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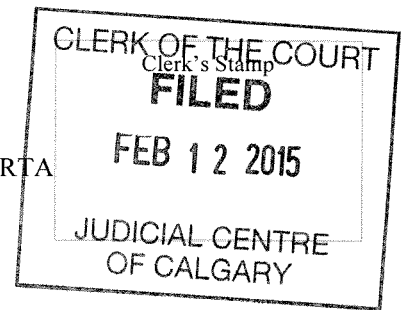
COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF ALBERTA TREASURY BRANCH

DEFENDANT ALSTON ENERGY INC.

DOCUMENT SECOND REPORT OF THE RECEIVER



ADDRESS FOR SERVICE AND
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TABLE OF CONTENTS OF THE SECOND REPORT OF THE RECEIVER

INTRODUCTION	3
TERMS OF REFERENCE	4
OPERATIONAL UPDATE.....	5
ONGOING ACTIVITIES OF THE RECEIVER	8
AER MATTERS.....	10
THE SALES PROCESS	14
RECEIPTS AND DISBURSMENTS – MAY 9, 2014 TO JANUARY 30, 2015.....	16
UPDATED CASH FLOW FORECAST THROUGH MAY 29, 2015	19
RECEIVER’S BORROWINGS	21
RECEIVER’S FUTURE COURSE OF ACTION.....	22
RECOMMENDATION	22

LISTING OF APPENDICES TO THE SECOND REPORT

APPENDIX A	AER Letter and Closure Orders
APPENDIX B	February 11 th A&M Response Letter
APPENDIX C	AER December 19 th Letter

INTRODUCTION

1. Effective May 9, 2014 (the “Receivership Date”), pursuant to an order of the Honourable Madam Justice K. Horner (the “Receivership Order”), Alvarez & Marsal Canada Inc. (“A&M”) was appointed as receiver (the “Receiver”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “Property”) of Alston Energy Inc. (“Alston” or the “Company”) pursuant to section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended., (the “BIA”) in the within action (the “Receivership Proceedings”).
2. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of Alston and to take possession and control of the property of Alston and any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business.
3. The Receiver took possession and control of the Property, except for the properties located in the Municipal District of Newton (referred herein as the “Newton Properties”) and further described in the Company records. The Receiver has not taken possession or control of the Newton Properties.
4. The purpose of this second report of the Receiver (the “Second Report”) is to provide this Honourable Court with information in respect of the following:
 - a) an operational update since the first report of the Receiver dated August 1, 2014 (the “First Report”);
 - b) the activities of the Receiver since the First Report;
 - c) the Receiver’s dealings with the Alberta Energy Regulator (the “AER”);

- d) an update of the sales process initiated by the Receiver for the purchase of the Property, out of the normal course of business;
 - e) the actual cash flow results for the period from May 9, 2014 to January 30, 2015 (the “Reporting Period”);
 - f) the revised cash flow projections (the “Updated Forecast”) from January 31, 2015 to May 29, 2015 (the “Forecast Period”)
 - g) the Receiver’s request of this Honourable Court to grant an order to increase the Receiver’s Borrowing Charge from \$750,000 to \$1,700,000;
 - h) the Receiver’s future course of action; and
 - i) the Receiver’s recommendations;
5. Capitalized words or terms not defined or ascribed a meaning in the Second Report are as defined or ascribed a meaning in the First Report, the Second Report and the Receivership Order.
6. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

7. In preparing this Second Report, the Receiver has relied primarily upon the representations of its contractors, field operators, as well as, certain financial information contained in Alston’ books and records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

8. Alston was a public oil and gas company with its operational and financial management located in Calgary, Alberta. Alston’s oil and gas properties are solely located in the province of Alberta and its common stock was previously listed and traded on the TSX Venture Exchange (the “TSX”), but in early May

2014, Alston was de-listed from the TSX. Alston has no subsidiaries or affiliates and carries on its operations through various joint venture, farm-in and joint operating arrangements.

9. Alston is a producer of crude oil and natural gas and was engaged in the exploration, development and production of crude oil (“Oil”), natural gas (“Gas”) and natural gas liquids (“NGL”), which production capability is weighted approximately at 65% Oil and NGL’s and 35% Gas. The majority of Alston’s production base was generated from two operated producing areas located in Provost, Alberta (the “Provost Properties”) and the Newton Properties.
10. Further background to Alston and its operations are contained in the materials filed relating to the Receivership Order and the filed reports by the Receiver in this Receivership Proceedings. These documents, together with other information filed in the previous CCAA proceeding, have been posted by the Receiver on its website at: www.alvarezandmarsal.com/alston.

OPERATIONAL UPDATE

Current Market Conditions

11. Since the First Report, the oil and gas industry has experienced a dramatic decline of commodity prices, in particular, oil prices. Oil prices have dropped significantly from US\$107/bbl (June 2014) to as low as US\$44/bbl (January 2015) using West Texas Intermediate pricing (“WTI”).
12. The decrease in commodity prices has had a negative impact on Alston’s ability to achieve its forecast sales revenues over the past several months and it does not appear that commodity pricing will increase to levels experienced in June 2014 anytime soon. The Receiver had already taken steps to reduce Alston’s operating and other expenses in an effort to have Alston operate on a “cash positive”. However, the decline in oil prices is making it difficult to even operate on a “cash

neutral” basis over the coming months, while it continues to find a suitable purchaser for the Provost Properties.

Outstanding Post-Receivership Liabilities

13. As a result of certain conditions precedents not being met in the Provost PSA by the Closing Date (November 14, 2014) and due to the drastic decline in commodity prices, the sale of the Provost Properties to Gray Dusenbery Oil and Gas LP (“GD Oil”) did not close, as discussed in greater detail below.
14. Not closing the Provost PSA combined with the decline in oil prices has left the Receiver in a cash flow shortage and there are outstanding invoices owing by the Receiver to certain land owners for surface lease rentals relating to the Provost Properties, various suppliers and contractors in connection with operating the Provost Properties and in completing the AER Deficiency Work (defined below) and outstanding professional fees and costs. As at the date of this Report, the total post-receivership accounts payables of Alston are approximately \$900,000 that relate mainly too:
 - a) operational costs, work over program costs and other miscellaneous invoices outstanding with suppliers totaling \$360,000;
 - b) surface lease rental payments totalling approximately \$26,000;
 - c) AER Deficiency Work and related contractor invoices totaling \$227,400;
 - d) Provost Properties municipal property taxes for 2014 of approximately \$170,000; however, the Receiver is expecting updated invoices from the RM of Provost that will increase the municipal property taxes owing by \$50,000 for a total of \$220,000; and
 - e) Professional fees and costs of approximately \$122,000 relating to services render to December 31, 2014.

15. The Receiver has not been able to keep its supplier and creditor invoices current and over half of the outstanding post-receivership liabilities are currently in the greater than 90 day category. As a result, the Receiver requires additional borrowings to address the Receiver's immediate cash flow needs.

Capital maintenance and work over programs

16. Since the First Report, the Receiver was required to complete a number of operational work over programs and incur various repairs and maintenance costs in order to keep production continuing on the Provost Properties.
17. The most significant unexpected problem required the Receiver to initiate a significant work over program relating to the removal, installation and remediation of the Alston's 4-29 main flare line (the "Flare Line"). A hole had developed in the Flare Line, which resulted in an underground gas leak. As required, the Receiver notified the AER (Wainwright Office) of the gas leak and immediately shut-down the Flare Line from further operating. The Flare Line work has been completed and the impacted lands remediated and wells returned to production. The total amount of the Flare Line work was approximately \$307,000.

Insurance coverage

18. Alston's Corporate Insurance Policy is set to expire on February 22, 2015. The Receiver has been in contact with Chubb Insurance Co. of Canada ("Chubb") with respect to extending the insurance policy. Chubb has indicated that they are willing to extend Corporate Insurance Policy for an additional 3 month period under the current terms.
19. The Receiver will revisit the insurance requirements of Alston with Chubb over the next several weeks.

Municipal Property Taxes

20. The Receiver is aware that there is approximately \$220,000 in outstanding municipal property taxes with the RM of Provost for the 2014 year, as discussed above. These outstanding taxes have not been included Forecast Period to be paid as there are insufficient funds available to pay these property taxes. The Receiver anticipates that the outstanding property taxes will be paid once the Receiver is able to close on a sale of the Provost Properties with a suitable purchaser. The 2015 municipal taxes for the Provost Properties of approximately \$200,000 are due and owing by October 31, 2015.

