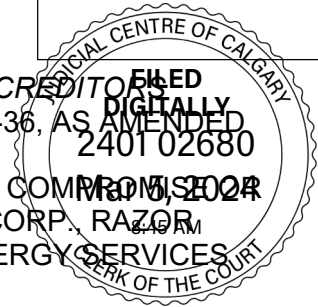


COURT FILE NUMBER 2401-02680  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY

Clerk's Stamp

APPLICANTS

IN THE MATTER OF THE COMPANIES' CREDITORS' ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT OF RAZOR ENERGY CORP., RAZOR HOLDINGS GP CORP., AND BLADE ENERGY SERVICES CORP.



DOCUMENT

**AFFIDAVIT #2 OF DOUG BAILEY**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

McCarthy Tétrault LLP  
4000, 421 – 7<sup>th</sup> Avenue SW  
Calgary, AB T2P 4K9  
Attention: Sean Collins / Pantelis Kyriakakis / Nathan Stewart  
Tel: 403-260-3531 / 3536 / 3534  
Fax: 403-260-3501  
Email: scollins@mccarthy.ca / pkyriakakis@mccarthy.ca / nstewart@mccarthy.ca

**AFFIDAVIT #2 OF DOUG BAILEY**  
**Sworn on March 4, 2024**

I, Doug Bailey, of the City of Calgary, of the Province of Alberta, **SWEAR AND SAY THAT:**

1. I am the CEO of Razor Energy Corp. ("**Razor Energy**"), Razor Holdings GP Corp. ("**Razor Holdings**"), and Blade Energy Services Corp. ("**Blade**", Razor Energy, Blade, and Razor Holdings are collectively referred to as, the "**Applicants**"). Razor Energy is the sole limited partner, and Razor Holdings is the sole general partner, of Razor Royalties Limited Partnership ("**Razor Royalties LP**", and collectively with the Applicants, the "**Razor Entities**"). I am also a member of the board of directors of, each of, Razor Energy, Razor Holdings, and Blade. I have reviewed the books and records prepared and maintained by the Razor Entities, in the ordinary course of business, including business and operational information and the most recently available annual audited and unaudited financial statements. I have personal knowledge of the facts and matters sworn to in this Affidavit, except where information was received from someone else or some other source of information, as identified herein. Where the information contained herein was received from another source, I believe such information to be true.

Clerk's Stamp

COURT FILE NUMBER 2401-02680  
COURT COURT OF KING'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 THE PLAN OF COMPROMISE OR ARRANGEMENT OF RAZOR ENERGY CORP., RAZOR HOLDINGS GP CORP., AND BLADE ENERGY SERVICES CORP.

DOCUMENT **AFFIDAVIT #2 OF DOUG BAILEY**

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2. On February 20, 2024, I swore an affidavit (the “**Initial Affidavit**”), filed in the within proceedings (the “**CCAA Proceedings**”). Among other things, the Initial Affidavit describes: (i) the background with respect to the Razor Entities’ assets, liabilities, and operations; and, (ii) details concerning the relief sought in connection with the initial CCAA application, returnable on February 28, 2024 (the “**Initial Application**”) and the Comeback Application (as defined below). Capitalized terms used in this affidavit (this “**Affidavit**”), but not otherwise defined, shall have the meanings ascribed to such terms in the Initial Affidavit.
3. On February 28, 2024, the Honourable Justice N.J. Whitling granted an initial order (the “**Initial Order**”), in respect of the Applicants, under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). Among other things, the Initial Order established a stay of proceedings against the Applicants for ten (10) days (the “**Stay Period**”) and extended the stay of proceedings to Razor Royalties LP, for the duration of the Stay Period.
4. FTI Consulting Canada Inc. (“**FTI**”) was appointed as the monitor (when referred to in such capacity, the “**Monitor**”) of the Applicants.

