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COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF ARRANGEMENT OF
ARGENT ENERGY TRUST, ARGENT ENERGY (CANADA)
HOLDINGS INC. and ARGENT ENERGY (US) HOLDINGS INC.

DOCUMENT **FIFTH REPORT OF FTI CONSULTING CANADA INC., IN
ITS CAPACITY AS MONITOR OF ARGENT ENERGY
TRUST, ARGENT ENERGY (CANADA) HOLDINGS INC. and
ARGENT ENERGY (US) HOLDINGS INC.**

April 16, 2018

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Fifth Report

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INTRODUCTION

1. On February 17, 2016, Argent Energy Trust (the “**Trust**”), Argent Energy (Canada) Holdings Inc. (“**Argent Canada**”) and Argent Energy (US) Holdings Inc. (“**Argent US**”) (collectively the “**Applicants**” or “**Argent**”) sought and obtained protection under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order granted, inter alia, a stay of proceedings against Argent until March 18, 2016 (the “**Initial Stay Period**”), appointed FTI Consulting Canada Inc. (“**FTI**”) as Monitor (the “**Monitor**”) and approved a sale solicitation process (the “**Sale Solicitation Process**”). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the CCAA proceedings (the “**CCAA Proceedings**”).
3. Also on February 17, 2016, the Monitor as duly appointed Foreign Representative for Argent Canada and Argent US (the “**Chapter 15 Debtors**”) filed petitions under Chapter 15 (the “**US Proceedings**”) in the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division (the “**US Court**”).
4. In connection with the US Proceedings, the Monitor also filed, among other pleadings, an Emergency Application for Provisional Relief Pursuant to Sections 105(a) and 1519 of the US Bankruptcy Code (the “**Application for Provisional Relief**”) and an Expedited Petition for Recognition as a Foreign Main Proceeding, or in the Alternative Foreign Non- Main Proceeding, Pursuant to Sections 1515 and 1517 of the Bankruptcy Code and Related Relief (the “**Petition for Recognition**”). A hearing on the Application for Provisional Relief and to consider the Monitor’s expedited request for a hearing on the Petition for Recognition was originally set by the US Court for February 19, 2016 (the “**Chapter 15 Recognition Hearing**”) and was ultimately heard on February 22, 2016.

5. On February 22, 2016, the US Court held a hearing to consider the Monitor's Application for Provisional Relief and the Ad Hoc Group's objection thereto. At that hearing, the Monitor, the Chapter 15 Debtors, the Syndicate, and the Ad Hoc Committee negotiated the terms of an agreed Order Granting Emergency Application for Provisional Relief Pursuant to Sections 105(a) and 1519 of the Bankruptcy Code (the "**Provisional Relief Order**"), which was ultimately entered by the US Court on February 24, 2016.
6. On March 9, 2016, this Honourable Court granted an Order (the "**Stay Extension Order**") extending the Initial Stay of Proceedings to and including May 17, 2016. Also on March 9, 2016, counsel for an Ad Hoc Committee of unsecured debenture holders objected to certain relief that was granted in the Initial Order. As a result of the Ad Hoc Committee's request that its legal fees be covered by a charge against the assets of Argent, the Initial Order was amended and restated on March 17, 2016 (the "**Amended and Restated Initial Order**").
7. On March 11, 2016, the U.S. Court entered an Order Granting Recognition as a Foreign Main Proceeding, or, in the Alternative, as a Foreign Non- main Proceeding (the "**Recognition Order**"), recognizing the CCAA Proceeding as a Foreign Main Proceeding, and authorizing the Foreign Representative and the Chapter 15 Debtors to implement the terms of the Initial Order and Amended and Restated Initial Order.
8. On May 6, 2016, the Court granted an Order (the "**Second Stay Extension Order**") extending the Stay of Proceedings to and including June 30, 2016.
9. On May 10, 2016, the Court of Queen's Bench of Alberta ("**Court**") approved the sale transaction set out in a purchase and sale agreement ("**BXP PSA**") between Argent US and BXP Partners IV, L.P. ("**BXP**") dated April 14, 2016. The US Court similarly approved that sale transaction the next day, on May 11, 2016. The transaction with BXP closed on May 17, 2016, as discussed in further detail below.