ONGOING ACTIVITIES OF THE RECEIVER

21. Since the First Report, the Receiver's ongoing activities have included the following:
- a) working extensively with the Receiver's contract engineers and the AER (Wainwright Office) in completing the AER Deficiency Work and ensuring that the AER suspensions orders were vacated;
 - b) multiple discussions and meetings with GD Oil regarding updates on the sales process and completion of the AER Deficiency Work;
 - c) various communications with the AER (Liability Management, Closure & Liability Division) regarding the status of the sales process, requesting/negotiation the transferring of the well licenses from Alston to GD Oil to allow the Receiver to close on the Provost PSA and several discussions regarding Alston's security deposit requests;
 - d) vacating the head office location of Alston and making arrangements for offsite storage of the Company's books and records and electronic data;

- e) continuing to engage the services of the existing field foreman at Provost to ensure that the assets are preserved, protected and operating appropriately;
- f) meetings and discussions with the various oil and gas marketers to market Alston's oil and gas production;
- g) continued discussions with the Receiver's marketing agent, Sayer Energy Advisors ("Sayer") regarding the Sayer Marketing Process;
- h) closing the Pembina PSA and the Minor PSA;
- i) continued instructions and interaction with the Receiver's independent legal counsel, McCarthy Tetrault LLP, in respect of various matters;
- j) day to day management of operations of Alston including contractor supervision and payment of trade creditors for services rendered and approved by the Receiver;
- k) monitoring the cash flow of Alston and working with suppliers regarding the payments to their outstanding invoices post-receivership;
- l) extending Alston's Corporate Insurance Policy for an additional 3-months;
- m) ensuring the statutory filing requirements of the Receiver are current and properly reported to the Canada Revenue Agency (the "CRA"); and
- n) numerous and on-going meetings and discussions with various creditors (or their representatives), legal counsel to the Receiver regarding various matters and with secured creditors, shareholders,

interested parties and other Alston stakeholders regarding the receivership generally.

Consultants

22. The Receiver continues to use the services of a contract accountant, production accountant and land administrator to assist the Receiver in the overall administration of the Receivership Proceedings. The contractor agreements entered into with each contractor allow for the termination at any time and contractors are currently being engaged on an “as needed” basis.

AER MATTERS

Security Deposit Matters

23. As discussed in the First Report, the July 16th AER Letter sent to the Receiver by the AER indicated that the Receiver was required to pay \$1.3 million security deposit by August 1, 2014 and if this deposit was not paid, the AER would suspend Alston’s entire operations. After further discussion between the Receiver’s counsel and the AER’s external counsel, an agreement was made that the AER extended the requirement to pay the security deposit to November 1, 2014. Notwithstanding, the Receiver was always of the position that it is not possessed of sufficient funds to cause Alston to make the LLR deposit and has disputed that it has any obligation to pay the LLR deposit due to the terms of the Receivership Order.
24. On September 11, 2014, the AER indicated that the LLR security deposit was increased to approximately \$2.5 million and this security deposit is required to be posted by the Receiver before the AER would authorize the transfer of the Provost Properties well licenses to GD Oil as part of the Provost PSA.
25. The Receiver continued requesting formal meetings with the AER to discuss the security deposit matter and other matters since the First Report. In November 2014, the AER agreed to meet the Receiver and representatives of the Alberta

Treasury Branch (“ATB”), without legal counsel present, for the first time and the meeting was to be held on November 19, 2014 (the “November 19th AER Meeting”) at the AER offices.

26. The purpose of the November 19th AER Meeting was to discussed the revised estimated realizations expected to come from the sale of the Provost Properties and to establish an agreement/consensus that would allow the AER to transfer the well licenses to GD Oil and allow the Receiver to close the Provost PSA. The Receiver prepared materials to be discussed at the November 19th AER Meeting and distributed these materials to representatives of the AER and ATB. However, shortly after the meeting materials were distributed, the AER decided to cancel November 19th AER Meeting with no indication of rescheduling it.
27. Despite the Provost PSA not closing by the Closing Date, GD Oil continued to show its interest in the Provost Properties with hope that a positive response from the AER would come with respect to the transferring of the well licenses. On December 24, 2014, the Receiver was advised, through its counsel, that the AER would agree to transfer the well licenses to GD Oil provided that the net proceeds (net of transaction costs) and after payment of amounts secured by the Receiver’s Charge and the Receiver’s Borrowing Charge are held in trust pending further Court order (the “December 24th License Transfer Agreement”). However due to the uncertainly of the AER’s willingness to transfer the well licenses from Alston to GD Oil and as commodity prices continued to plummet around that time, GD Oil decided that it was not in the position to close the Provost PSA. As a result, on January 16, 2015, GD Oil advised the Receiver that it wish to terminate the Provost PSA.
28. On February 4, 2015, the Receiver received from the AER Closure/Abandonment Orders issued to Alston (as licensee), Apache Canada Ltd. (“Apache”) and Wild Stream Exploration Ltd. (“Wild Stream”) (the “Closure Orders”). A copy of the AER letter and Closure Orders is attached as Appendix A to this Report. The Closure Orders and letter from the AER (the “February 4th AER Letter”) orders

Alston to abandon the well, facility and pipeline licenses listed in Schedule A of the February 4th AER Letter, which largely related to the Newton Properties and/or post a security deposit of approximately \$4.6 million. In any event, the AER placed Alston on Global Refer status in accordance with section 22 of the Oil and Gas Conservation Act (“OGCA”) and Directive 019. “Global Refer” is defined as Alston’s inability or unwillingness to comply with the requirements and will be considered by the regulator when deciding to approve or deny any pending or future applications to the AER involving Alston.

29. On February 11, 2015, the Receiver responded to the Closure Orders with a letter to the AER (the “February 11th A&M Response Letter”) that clarified A&M’s position that it is not:
- a) in possession of the Newton Properties;
 - b) responsible in its personal capacity to post the new security deposit request of \$4.6 million; or
 - c) responsible to act on the above-mentioned Closure Orders issued by the AER.
30. The Receiver further indicated in its February 11th A&M Response Letter that if the AER takes the contrary position or if it is ultimately determined by the Court or a regulatory body having jurisdiction that the Receiver was ever in possession of the Newton Properties, then the Receiver provides notice to the AER that pursuant to section 14.06(4) of the BIA and paragraph 15 of the Receivership Order that the Receiver hereby abandons, disposes of, renounces and releases any and all rights and interests in the Newton Properties and any rights associated therewith, including all licenses, facilities, pipelines or related interests identified. A copy of the February 11th A&M Response Letter is attached as Appendix B to this Report.

31. The Receiver is not aware of there being any changes to the December 24th Licenses Transfer Agreement with the AER should the Receiver find a new suitable purchaser to purchase the Provost Properties.

High Risk / Low Risk Enforcement Actions

Overview

32. As discussed in the First Report, on June 3, 2014, the Receiver received notice from the AER that the AER had concluded they would not be providing any further extensions with respect to numerous outstanding High Risk / Low Risk Enforcement Actions outstanding with Alston and certain pipeline licenses would be fully suspended (the “AER Deficiencies”) and required corrective action to be taken by the Receiver. The suspended licenses required the Receiver to shut-in approximately 50% of Alston’s entire production in the Provost area until the matters were rectified and certified by the AER as being completed. As a result, Alston’s production decreased, on average, of approximately 184 boe/d to 50 boe/d. The Receiver complied with the AER’s orders and shut-in those specific pipeline licenses and engaged the services of Status to establish a comprehensive work over program to correct these affected pipelines (the “AER Deficiencies Work”).
33. Since the First Report, the Receiver has held numerous meetings with the AER (Wainwright Office), GD Oil and Status, with respect to the AER Deficiency Work to ensure that the Receiver and its contractors were about to undertake were appropriate and would be, generally, accepted by the AER. The original cost and timeline estimates provided by Status to address the AER Deficiencies was approximately \$350,000 and 8-weeks to complete. The AER Deficiencies Work started on or around August 31, 2014 and was substantially completed by December 15, 2014 (the “AER Deficiency Work Period”). During the AER Deficiency Work Period, Status and the contractors experienced various other unforeseen issues on the Provost Properties relating to other “non-AER deficiency matters” that required the Receiver to correct and remediate. As a result of this

additional work and certain other cost over runs experienced in completing the AER Deficiencies Work, the total cost for the AER Deficiencies Work and other work over costs totalled approximately \$650,000.