### **Summary of Relief Sought**

5. I am authorized to swear this Affidavit in support of an application (the “**Comeback Application**”) filed by the Applicants, seeking, among other relief:
  - (a) an amended and restated initial order (the “**ARIO**”), under the CCAA:
    - (i) extending the Stay Period, in respect of the Razor Entities, up to March 29, 2024;
    - (ii) confirming the \$100,000 Administration Charge and the \$335,000.00 Directors’ Charge;
    - (iii) authorizing the Applicants to limit further expenses during the Stay Period by relieving certain ongoing securities or capital markets reporting obligations;
    - (iv) relieving Razor Energy of any obligations to call or hold its next annual general meeting of shareholders (“**AGM**”), until further Order of this Court;

- (b) a sealing order (the “**Sealing Order**”), sealing the Confidential Exhibit (as defined below), to this Affidavit, on the Court file, until further order of the Court; and,
  - (c) such further and other relief as may be sought by the Applicants.
6. As described in detail below, the primary purpose of the requested extension of the Stay Period is to enable the Applicants to review and assess any bid(s) received in connection with the sale and investment solicitation process (the “**SISP**”), as approved by this Honourable Court, pursuant to the Initial Order. Specifically, the SISP contemplates that proposals will be due on March 12, 2024 (the “**Bid Deadline**”). The Applicants are seeking an extension of the Stay Period to March 29, 2024 to enable them to: (i) obtain and review any and all bids, offers, proposals, and other submissions made (collectively, the “**Offers**” and the parties or persons providing such Offers, being the “**Offerors**”); (ii) assess their position and proposed path forward, and what further relief may be appropriate in the circumstances, following the review of the Offers and discussions and negotiations with the Offerors and affected creditors and stakeholders; and (iii) continuing negotiations and discussions, following the review of any Offers, for any interim financing required to fund the completion of these CCAA Proceedings and the pursuit of the applicable Offers.
7. The Initial Application and Initial Affidavit contemplated that the Applicants would seek certain additional relief, in connection with the Comeback Application, including approval of certain additional priority charges. At present, the Applicants have determined that it would be appropriate to reserve such further requests for relief, until the results of the SISP are known, at which time such further relief can be better tailored to the circumstances.

**The Applicants’ Activities Since the Initial Order**

8. The Applicants have continued to advance their restructuring plan since the granting of the Initial Order, on February 28, 2024. Specifically, among other things, the Applicants’ are:
- (a) working with the Sale Advisor and the Monitor to conduct and carry out the SISP;
  - (b) continuing to work with the Sale Advisor to: (i) provide information and respond, through the Sale Advisor, to enquiries made in connection with the SISP; and, (ii) prepare for the evaluation of any Offers received in connection with the SISP;

- (c) working with the Monitor and the Applicants' professional advisors to prepare the Second Cash Flow Forecast (as defined below);
  - (d) engaging with potential lenders regarding the proposed Interim Financing Facility and the terms on which such interim lenders may advance financing to the Applicants. These discussions are anticipated to continue until the Bid Deadline and be affected and informed by any Offers received;
  - (e) obtaining an appraisal (the "**Blade Appraisal**") of the equipment in the possession of Blade (the "**Blade Equipment**");
  - (f) working with the Monitor to refine the Applicants' form of a potential key employee retention plan ("**KERP**");
  - (g) providing information to the Monitor, as requested, and working with the Monitor to identify potential solutions to various issues arising under or in connection with the Applicants' CCAA Proceedings;
  - (h) responding to questions and issues, from creditors and other stakeholders, concerning these CCAA Proceedings;
  - (i) working with the Monitor and the Applicants' professional advisors to identify and formulate appropriate relief, in connection with the Comeback Application;
  - (j) negotiating with Conifer in connection with a potential commercial resolution to the dispute concerning the Judy Creek Gas Plant, which was the subject of the Supply Application and the corresponding Decision of Justice Lema, dated February 19, 2024; and,
  - (k) carrying on operations in the ordinary course.
9. On February 28, 2024 (the date upon which the initial order was granted), the Monitor received an email, to which an employee with Razor Energy was copied from the Alberta Petroleum Marketing Commission (the "**APMC**"). The matter in issue is the status of pre-filing royalties owing by Razor Energy to APMC. APMC contends that Razor Energy is obligated to deliver 934.8 m<sup>3</sup> of crude oil to APMC. Based on strip pricing, the value of such crude is approximately \$600,000.00. Razor Energy is in discussions with APMC

relative to such pre-filing amount. To be clear, Razor Energy's Second Cash Flow Forecast (as defined and described below) contemplates delivery of post-filing production to APMC. Attached here to and marked as **Exhibit "A"** is a true copy of the said email.

