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July 12, 2021
Justice Horner

COURT FILE NUMBER: B201 679073
25-2679073

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

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

AND IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF GREENFIRE
HANGINGSTONE OPERATING CORPORATION

AND IN THE MATTER OF THE RECEIVERSHIP OF
GREENFIRE HANGINGSTONE OPERATING
CORPORATION

DOCUMENT **APPLICATION**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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NOTICE TO RESPONDENT(S):

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

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

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

Date:	July 12, 2021
Time:	2:00 PM
Where:	Calgary Courts Centre via WebEx
Before Whom:	The Honourable K.M. Horner

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

Relief Sought:

1. Alvarez & Marsal Canada Inc. in its capacity as receiver (“**Receiver**”) of Greenfire Hangingstone Operating Corporation (“**OpCo**”) seeks an Order, substantially in the form attached herein as Schedule “A”:
 - (a) abridging, if necessary, the time for service of this application and deeming service good and sufficient;
 - (b) allocating the Net Sale Proceeds (defined below) among the assets of OpCo in a manner consistent with the purchase price allocation agreed to by OpCo and Greenfire Acquisition Corporation pursuant to the asset purchase agreement (“**APA**”) approved by Order of the Honourable Justice D.B. Nixon granted December 17, 2020 (“**SAVO**”);
 - (c) authorizing and directing the Receiver to make distributions from the Net Sale Proceeds to those Secured Claimants that have proven their claims in the Secured Claims Procedure (as defined in the Order of the Honourable Justice D.B. Nixon, granted March 12, 2021, the “**Secured Claims Procedure Order**”);
 - (d) sealing the confidential appendix to the First Report;
 - (e) approving the actions, activities and conduct of the Receiver and its legal counsel to date in the within proceedings;
 - (f) approving the fees and disbursements of the Receiver and its legal counsel as set out in the First Report of the Receiver dated June 30, 2021 (“**First Report**”) and described below; and
 - (g) such further and other relief as counsel may advise and this Honourable Court deems just.

Grounds for making this application:

History

2. On October 8, 2020 (“**NOI Date**”), each of Greenfire Oil and Gas Ltd. (“**HoldCo**”) and OpCo each filed a Notice of Intention to Make a Proposal (collectively, the “**NOI**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985 c. B-3 (“**BIA**”) with the Office of the Superintendent of Bankruptcy.
3. On December 17, 2020, this Honourable Court granted the SAVO that approved an asset sale transaction (“**Asset Sale Transaction**”) contemplated by the APA. The APA was negotiated by arms-length parties and allocated the purchase price among the assets of OpCo. A copy of the APA is contained in the Confidential Appendix to the First Report (“**Confidential Appendix**”) and evidences that the purchase price was allocated by:
 - a) A percentage to the Oil Sands Rights (as defined in the APA) being the rights granted to OpCo pursuant to Alberta Crown Oilsands Lease No. 072 728201AT70 (the “**Oil Sands Rights**”);
 - b) A percentage to the Tangibles (as defined in the APA), including the Facilities owned by OpCo and listed in Schedule “A” to the APA along with any and all tangible depreciable property and depreciable assets other than the Facilities that are located within, upon, or under the Lands (as defined in the APA) (the “**Tangibles**”);
 - c) A percentage to the Miscellaneous Interests (as defined in the APA).
4. The Receiver expects that after estimated administrative costs are deducted, approximately \$750,000 of the sale proceeds from the Asset Sale Transaction will be available for distribution to creditors (“**Net Sale Proceeds**”).
5. On March 12, 2021, this Honourable Court granted the Secured Claims Procedure Order.
6. On application by OpCo, this Honourable Court granted orders extending that timeframe for OpCo to file a proposal to its creditors on several occasions. The most recent extension was until April 7, 2021 (the “**NOI Expiry Date**”). OpCo did not file a proposal by the NOI Expiry Date and was deemed to have made an assignment into bankruptcy on April 8, 2021. Alvarez & Marsal Canada Inc. was appointed as the licensed trustee in bankruptcy of both OpCo and HoldCo.
7. On April 7, 2021, this Honourable Court granted an order appointing the Receiver and authorizing the Receiver to complete the Secured Claims Procedure.
8. Pursuant to the Secured Claims Procedure there were four Secured Claims submitted by claimants that were accepted by the Receiver in whole or in part (the “**Proven Secured Creditors**”):
 - d) ATB Financial (“**ATB**”);
 - e) Alumasafway, Inc. (“**Aluma**”);