34. On December 19, 2014, the AER (Wainwright Office) provided a letter to the Receiver (the “AER December 19th Letter”) indicating that the suspensions on the various licenses were now lifted and the Receiver was allowed to resume production through the “affected” pipelines, with the exception of a couple of pipelines that are required to be addressed with the AER by March 31, 2015. A copy of the AER December 19th Letter is attached as Appendix C to this Report. The satisfaction of the AER Deficiencies resulted in an increase in production of approximately 50 bbl/day.
35. The Provost Properties are capable of producing approximately 184 boe/d of Oil and Gas. Currently, the Provost Properties are producing approximately 78 barrels of oil per day (bbl/d) and approximately 15 boe/d of Gas for a total production of approximately 93 boe/d. The difference in capable production versus actual production relates to 10 wells currently not operating (the “Shut-In Wells”), which the Receiver understands are capable of producing an additional 94 boe/day (i.e. 78 bbl/d of Oil and 16 boe/d of Gas). The Shut-In Wells require certain capital maintenance costs to be incurred to get them operational; however, the Receiver does not have adequate funds to initiate these work overs, as the Receiver’s use of its current funds have been towards completing the AER Deficiency Work in order to be compliant with the AER. The Receiver is currently receiving estimates as to how much it may cost to bring on each of the Shut-In Wells back on production.

THE SALES PROCESS

Update

36. As previously reported, the Receiver retained Sayer as its marketing agent to sell the Property Alston (the “Sayer Marketing Process”). Sayer undertook a

significant sales and marketing process to ensure it effectively and thoroughly canvassed the market.

37. On August 6, 2014, this Honourable Court approved three purchase and sale agreements (“PSA”) and granted three Sale Approval and Vesting Orders to the following purchasers:
 - a) Provost Properties – to GD Oil;
 - b) Pembina Properties – to Midland Resources Inc. (“Midland”); and
 - c) The Minor Properties – to Head First Energy Inc. (“Head First”)
38. The Receiver closed on the sale of the Pembina Properties and Minor Properties and the sales proceeds with respect to these sales have been received by the Receiver and are currently being held in trust totalling \$469,480. The sale approval and vesting orders for both the Pembina PSA and the Minor Properties PSA authorizes and empowers the Receiver to distribute to ATB the net proceeds held in trust from these sales. The Receiver anticipates releasing these funds to ATB, subject to this Honourable Court granting an Order to the Receiver that increases the Receiver’s Borrowings Charge, as discussed further below.
39. The sale of the Provost Properties did not close with GD Oil for the reasons discussed above.
40. On January 16, 2015, the Receiver reinitiated discussions with Sayer to explore other options to dispose of the Provost Properties which would maximize realizations for the creditors and stakeholders of Alston. Based on these discussions, the Receiver, on the advice of Sayer, went back to four interested parties that originally placed an offer or expressed interest in the Provost Properties in the Sayer Marketing Process to determine if they still continued to have an interest in these properties. The Receiver updated various financial accounting records, production reports, etc. and provided this information to the interested parties. The Receiver is advised that these parties have all expressed

continued interest in the Provost Properties and it is expected that the Receiver will receive likely receive one or more offers shortly. The Receiver requested that all interested parties submit their offers to the Receiver by February 19, 2015.

RECEIPTS AND DISBURSMENTS – MAY 9, 2014 TO JANUARY 30, 2015

41. The table below provides a summary of the actual cash flows for the Reporting Period, which contains the cash receipts and disbursements relating to Alston.

Alston Energy Inc. - in Receivership (Draft)	
Week ending	TOTAL May 9/14 to Jan 30/15
Receipts	
Oil	1,778,169
Natural gas	72,718
Joint venture receipts	27,453
Proceeds from minor land sale	4,800
Other	22,221
Total receipts	1,905,360
Operating disbursements	
Operating and work over costs	
- General operating costs	913,604
- Flare line expenditures	289,209
Contractor costs	128,647
Lease rentals and royalty costs	295,896
Corporate insurance, accounting software and IT services and other misc. costs	128,355
ATB interest on Receiver's Certificate	5,025
GST Remittance	-
Total operating disbursements	1,760,735
Non-operating disbursements	
AER mandated work overs	
- AER pipeline audit work	317,265
- AER Husky Line audit work	-
Receivership professional fees	486,580
Final statement of adjustments on Pembina	10,682
Termination Order payments	81,720
Total non-operating disbursements	896,247
Total disbursements	2,656,982
Receiver's Certificate - borrowing (repayment)	734,179
Net change in cash flows	(17,443)
Opening available liquidity	17,443
Net change in cash flow	(17,443)
Ending available liquidity	0

Receiver's Certificate Reconciliation	
Maximum availability under credit facility	750,000
Borrowings (release of funds)	(734,179)
Remaining cash available under credit facility	15,821

42. The receipts during the Reporting Period totalled approximately \$1,905,360, which include the following:
- a) Oil, Gas, NGL and Joint Venture receipts of \$1,878,340;
 - b) proceeds from a minor land sale in the amount of \$4,800, and
 - c) other receipts of approximately \$22,220.
43. The operating disbursements during the Reporting Period totalled approximately \$1,760,735, which include the following:
- a) operating costs and work over costs totalling \$1,202,813 that consist of:
 - i. general operating costs of \$913,604 in relation to production volumes along with electricity costs, snow removal and higher than expected costs incurred to bring back production on the wells that were shut-in as a result of the AER Deficiencies in December 2014; and
 - ii. the Flare Line work over program of \$289,209, as discussed above;
 - b) contractor costs of \$128,647 relating to the payment of part-time contract general accountant, production accountant, operations advisor and land consultants to assist the Receiver in the day-to-day operations of Alston;
 - c) surface lease rental and royalty costs of \$295,896 that are not taken in kind and based on expected production;
 - d) Corporate insurance, accounting software, office rent, IT service work and other miscellaneous costs totalling \$128,355;

- e) interest fees paid of \$5,025 relating to the Receiver's Borrowings;
44. The non-operating disbursements during the Reporting Period totalled approximately \$896,247, which include the following:
- a) AER mandated work overs of approximately \$317,200 relating to the AER Deficiencies;
 - b) Professional fees and costs paid during the Reporting Period totaling \$486,500;
 - c) Final statement of adjustments paid by the Receiver relating to the Pembina PSA of \$10,682;
 - d) Termination Order Payments relating to payments paid under court order of \$81,720 for outstanding CCAA professional fees and outstanding and unpaid employee wages as at May 9, 2014; and
45. Receiver's borrowing under the Receiver's Certificate No.1 was \$734,179. The Receiver has a maximum borrowing limit of \$750,000 under its Receiver's Certificate No.1 credit facility with ATB.
46. Alston's ending available liquidity as at January 31, 2015 was \$15,821.

UPDATED CASH FLOW FORECAST THROUGH MAY 29, 2015

47. The Receiver, with the assistance of its contract accountant, has prepared an Updated Forecast for the Forecast Period based on the most current information available.
48. The Updated Forecast is based on the Receiver's assumptions regarding future events, actual results will vary from the information presented even if Receiver's assumptions to the Updated Forecast occur, and the variations may be material. Accordingly, the Receiver expresses no assurance as to whether the results shown in the Updated Forecast will be achieved.