10. The Applicants have made material progress in their restructuring during the initial ten (10) day Stay Period and additional time is required to determine the Applicants' next steps and, in particular, carry out the SISP. The Applicants have acted, and are continuing to act, in good faith and with due diligence.

#### **Update Regarding the SISP and the Interim Financing Facility**

11. The SISP remains ongoing. The SISP is a critical component of the Applicants' restructuring plan and, as described in further detail in the Initial Affidavit, contemplates that Offers may take a wide variety of forms (including restructuring proposals and asset sales, among other things). The Applicants require time to assess and evaluate bids following the Bid Deadline and discuss and negotiate such Offers with the Offerors and affected creditors and stakeholders, to determine which Offers, if any, the Applicants will seek approval of. It is anticipated that the Applicants will provide further details, to the Court, concerning the results of the SISP and any other or further proposed sales or transactions, in connection with a future application(s).
12. As noted in my Initial Affidavit, on February 7, 2024, Stride Capital ("**Stride**"), an equipment lessor, through its counsel, requested that Blade and Razor Energy return certain equipment financed by Stride (the "**Stride Collateral**"). The Applicants have determined that in the circumstances including because: (a) there is equity in the Stride Collateral; and (b) Blade is a wholly-owned subsidiary of Razor Energy and, as such, there may be an Offer that contemplates the acquisition of Razor Energy's shares in Blade, to continue to retain possession of the Stride Collateral during the currency of any extension of the current stay period to permit the Applicants to assess whether Blade will be the subject of an executable Offer.
13. The Blade Appraisal evidences that the Applicants have significant equity in the Blade Equipment. Attached hereto and marked as Confidential Exhibit #1, to this, my Affidavit, is a true copy of the Blade Appraisal.
14. The terms of any proposed Interim Financing Facility will depend, in part, upon the results of the SISP. The Applicants are continuing to negotiate with potential interim lenders,

regarding the provision of an Interim Financing Facility. If one or more acceptable Offers are received within the SISP, it is anticipated that negotiations for interim financing will be concluded prior to the expiration of the Stay Period (as extended by the ARIO) and that the Applicants will seek approval of a Interim Financing Facility, as is determined to be necessary to fund the completion of these CCAA Proceedings.

### **Amendments to Priority Charges**

#### ***Administration Charge***

15. In the Initial Affidavit, at paragraph 99 thereof, I described the factual basis and rationale for the Applicants' request for the granting of the Administration Charge over the assets, properties, and undertakings of the Razor Entities (collectively, the "**Property**"), in favour of the Monitor, the Monitor's counsel, and the Applicants' counsel, to secure their respective fees and disbursements incurred at their standard rates and charges.
16. The Initial Order established the Administration Charge, in the amount of \$100,000. The initial amount of the Administration Charge was intended to provide security, for the respective fees and disbursements of the beneficiaries of the Administration Charge, during the initial ten (10) day Stay Period, granted under the Initial Order. In connection with the Comeback Application, on the basis of the projected professional fees to be paid to the beneficiaries of the Administration Charge, the Applicants request that this Honourable Court confirm the Administration Charge in the amount of \$100,000.
17. The Applicants have consulted with and obtained guidance from the Monitor and the Applicants' professional advisors in proposing the Administration Charge. I verily believe that the quantum of the Administration Charge is appropriate, given the length of the extension of the Stay Period, being sought by the Applicants, and the anticipated liabilities to be incurred with the respect to the fees and disbursements of the Monitor, the Monitor's counsel, and the Applicants' counsel, during these CCAA Proceedings.

