

Form 7 Rule 3.8

Clerk's Stamp

COURT FILE NO.

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

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

APPLICANT CLEO ENERGY CORP.

DOCUMENT ORIGINATING APPLICATION

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Gowling WLG (Canada) LLP
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Calgary, AB T2P 4K9
Telephone: (403) 298-1946 / (403) 298-1938
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Email: sam.gabor@gowlingwlg.com / tom.cumming@gowlingwlg.com
File No. G10010664
Attention: Sam Gabor / Tom Cumming

NOTICE TO THE RESPONDENTS

This application is made against you.

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

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

Date: December 13, 2024
Time: 11:30 am MST
Where: By Webex (see Webex details at **Schedule "B"**)
Before Whom: The Honourable Justice Burns in Commercial Chambers

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

Remedy claimed or sought:

1. The applicant, Cleo Energy Corp. (“**Cleo**”), in connection with the proceedings under Division I of Part III of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”, and such proceedings, the “**Proposal Proceedings**”), commenced by notice of intention to make a proposal filed on December 8, 2024 (the “**Filing Date**”, and such notice, the “**NOI**”) applies for an Order seeking, *inter alia*, the following relief, which Order is substantially in the form attached hereto as **Schedule “A”**:
 - (a) abridging the time for service of notice of this Application, deeming service of notice of this Application to be good and sufficient, and declaring that there is no other person who ought to have been served with notice of this Application;
 - (b) authorizing and directing the Royal Bank of Canada (“**RBC**”) to cancel any cheques it issued as a result of the Garnishee Summons (as defined herein), and to make available the Garnished Funds (as defined herein) into Cleo’s bank account with RBC ending in 041 (the “**Account**”); and
 - (c) such further and other relief as Cleo may request and this Honourable Court may grant.

Grounds for making this application:

Background

2. Cleo was originally incorporated in the Province of Alberta on May 31, 2016. Cleo is a wholly owned subsidiary of Chimera Management Group Ltd., a holding corporation.
3. Cleo is a privately owned oil and gas operator of medium gravity oil based in Calgary, Alberta with operations throughout East Central Alberta. Cleo has been operating since its inception in 2016.
4. Cleo’s revenue is linked to the productivity of its oil and gas wells, as well as the market price of oil and gas. Cleo has recently experienced low production, partly due to mechanical failures in several of its main producing oil and gas fields.

5. Cleo's financial difficulties further stem from a variety of factors, including the lack of capital investment to undertake necessary mechanical repairs which has led to the shutdown of Cleo's main producing fields contributing to a decline in production and revenue rates. Additionally, there has been a significant reduction in oil and gas prices during the month of September 2024, which has exacerbated Cleo's current financial difficulties. These challenges have placed considerable strain on Cleo, causing monthly revenues to decrease to unsustainable levels.
6. Cleo is unable to meet its obligations as they become due and is insolvent.
7. On December 8, 2024, Cleo filed a notice of intention to make a proposal (the "NOI") pursuant to section 50.4(1) of the *BIA* (such proceedings, the "**Proposal Proceedings**") naming Alvarez & Marsal as the Proposal Trustee.
8. As a result of the filing of the NOI, all proceedings against Cleo and its assets, undertaking and property were automatically stayed for an initial period of thirty (30) days (the "**Stay**"). Further, no new enforcement proceedings may be commenced or continued as against Cleo during the Stay, including the enforcement of garnishee summons. Cleo will be seeking an extension of the Stay on January 6, 2024.
9. Garnishee proceedings were initiated against Cleo by Morganick Blending Services Corp. ("**Morganick**") under Court File No. 2401-10333 prior to the Stay. Further, prior to the Stay, RBC issued a cheque to the Court in accordance with the garnishee summons issued upon RBC and Cleo (the "**Garnishee Summons**") in the amount of \$152,436.18 (the "**Garnished Funds**"). As a result of the recent Canada Post strike, the cheque sent by RBC to the Court for the Garnished Funds has not yet reached the Court.
10. Pursuant to the Stay and subsection 69(1) of the *BIA*, the Garnishee Summons are stayed and the Garnished Funds must be returned to Cleo for its operations.
11. The Garnished Funds are required by Cleo to meet its payroll obligations due this Friday, December 13, 2024 and to maintain its business operations during the Stay.