49. The table below summarizes the cash flow for the Forecast Period:

Alston Energy Inc - In Receivership January 31, 2015 - May 29, 2015 (the "Revised Forecast") (\$CAD - Unaudited) - Preliminary DRAFT	
Week ending	TOTAL Weeks 39 - 55 January 31 to May 29, 2015
Receipts	
Oil & Gas	460,000
Other	-
Total receipts	460,000
Operating disbursements	
General operating costs	297,000
Contractor costs	24,800
Surface lease rentals	71,100
Mineral lease and royalty costs	60,644
Corporate insurance, accounting software and IT services and other misc. costs	37,200
ATB interest on Receiver's Certificate	16,500
GST Remittance	-
Property taxes	-
Total operating disbursements	507,244
Net Operating Receipts (Costs)	(47,244)
Non-operating and AER work over disbursements	
AER mandated work overs	
- AER pipeline audit work	195,000
- AER Husky Line audit work	116,400
Outstanding operating costs (accounts payable)	307,050
Receivership professional fees	192,000
Total non-operating disbursements	810,450
Receiver's Certificate - borrowings	857,694
Net change in cash flows	-
Receiver's Borrowings Reconciliation	
Maximum availability under credit facility, subject to Court approval	1,700,000
Available balance on existing credit facility	15,821
Proposed increase to Receiver's borrowings, subject to Court approval	950,000
Receiver's draw on credit facility	(857,694)
Remaining liquidity available under credit facility	108,127

50. As shown in the table above, the Receiver requires additional borrowings of approximately \$858,000 to cover the forecast liquidity shortfall over the Forecast Period.

51. The Receiver currently has a maximum borrowing limit of \$750,000 and the Receiver is requesting this Honourable Court to grant an Order to increase the Receiver's Borrowing Charge by an additional \$950,000 to \$1,700,000. The \$950,000 increase in borrowings will allow the Receiver to cover the Receiver's Charges over the Forecast Period, subject to Court approval, and will provide for a small cushion of additional funds to deal with unforeseen changes to the Updated Forecast.

RECEIVER'S BORROWINGS

52. Pursuant to paragraph 20 of the Receivership Order, the Receiver has been empowered to borrow up to \$750,000 (or such greater amount as this Court may further Order).
53. As discussed in the First Report, on May 23, 2014, the Receiver issued the Receiver's Certificate No. 1 in the amount of \$750,000 with ATB. To date, the Receiver has drawn approximately \$735,000 on the Receiver's Certificate No. 1.
54. As a result of GD Oil terminating the Provost PSA and the sale of the Provost Properties not closing, the Receiver does not have adequate funds available to pay suppliers for the work they performed during the Reporting Period, which largely result from the Receiver complying and completing the mandated AER Deficiencies and various other unexpected operational work over programs on the Provost Properties. In order to ensure that the various suppliers and professionals are secured for their outstanding invoices, an increase in the Receiver's Borrowing Charge of \$950,000 is required.
55. Accordingly, the Receiver is respectfully requesting this Court to grant the Receiver's proposed Order to revise the Receiver's Borrowings to \$1,700,000.
56. ATB is the main secured creditor in the Receivership Proceedings and has a significant economic interest in the future recoveries and realizations of Alston's assets. As discussed in the First Report, the Receiver obtained an opinion from its

counsel confirming the validity and enforceability of the ATB security in relation to Alston's assets. The Receiver is advised by its legal counsel that ATB's security is valid and enforceable and ranks in priority to ordinary unsecured creditors. The Receiver is advised by ATB that it supports the Receiver's application to increase the Receiver's borrowings to \$1,700,000 and has also agreed to fund the additional borrowings, subject to Court approval.

RECEIVER'S FUTURE COURSE OF ACTION

57. The Receiver's next steps include:

- a) paying all outstanding professional costs supplier invoices from the additional Receiver's borrowings as contemplated in the Updated Forecast, subject to Court approval;
- b) continued discussions with interested parties with respect to the purchase of Provost;
- c) working with the CRA in supplying them the required information for the start and complete their GST and source deductions audit of Alston;
- d) continuing operations of Alston's Provost wells and facilities;
- e) addressing any and all remaining operational and regulatory matters affecting Alston's Property, as may be required.

RECOMMENDATION

58. The Receiver respectfully recommends that this Honourable Court approve the Receiver's request for an increase to the Receiver's borrowings to \$1,700,000.

All of which is respectfully submitted this 12th day of February, 2015.

ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Alston Energy Inc.

A handwritten signature in black ink, appearing to read 'Tim Reid', with a stylized flourish at the end.

Tim Reid, CA, CIRP
Senior Vice-President

A handwritten signature in black ink, appearing to read 'Orest Konowalchuk', with a large, sweeping loop at the end.

Orest Konowalchuk, CA, CIRP
Vice President

APPENDIX A

January 28, 2015

To List of Addressees

**Low Risk Enforcement
Closure/Abandonment Orders No. AD 2015-05, AD 2015-07, AD 2015-08 and
AD 2015-09 and AD 2015-10
Noncompliance with the Liability Management Program Requirements
Monthly Liability Management Rating (LMR) Assessment Security Deposit
Requirement**

Dear Sir/Madam:

The Alberta Energy Regulator's (AER) records indicate that Miscellaneous Order No. MISC 2014-65 was issued against Alston Energy Inc. (Alston) on July 3, 2014, for failure to pay its security deposit pursuant to section 1.100(2) of the *Oil and Gas Conservation Rules (OGCR)* and *Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*, remain outstanding. Therefore, enclosed for your immediate attention are Closure/Abandonment Orders Closure/Abandonment Orders No. AD 2015-05, AD 2015-07, AD 2015-08, AD 2015-09 and AD 2015-10, issued by the AER, ordering Alston to abandon the well, facility, and pipeline licences listed in Schedule A Licensed Properties.

Due to the Alvarez and Marsal Canada's (Receiver) position of not taking care and custody of the licences listed in Schedule A, Closure/Abandonment Orders No. AD 2015-08, AD 2015-08 and AD 2015-10 are effective immediately. The remaining orders have a deadline of 60 days in order to provide appropriate notification to the working interest participants involved in those licences.

Please be advised that pursuant to sections 27, 28, 29, and 30 of the *Oil and Gas Conservation Act (OGCA)* and section 3.012 of the *OGCR*, Alston, and working interest participants **Apache Canada Ltd. and Wild Stream Exploration Inc.** are each considered responsible and financially liable for the abandonment of the properties in which they have a working interest, and the associated abandonment costs. Pursuant to sections 23, 24, 25 and 26 of the *Pipeline Act*, Alston is considered responsible and financially liable for the abandonment of its pipeline licences.

As such, the **Global Refer** status has been maintained against Alston in accordance with section 22 of the *OGCA* and *Directive 019: Compliance Assurance (Directive 019)*. The Global Refer status indicates Alston's inability or unwillingness to comply with the requirements and will be considered by the regulator when deciding to approve or deny any pending or future applications to the AER involving Alston. In addition, this noncompliance has been recorded on the AER's corporate database.

The **Global Refer** status, Miscellaneous Order No. MISC 2014-65, and Closure/Abandonment Orders No. AD 2015-05, AD 2015-07, AD 2015-08, AD 2015-09 and AD 2015-10 will remain in place against Alston until all of the following conditions have been met:

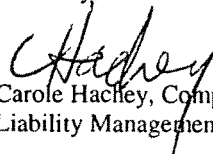
1. Alston pays its security deposit in full. Currently, Alston owes a security deposit amount of **\$4,602,996.49**. This security deposit amount represents the difference between Alston's Deemed Liabilities and Deemed Assets determined from the January 2015. The security deposit payment must not be combined with any other payment made to the AER. The AER will only accept cash or a letter of credit which meet the security deposit requirements of *Directive 068: ERCB Security Deposit* to satisfy the security deposit;
2. Alston provides a written explanation acceptable to the AER addressing the failure to respond and detailing steps to prevent future occurrences of noncompliance with the AER's Licensee Liability Rating Program requirements.

Take Notice:

1. Failure to comply by the date identified in the attached Closure/Abandonment Orders will result in the **Global Refer** status being imposed against working interest participants;
2. Should Alston fail to comply, or Alston and working interest participant **Apache Canada Ltd. and Wild Stream Exploration Inc.**, fail to abandon their respective properties by the date identified in the attached Closure/Abandonment Order, the AER will, without further notice, use its process to have the properties abandoned. The AER will exercise all remedies available to it to recover the costs from the liable parties.
3. Should the AER subsequently abandon the properties because the licensee, and working interest participants fail to act on the Closure/Abandonment Orders, the AER may initiate the procedure of Named Individual in accordance with section 106 of the *OGCA* and apply consequences to those individuals as outlined. Enclosed for your reference is a copy of the section 106 of the *OGCA*.
4. Once the properties are abandoned, section 137 of the *Environmental Protection and Enhancement Act* requires Alston and its working interest participants to reclaim these sites and to obtain a reclamation certificate. Reclamation must be done to meet the requirements of the *Reclamation Criteria for Wellsites and Associated Facilities* (as amended).