- f) Apex Distribution Inc. (“**Apex**”); and
 - g) Regional Municipality of Wood Buffalo (“**RMWB**”).
- 9. The Receiver reviewed and disallowed claims of twelve other claimants submitted in the Secured Claims Procedure.

Allocation

- 10. The Receiver considered the following allocation alternatives to allocate the Net Sale Proceeds among the assets of OpCo:
 - h) the allocation arrived at by the arms-length purchaser and seller parties to the Asset Sale Transaction as provided in the APA and approved by the SAVO;
 - i) WTI strip pricing method; and
 - j) comparable transactions.
- 11. The Receiver is of the view that the allocation should be based on the values assigned to the assets in the APA (the “**Proposed Allocation**”) with the majority of value assigned to the Oil Sands Rights because the Oil Sands Rights and the Tangibles are inherently intertwined:
 - a) without any value associated to the bitumen reserves, the Tangibles would require an estimated \$7.8 million in abandonment and remediation spend (based on the Alberta Energy Regulator deemed liability value from October 3, 2020); and
 - b) without the Tangibles in place, there would be no ability to produce steam to extract the in-situ reserves.
- 12. The Purchaser under the APA was an independent, arm’s length purchaser and determined that the allocation of Sales Proceeds in the APA was reasonable.
- 13. The Receiver has reviewed comparable transactions where the Proposed Allocation was utilized and is of the view that the allocation is industry standard.
- 14. The Receiver is of the view that the Proposed Allocation is reasonable.

Distributions

- 15. Should the Proposed Allocation be approved by this Honourable Court, the Receiver seeks approval to distribute the Net Sale Proceeds as follows (“**Proposed Distributions**”):
 - c) Apex will have its secured claim in the amount of \$40,861.14 paid in full from proceeds of the Oil Sands Rights;
 - d) RMWB Claim will be paid from \$168,000 from the proceeds of the Tangibles, with the remaining balance of RMWB’s claim being unsecured; and
 - e) there will be no remaining value of Tangibles and therefore Aluma will not receive any distribution from the proceeds of Tangibles and its entire claim will be unsecured.
- 16. ATB will be paid its secured claim in full from a \$60,000 deposit currently held by ATB.

17. It was initially anticipated by the Receiver that the distributions made to Secured Claimants would exhaust the Net Sale Proceeds. However, it is now expected that there will be a remaining balance of approximately \$631,000 available for unsecured creditors.
18. The Receiver will pay the remaining balance of the Net Sale Proceeds to the OpCo LIT after deduction for the anticipated costs to complete the receivership. The Receiver intends to seek court approval to pay the OpCo LIT concurrently with its application for its discharge.
19. The OpCo LIT will then make distributions to proven unsecured creditors in the bankruptcy proceedings of OpCo (subject to the administrative costs of the OpCo LIT to administer and distribute to the proven unsecured creditors).

Actions, Activities and Conduct of the Receiver and its Counsel

20. The activities of the Receiver and its independent legal counsel are set out in the First Report.
21. As set out in the First Report, the actions, activities and conduct of the Receiver and its counsel included:
 - (a) Conducting and adjudicating claims submitted under the Secured Claims Procedure;
 - (b) Resolving the two appeals of notices of disallowances under the Secured Claims Procedure;
 - (c) Engaging in ongoing communications between the secured claimants, OpCo, and McMillan to implement the Secured Claims Procedure;
 - (d) Engaging in communications with the Proven Secured Creditors regarding the Proposed Allocation and Proposed Distributions;
 - (e) Ongoing monitoring of OpCo's financial affairs and activities; and
 - (f) Preparing the First Report.
22. The Receiver submits that its actions, activities and conduct and those of its independent legal counsel were appropriate and should be approved by this Honourable Court.