#### ***Directors' Charge***

18. In the Initial Affidavit, at paragraphs 100 – 104 thereof, I described the factual basis and rationale for the Applicants' request for the granting of the Directors' Charge over the Property, in favour of the Applicants' directors and officers.

19. The Initial Order established the Directors' Charge, in the amount of \$335,000 for the initial ten (10) day Stay Period. In connection with the Comeback Application, the Applicants request that this Honourable Court maintain the quantum of the Directors' Charge.
20. The Applicants have consulted with and obtained guidance from the Monitor in proposing such amount. I verily believe that the quantum of the D&O Charge is fair and reasonable in the circumstances, and will provide a reasonable level of protection for the directors and officers of the Applicants that will continue to occupy such roles throughout the CCAA Proceedings.

#### **Update Regarding Corporate and Securities Relief**

21. The Initial Affidavit described the basis for the Applicants' request for the Corporate and Securities Relief. The proposed form of ARIO has been revised to incorporate changes requested by the Alberta Securities Commission with respect to the Corporate and Securities Relief.

#### **Update Regarding Litigation with Conifer**

22. Paragraph 48 of the Initial Affidavit stated, in part, that "The formal written reasons for decision [regarding the Supply Application] are pending and the Applicants anticipate providing further details regarding same in connection with the Comeback Hearing". A true copy of the written reasons for decision of the Honourable Justice Lema, dated February 19, 2024, is attached to the first Report of the Monitor.
23. On February 23, 2024, Conifer filed a Civil Notice of Appeal, with respect to the Supply Application. As described above, Razor Energy is continuing to engage with Conifer with a view to arriving at a commercial resolution to the matters which gave rise to the Supply Application.

#### **Second Cash Flow Forecast**

24. With the assistance of the Monitor and the Applicants' professional advisors, the Applicants have prepared a cash flow forecast (the "**Second Cash Flow Forecast**") for the period ending March 31, 2024 (the "**Forecast Period**"). A true copy of the Second Cash Flow Forecast is attached hereto and marked as **Exhibit "B"** to this, my Affidavit.



25. The Second Cash Flow Forecast assumes that post-filing crown royalties will be paid in kind, and that there will be no interim financing, revenue from the Judy Creek Gas Plant, or from non-operated production, during the Forecast Period. The Applicants are nevertheless forecasted to have sufficient liquidity to satisfy their post-filing obligations during the Forecast Period.

**Extension of Stay Period**

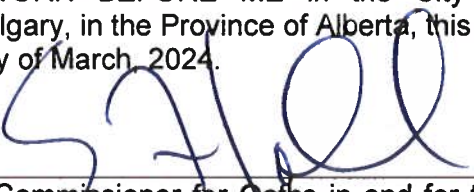
26. The Stay Period is currently set to expire on March 8, 2024. If the Stay Period is not extended, the Applicants will not have sufficient time to review, negotiate, or seek Court approval of any transactions under the SISP.
27. The Applicants seek the approval of an extension of the Stay Period, up to and until March 29, 2024. The extension of the Stay Period is critical to the Applicants' ability to complete any transaction(s) under the SISP and maximize the value of their Property, to the benefit of all of the Applicants' creditors and stakeholders.
28. Specifically, the requested extension of the Stay Period is intended to provide the Applicants with sufficient time to:
- (a) evaluate and assess the results of the SISP, with the assistance of the Monitor and the Sale Advisor;
  - (b) determine what further relief will be sought by the Applicants, within these CCAA Proceedings;
  - (c) if appropriate, finalize the terms of the proposed KERP and proposed Interim Financing Facility, and seek Court approval of same;
  - (d) engage with Conifer and other creditors and stakeholders regarding the Applicants' proposed path forward; and,
  - (e) begin the process of completing one or more transactions under the SISP and seeking Court approval of same.

