 1528 File: 13817.001

NOTICE TO RESPONDENT(S):

This Application is made against you. You are a Respondent.

You have the right to state your side of this matter before the Judge

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

Date:	<u>March 15, 2017</u>
Time:	<u>3:00 pm</u>
Where:	<u>Calgary Courts Centre</u>
Before Whom:	<u>The Honourable Justice P.R. Jeffrey</u>

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. The Applicant, the Alberta Energy Regulator (the “AER”), seeks an Order:
 - (a) abridging the time for, and validating service of, this Application on the parties set out in the Service List attached as **Schedule “A”** and the materials filed in support of this Application, if necessary, and dispensing with service on any party not served;
 - (b) appointing Grant Thornton Limited (“**Grant Thornton**”) as receiver (the “**Receiver**”) pursuant to section 243 (1) of the *Bankruptcy and Insolvency Act*, RSC 1985 B-3, (the “**BIA**”), and section 13(2) of the *Judicature Act*, RS.A. 2000, c J-2, as amended, over the current and future assets, undertakings and properties of Lexin Resources Ltd. (“**Lexin**”) on specific terms, including granting an Order in substantially the form attached as **Schedule “B”** or such other Order as this Honourable Court may grant (where the attached **Schedule “C”** is a blackline comparison of **Schedule “B”** to the Alberta Template Receivership Order); and
 - (c) such further and other relief as may be sought by AER and this Honourable Court may deem appropriate.

Grounds for making this application:

Lexin’s Outstanding Debt to AER and AER as Secured Creditor

2. Lexin owes the AER a debt for Lexin’s non-payment of the 2016 Orphan Fund Levies and 2016 Administration Levies (the “**Debt**”). The AER is entitled to recover any money payable to it, *inter alia*, in an action in debt pursuant to the *Responsible Energy Development Act*, SA 2012, c R-17.3 (“**REDA**”).
3. Pursuant to section 103(2) of the *Oil and Gas Conservation Act*, RSA 2000, c O-6 (the “**OGCA**”), the AER maintains a statutory lien to secure the Debt (the “**Lien**”) and, therefore, the AER is a secured creditor of Lexin.
4. Section 103 of the OGCA also provides that the Lien is to be enforced by garnishment. The AER enforced its Lien security by serving on Lexin a notice of garnishment. The AER was able to successfully garnish the amount of \$112,971.81, which it applied to reduce the Debt, leaving a total amount currently outstanding of \$1,075,938.85.

Lexin's Inability to Care for its Sites

5. Lexin is licensee of oil and gas sites in Alberta and holds operational licenses from the AER in respect of 1662 sites (the "**Sites**").
6. On February 10, 2017, Lexin advised the AER that it may not be in a position to address the care of its sour gas sites which it admitted posed a risk to the health and safety of the public.
7. On February 14, 2017, the AER issued an order suspending all of Lexin's operational well, facility, and pipeline licenses, and ceasing operations of the associated wells and facilities on the Sites (the "**Suspension Order**").
8. Those of the Sites that, to the AER's knowledge, have no viable working interest participants, have been deemed to be orphans by the AER for the purpose of suspension (the "**OWA Sites**"), so that the Orphan Well Association (the "**OWA**") has authority to access the properties and take steps to address any safety and environmental risks and has taken care and custody of the OWA Sites.
9. In addition to the Suspension Order and the orphaning of the OWA Sites for suspension purposes, to address safety and environment concerns associated with the removal of equipment from Sites which the AER had learned had been undertaken by Lexin and others, on February 14, 2017, the AER also sought from the Court, in Originating Application proceedings it commenced in Court of Queen's Bench Action No. 1701-02272 (the "**AER Proceedings**"), an Order directing that no person remove equipment from the Sites without AER approval or court order (the "**Equipment Order**"). The Equipment Order was granted on February 14, 2017 on an interim basis, was extended on February 17, 2017, and was then ultimately granted on the merits on March 3, 2017.
10. Lexin Sites other than the OWA Sites have not been deemed orphans by the AER at this time as there are other viable working interest participants ("**WIPs**") in those Sites who the AER looks to for their care and custody.
11. Since the Suspension Order was issued and the AER Proceedings were filed, Lexin has advised the AER that it is unable to address health, safety and environmental risks regarding the Sites, and that it does not have the financial means to address the same. Lexin is currently not addressing these risks.
12. For example, Lexin has indicated that it currently has only two employees, and that Telus has advised it may be disconnecting Lexin's 1-800 emergency line for reporting

health and safety or environmental emergencies. Lexin does not know if its emergency line is currently operational or not.