Approval of Professional Fees and Expenses

23. The Receiver respectfully seeks approval from this Honourable Court of the respective professional fees and disbursements of the Receiver and its legal counsel for the period of time from April 1, 2021 to May 31, 2021 (the "**Billing Period**").
24. Professional fees and disbursements rendered by the Receiver for the Billing Period total \$47,354.50 plus GST of \$2,367.73 for a total of \$49,722.23.
25. Professional fees and disbursements rendered by McMillan LLP, the Receiver's counsel, for the Billing Period, total \$52,443.50 plus GST of \$2,616.67, plus PST of \$542.52 for a total of \$55,602.69.
26. The accounts of the Receiver and its legal counsel are summarized in Appendix 'D' to the First Report.

27. The Receiver respectfully submits that its professional fees and disbursements and those of its legal counsel are fair and reasonable in the circumstances, given the tasks required to conduct and adjudicate the Secured Claims Procedure.

Sealing

28. The Receiver believes that Confidential Appendix “B” should remain sealed unless and until further order of this Court. The APA provides that the parties to the APA will not disclose the purchase price allocation or cause the APA to form part of the public record.
29. The Receiver is not aware of any party who would be prejudiced if the information in Confidential Appendix “B” is sealed.

Material or Evidence To Be Relied Upon:

- (a) The First Report of the Receiver, dated June 30, 2021, and the Confidential Appendix thereto;
- (b) All pleadings, affidavits and other materials filed in this action;
- (c) The inherent jurisdiction of this Honourable Court; and
- (d) Such further and other material as counsel may advise and this Honourable Court may permit.

Applicable Rules:

- (e) Rules 6.9, 11.27, and 13.5 of the Alberta Rules of Court.

Applicable Acts and Regulations:

- (f) The *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended; and
- (g) The *Judicature Act*, R.S.A. 2000, c. J-2, as amended, and particularly s. 13(2) thereof.

How the Application is Proposed to be Heard or Considered:

- (h) In Chambers.

WARNING TO THE RESPONDENT(S):

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

SCHEDULE "A"

Clerk's stamp:

COURT FILE NUMBERS

25-2679073

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

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

APPLICANTS

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

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
GREENFIRE HANGINGSTONE OPERATING
CORPORATION

AND IN THE MATTER OF THE RECEIVERSHIP
OF GREENFIRE HANGINGSTONE OPERATING
CORPORATION

DOCUMENT

ORDER (ALLOCATION AND DISTRIBUTION)

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF PARTY
FILING THIS DOCUMENT

RECEIVER

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File 277019

Date on which this order was pronounced:	July 12, 2021
Location where order was pronounced:	Calgary, Alberta
Name of judge who made this order:	Justice K.M. Horner

UPON the application of Alvarez & Marsal Canada Inc., in its capacity as receiver (“**Receiver**”) of Greenfire Hangingstone Operating Corporation (“**OpCo**”) **AND UPON** having read the Notice of Application of the Receiver (“**Application**”), the First Report of the Receiver dated June 30, 2021 (the “**First Report**”), the Order granted on December 18, 2020 by Justice D.B. Nixon (the “**SAVO**”), the Order granted on March 12, 2021, by Justice D.B. Nixon, the Order granted on April 6, 2021, by Justice R.A. Graesser (the “**Receivership Order**”), and the Affidavit of Service of David Tsumagari, all filed, and such other material in the pleadings and proceedings as are deemed necessary; **AND UPON** hearing counsel for the Receiver, counsel for other interested parties and stakeholders present and from any other interested parties and stakeholders present;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service of this Application

1. The time for service for this application is abridged to the time actually given and service of the application and supporting material is good and sufficient upon all interested parties and this hearing is properly returnable before this Court today and further service thereof is hereby dispensed with.
2. Capitalized terms used but not defined herein have the meanings ascribed to them in the First Report.