**Sealing Order**

29. The Confidential Exhibit contains certain commercially-sensitive and confidential information concerning the value of the Blade Equipment. I verily believe that the public disclosure of the Confidential Exhibit would pose a significant risk of causing irreparable harm to the interests of the Applicants and their stakeholders, including, but not limited to, the risk that such disclosure could affect any bids received in connection with the Blade Equipment. The Applicants intends to seek an order sealing the Confidential Exhibit, on the Court file, and accordingly the Confidential Exhibit will not be attached to the publicly-filed copy of this Affidavit.

**Conclusion**

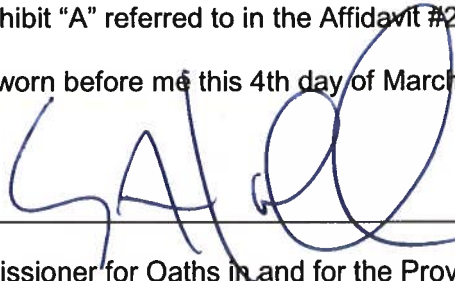
30. I make this Affidavit in support of the Comeback Application seeking the ARIO and Sealing Order.

SWORN BEFORE ME in the City of )  
Calgary, in the Province of Alberta, this 4<sup>th</sup> )  
day of March, 2024. )  
 )  
A Commissioner for Oaths in and for the )  
Province of Alberta )

  
\_\_\_\_\_  
DOUG BAILEY

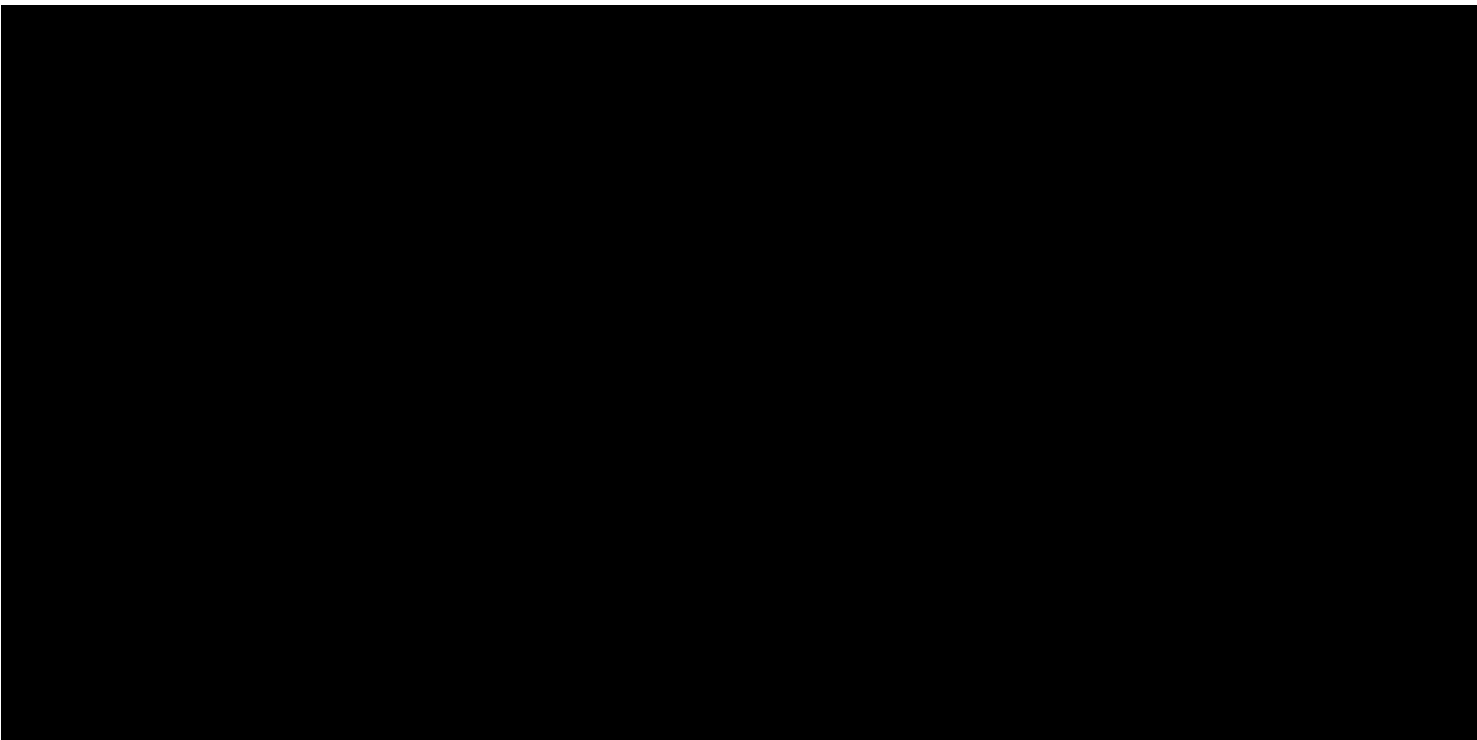
**SEAN F. COLLINS  
BARRISTER & SOLICITOR**