13. Since the Equipment Order was sought, Lexin brought an application in the AER Proceedings on February 27, 2017 ("**Lexin Proceeding #1**"). After the Equipment Order was granted, on March 7, 2017, Lexin brought a new proceeding by Originating Application filed in Court of Queen's Bench Action Number 1701-03310 ("**Lexin Proceeding #2**"). Both Lexin Proceeding #1 and Lexin Proceeding #2 (collectively, the "**Lexin Proceedings**") seek the following relief:
 - (a) an Order in the nature of *mandamus* directing the AER to forthwith take reasonable steps to remedy all health, safety and environmental issues that may exist at the Sites; and
 - (b) an Order directing the AER to issue abandonment orders for the OWA Sites that have already been designated as orphans by the AER for the purposes of suspension and have those sites transferred to the OWA.
14. The Lexin Proceedings are opposed by the AER and are returnable on March 22 and 23, 2017 (along with a Notice of Constitutional Question of Law filed by Lexin on March 9, 2017).
15. In and by virtue of the Lexin Proceedings, Lexin admits that it cannot care for the Sites and it cannot address any safety and environmental issues that may arise in respect to the Sites.

Lexin is Insolvent

16. Lexin would appear to owe many millions of dollars. Some creditors have judgments, writs, and have seized property.
17. Lexin cannot meet its liabilities as they generally become due, and/or has ceased paying its current obligations in the ordinary course of business as they generally become due, and is insolvent.

Numerous Claimants with Various Interests

18. In addition to the AER, there are numerous other secured and other claimants who claim an interest in Lexin's property and respecting the Sites, including municipal districts, and those with security interests and land charges.

19. Since the Equipment Order was granted on March 3, 2017, claimants have contacted the AER seeking to remove property from the Sites and have indicated an intention to pursue court proceedings respecting their claims to property on Sites.
20. Although the AER has obtained the Equipment Order, which allows it to try to ensure that equipment is safely removed from Lexin's AER licensed sites, it cannot determine which parties have valid claims to Lexin's property and the property on Sites, and the priority of same. A stay of proceedings contemplated by the Receivership Order would allow Lexin's property and the Sites to be preserved and protected insofar as the claimants' competing interests in Lexin's property and property on the Sites can be determined in accordance with the law.

Marketing and Sale of the Sites

21. Prospective purchasers have expressed interest in some of the Sites. The Sites ought to be appropriately and in a timely way marketed for sale and not, to the detriment of efficient development of the resource and Albertan's generally and causing unnecessary expense, prematurely abandoned.
22. Sales of the Sites to viable purchasers will reduce the current burden on the OWA regarding the OWA Sites and the WIPs regarding the balance of the Sites.
23. If liabilities can be assumed as part of any sales of the Sites, that would benefit the AER, OWA, and Albertans' generally; Lexin will also benefit by such a reduction of liabilities.

The Department of Energy (Alberta) and the OWA

24. Both the Department of Energy of Alberta and the OWA have advised they support the Court appointment of a Receiver respecting Lexin.

Appointing a Receiver is "Just or Convenient" and Necessary

25. In all of the circumstances, it is not only just or convenient but it is necessary, for a Receiver to be appointed by the Court and a stay of proceedings granted, in order to:
 - (a) if necessary, provide potential supplementary financial support to the OWA in respect of responding regarding the OWA Sites;
 - (b) provide breathing space and facilitate an orderly approach to claims pending a determination of entitlements to property of Lexin and that located on the Sites, and thus preserve and protect such property for the benefit of all stakeholders;

- (c) undertake a professional marketing process by a person with the appropriate legal authority for the sale of the Sites and, in a timely way, capitalize on the interest expressed in purchasing the Sites by prospective purchasers;
 - (d) facilitate the legal transfer of title to property to viable responsible parties, including, potentially, any liabilities associated with the sites (which are otherwise the responsibility of Lexin, and which, if reduced, would benefit Lexin); and
 - (e) avoid irreparable harm being suffered by Albertans including the AER, OWA, industry participants and Alberta taxpayers if the status quo continues.
26. Grant Thornton Limited has agreed to act as Receiver pursuant to the terms of the filed Consent to Act.
27. Such further and other grounds as counsel may advise and the Honourable Court may permit.

Material or evidence to be relied on:

28. The Affidavit of Laura Chant, sworn on March 11, 2017;
29. The Consent to Act as Receiver executed by a duly authorized representative of Grant Thornton; and
30. Such further and other materials as counsel may advise and this Honourable Court may permit.

Applicable rules:

31. The Applicant intends to rely upon the following rules:
- (a) the *Alberta Rules of Court*, AR 124/2010, as amended; including but not limited to Rules 1.2, 6.3, 13.5, and 11.27;
 - (b) such further and other rules as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

32. The Applicant intends to rely upon the following Acts:
- (a) the *Bankruptcy and Insolvency Act*, RSC 1985 B-3, section 243(1);

- (b) the *Judicature Act*, R.S.A. 2000, c J-2, as amended, section 13(2);
- (c) the *Responsible Energy Development Act*, R.S.A. 2000, c. R- 17.3, as amended;
- (d) the *Oil and Gas Conservation Act*, RSA 2000, c O-6, as amended; and
- (e) such further and other Acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

33. There are no irregularities complained of or objections relied on.

How the application is proposed to be heard or considered:

34. Oral submission by counsel at an application before the Honourable Justice P.R. Jeffrey on Wednesday March 15, 2017 with one, some, or all of the parties present.