Secured Claimants

3. The Net Sale Proceeds shall be allocated in a manner that is consistent with the Purchase Price allocation agreed to by OpCo and Greenfire Acquisition Corporation pursuant to the APA as approved by this Honourable Court pursuant to the SAVO.

4. The Receiver is hereby authorized and directed to distribute the Net Sale Proceeds in the manner described in the First Report, resulting in the following distributions on account of each applicable Proven Secured Creditor's Secured Claim against OpCo:
 - (a) \$40,861.14 to Apex Distribution Inc. from the Oil Sands Proceeds;
 - (b) \$168,000 to Regional Municipality of Wood Buffalo from the Tangibles Proceeds; and
 - (c) \$0.00 to Alumasafway, Inc. from the Tangibles Proceeds
5. The Receiver is hereby authorized and directed to instruct ATB Financial to draw upon the \$60,000 Deposit currently held by ATB Financial.
6. Following the making of the distributions referred to in paragraph 4 and the draw referred to in paragraph 5 above, no Secured Claimant or Secured Creditor shall have any claim against, or interest in, any of the Net Sale Proceeds.

Miscellaneous

7. Notwithstanding the deemed assignment in bankruptcy by OpCo pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"), the allocation and distributions approved, authorized and directed by this Order shall be binding upon the OpCo LIT and will not be void or voidable nor shall be deemed to be a settlement, unjust preference, assignment, fraudulent conveyance or reviewable transaction under the BIA or any other applicable federal or provincial legislation.

Sealing

8. Division 4 of Part 6 of the Alberta *Rules of Court* does not apply to this Application.
9. The Confidential Appendix "B" of the First Report shall, until further Order of this Court, be sealed and kept confidential, to be shown only to a Justice of the Court of Queen's Bench of Alberta, and accordingly, shall be filed with the Clerk of the Court who shall keep the Confidential Appendix "B" of the First Report in a sealed envelope, which shall clearly be marked "SEALED PURSUANT TO THE ORDER OF THE HONOURABLE JUSTICE HORNER DATED JULY 12, 2021"

Approval of Activities

10. The actions, activities and conduct and proposed courses of action of the Receiver and McMillan LLP, as counsel to the Receiver, to date in relation to the discharge of its duties and mandate as Receiver, and such actions and activities of the Receiver and McMillan LLP as are more particularly described in the First Report, are hereby ratified and approved.
11. The Receiver shall not be liable for any act or omission arising from, relating to or in connection with its role as Receiver to date, save and except for any liability arising out of fraud, gross negligence or wilful misconduct on the part of the Receiver.

Approval of Fees

12. The Receiver's fees and disbursements in the within proceedings from April 1, 2021 to May 31, 2021 in the amount of \$49,722.23 are hereby ratified and approved.
13. The fees and disbursements of McMillan LLP, as counsel to the Receiver, in the within proceedings from April 1, 2021 to May 31, 2021 in the amount of \$55,602.69 are hereby ratified and approved.

Service of this Order

14. Service of this Order shall be deemed good and sufficient by:
 - (a) Serving the same on:
 - (i) the persons listed on the service list created in these proceedings;
 - (ii) any other person served with notice of the application for this Order;
 - (iii) any other parties attending or represented at the application for this Order; and
 - (b) Posting a copy of this Order on the Receiver's website, established for these proceedings and service on any other person is hereby dispensed with.

15. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier.
Service is deemed to be effected the next business day following transmission or delivery of this Order.

Justice of the Court of Queen's Bench of Alberta