12. Cleo has requested of RBC on December 9, 2024 and December 11, 2024 that it cancel the cheque for the Garnished Funds and make available the Garnished Funds into the Account as a result of the Stay. In response, RBC has requested a court order be provided to it for RBC to take the steps being requested of it by Cleo.
13. If Cleo is unable to meet its payroll obligations and continue operations, its oil and gas assets will be placed into jeopardy creating potential environmental issues and risk of significant loss to Cleo and its creditors which are owed in excess of \$23,000,000. Cleo is seeking interim financing from multiple sources and a prepayment from its oil and gas marketer, however currently has no other confirmed and adequate sources of funds available to meet its payroll obligations and Cleo is reliant on the Garnished Funds to do so. Cleo needs to make payroll to be in a position to maintain its oil and gas assets, and needs to continue carrying on business during the Stay to be able to proceed forward with the NOI proceeding for the benefit of its stakeholders.
14. Cleo is acting in good faith.

Material or evidence to be relied on:

15. The Affidavit of Chris Lewis sworn December 12, 2024, to be filed;
16. Bench Brief, to be filed; and
17. Such further and other material as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

18. Rules 1.2, 1.3, 3.2(2)(d), 3.8, 6.3(1), 6.9, 11.27 and 13.5 of the Alberta *Rules of Court*, Alta Reg 124/2010;
19. The *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended; and
20. 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:

21. None.

How the application is proposed to be heard or considered:

22. Before the presiding Justice in Commercial Chambers via Webex.

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 time shown at the beginning of this 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"

Draft Order

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DOCUMENT **ORDER**

ADDRESS FOR **Gowling WLG (Canada) LLP**
SERVICE AND 1600, 421 – 7th Avenue SW
CONTACT Calgary, AB T2P 4K9

INFORMATION OF Attn: **Sam Gabor / Tom Cumming**
PARTY FILING

THIS DOCUMENT Phone: 403.298.1946 / 403.298.1938

Fax: 403.263.9193

Email: sam.gabor@gowlingwlg.com /
tom.cumming@gowlingwlg.com

File No.: G10010664

DATE ON WHICH ORDER WAS PRONOUNCED: December 13, 2024

LOCATION WHERE ORDER WAS PRONOUNCED: Edmonton, Alberta

JUSTICE WHO MADE THIS ORDER: The Honourable Justice Burns in
Commercial Chambers

UPON THE APPLICATION of Cleo Energy Corp. ("**Cleo**"), filed December 12,
2024; **AND UPON** reading Affidavit of Chris Lewis, sworn December 11, 2024 and the
Affidavit of Service of Sherry Langley sworn December 12, 2024; **AND UPON** hearing
submissions by counsel for Cleo, Alvarez & Marsal Canada Inc. as Proposal Trustee to Cleo,
and any other counsel or other interested parties present,

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of the notice of application for this order (the “**Order**”) is hereby abridged and deemed good and sufficient and this application is properly returnable today, and no one other than those persons served is entitled to service of the notice of application.
2. The Royal Bank of Canada (“**RBC**”) is hereby authorized and directed to forthwith cancel all cheques RBC has issued to the Court of King`s Bench of Alberta as a result of the garnishee summons issued upon RBC and Cleo under Court of King`s Bench of Alberta File No. 2401-10333 for \$152,436.18, and to forthwith subsequently make available the sum of \$152,436.18 in Cleo`s bank account with RBC ending in 041.
3. Service of this Order shall be deemed good and sufficient:
 - (a) by serving same on the persons who were served with notice of this Application and any other parties attending or represented at the hearing of this Application;
 - (b) by posting a copy of this Order on the Proposal Trustee`s website.

J.C.K.B.A.

SCHEDULE "B"

WEBEX DETAILS

Clerk's Stamp

Virtual Courtroom 86 has been assigned for the above noted matter:

Virtual Courtroom Link:

<https://albertacourts.webex.com/meet/virtual.courtroom86>

Instructions for Connecting to the Meeting

1. Click on the link above or open up Chrome or Firefox and cut and paste it into your browser address bar.
2. If you do not have the Cisco Webex application already installed on your device, the site will have a button to install it. Follow installation instructions. Enter your full name and email address when prompted
3. Click on the **Open Cisco Webex Meeting**.
4. You will see a preview screen. Click on **Join Meeting**.

Key considerations for those attending:

1. Please connect to the courtroom **15 minutes prior** to the start of the hearing.
2. Please ensure that your microphone is muted and remains muted for the duration of the proceeding, unless you are speaking. Ensure that you state your name each time you speak.
3. If bandwidth becomes an issue, some participants may be asked to turn off their video and participate by audio only.
4. **Note: Recording or rebroadcasting of the video is prohibited.**
5. **Note: It is highly recommended you use headphones with a microphone or a headset when using Webex. This prevents feedback.**

For more information relating to Webex protocols and procedures, please visit:
<https://www.albertacourts.ca/qb/court-operations-schedules/webex-remote-hearings-protocol>

You can also join the meeting via the "Cisco Webex Meetings" App on your smartphone/tablet or other smart device. You can download this via the App marketplace and join via the link provided above.