10. Also on May 10, 2016, the Court approved an Interim Distribution Order (the “**Interim Distribution Order**”) that provided for a distribution to the Bank of Nova Scotia as administrative agent (the “**Agent**”) for the syndicate of lenders to Argent (the “**Syndicate**”), subject to the maintenance of a holdback of funds (the “**Holdback**”) for the following:
 - (a) Completions Costs (as defined in the Interim Distribution Order);
 - (b) Amounts necessary to satisfy claims or potential claims under the court-ordered Charges (as defined in the Amended and Restated Initial Order);
 - (c) Lien amounts registered against the assets sold by Argent US to BXP on or before the closing date;
 - (d) Cure Costs (as defined in the Interim Distribution Order); and
 - (e) Tax Claims (as defined in the Interim Distribution Order).
11. The Interim Distribution Order provided that the Monitor, on instruction from the Applicants, is authorized to disburse amounts from the Holdback, subject to notification to the Agent.
12. On June 27, 2016 the Court entered an Order (“**June 27 Order**”), among other things, extending the stay of proceedings to August 31, 2016, approving the Monitor’s intention to make an additional interim distribution to the Syndicate (the “**Second Interim Distribution**”), expanding the Monitor’s powers with respect to the Trust to assist in administering remaining tasks required to complete the CCAA Proceedings, and directing the Monitor to wind-up the Trust by way of bankruptcy once the Monitor deemed it appropriate to do so.
13. On August 31, 2016 the Court entered two Orders.

- (a) an Order (“**CCAA Termination Order**”) terminating the CCAA Proceedings for two of the Applicants, Argent Canada and the Trust. The CCAA Proceedings for Argent US remained active; and
- (b) an Order (“**D&O Claims Process Order**”) directing the Monitor to initiate a claims process calling for claims against directors and officers (“**D&O Claims Process**”) of the Applicants.

PURPOSE

14. The Purpose of this report is to:

- (a) Provide an update on the recent activities of the Monitor and in connection with completing these CCAA Proceedings;
- (b) Provide a summary of the results of the D&O Claims Process;
- (c) Provide an updated statement of receipts and disbursements with respect to funds held by the Monitor;
- (d) Seek approval for the Monitor's and its Canadian and U.S. counsel’s fees;
- (e) Request that the CCAA Proceedings for Argent US be terminated, the remaining proceeds be distributed to the Syndicate and the Monitor be discharged.

15. Further background and information regarding the Applicants and these CCAA Proceedings can be found on the Monitor’s website at <http://cfcanada.fticonsulting.com/argent/>.

TERMS OF REFERENCE

16. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with various parties, including senior management ("**Management**") of the Applicants (collectively the "**Information**").
17. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
18. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook. Future oriented financial information reported or relied on in preparing this report is based on Management's assumptions regarding future events and actual results may vary from forecast and such variations may be material.
19. The Monitor has prepared this report in connection with the Applicants' application scheduled for April 27, 2018 This report should not be relied on for other purposes.
20. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars. All capitalized terms not otherwise defined herein have the meanings given to them in prior reports of the Monitor.

ACTIVITIES OF THE MONITOR

21. The Monitor's fourth report dated August 25, 2016 ("**Monitor's Fourth Report**") identified several post-closing and administrative wind-down tasks that remained outstanding as at the date of the Monitor's Fourth Report (collectively "**Remaining Tasks**"). The Monitor with the assistance of former employees of Argent US, now acting as consultants, have completed all of the Remaining Tasks and provide and update thereof as follows:

BXP PSA Statement of Adjustments

- (a) The statement of adjustments related to the BXP PSA was finalized. Upon finalizing the statement of adjustments, BXP was owed \$69,497. The Monitor paid the final \$69,497 owing to BXP. Settlement and payment of the final statement of adjustments resulted in the release of \$500,103 held in escrow to secure statement of adjustments back to the Argent estate.

BXP PSA Post-Closing Matters

- (b) All post-closing transfers of ownership and operatorship to BXP in relation to the BXP PSA have been completed. Completion of these tasks resulted in the release of all bonds/letters of credit held by government agencies;

Liens Claims, Tax Claims and Cure Payments

- (c) The final analysis of Lien Claims, Tax Claims and Cure Payments has been completed;

- i. There were four liens (the “**Baker Hughes Liens**”) totaling \$16,800.28 that remained outstanding filed by Baker Hughes Oilfield Operations, Inc. (“**Baker Hughes**”) against the property of Argent US. A related company to Baker Hughes known as Baker Petrolite LLC also filed various late liens (“**Late Baker Petrolite Liens**”). At the date of the Monitor’s Fourth Report, the Monitor held back the full amount of the Baker Hughes Liens, \$16,800.28, pending further discussions with counsel for Baker Hughes. On September 29, 2017 the Monitor in consultation with the Agent and their respective counsel and Baker Hughes came to a settlement and signed a stipulation agreeing that the Monitor would release \$8,400 of the held back funds to Baker Hughes for full and final settlement of the Baker Hughes Liens and the Late Baker Petrolite Liens.

- ii. The only remaining cure payment outstanding to be determined or settled at the date of the Monitor’s Fourth Report related to a government agency known as BLM. The Monitor was holding \$42,298.16 for a potential cure payment required to be paid to BLM. The cure payment to BLM was potentially required in order to get all licenses transferred and bonds released in relation to the BXP PSA. Further post-closing work was completed and it was determined that no cure payment was owed to BLM, all licenses were transferred and bonds released without the requirement of a cure payment to BLM.