Questions regarding the enclosed Closure/Abandonment Orders or enforcement actions outlined in this letter may be directed to the undersigned at carole.hachey@aer.ca or 403-297-8448

Sincerely,


Carole Hachey, Compliance Officer
Liability Management, Closure & Liability

Enclosure (Closure/Abandonment Orders No. AD 2015-05, AD 2015-07, AD 2015-08, AD 2015-09 and AD 2015-10)

cc: Wainwright, St. Albert, and Drayton Valley Field Centres and associated Managers and
Regional Coordinators, Environment & Operational Performance, AER, (E-mail)
Enforcement@ aer.ca, Liability Management (E-mail)
ComplianceCoordination@ aer.ca (E-mail)
Orphan Program Specialists, AER (E-mail)

**SCHEDULE A
LICENCED PROPERTIES**

ALSTON ENERGY INC.

List of Well Licences

Licence No.	Surface Location	Working Interest Participant(s)	Percent Interest
W 0205662	04-17-058-03W5	Alston Energy Inc.	100
W 0213473	04-09-058-03W5	Alston Energy Inc.	100
W 0213476	04-20-058-03W5	Alston Energy Inc.	100
W 0213779	08-09-066-05W5	Apache Canada Ltd.	40
		Alston Energy Inc.	60
W 0215017	09-01-058-04W5	Alston Energy Inc.	100
W 0216275	14-36-057-04W5	Alston Energy Inc.	100
W 0216643	12-12-058-04W5	Alston Energy Inc.	100
W 0217607	16-17-058-03W5	Alston Energy Inc.	100
W 0219830	10-08-058-03W5	Alston Energy Inc.	100
W 0225207	09-02-058-03W5	Alston Energy Inc.	100
W 0225649	16-05-058-03W5	Alston Energy Inc.	100
W 0246943	11-20-057-04W5	Alston Energy Inc.	100
W 0303683	03-12-058-03W5	Alston Energy Inc.	100
W 0304517	12-09-058-03W5	Alston Energy Inc.	100
W 0308701	03-13-058-03W5	Alston Energy Inc.	100
W 0314403	11-01-058-03W5	Alston Energy Inc.	100
W 0315860	08-14-058-03W5	Alston Energy Inc.	100
W 0323521	03-36-057-03W5	Alston Energy Inc.	100
W 0326709	12-10-054-27W4	Alston Energy Inc.	100
W 0328257	09-20-061-25W4	Alston Energy Inc.	100
W 0337267	07-29-057-02W5	Alston Energy Inc.	100
W 0358436	02-30-057-02W5	Alston Energy Inc.	100
W 0380270	12-35-057-03W5	Alston Energy Inc.	100
W 0384387	06-28-054-07W5	Alston Energy Inc.	100
W 0384662	05-17-058-03W5	Alston Energy Inc.	100
W 0385230	15-12-058-03W5	Alston Energy Inc.	100
W 0393439	02-05-066-04W5	Alston Energy Inc.	100
W 0393678	01-33-057-03W5	Alston Energy Inc.	100
W 0396031	08-11-059-04W5	¹ Wild Stream Exploration Inc.	25
		Alston Energy Inc.	75
W 0403939	03-29-057-02W5	Alston Energy Inc.	100

¹ AER records indicate that Sword Energy amalgamated into Wild Stream Exploration Inc. on January 18, 2007.

List of Facility Licences

Licence No.	Surface Location	Working Interest Participant(s)	Percent Interest
F 20688	00/12-07-058-03W5	Alston Energy Inc.	100
F 40530	00/04-17-058-03W5	Alston Energy Inc.	100

List of Pipeline Licences

Licence No.	From Location	To Location	Line Number
P 24413	04-29-038-03W4	05-29-038-03W4	1
	04-29-038-03W4	06-29-038-03W4	2
	04-29-038-03W4	05-29-038-03W4	3
P 30999	04-17-058-03W5	12-07-058-03W5	1
	12-07-058-03W5	12-06-058-03W5	2
	04-20-058-03W5	04-17-058-03W5	3
	09-01-058-04W5	12-07-058-03W5	5
	14-36-057-04W5	09-01-058-04W5	6
	12-12-058-04W5	12-07-058-03W5	7
	16-17-058-03W5	04-17-058-03W5	8
	10-08-058-03W5	04-17-058-03W5	9
	09-02-058-03W5	13-34-057-03W5	10
	16-05-058-03W5	10-08-058-03W5	11
	15-12-058-03W5	03-12-058-03W5	12
	04-06-066-04W5	02-05-066-04W5	15
	03-11-066-05W5	04-06-066-04W5	17
	02-10-066-05W5	03-11-066-05W5	18
	08-09-066-05W5	02-10-066-05W5	19
	01-33-057-03W5	06-34-057-03W5	21
	13-34-057-03W5	16-05-058-03W5	22
	02-04-058-03W5	06-04-058-03W5	23
	13-34-057-03W5	05-34-057-03W5	24
P 31626	10-27-038-03W4	04-27-038-03W4	1
P 32319	04-29-038-03W4	04-29-038-03W4	1
P 36333	11-20-057-04W5	09-29-057-04W5	1
P 42816	12-09-058-03W5	10-08-058-03W5	1
P 45390	12-10-054-27W4	09-15-054-27W4	1
P 47612	09-20-061-25W4	10-20-061-25W4	1
P 48339	02-30-057-02W5	03-36-057-03W5	1
	03-29-057-02W5	02-30-057-02W5	2
P 50100	03-12-058-03W5	09-02-058-03W5	1
	12-35-057-03W5	06-34-057-03W5	2

	08-11-059-04W5	16-11-059-04W5	3
P 50851	02-05-066-04W5	01-05-066-04W5	14
P 54374	03-13-058-03W5	11-19-058-02W5	1
	03-13-058-03W5	03-12-058-03W5	2
	11-01-058-03W5	03-12-058-03W5	3
	03-36-057-03W5	03-12-058-03W5	4

Actions re principals

106(1) Where a licensee, approval holder or working interest participant

(a) contravenes or fails to comply with an order of the Regulator, or

(b) has an outstanding debt to the Regulator, or to the Regulator to the account of the orphan fund, in respect of suspension, abandonment or reclamation costs,

and where the Regulator considers it in the public interest to do so, the Regulator may make a declaration setting out the nature of the contravention, failure to comply or debt and naming one or more directors, officers, agents or other persons who, in the Regulator's opinion, were directly or indirectly in control of the licensee, approval holder or working interest participant at the time of the contravention, failure to comply or failure to pay.

(2) The Regulator may not make a declaration under subsection (1) unless it first gives written notice of its intention to do so to the affected directors, officers, agents or other persons and gives them at least 10 days to show cause as to why the declaration should not be made.

(3) Where the Regulator makes a declaration under subsection (1), the Regulator may, subject to any terms and conditions it considers appropriate,

(a) suspend any operations of a licensee or approval holder under this Act or a licensee under the *Pipeline Act*,

(b) refuse to consider an application for an identification code, licence or approval from an applicant under this Act or the *Pipeline Act*,

(c) refuse to consider an application to transfer a licence or approval under this Act or a licence under the *Pipeline Act*,

(d) require the submission of abandonment and reclamation deposits in an amount determined by the Regulator prior to granting any licence, approval or transfer to an applicant, transferor or transferee under this Act, or

(e) require the submission of abandonment and reclamation deposits in an amount determined by the Regulator for any wells or facilities of any licensee or approval holder,

where the person named in the declaration is the licensee, approval holder, applicant, transferor or transferee referred to in clauses (a) to (e) or is a director, officer, agent or other person who, in the Regulator's opinion, is directly or indirectly in control of the licensee, approval holder, applicant, transferor or transferee referred to in clauses (a) to (e).

(4) This section applies in respect of a contravention, failure to comply or debt whether the contravention, failure to comply or debt arose before or after the coming into force of this section.

