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ESTATE NUMBER 25-2679073

COURT COURT OF QUEEN'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 GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF GREENFIRE OIL AND GAS. LTD.

DOCUMENT **AFFIDAVIT NO.2 OF ROBERT B. LOGAN**

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AFFIDAVIT NO. 2 OF ROBERT B. LOGAN

Sworn November 2, 2020

I, Robert B. Logan of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

1. I am a director and Chairman of the Applicants, Greenfire Hangingstone Operating Corporation ("GHOPCO") and Greenfire Oil and Gas Ltd. ("GOGL" and collectively, "Greenfire" or the "Company"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.

2. This is my second affidavit sworn in these proceedings. Capitalized terms not otherwise defined herein have the meaning set forth in my Affidavit sworn October 9, 2020 ("**Logan Affidavit No.1**" or my "**First Affidavit**") which I will also refer to herein.

I. STAY EXTENSION AND RESTRUCTURING EFFORTS

3. Since the filing of the NOI on October 8, 2020, Greenfire has pursued numerous activities with a view to advancing these proceedings, restructuring its affairs, and working towards its goal of presenting a proposal to its creditors (a "**Proposal**"). These steps have included:

- (a) preparing and analyzing a list of creditors for each of the Greenfire entities, and identifying issues specific to certain creditors;
- (b) providing the Proposal Trustee with access to Greenfire's books and records;
- (c) applying to this Honourable Court and obtaining an Order (i) consolidating the separate proceedings of GHOPCO and GOGL into these proceedings, and (ii) granting an Administration Charge in favour of the Proposal Trustee, its counsel, and Greenfire's counsel;
- (d) working with the Proposal Trustee and legal advisors generally, and in particular with respect to:
 - (i) exploring and considering the various exit strategies available to Greenfire in the context of these proceedings, including the structure and financing of any Proposal;
 - (ii) preliminary discussions with an arm's length party in respect of a transaction which may form the basis for a Proposal;
 - (iii) preparing cash flow projections and identifying issues with respect to Greenfire's financial condition; and
 - (iv) engaging with a number of parties to secure interim financing, ultimately coming to an agreement with the Interim Lender (as defined and described in further detail below);

- (e) identifying and engaging with the potential employees and contractors which will be necessary to restart the Plant; and
- (f) communicating with various stakeholders, including numerous creditors and the Alberta Energy Regulator (the "**AER**").

4. Greenfire requires an extension of the period of time within which Greenfire is required to file a Proposal (the "**Proposal Period**") up to and including December 21, 2020 (the "**Stay Extension**"). The Stay Extension will allow Greenfire to, among other things:

- (a) continue the restructuring of its business and affairs, and pursue strategic alternatives;
- (b) restart the Plant and thereby avoid (i) damage to the Plant which will result from prolonged cold weather if the Plant is not restarted, and (ii) the increased costs associated with restarting the Plant at a later date;
- (c) resume operations and generate revenue;
- (d) preserve and enhance the value of Greenfire's business, for the benefit of all of Greenfire's stakeholders; and
- (e) execute an Asset Purchase Agreement (the "**APA**") with Greenfire Acquisition Company Ltd. ("**Acquisition Co**").

5. Greenfire's creditors will not be prejudiced by the Stay Extension. Rather, the Stay Extension is critical to ensure that the APA can be executed, maximizing the value of Greenfire's assets, which will benefit its Proposal or restructuring to the benefit of Greenfire and all its stakeholders.

6. I am informed by my counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**"), that without the Stay Extension a bankruptcy will occur and there will be no prospect of executing the APA or restarting the Plant, resulting in a significant erosion of value to the detriment of stakeholders.

7. Further, the Stay Extension will give Greenfire the time it needs to consider strategic alternatives, formulate a restructuring plan, and present a Proposal to its creditors.

II. PRE-NOI MARKETING PROCESS

8. As a result of, among other things:

- (a) the macro-environment challenges facing Greenfire due to low oil prices stemming from a dispute between major oil-producing countries;
- (b) the COVID-19 pandemic decreasing demand;
- (c) challenges specific to Greenfire, including non-payment and non-performance of the company's sole petroleum marketer, Warner Petroleum Corporation, beginning in late 2019; and
- (d) a lack of financial liquidity due to the monetization of commodity price risk contracts and partial repayment of its senior loan obligations in February 2020 and March 2020,

Greenfire experienced a severe working capital shortfall that led to the company temporarily halting operations and terminating employment for all employees in May 2020.

9. Beginning in February 2020, in anticipation of potentially exhausting the remaining working capital and liquidity, the company proactively began to source strategic alternatives, which included seeking all strategic alternatives, from a refinancing to an outright sale in order to maximize value for all stakeholders.

A. Imperial Capital

10. As a result of its prior role in sourcing a USD \$75,000,000 refinancing for Greenfire in December 2019 (which included a USD \$25,000,000 term loan, a USD \$25,000,000 commodity risk management facility, and an optional undrawn USD \$25,000,000 facility for future growth and consideration), Greenfire engaged Imperial Capital ("**Imperial**") to lead its strategic process.

11. Imperial is an international firm with a full service investment bank that offers comprehensive services to institutional investors and middle market companies. For middle market companies, Imperial offers a wide range of investment banking, advisory, capital market and restructuring services to its clients. Its services include analyzing a company's capital structure and position within its specific sector, and advising on the most practical solution from the most likely sources of capital.