AFFIDAVIT EVIDENCE IS REQUIRED IF YOU WISH TO OBJECT.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to 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 to Equipment Order - PPR Claimants And other PPR Claimants	
PPR Claimant	Address
Compass Compression Services Ltd.	1537 - 9 Avenue SW Calgary AB T2G 5N4
Summit Acceptance Corp.	4620 Blackfoot Trail SE Calgary AB T2G 4G2
MFC Energy Finance Inc.	1860 - 400 Burrard Street Vancouver BC V6C 3A6
Taqa North	2100-308 4 Avenue SW Calgary AB T2P 0H7
Marquinn Industries Ltd.	7115 Sparrow Drive Leduc AB T9E 7L1
Baker Hughes Canada Company	c/o DLA Piper (Canada) LLP 1000-250 2 Street SW Calgary AB T2P 0C1
Caledonian Royalty Corporation	2150-300 5 Avenue SW Calgary AB T2P 3C4
Her Majesty the Queen in Right of Alberta	c/o Service Alberta Crown Debt Collections 8 th Floor John E. Brownlee Building Edmonton AB T5J 3W7
Deloitte Management Services LP	c/o Miller Thomson LLP 2700 Commerce Place 10155 102 Street Edmonton AB T5J 3W7
Municipal District of Ranchlands No. 66	PO Box 1060 Nanton AB T0L 1R0
Vulcan County	c/o McPherson Leslie Tyerman LLP 1600, 520 3 Ave SW Calgary AB T2P 0R3
Enerflex Ltd.	10121 Barlow Trail NE Calgary AB T3J 3C6
Municipal District of Willow Creek No. 26	26 Highway 520 W Claresholm AB T0L 0T0
1049597 BC Ltd.	1860-400 Burrard Street Vancouver BC V6C 3A6
AltaGas Processing Partnership	1700, 355 – 4 Avenue SW Calgary AB T2P 0J1
Taqa North	2100-308 4 Avenue SW Calgary AB T2P 0H7
Caledonian Royalty Corporation	2150-300 5 Avenue SW Calgary AB T2P 3C4
Triple Seven Integrity Management Inc.	c/o Warren Sinclair LLP 600-4911 51 Street

	Red Deer AB T4N 6V4
Alberta Treasury Branches	600-444 7 Avenue SW Calgary AB T2P 0X8
MFC Acquisition Inc., As Administrative Agent	1000 925 W. Georgia Street Vancouver BC V6C 3L2
MFC Industrial Ltd.	1620 400 Burrard Street Vancouver BC V6C 3A6
Summit Acceptance Corp	4620 Blackfoot Trail SE Calgary AB T2G 4G2

Schedule B to Equipment Order – WIPs	
ADDRESS	EMAIL
DELIVERED BY COURIER:	
President Lexin Resources Ltd. (0CW8) 300-404 6 Avenue SW Calgary AB T2P 0R9	tmccrary@lexin.ca
President Adeco Exploration Company Ltd. (OZA0) c/o Bennett Jones LLPL 4500-855 2 Street SW Calgary AB T2P 4K7	
President Bonavista Energy Corporation (A5RX) 1500-525 8 Avenue SW Calgary AB T2P 1G1	Colin.hennel@bonavistaenergy.com
President Caledonian Royalty Corporation (A684) 2200-300 5 Avenue SW Calgary AB T2P 3C4	David.horn@caledonianroyalty.com
President Canadian Natural Resources Limited (OHE9) 2100-855 2 Street SW Calgary AB T2P 4J8	Orest.kotelko@cnrl.com
President Coastal Resources Limited (OPR1) 1400-520 5 Avenue SW Calgary AB T2P 3R7	rlakhoo@coastal.ab.ca
President ConocoPhillips Canada Resources Corp. (A5G3)	regulatoryaffairsmailbox@conocophillips.com

Schedule A – Service List

1600-401 9 Avenue SW Calgary AB T2P 2H7	
President Crescent Point Energy Corp. (A2J6) 2000-585 8 Avenue SW Calgary AB T2P 1G1	regulatory@crescentpointenergy.com
President Ember Resources Inc. (A1H9) 800-400 3 Avenue SW Calgary AB T2P 4H2	tzuorro@emberresources.com
President Encana Corporation (0026) 500 Centre Street SE Box 2850 Calgary AB T2P 2S5	Dawn.cochrane@encana.com
President Exxon Mobil Canada Ltd. (0057) PO Box 2480 Stn M Calgary AB T2P 3M9	Ashley.l.laycraft@esso.ca
President Houston Oil & Gas Ltd. (A74H) 800-903 8 Avenue SW Calgary AB T2P 0P7	mark@houstonoil.ca