Delivered by Courier to:

Mr. Orest Okonowalchuk
Alston Energy Inc. (A5MK)
c/o Alvarez & Marsal Canada Inc.
570 – 202 6 Ave SW
Calgary, AB T2P 2R9

President
Apache Canada Ltd. (0JL8)
2800 – 421 7 Ave SW
Calgary, AB T2P 4K9

President
Wild Stream Exploration Inc. (A2EK)
710 – 400 5 Ave SW
Calgary, AB T2P 0L6

Email:

David.Adams@alvarezandmarsal.com

okonowalchuk@alvarezandmarsal.com

PROVINCE OF ALBERTA
ALBERTA ENERGY REGULATOR
OIL AND GAS CONSERVATION ACT

ORDER NO. AD 2015-05

AN ORDER RESPECTING THE ABANDONMENT OF A WELL LICENSED TO
ALSTON ENERGY INC.

WHEREAS Alston Energy Inc. (Licensee) is the licensee of the well outlined in Clause 1;

WHEREAS under section 1.100(2) of the *Oil and Gas Conservation Rules* (OGCR) the Licensee was required to provide a security deposit to the Alberta Energy Regulator (AER);

WHEREAS the AER notified the Licensee of its requirement to provide the security deposit required under the OGCR;

WHEREAS the Licensee has failed to provide the security deposit as required;

WHEREAS the AER believes the well noted in Clause 1 should be abandoned;

WHEREAS Apache Canada Ltd. is a working interest participant in the well;

THEREFORE, under section 27 of the *Oil and Gas Conservation Act*, RSA 2000, c. O-6 (OGCA), the AER hereby orders as follows:

1. The Licensee and Apache Canada Ltd. shall on or before **March 28, 2015**, abandon the following well in accordance with the requirements of the AER:

Licence No.	Surface Location
0213779	08-09-066-05 W5M

2. The Licensee and Apache Canada Ltd. shall submit all applicable documentation confirming completion of abandonment operations, including confirmation of surface abandonment and removal of surface equipment, cement pads, debris, and produced liquids associated with the well, by the date specified in Clause 1.
3. Under section 101 of the OGCA, for the purposes of carrying out the activities contemplated in Clause 1, the Licensee and Apache Canada Ltd. are entitled to have access to and may enter on the land and any structures on the land concerned.
4. The AER may amend this Order on any term or condition it may specify.

MADE at the City of Calgary, in the Province of Alberta, this 3 day of February 3, 2015



ALBERTA ENERGY REGULATOR

PROVINCE OF ALBERTA
ALBERTA ENERGY REGULATOR
OIL AND GAS CONSERVATION ACT

ORDER NO. AD 2015-07

AN ORDER RESPECTING THE ABANDONMENT OF A WELL LICENSED TO
ALSTON ENERGY INC.

WHEREAS Alston Energy Inc. (Licensee) is the licensee of the well outlined in Clause 1;

WHEREAS under section 1.100(2) of the *Oil and Gas Conservation Rules* (OGCR) the Licensee was required to provide a security deposit to the Alberta Energy Regulator (AER);

WHEREAS the AER notified the Licensee of its requirement to provide the security deposit required under the OGCR;

WHEREAS the Licensee has failed to provide the security deposit as required;

WHEREAS the AER believes the well noted in Clause 1 should be abandoned;

WHEREAS Wild Stream Exploration Inc. is a working interest participant in the well;

THEREFORE, under section 27 of the *Oil and Gas Conservation Act*, RSA 2000, c. O-6 (OGCA), the AER hereby orders as follows:

5. The Licensee and Wild Stream Exploration Inc. shall on or before **March 28, 2015**, abandon the following well in accordance with the requirements of the AER:

Licence No.	Surface Location
0396031	08-11-059-04 W5M

6. The Licensee and Wild Stream Exploration Inc. shall submit all applicable documentation confirming completion of abandonment operations, including confirmation of surface abandonment and removal of surface equipment, cement pads, debris, and produced liquids associated with the well, by the date specified in Clause 1.
7. Under section 101 of the OGCA, for the purposes of carrying out the activities contemplated in Clause 1, the Licensee, and Wild Stream Exploration Inc. are entitled to have access to and may enter on the land and any structures on the land concerned.
8. The AER may amend this Order on any term or condition it may specify.

MADE at the City of Calgary, in the Province of Alberta, this 3 day of February 3, 2015



ALBERTA ENERGY REGULATOR

PROVINCE OF ALBERTA
ALBERTA ENERGY REGULATOR
OIL AND GAS CONSERVATION ACT

ORDER NO. AD 2015-08

AN ORDER RESPECTING THE ABANDONMENT OF WELLS LICENSED TO
ALSTON ENERGY INC.

WHEREAS Alston Energy Inc. (Licensee) is the licensee of the wells outlined in Clause 1;

WHEREAS under section 1.100(2) of the *Oil and Gas Conservation Rules* (OGCR) the Licensee was required to provide a security deposit to the Alberta Energy Regulator (AER);

WHEREAS the AER notified the Licensee of its requirement to provide the security deposit required under the OGCR;

WHEREAS the Licensee has failed to provide the security deposit as required;

WHEREAS the AER believes the wells noted in Clause 1 should be abandoned;

THEREFORE, under section 27 of the *Oil and Gas Conservation Act*, RSA 2000, c. O-6 (OGCA), the AER hereby orders as follows:

1. Effective immediately, the Licensee shall abandon the following wells in accordance with the requirements of the AER:

Licence No.	Surface Location
0205662	04-17-058-03 W5M
0213473	04-09-058-03 W5M
0213476	04-20-058-03 W5M
0215017	09-01-058-04 W5M
0216275	14-36-057-04 W5M
0216643	12-12-058-04 W5M
0217607	16-17-058-03 W5M
0219830	10-08-058-03 W5M
0225207	09-02-058-03 W5M
0225649	16-05-058-03 W5M
0246943	11-20-057-04 W5M
0303683	03-12-058-03 W5M
0304517	12-09-058-03 W5M
0308701	03-13-058-03 W5M
0314403	11-01-058-03 W5M
0315860	08-14-058-03 W5M
0323521	03-36-057-03 W5M
0326709	12-10-054-27 W4M
0328257	09-20-061-25 W4M
0337267	07-29-057-02 W5M
0358436	02-30-057-02 W5M
0380270	12-35-057-03 W5M

0384387	06-28-054-07 W5M
0384662	05-17-058-03 W5M
0385230	15-12-058-03 W5M
0393439	02-05-066-04 W5M
0393678	01-33-057-03 W5M
0403939	03-29-057-02 W5M

2. The Licensee shall submit all applicable documentation confirming completion of abandonment operations, including confirmation of surface abandonment and removal of surface equipment, cement pads, debris, and produced liquids associated with the well, by the date specified in Clause 1.
3. Under section 101 of the OGCA, for the purposes of carrying out the activities contemplated in Clause 1, the Licensee is entitled to have access to and may enter on the land and any structures on the land concerned.
4. The AER may amend this Order on any term or condition it may specify.

MADE at the City of Calgary, in the Province of Alberta, this 3 day of February 3, 2015.



ALBERTA ENERGY REGULATOR

PROVINCE OF ALBERTA
ALBERTA ENERGY REGULATOR
OIL AND GAS CONSERVATION ACT

ORDER NO. AD 2015-09

AN ORDER RESPECTING THE ABANDONMENT OF FACILITIES LICENSED TO
ALSTON ENERGY INC.

WHEREAS Alston Energy Inc. (Licensee) is the licensee of the facilities outlined in Clause 1;

WHEREAS under section 1.100(2) of the *Oil and Gas Conservation Rules* (OGCR) the Licensee was required to provide a security deposit to the Alberta Energy Regulator (AER);

WHEREAS the AER notified the Licensee of its requirement to provide the security deposit required under the OGCR;

WHEREAS the Licensee has failed to provide the security deposit as required;

WHEREAS the AER believes the facilities noted in Clause 1 should be abandoned;

THEREFORE, under section 27 of the *Oil and Gas Conservation Act*, RSA 2000, c. O-6 (OGCA), the AER hereby orders as follows:

1. Effective immediately, the Licensee shall abandon the following facilities in accordance with the requirements of the AER:

Licence No.	Surface Location
20688	12-07-058-03 W5M
40530	04-17-058-03 W5M

2. The Licensee shall submit all applicable documentation confirming completion of abandonment operations, including confirmation of surface abandonment and removal of surface equipment, cement pads, debris, and produced liquids associated with the facility, by the date specified in Clause 1.
3. Under section 101 of the OGCA, for the purposes of carrying out the activities contemplated in Clause 1, the Licensee is entitled to have access to and may enter on the land and any structures on the land concerned.
4. The AER may amend this Order on any term or condition it may specify.