Tax Refunds

- (d) The Monitor, with assistance from a tax consulting firm, Tax Consultants of Texas, Inc. (“TCOT”), filed for various sales tax refunds (“**Tax Refunds**”). At the time of the Monitor’s Fourth Report the Tax Refunds were being processed by various government agencies and the timing to receive the refunds was unknown (although it typically took 6 to 12 months). Since the Monitor’s Fourth Report the Monitor and TCOT followed up with the relevant government agencies and responded to various questions/audit requests. The Monitor collected the tax refunds in various tranches and has now collected \$629,221. The Monitor understands that no further tax refunds will become available.

Collection of Accounts Receivables

- (e) The Monitor with the assistance of former employees of Argent worked to collect old accounts receivables and deposits held by third parties that had not yet been collected at the time of the Monitor’s Fourth Report. A total of \$1.1 million was collected as a result of these efforts. The Monitor is of the view that there are no further accounts receivables to be collected.

Escheatment Order in US Proceedings

- (f) Prior to the CCAA Proceedings, Argent U.S. had issued various royalty cheques to royalty owners totaling \$49,454. These royalty cheques had gone stale dated. Rather than re-issuing royalty cheques again and waiting for them to clear (or potentially go stale dated again) the Monitor requested authority from the US Court to deposit such unclaimed funds into the US Court’s registry, and sought to implement a process whereby royally owners could apply to the US Court to have their royalty cheques re-issued. The US Court entered the escheatment order on March 20, 2018, and on April 5, 2018, the Monitor deposited the \$49,454 into the US Court’s registry

Bankruptcy of the Trust and Argent Canada

- (g) In accordance with the CCAA Termination Order and subsequent to the Monitor's Fourth Report, the Monitor assigned the Trust and Argent Canada into bankruptcy proceedings.

REMAINING TASKS

- 22. If an Order is granted approving the termination of these CCAA Proceedings the only remaining tasks will be
 - (a) obtain recognition of the CCAA termination order in the US Proceedings;
 - (b) complete final administration tasks and statutory filings tasks to complete the CCAA Proceedings; and
 - (c) distribute the remaining proceeds to the Syndicate.

RECEIPTS AND DISBURSEMENTS

23. The following table provides a summary of receipts and disbursements made by the Monitor from the commencement of the CCAA Proceedings to April 13, 2018 and the balance of net proceeds currently held by the Monitor. For illustrative purposes the Monitor has also presented the receipts and disbursements presented in the Monitor's Fourth Report in order to demonstrate the change of receipts and disbursements since previously reported to this Honourable Court.

Receipts and Disbursements (USD)	Per Monitor's Fourth Report	Change over period	Total to April 13, 2018
<u>Receipts</u>			
Gross Purchase Price	\$ 45,575,000	\$ -	\$ 45,575,000
Final statement of adjustments	722,952	(69,497)	653,455
Collection of accounts receivables	860	1,101,700	1,102,560
Tax Refunds	-	629,221	629,221
Bank Interest	-	13,925	13,925
Escrow funds for final statement of adjustments	-	500,103	500,103
Net received by Monitor	46,298,812	2,175,453	48,474,265
<u>Disbursements</u>			
OGAC success fee	(505,750)	-	(505,750)
Escrow fund for final statement of adjustments	(505,025)	-	(505,025)
KERP/KEIP payments	(1,435,041)	-	(1,435,041)
Cure payments	(1,033,247)	-	(1,033,247)
Lien Payment	(39,232)	(8,400)	(47,632)
Wind-down funds	(1,129,194)	99,975	(1,029,219)
Payment of royalties per Escheatment Order	-	(49,454)	(49,454)
Monitor's Counsel	-	(7,177)	(7,177)
Monitor	-	(119,020)	(119,020)
Professional Fees Ad Hoc Group	-	(230,521)	(230,521)
Professional Fees Syndicate Counsel	-	(230,420)	(230,420)
Interim distribution to Syndicate	(39,600,000)	(2,600,000)	(42,200,000)
Total distributed	(44,247,489)	(3,145,017)	(47,392,506)
Cash held by Monitor	\$ 2,051,323	\$ (969,564)	\$ 1,081,759

24. Since the Monitor's Fourth Report, the Monitor with the assistance of former employees of the Applicants have had significant success collecting accounts receivables and the tax refunds as identified above. This has resulted in additional distributions of \$2.6 million since the Monitor's Fourth Report.