Schedule B to Equipment Order – WIPs	
President Husky Oil Operations Limited (0R46) 707 8 Avenue SW PO Box 6525 Stn D Calgary AB T2P 3G7	Husky.regulatory@huskyenergy.ca
Ms. Nancy Penner Interwest Petroleums Ltd. c/o Parlee McLaws LLP 3400-150 6 Avenue SW Calgary AB T2P 3Y7	
President Lochwest Resources Ltd. (0MG8) 1820-715 5 Avenue SW Calgary AB T2P 2X6	

President Murphy Canada Exploration Company (0MY7) 1700-555 4 Avenue SW Calgary AB T2P 3Y3	Gaye_marshall@murphyoilcorp.com
President New North Resources Ltd. (0CZ4) 320-700 4 Avenue SW Calgary AB T2P 3J4	Pradeep@new-north.com
President Omers Energy Inc. (A08E) 3000-520 3 Avenue SW Calgary AB T2P 0R3	Jessica.gregorash@omersenergy.com

Schedule B to Equipment Order – WIPs	
Mr. Paul Bothwell Pengrowth Energy Corporation (A5R5) 2100-222 3 Avenue SW Calgary AB T2P 0B4	Paul.bothwell@pengrowth.com
President Penn West Petroleum Ltd. (0BP8) 200-207 9 Avenue SW Calgary AB T2P 1K3	regulatory@pennwest.com
President Phillips Petroleum Canada Ltd. (0945) 1600-401 9 Avenue SW Calgary AB T2P 2H7	
President Pine Cliff Energy Ltd. (A1GR) 850-1015 4 Street SW Calgary AB T2R 1J4	tmcneill@pinecliffenergy.com hisidoro@pinecliffenergy.com
Pat Maguire R.W. Berry Canada, Inc. c/o Bennett Jones LLP 4500-855 2 Street SW Calgary AB T2P 3K7	
President SanLing Energy Ltd. (A7AZ) 1700-250 2 Street SW	Kate.ramage@sanlingenergy.com Stuart.widmer@sanlingenergy.com

Calgary AB T2P 0C1	
President Prospex Resources Ltd. (A120) c/o Paramount Resources Ltd. (04W4) 4700-888 3 Street SW Calgary AB T2P 5C5	
President Signalta Resources Limited (0R89) 700-840 6 Avenue SW Calgary AB T2P 3E5	Angela.meister@signalta.com
President Southern Pacific Energy Ltd. (A5A6) 1700-205 5 Avenue SW Calgary AB T2P 2V7	
President Stockwork Properties Ltd. (0EN3) 501-888 4 Avenue SW Calgary AB T2P 0V2	dmdixon@telus.net
President Sutton Energy Ltd. (0M9E) 450-736 8 Avenue SW Calgary AB T2P 1H4	B_gough@shaw.ca
Michael Bolianatz TAQA North Ltd. (A2TG) 2100-308 4 Avenue SW Calgary AB T2P 0H7	regulatoryaffairs@taqa.ca

Schedule B to Equipment Order – WIPs	
President Tamarack Valley Energy Ltd. (A04N) 600-425 1 Street SW Calgary AB T2P 3L8	Deb.kniss@tamarackvalley.ca
President Trident Exploration (Alberta) Corp. (A663) 1000-444 7 Avenue SW Calgary AB T2P 0X8	phawke@tridentexploration.ca
President Westhill Petroleum Ltd. (0EX2)	

Schedule A – Service List

260-435 4 Avenue SW Calgary AB T2P 3A8	
President Zargon Oil & Gas Ltd. (OMP9) 700-333 5 Avenue SW Calgary AB T2P 3B6	rdoetzel@zargon.ca
President 6058931 Canada Inc. 1650-801 6 Avenue SW Calgary AB T2P 3W2	6058931_operations@questerre.com
President 0989 Resource Partnership c/o Lexin Resources Ltd. (OCW8) 300-404 6 Avenue SW Calgary AB T2P OR9	tmccrary@lexin.ca

Schedule B to Equipment Order – WIPs	
President Dauntless Energy Inc. (A6H3) 1410-606 4 Street SW Calgary AB T2P 1T1	
President Freehold Royalty Trust 400-144 4 Avenue SW Calgary AB T2P 3N4	
President Bounty Developments Ltd. (OHP8) 1250-340 12 Avenue SW Calgary AB T2R 1L5	Kelly@bountydev.com
President The Paddon Hughes Development Co. Ltd. (OD74) 940-1122 4 Street SW Calgary AB T2R 1M1	waldyk@paddonhughes.com