12. Beginning in February 2020, and through the initial impact and heightened awareness of the COVID-19 pandemic, Imperial assisted Greenfire in its strategic alternatives process. The original target date for sourcing a strategic alternative was April 28, 2020, the date that Greenfire's board was expected to make a decision on whether or not to shutter operations due to the working capital shortfall. The company subsequently temporarily shut down operations in May 2020. In total, the company, through its advisors and through its own means, contacted at least 43 different parties, consisting of both financial and strategic buyers.

13. Among the capital providers contacted, the company received a single term sheet from McIntyre Partners ("**McIntyre**") with the intention of closing a refinancing transaction. A term sheet was signed on July 13, 2020. Through the strategic process, there were no other indications of interest from other capital providers. Given the circumstances of the macroeconomic environment and its insolvency, Greenfire decided to focus its time and resources to pursue this term sheet as it provided sufficient capital and liquidity for the company resume operations.

14. The original intention was to close the refinancing transaction by mid-September 2020, but was extended to mid-October 2020 to accommodate financial and technical due diligence. Ultimately, facing an uncertain weather window and an application for a bankruptcy order, Greenfire filed the NOI with the intention to secure interim financing to protect and preserve asset value for all stakeholders.

III. INTERIM FINANCING

15. As stated in my First Affidavit, absent alternative relief and based upon my review of the Cash Flow Statement, Greenfire requires interim financing to assist in its ongoing restructuring efforts. Most urgently, Greenfire requires the interim financing to allow it to restart operations at the Hangingstone Facility. Unfortunately, when the October 16, 2020 Application was heard before Justice Mah, Greenfire was unable to come to terms with the then-proposed Interim Lender described in my First Affidavit (the "**BEST Group**").

16. Despite the continued efforts of Greenfire, the Proposal Trustee, and the BEST Group (along with their respective counsel), the parties were unable to reach an agreement in respect of an interim financing facility.

17. However, since I swore my First Affidavit, Greenfire has continued to actively and diligently pursue opportunities to obtain interim financing with at least 10 alternative potential interim lenders. Ultimately, Revolution Midstream LLC (the "**Rev Midstream**") emerged as the party most likely to

execute a binding term sheet and commit to provide the necessary interim financing. As a result, Greenfire focused its efforts on finalizing a term sheet with Rev Midstream.

18. I am informed by BD&P that Rev Midstream's counsel sent documents in connection with the proposed interim financing on October 27, 2020. From and after that point, Greenfire, the Administrative Professionals and Rev Midstream worked diligently on effecting the Rev Midstream term sheet. Unfortunately, on October 30, 2020, Rev Midstream informed Greenfire that it would not be in a position to proceed as Greenfire's interim lender. Greenfire continues to explore any further potential options for interim financing.

IV. ASSET PURCHASE AGREEMENT

19. As stated, Greenfire previously executed a term sheet with McIntyre for a new senior secured loan. From that point, until the filing of the NOI, Greenfire remained focused on commencing a refinancing transaction with McIntyre

20. As described above, after commencing the NOI, Greenfire turned its focus to securing Interim Financing. However, Greenfire had continued to engage with McIntyre during the course of these proceedings with a view to completing a transaction that would provide for a distribution to Greenfire's creditors.

21. After learning of Rev Midstream's inability to move forward, Greenfire, the Administrative Professionals, and McIntyre and its counsel have been working diligently towards negotiating the APA with Acquisition Co, a nominee corporation of McIntyre.

22. The APA would provide for a material distribution for Greenfire's creditors and given the current timing, weather window, and state of the Hangingstone Facility, I believe, the APA is the best outcome for all stakeholders.

23. Generally speaking, pursuant to the APA, Acquisition Co will acquire GHOPCO's assets and property as a going concern sale of Greenfire's business. While the APA has not yet been finalized, I understand that commercial terms of the APA include:

- (a) a total purchase price, releasable upon Closing in an amount that Greenfire anticipates would be sufficient to pay the costs of the Administrative Professionals and Summit Partners, with the remainder available for distribution among Greenfire's creditors;

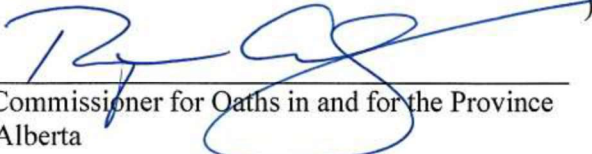
- (b) Acquisition Co will have access to additional working capital to ensure the Hangingstone Facility is a going concern;
- (c) the APA has an anticipated closing date of November 11, 2020 ("**Closing**");
- (d) by no later than Closing, Acquisition Co shall identify its employee and contractor requirements and offer employment or consulting contracts to the majority of individuals who were previously terminated by Greenfire, which is estimated to be approximately 40 to 50 people;
- (e) by no later than Closing, Acquisition Co will assume certain contracts and leases that are integral to the operation of the Hangingstone Facility; and
- (f) conditions to Closing, such as:
 - (i) Court approval of the APA, vesting the Assets in Acquisition Co free and clear of encumbrances (subject to the Permitted Encumbrances);
 - (ii) consent by the AER approving Acquisition Co as an operator of the Hangingstone Facility; and
 - (iii) no additional bonding required by the AER for reclamation obligations associated with the assets.

V. RELIEF SOUGHT

24. Greenfire has acted in good faith and with due diligence in filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of the creditors of Greenfire will be materially prejudiced if this Honourable Court grants the relief sought.

25. I make this Affidavit in support of an application for an Order, among other things, (i) granting Greenfire the Stay Extension and (ii) approving the APA.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta this 2nd day of)
November, 2020)


A Commissioner for Oaths in and for the Province
of Alberta

Ryan E. Algar
Barrister and Solicitor


ROBERT B. LOGAN