MADE at the City of Calgary, in the Province of Alberta, this 3 day of February 3, 2015.


ALBERTA ENERGY REGULATOR

PROVINCE OF ALBERTA
ALBERTA ENERGY REGULATOR
PIPELINE ACT

ORDER NO. AD 2015-10

**AN ORDER RESPECTING THE CLOSURE AND ABANDONMENT OF PIPELINES LICENSED
TO
ALSTON ENERGY INC.**

WHEREAS Alston Energy Inc. (Licensee) is the licensee of the pipelines outlined in Clause 2;

WHEREAS under section 1.100(2) of the *Oil and Gas Conservation Rules* (OGCR) the Licensee was required to provide a security deposit to the Alberta Energy Regulator (AER);

WHEREAS the AER notified the Licensee of its requirement to provide the security deposit required under the OGCR;

WHEREAS the Licensee has failed to provide the security deposit as required;

WHEREAS the AER believes the pipelines noted in Clause 1 should be abandoned;

THEREFORE, under section 23 of the *Pipeline Act*, RSA 2000, c. P-15 (PA), the AER hereby orders as follows:

1. The pipeline licence and its respective pipeline segments, referenced in Clause 2, are suspended, effective immediately.
2. Effective immediately, the Licensee shall abandon the following pipeline licences and applicable pipeline segments in accordance with the requirements of the AER:

Licence No.	From Location	To Location	Line Number
P 24413	04-29-038-03W4	05-29-038-03W4	1
	04-29-038-03W4	06-29-038-03W4	2
	04-29-038-03W4	05-29-038-03W4	3
P 30999	04-17-058-03W5	12-07-058-03W5	1
	12-07-058-03W5	12-06-058-03W5	2
	04-20-058-03W5	04-17-058-03W5	3
	09-01-058-04W5	12-07-058-03W5	5
	14-36-057-04W5	09-01-058-04W5	6
	12-12-058-04W5	12-07-058-03W5	7
	16-17-058-03W5	04-17-058-03W5	8
	10-08-058-03W5	04-17-058-03W5	9
	09-02-058-03W5	13-34-057-03W5	10
	16-05-058-03W5	10-08-058-03W5	11
	15-12-058-03W5	03-12-058-03W5	12
	04-06-066-04W5	02-05-066-04W5	15

	03-11-066-05W5	04-06-066-04W5	17
	02-10-066-05W5	03-11-066-05W5	18
	08-09-066-05W5	02-10-066-05W5	19
	01-33-057-03W5	06-34-057-03W5	21
	13-34-057-03W5	16-05-058-03W5	22
	02-04-058-03W5	06-04-058-03W5	23
	13-34-057-03W5	05-34-057-03W5	24
P 31626	10-27-038-03W4	04-27-038-03W4	1
P 32319	04-29-038-03W4	04-29-038-03W4	1
P 36333	11-20-057-04W5	09-29-057-04W5	1
P 42816	12-09-058-03W5	10-08-058-03W5	1
P 45390	12-10-054-27W4	09-15-054-27W4	1
P 47612	09-20-061-25W4	10-20-061-25W4	1
P 48339	02-30-057-02W5	03-36-057-03W5	1
	03-29-057-02W5	02-30-057-02W5	2
P 50100	03-12-058-03W5	09-02-058-03W5	1
	12-35-057-03W5	06-34-057-03W5	2
	08-11-059-04W5	16-11-059-04W5	3
P 50851	02-05-066-04W5	01-05-066-04W5	14
P 54374	03-13-058-03W5	11-19-058-02W5	1
	03-13-058-03W5	03-12-058-03W5	2
	11-01-058-03W5	03-12-058-03W5	3
	03-36-057-03W5	03-12-058-03W5	4

3. The Licensee shall submit all applicable documentation confirming completion of abandonment operations and surface equipment removal operations by the date specified in Clause 2.
4. Under section 28 of the *PA*, for the purposes of carrying out the activities contemplated in Clause 2, the Licensee is entitled to have access to and may enter on the land and any structures on the land concerned.
5. The AER may amend this Order on any term or condition it may specify.

MADE at the City of Calgary, in the Province of Alberta, this 3 day of February 3, 2015


ALBERTA ENERGY REGULATOR

APPENDIX B



McCarthy Tétrault LLP
Suite 4000
421-7th Avenue S.W.
Calgary AB T2P 4K9
Canada
Tel: 403-260-3500
Fax: 403-260-3501

Sean F. Collins
Direct Line: (403) 260-3531
Direct Fax: (403) 260-3501
Email: scollins@mccarthy.ca

February 11, 2015

Via Email (tczech@milesdavison.com)

Terry L. Czechowskyj
Miles Davison LLP
Suite 900, 517 – 10th Avenue
Calgary AB T2R 0A8
Dear Sir:

Re: In the Matter of the Receivership of Alston Energy Inc. ("Alston")

We write to you in your capacity as counsel to the Alberta Energy Regulator (the "**AER**"). As you are aware, we are counsel to Alvarez and Marsal Canada Inc. ("**A&M**" or the "**Receiver**"). On February 4, 2015, the Receiver received from the AER Closure/Abandonment Orders dated February 3, 2015, bearing AER reference numbers AD 2015-05, AD 2015-07, AD 2015-08, AD 2015-09 and AD 2015-10 issued to Alston (as licensee), Apache Canada Ltd. ("**Apache**"), Wild Stream Exploration Ltd. ("**Wild Stream**") (collectively referred to as, the "**Closure Orders**") with respect to all of the oil and gas licenses, properties, pipelines and facilities owned by Alston and located in the Municipal District of Newton (the "**Newton Properties**"). The Closure Orders identify various license numbers and surface locations. A&M has reviewed this list of well licenses and identified what would appear to be clerical errors when comparing the surface locations to the AER Digital Data Submission website that lists Alston's properties. Attached as Schedule "**A**" to this correspondence is a handwritten mark-up of the list of licensed properties originally attached to the AER's correspondence enclosing the Closure Orders. The mark-up corrects five legal descriptions in the surface location and also identifies two additional licenses that the Receiver believes should be included in the Closure Orders.

The AER had previously enquired through your office as to whether the Receiver would object to closure orders being issued in respect of the Newton Properties. We confirm the Receiver's advice as originally articulated in our correspondence, dated June 2, 2014, and as reported by the Receiver to the Court of Queen's Bench of Alberta (the "**Court**") in the Receiver's First Report, dated August 1, 2014, that A&M did not take possession of the Newton Properties. As a consequence, we further confirm the Receiver's advice that the Receiver takes no position as it pertains to the Closure Orders being issued in respect of the Newton Properties.

The Closure Orders also purport to or mistakenly relate to certain pipeline licenses owned by Alston and located in the Municipal District of Provost. Such properties and facilities are

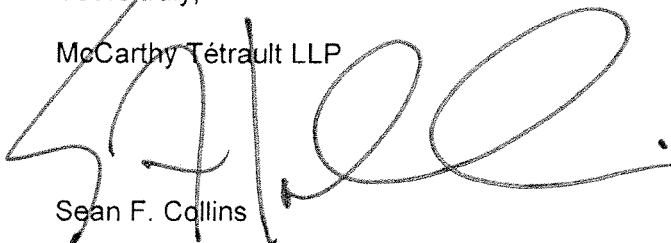
identified in Schedule "B" to this correspondence (the "**Provost Properties**"). As the AER is aware, the Receiver entered into possession of the Provost Properties. In addition to actively marketing the Provost Properties for sale, the Receiver has caused Alston to comply with directives of the AER pertaining to remedial work that the AER required to be undertaken relative to Alston's pipeline and other facilities located on the Provost Properties. The proposed enforcement proceedings with respect to the Provost Properties, including, without limitation, the AER maintaining the Global Refer status with respect to Alston and the issuance of the Closure Orders are "Proceedings" that are stayed under and pursuant paragraph 8 of the Order issued by the Honourable Justice K.M. Horner on May 9, 2014 (the "**Receivership Order**"). In particular, the carve-out in paragraph 8 of the Receivership Order for actions taken by a Regulatory Body does not apply in these circumstances given that the AER is clearly enforcing a payment order.