Schedule B to Equipment Order – WIPs	
DELIVERED BY REGISTERED MAIL	
President Bears paw Petroleum Ltd. (ONL1) 5309-333 96 Avenue NE Calgary AB T3K 0S3	gschermers@bears pawpet.com
President Canadian Freehold Consulting (1991) Ltd. 47 Edgemoor Crescent NW Calgary AB T3A 2X5	
President Chessor Holdings Ltd. 460 30 Ave Avenue NW Calgary AB T2M 2N4	
President Copper Creek Gold Corp. 710 750 West Pender Street Vancouver BC V6C 2T7	
President Country Rock Resources Ltd. (A2BY) 79 Windmill Way Calgary AB T3Z 1H5	
President Direct Energy Marketing Limited (ORC3) PO Box 4335 Stn C Calgary AB T2T 4K3	catherine.hiscocks@centrica.com

Schedule B to Equipment Order – WIPs	
President Long Term Asset Management Inc. (A6JF) 925 Veterans Boulevard NW Airdrie AB T4A 2G6	maugust@ltam.ca
President Newbert Petroleum Engineering Ltd. (OZ8W) Box 528 Crossfield AB T0M 0S0	
President Scotia Oils Limited (ODK9)	

1164-7620 Elbow Drive SW Calgary AB T2V 1K2	
President Roseland Development Ltd. (0M21) 602 25 Avenue SW Calgary AB T2S 0L6	
President Westhill Resources Limited (0T49) 300 5 Richard Way SW Calgary AB T3E 7M8	wrltd@telus.net
President 264646 Alberta Ltd. 4th Floor 4943 50 Street Red Deer AB T4N 1Y1	

Name / Counsel	Address	Phone	Email
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Greg Plester Counsel for Vulcan County	Brownlee LLP	P. 403-260-1475 F. 403-232-8408	gplester@brownleelaw.com
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Richard N. Billington, Q.C. Counsel for Young EnergyServe Inc.	Billington Barristers 1910 Elveden House 717 – 7 Avenue SW Calgary AB T2P 0Z3	P. 403-930-4101 (main) F. 403-930-4110	rbillington@billingtonbarristers.com

Matthew T. Mowbrey	Warren Sinclair LLP 600-4911 51 Street Red Deer AB T4N 6V4		mmowbrey@warrensinclair.com
John P. Gruber Counsel for Bearspaw Petroleum	MLT Aikins LLP 1600 - 520 3 Avenue SW Calgary AB T2P 0R3	403-542-0705	jgruber@mltaikins.com
Bradley Squibb Lexin Resources Ltd.	Stikeman Elliott LLP 4300 Bankers Hall West 888 3 Street West Calgary AB T2P 5C5		bsquibb@stikeman.com
Raymond Lee and Lori Williams Counsel for Indian Oil and Gas	Department of Justice Canada Counsel Prairie Region 601-606 4 Street SW Calgary, AB T2P 1T1	403-299-3984 Fax 403-299-3507	Raymond.lee@justice.gc.ca Lori.williams@justice.gc.ca
Michael B. Niven, Q.C. and Hema Ahuja Counsel for Landowners: Section 23 Developments Ltd. and Alexander Soutzo	Carscallen LLP 1500 - 407 2 Street SW Calgary AB T2P 2Y3	403-298-8464 F. 403-262-2952	niven@carscallen.com Ahuja@carscallen.com
Doug Nishimura Counsel for Compass Compression Services Ltd.	Field Law LLP 400-444 7 Ave. S.W. Calgary AB T2P 0X8	403 260 8548	dnishimura@fieldlaw.com
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Jeff Davidson	CNRL		Jeff.davidson@cnrl.com
Angus T. McKinnon Counsel for 1049597 BC Ltd.	Learners LLP 130 Adelaide Street West, Suite 2400 Toronto, ON M5H 3P5	416 360 2632	amckinnon@lerner.ca
Sarah Gregory BC Oil & Gas Commission	BC Oil and Gas Commission PO Box 9331 Stn Prov Govt, Victoria, B.C., V8W 9N3 Attention: Sara Gregory		Sara.Gregory@bcogc.ca

Schedule A – Service List

Karen Fellowes Counsel for MNP, Trustee in Bankruptcy for LR Processing	DLA Piper (Canada) LLP		<u>Karen.fellowes@dlapiper.com</u>

Clerk's stamp:

COURT FILE NO.	1701-03460
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	ALBERTA ENERGY REGULATOR
RESPONDENT	LEXIN RESOURCES LTD.
DOCUMENT	<u>RECEIVERSHIP ORDER</u>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	JENSEN SHAWA SOLOMON DUGUID HAWKES LLP Barristers 800, 304 - 8 Avenue SW Calgary, Alberta T2P 1C2 Christa Nicholson Phone: 403 571 1053 Fax: 403 571 1528 Email: nicholsonc@jssbarristers.ca File: 13817.001