DISTRIBUTION OF REMAINING PROCEEDS

25. The Monitor is of the view that there are no further collections or recoveries available to the estate and accordingly is recommending to terminate these CCAA Proceedings and distribute the remaining proceeds less minor administrative expenses and accrued but unpaid professional fees to complete the administration of the estate (“**Completion Costs**”). The Monitor anticipates the Completion Costs to be approximately \$75,000. Once the Completion Costs are paid the Monitor recommends distributing the remaining proceeds to the Syndicate as a final distribution (“**Final Distribution**”).

STATUS OF CCAA PROCEEDINGS

26. The Monitor is requesting that the CCAA Proceedings be terminated with respect to Argent US as the remaining post-closing and administrative tasks described above have now been completed. Accordingly, the remaining tasks are to distribute the remaining funds held by the Monitor to the Syndicate and terminate the CCAA Proceedings. With the termination of the CCAA Proceedings the Monitor recommends offering the books and records back to the former directors of the Applicants and if they do not accept them the Monitor is seeking authorization to destroy the books and records in the event

D&O CLAIMS PROCESS

Notice to potential claimants

27. On August 31, 2016, the D&O Claims Process Order was granted. After the granting of the D&O Claims Process Order the Monitor provided notice to potential claimants in accordance with the Claims Process Order as follows:
- (a) Immediately posted the D&O Claims Process Order and a copy of the D&O Proof of Claim Document Package, as defined in the Claims Process Order on its website; and

- (b) Caused the Notice to Claimants as defined in the Claims Process Order to be published in The Globe and Mail Newspaper (National Edition) on September 7, 2016.

Claims Submitted

28. Prior to the Claims Bar Date, the Monitor received one proof of claim from Giovanna Gallo in the amount of \$53,000 (“**Gallo Claim**”). The basis of the Gallo Claim appeared to be loss of investment. The Monitor considered the Gallo Claim and determined that the basis on which the claim was submitted was not valid in the context of the D&O Claims Process, and accordingly, on September 30, 2016, the Monitor issued a Notice of Disallowance disallowing the entire claim and advising that if Giovanna Gallo wished to dispute the Notice of Disallowance a Dispute Notice would have to be sent to the Monitor no later than 10 business days after receiving the Notice of Disallowance. The Monitor never received a Dispute Notice in respect of the Gallo Claim.

APPROVAL OF FEES

29. Invoices rendered by the Monitor for fees and expenses inclusive of GST since August 1, 2016 total \$134,142.75 and the Monitor anticipates an additional \$25,000 accrued unbilled work to date and administrative work to complete the CCAA Proceedings and US Proceedings (collectively the “**Monitor’s Fees**”). The accounts will be made available upon request.
30. Invoices rendered for fees and expenses inclusive of GST by McCarthy Tétrault LLP, the Monitor’s Canadian Counsel, since August 1, 2016 total \$9,676.80 and the Monitor’s Canadian Counsel anticipates an additional \$10,000 accrued unbilled work to date and administrative work to complete the CCAA Proceedings (collectively the “**Monitor’s Canadian Counsel’s Fees**”). The accounts will be made available upon request.

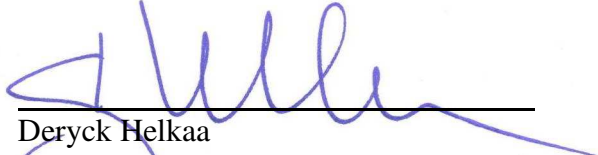
31. Invoices rendered for fees and expenses by Norton Rose Fullbright LLP, the Monitor's U.S. Counsel since August 26, 2016 total \$79,137.10 and the Monitor's U.S. Counsel anticipates an additional \$10,000 accrued unbilled work to date and administrative work to complete the US Proceedings (collectively "**Monitor's U.S. Counsel's Fees**"). The accounts will be made available upon request.
32. The Monitor believes the Monitor's Fees and the Monitor's Canadian and the Monitor's U.S. Counsel's Fees are appropriate and reasonable in the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

33. The Monitor respectfully recommends that this Honourable Court grant the Applicants' request for:
 - (a) an Order approving the activities of the Monitor;
 - (b) an Order terminating the CCAA Proceedings for Argent US and discharging the Monitor in its capacity as Monitor of Argent US;
 - (c) an Order authorizing the Monitor to destroy the books and records of the Applicants in the event they are not accepted by the former directors;
 - (d) an Order approving the Monitor's Fees, the Monitor's Canadian Counsel's Fees and the Monitor's U.S. Counsel's Fees; and
 - (e) an Order authorizing the Monitor to make the Final Distribution to the Syndicate upon the CCAA Termination Order, if granted, being recognized in the Chapter 15.

All of which is respectfully submitted this 16th day of April 2018.

FTI Consulting Canada Inc.
in its capacity as the Monitor of Argent Energy
(US) Holdings Inc.



Deryck Helkaa
Senior Managing Director,
FTI Consulting Canada Inc.