The Receiver thus requires the AER to confirm by return correspondence that (a) the Closure Orders do not apply to the Provost Properties; and (b) the Global Refer status will be immediately vacated. Should the AER refuse to provide the requested confirmation, then the Receiver will seek a declaration from the court that the AER's purported enforcement actions are in violation of the stay of proceedings together with such consequential relief as may reasonably flow from such declaration.

For greater certainty, A&M's position is that it is not: (a) in possession of the Newton Properties, (b) responsible in its personal capacity to post the security deposit that the AER has indicated must be posted by Alston, pursuant to Section 1.100(2) of the *Oil and Gas Conservation Rules* (OGCR) and Directive 006: Licensee Liability Rating (LLR) Program and License Transfer Process; and (c) including, but without limitation, for the reasons as set out in our correspondence of June 2, 2014, is not responsible in its personal capacity for the costs referenced in paragraph 2 of the second page of the AER's letter dated January 28, 2015; or (d) responsible to act on the above-mentioned Closures Orders issued by the AER. However, if the AER takes the contrary position or if it is ultimately determined by a court or regulatory body having jurisdiction that the Receiver was ever in possession of the Newton Properties, then the Receiver hereby provides notice to the AER pursuant to section 14.06(4) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and paragraph 15 of the Receivership Order that the Receiver hereby abandons, disposes of, renounces and releases any and all rights and interests in the Newton Properties and any rights associated therewith, including all licenses, facilities, pipelines or related interests identified therein.

Yours truly,

McCarthy Tétrault LLP



Sean F. Collins

SFC/mas

c. Alvarez and Marsal Canada Inc.
Apache Canada Ltd.
Wild Stream Exploration Ltd.

SCHEDULE "A"

SCHEDULE A LICENCED PROPERTIES

ALSTON ENERGY INC.

List of Well Licences

Licence No.	Surface Location	Working Interest Participant(s)	Percent Interest
W 0205662	04-17-058-03W5	Alston Energy Inc.	100
W 0213473	04-09-058-03W5	Alston Energy Inc.	100
W 0213476	04-20-058-03W5	Alston Energy Inc.	100
W 0213779	08-09-066-05W5	Apache Canada Ltd.	40
		Alston Energy Inc.	60
W 0215017	09-01-058-04W5	Alston Energy Inc.	100
W 0216275	14-36-057-04W5	Alston Energy Inc.	100
W 0216643	12-12-058-04W5	Alston Energy Inc.	100
W 0217607	16-17-058-03W5	Alston Energy Inc.	100
W 0219830	10-08-058-03W5	Alston Energy Inc.	100
W 0225207	09-02-058-03W5	Alston Energy Inc.	100
W 0225649	16-05-058-03W5	Alston Energy Inc.	100
W 0246943	11-20-057-04W5 ①	Alston Energy Inc.	100
W 0303683	03-12-058-03W5 ②	Alston Energy Inc.	100
W 0304517	12-09-058-03W5	Alston Energy Inc.	100
W 0308701	03-13-058-03W5	Alston Energy Inc.	100
W 0314403	11-01-058-03W5	Alston Energy Inc.	100
W 0315860	08-14-058-03W5	Alston Energy Inc.	100
W 0323521	03-36-057-03W5	Alston Energy Inc.	100
W 0326709	12-10-054-27W4	Alston Energy Inc.	100
W 0328257	09-20-061-25W4	Alston Energy Inc.	100
W 0337267	07-29-057-02W5	Alston Energy Inc.	100
W 0358436	02-30-057-02W5 ③	Alston Energy Inc.	100
W 0380270	12-35-057-03W5	Alston Energy Inc.	100
W 0384387	06-28-054-07W5	Alston Energy Inc.	100
W 0384662	05-17-058-03W5	Alston Energy Inc.	100
W 0385230	15-12-058-03W5	Alston Energy Inc.	100
W 0393439	02-05-066-04W5	Alston Energy Inc.	100
W 0393678	01-33-057-03W5	Alston Energy Inc.	100
W 0396031	08-11-059-04W5 ④	¹ Wild Stream Exploration Inc.	25
		Alston Energy Inc.	75
W 0403939	03-29-057-02W5 ⑤	Alston Energy Inc.	100

① SHOULD BE: 14-20-057-04 W5

② SHOULD BE: 02-12-058-03 W5

③ SHOULD BE: 01-30-057-02 W5

④ SHOULD BE: 02-11-059-04 W5

⑤ SHOULD BE: 14-20-057-02 W5

(*)

MISSING

W 330404

12-35-057-03W5 ALSTON ENERGY INC. 100

¹ AER records indicate that Sword Energy amalgamated into Wild Stream Exploration Inc. on January 18, 2007.

List of Facility Licences

Licence No.	Surface Location	Working Interest Participant(s)	Percent Interest
F 20688	00/12-07-058-03W5	Alston Energy Inc.	100
F 40530	00/04-17-058-03W5	Alston Energy Inc.	100

(*) MISSING
F 36120 00/12-10-04-27 W4 ALSTON ENERGY INC 100

SCHEDULE "B"

List of Pipeline Licenses

Provost Properties not Newton Properties

License No.	From Location	To Location	Line Number
P 24413	04-29-038-03 W4	05-29-038-03 W4	1
	04-29-038-03 W4	06-29-038-03 W4	2
	04-29-038-03 W4	05-29-038-03 W4	3
P 31626	10-27-038-03 W4	04-27-038-03 W4	1
P 32319	04-29-038-03 W4	04-29-038-03 W4	1

APPENDIX C

File No. 4004

December 19, 2014

BY E-MAIL ONLY

Alvarez & Marsal Canada Inc.
Attention: Orest Konowalchuk
Bow Valley Square 1
570, 202 – 6 Avenue SW
Calgary, AB T2P 2R9
okonowalchuk@alvarezandmarsal.com

Wainwright Field Centre
801 – 2 Avenue
Wainwright, Alberta T9W 1C4
Canada

tel 780-842-7570
fax 780-842-7536

www.aer.ca

Dear Mr. Konowalchuk:

**High and Low Risk Enforcement Actions
Alston Energy Inc.**

- **Licence No. P24405, Line Nos. 1 – 23**
Inspection Location: 04-29-038-03W4
- **Licence No. P24413, Line No. 2**
Inspection Location: 06-29-038-03W4
- **Licence No. P32319, Line No. 1**
Inspection Location: 04-29-038-03W4
- **Licence No. P38161, Line Nos. 1 – 3**
Inspection Location: 04-27-038-03W4
- **Licence No. P41408, Line Nos. 1 – 3**
Inspection Location: 04-29-038-03W4
- **Licence No. F6310**
Inspection Location: 04-29-038-03W4
- **Licence No. W140258**
Inspection Location: 05-29-038-03W4

Alston Energy Inc. (Alston) was issued High and Low Risk Enforcement Action by the Alberta Energy Regulator (AER) Wainwright Field Centre due to noncompliances on the above-mentioned licences.

Operations may resume with the exception of:

- 1) Licence No. P24405, Line Nos. 1 – 8 are to remain suspended. The new licensee is allowed three months from the date of acquisition to either abandon the lines or apply to install free standing liners.
- 2) Licence No. P41408, Line Nos. 1 – 3 are to remain suspended as the non-compliances identified in Inspection ID 417449 have not been completed. The new licensee has three months from the date of acquisition to bring the lines into compliance.

Please be advised that we consider all these matters to be closed with the exception of Licence No. P24405 and Licence No. P41408 which will be dealt with by the new Licensee.

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

If you have any questions, please call me at 780 842 7612 or on cell at 780 806 6235.



Holly James, Regional Coordinator
Enforcement and Surveillance

/ylp

cc: Darren Antos, Pipeline Technical Specialist, Wainwright
Lawrence Newby, Inspector, Wainwright
Marsha Peacock, Inspector, Wainwright
Krystyna Olchowecki, Inspector, Wainwright
EOP-Portal-Inbox