DATE ON WHICH ORDER WAS PRONOUNCED: March ____, 2017

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary Courts Centre

NAME OF THE JUDGE WHO MADE THIS ORDER: The Honourable Justice P.R. Jeffrey

UPON the application of Alberta Energy Regulator ("**AER**") in respect of Lexin Resources Ltd. ("**Lexin**" or the "**Debtor**"); **AND UPON** having read the Application of the AER; the Affidavit of Laura Chant, sworn on March 11, 2017 including the reference therein to the "Equipment Order" granted March 3, 2017 in Court of Queen's Bench Action No. 1701 02272 , and the Affidavit of Service of _____ sworn March ____, 2017, filed; **AND UPON** reading the consent of Grant Thornton Limited to act as receiver ("**Receiver**") of the Debtor; **AND UPON** hearing counsel for AER and other interested parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the notice of this Application is hereby abridged and service thereof is deemed good and sufficient.

APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("BIA"), and section 13(2) of the *Judicature Act*, R.S.A. 2000, Grant Thornton Limited is hereby appointed Receiver, without security, of all of Lexin's current and future assets, undertakings and properties of every nature and kind whatsoever, including all proceeds thereof, provided that the appointment of the Receiver shall not include any oil or gas wells, pipelines or facilities located outside the Province of Alberta or regulated by an entity other than the AER (the "**Property**").

RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized (but not obligated) to do any of the following where the Receiver considers it necessary or desirable:
 - (a) to take possession of and exercise control over the Property, with the exception of taking possession of or exercising physical control over any Lexin oil or gas wells, pipelines, facilities or sites regulated by the AER (the "**Sites and Abandoned Sites**"), and any and all proceeds, receipts and disbursements arising out of or from the Property, and for greater clarity, while the Receiver shall have limited powers with respect to the Property as it relates to the Sites and Abandoned Sites as more particularly set out herein, the Receiver shall not have the power to take possession of and exercise physical control over the Sites and the Abandoned Sites;
 - (b) to receive, preserve and protect the books and records of the Debtor or any part or parts thereof, including, but not limited to, relocating of the books and records to safeguard them as may be necessary or desirable;
 - (c) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
 - (d) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
 - (e) to settle, extend or compromise any indebtedness owing to or by the Debtor;

- (f) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
 - (g) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appears or applications for judicial review in respect of any order or judgment pronounced in any such proceedings, and provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court;
 - (h) to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
 - (i) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$150,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,
- and in each such case notice under subsection 60(8) of the *Personal Property Security Act*, R.S.A. 2000, c. P-7 shall not be required.
- (j) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
 - (k) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
 - (l) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
 - (m) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
 - (n) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (o) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;
- (p) to assign the Debtor into bankruptcy, to become the trustee in bankruptcy of the Debtor and to take all steps reasonably required to carry out its role as trustee in bankruptcy of the Debtor should the Receiver deem it appropriate in the circumstances to do so; and
- (q) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

- 4. Notwithstanding any other provision of this Order, nothing herein shall empower, authorize or require the Receiver: (i) to take possession of or exercise physical control over the Sites and the Abandoned Sites; or (ii) to manage, operate or carry on the business the Debtor; and the Receiver shall not be deemed to have taken any of the actions or steps referred to in this paragraph 4 solely as a consequence of having taken some of the steps authorized pursuant to paragraph 3.
- 5. Upon the AER receiving from any person a request for approval to remove equipment from any of the Sites pursuant to the Equipment Order (the "Request"), the AER shall forthwith bring that communication to the attention of the Receiver, and the Receiver shall cooperate with the AER with respect to any proposed removal of equipment from any Sites, and will thereafter either:
 - (a) approve the removal of the equipment on such terms as are appropriate, having regard to the entitlements of all persons; or
 - (b) advise the person who made the Request that the equipment may not be removed without Court Order, made on application brought in these proceedings (Action No. 1701-03460) with 7 days' prior notice to the Receiver and AER.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

- 6. (i) The Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**")

and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.

7. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.
8. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

9. No proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

10. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph 8; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. "**Regulatory Body**" means a person or body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province.

NO EXERCISE OF RIGHTS OF REMEDIES

11. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

12. No Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

13. All Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and this Court directs that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further order of this Court.

EMPLOYEES

15. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*, SC 2005, c 47 ("**WEPPA**").

16. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, SC 2000, c 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver 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,
- (i) 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

Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:

- A. complies with the order, or
 - B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
- A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE RECEIVER'S LIABILITY

18. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.

RECEIVER'S ACCOUNTS

19. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, incurred both before and after the making of this Order in respect of these proceedings, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests,

trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to section 14.06(7), 81.4(4) and 81.6(2) of the BIA.

20. The Receiver and its legal counsel shall pass their accounts from time to time.
21. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including the legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. The Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$200,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA.
23. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
24. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.
25. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

ALLOCATION

26. Any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge amongst the various assets comprising the Property.

GENERAL

27. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
28. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence.
29. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.
30. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
31. The Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
32. The Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

33. Any interested party may apply to this Court to vary or amend this Order on not less than 7 days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

34. The Receiver shall establish and maintain a website in respect of these proceedings at _____ and shall post there as soon as practicable:
- (a) all materials prescribed by statute or regulation to be made publically available; and
 - (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

J.C.Q.B.A

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that GRANT THORNTON LIMITED, the receiver (the "**Receiver**") of all of the assets, undertakings and properties of LEXIN RESOURCES LTD. appointed by Order of the Court of Queen's Bench of Alberta in Bankruptcy and Insolvency (the "**Court**") dated the _____ day of _____, _____ (the "**Order**") made in action number _____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [**daily**] [monthly **not** in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Alberta Treasury Branches from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at _____.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

GRANT THORNTON LIMITED, solely in its capacity as Receiver of the Property (as defined in the Order), and not in its personal capacity

Per: _____
Name: _____
Title: _____

SCHEDULE "C"

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Clerk's stamp:

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COURT FILE NO. 1701-03460

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COURT COURT OF QUEEN'S BENCH OF ALBERTA

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JUDICIAL CENTRE CALGARY

Formatted: Heading Table

APPLICANT ALBERTA ENERGY REGULATOR

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RESPONDENT LEXIN RESOURCES LTD.

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DOCUMENT RECEIVERSHIP ORDER

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ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT, JENSEN SHAWA SOLOMON DUGUID HAWKES LLP
Barristers
800, 304 - 8 Avenue SW
Calgary, Alberta T2P 1C2

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BANKRUPTCY AND INSOLVENCY OF [THE
DEBTOR]

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Moved (insertion) [3]

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Moved up [4]: RECEIVERSHIP ORDER

DATE ON WHICH ORDER WAS PRONOUNCED: March , 2017

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LOCATION WHERE ORDER WAS PRONOUNCED: Calgary Courts Centre

[Address] .

[Address] .

Solicitor: .

Telephone: .

Facsimile: .

Email: .

File Number: .

DATE ON WHICH ORDER WAS
PRONOUNCED:

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[if applicable]; AND UPON

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NAME OF THE JUDGE WHO MADE THIS ORDER: The Honourable Justice P.R. Jeffrey

UPON the application of Alberta Energy Regulator ("AER") in respect of Lexin Resources Ltd. ("Lexin" or the "Debtor"); AND UPON having read the Application, of the AER; the Affidavit of Laura Chant, sworn on March 11, 2017 including the reference therein to the "Equipment Order" granted March 3, 2017 in Court of Queen's Bench Action No. 1701 02272 and the Affidavit of Service of _____ sworn March , 2017, filed; AND UPON reading the consent of Grant Thornton Limited to act as receiver ("Receiver") of the Debtor; AND UPON hearing counsel for AER and other interested parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the notice of this Application is hereby abridged and service thereof is deemed good and sufficient.

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APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("**BIA**"), and section 13(2) of the *Judicature Act*, R.S.A. 2000, Grant Thornton Limited is hereby appointed Receiver, without security, of all of Lexin's current and future assets, undertakings and properties of every nature and kind whatsoever, including all proceeds thereof, provided that the appointment of the Receiver shall not include any oil or gas wells, pipelines or facilities located outside the Province of Alberta or regulated by an entity other than the AER (the "**Property**").

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RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized (but not obligated) to do any of the following where the Receiver considers it necessary or desirable:
 - (a) to take possession of and exercise control over the Property, with the exception of taking possession of or exercising physical control over any Lexin oil or gas wells, pipelines, facilities or sites regulated by the AER (the "**Sites and Abandoned Sites**"), and any and all proceeds, receipts and disbursements arising out of or from the Property, and for greater clarity, while the Receiver shall have limited powers with respect to the Property as it relates to the Sites and Abandoned Sites as more particularly set out herein, the Receiver shall not have the power to take possession of and exercise physical control over the Sites and the Abandoned Sites;
 - (b) to receive, preserve and protect the books and records of the Debtor or any part or parts thereof, including, but not limited to, relocating of the books and records to safeguard them as may be necessary or desirable;
 - (c) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
 - (d) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
 - (e) to settle, extend or compromise any indebtedness owing to or by the Debtor;

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- (f) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (g) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appears or applications for judicial review in respect of any order or judgment pronounced in any such proceedings, and provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court;
- (h) to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
- (i) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
- (i) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$150,000; and
- (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,
- and in each such case notice under subsection 60(8) of the *Personal Property Security Act*, R.S.A. 2000, c. P-7 shall not be required.
- (j) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (k) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (l) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (m) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (n) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

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- (o) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;
- (p) to assign the Debtor into bankruptcy, to become the trustee in bankruptcy of the Debtor and to take all steps reasonably required to carry out its role as trustee in bankruptcy of the Debtor should the Receiver deem it appropriate in the circumstances to do so; and
- (q) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

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and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

4. Notwithstanding any other provision of this Order, nothing herein shall empower, authorize or require the Receiver: (i) to take possession of or exercise physical control over the Sites and the Abandoned Sites; or (ii) to manage, operate or carry on the business the Debtor; and the Receiver shall not be deemed to have taken any of the actions or steps referred to in this paragraph 4 solely as a consequence of having taken some of the steps authorized pursuant to paragraph 3.

5. Upon the AER receiving from any person a request for approval to remove equipment from any of the Sites pursuant to the Equipment Order (the "Request"), the AER shall forthwith bring that communication to the attention of the Receiver, and the Receiver shall cooperate with the AER with respect to any proposed removal of equipment from any Sites, and will thereafter either:

- (a) approve the removal of the equipment on such terms as are appropriate, having regard to the entitlements of all persons; or
- (b) advise the person who made the Request that the equipment may not be removed without Court Order, made on application brought in these proceedings (Action No. 1701-03460) with 7 days' prior notice to the Receiver and AER.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

6. (i) The Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**")

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and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.

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7. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.

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8. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

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NO PROCEEDINGS AGAINST THE RECEIVER

9. No proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

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NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

10. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph 8; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. "**Regulatory Body**" means a person or body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province.

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NO EXERCISE OF RIGHTS OF REMEDIES

11. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

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NO INTERFERENCE WITH THE RECEIVER

12. No Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

Deleted: [Nothing in this Order shall prohibit any party to an eligible financial contract from closing out and terminating such contract in accordance with its terms.] [See Explanatory Notes.]

CONTINUATION OF SERVICES

13. All Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and this Court directs that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the **"Post Receivership Accounts"**) and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further order of this Court.

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EMPLOYEES

15. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the Wage Earner Protection Program Act, SC 2005, c.47 ("WEPPA").

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16. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, SC 2000, c 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

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LIMITATION ON ENVIRONMENTAL LIABILITIES

17. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver 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,
- (i) 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

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Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:

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- A. complies with the order, or
 - B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
- A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE RECEIVER'S LIABILITY

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18. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.

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RECEIVER'S ACCOUNTS

19. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, incurred both before and after the making of this Order in respect of these proceedings, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests,

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trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to section 14.06(7), 81.4(4) and 81.6(2) of the BIA,

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20. The Receiver and its legal counsel shall pass their accounts from time to time.

21. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including the legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. The Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$200,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA.

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23. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "**A**" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

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25. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

ALLOCATION

26. Any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge amongst the various assets comprising the Property.

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GENERAL

27. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
28. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence.
29. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.
30. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
31. The Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
32. The Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

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33. Any interested party may apply to this Court to vary or amend this Order on not less than 7 days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

34. The Receiver shall establish and maintain a website in respect of these proceedings at _____ and shall post there as soon as practicable:

- (a) all materials prescribed by statute or regulation to be made publically available; and
- (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

Deleted: <#>This Order is issued and shall be filed in Court of Queen's Bench Action No. *, and Court of Queen's Bench in Bankruptcy Action No. *, which actions are not consolidated. All further proceedings shall be taken in both actions unless otherwise ordered. [See Explanatory Notes, footnote 1.]

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J.C.Q.B.A

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SCHEDULE "A"

RECEIVER CERTIFICATE

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CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that GRANT THORNTON LIMITED, the receiver (the "**Receiver**") of all of the assets, undertakings and properties of LEXIN RESOURCES LTD. appointed by Order of the Court of Queen's Bench of Alberta in Bankruptcy and Insolvency (the "**Court**") dated the _____ day of _____, (the "**Order**") made in action number _____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [**daily**] [monthly **not** in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Alberta Treasury Branches from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at _____.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property) as authorized by the Order and as authorized by any further or other order of the Court.

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Deleted: [DEBTOR'S NAME]

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7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

GRANT THORNTON LIMITED, solely in its capacity as Receiver of the Property (as defined in the Order), and not in its personal capacity

Deleted: [RECEIVER'S NAME],

Per: _____
Name: _____
Title: _____

[LAW FIRM NAME]

[Address]

[Address]

Solicitor: ●

Telephone: ●

Facsimile: ●

Email: ●

File Number: ●

DATE ON WHICH ORDER WAS PRONOUNCED: ●

NAME OF JUDGE WHO MADE THIS ORDER: ●

LOCATION OF HEARING: ●

[*NOTE: DO NOT USE THIS ORDER AS A PRECEDENT WITHOUT REVIEWING THE ACCOMPANYING EXPLANATORY NOTES.]