This is Exhibit "A" referred to in the Affidavit #2 of Doug Bailey  
sworn before me this 4th day of March, 2024.

A handwritten signature in blue ink, appearing to read 'SFC', is written over a horizontal line.

A Commissioner for Oaths in and for the Province of Alberta

**SEAN F. COLLINS**  
**BARRISTER & SOLICITOR**



**From:** Nolan Hindmarsh <Nolan.Hindmarsh@apmc.ca>  
**Sent:** Wednesday, February 28, 2024 3:08 PM  
**To:** Browning, Cameron <cameron.browning@fticonsulting.com>  
**Cc:** lkerbrat@razor-energy.com; Cate Howell <Cate.Howell@apmc.ca>  
**Subject:** [EXTERNAL] FW: 2024-01 Crown under deliveries

**Attention:**       **Cameron Browning, Trustee  
                          And Razor Energy Corp.**

We are aware of the communication below from Razor Energy Corp advising of the NOI process under the BIA. The correspondence states that: *“Razor Energy was advised by it’s lawyers and FTI that January oil royalties were stayed as part of this process and accordingly Razor did not deliver any royalty for January production.”*

APMC is the Crown agent responsible for accepting delivery and dealing with the Crown’s royalty share of production under the *Petroleum Marketing Act*. We dispute the advice provided and put Razor Energy and FTI on strict notice of the continuing legal obligation to deliver the Crown’s royalty share of production to APMC.

The BIA may have the effect of suspending obligations to make payments, including payments of cash royalty amounts in some circumstances. However, unlike other mineral royalties, crude oil royalties are not taken in cash, but are taken in-kind and are legislatively structured as the Crown retaining ownership in its royalty share of production. At no point does Razor Energy acquire an ownership interest in the Crown’s royalty share of crude oil production that could make it part of Razor’s estate and property for the purpose of BIA proceedings. At all times, the Crown retains actual ownership and title to its share of production, notwithstanding that its royalty share may be co-mingled with Razor Energy production. Razor Energy is in a bailment and trust relationship with respect to the Crown’s royalty share of crude oil production, and there is no right to seize and convert the Crown’s property for the use of Razor Energy’s and its creditors.

For reference, I would direct you to Section 35(1) of the *Mines and Minerals Act* which confirms Crown ownership and title to the Crown’s royalty share of production notwithstanding that it may be co-mingled with, and indistinguishable from, a lessee’s share. Whereas the regulations to the *Mines and Minerals Act* provide for the deemed sale and transfer

of the Crown's royalty share of natural gas and bitumen production to the lessee – thereby transferring title and creating a cash royalty payment obligation for the lessee on these products – the legislative structure for crude oil production and royalties is entirely different and does not work to transfer the Crown's ownership interest in the royalty share to the lessee in return for a cash payment. Producers have, among their responsibilities, an obligation under Section 86(1) of the *Mines and Minerals Act* and Section 3 of the *Petroleum Royalty Regulation* to deliver the Crown's royalty share of crude oil royalty volumes to APMC, as agent of the Crown. Under the *Petroleum Marketing Regulation*, the Crown's royalty share of crude oil production is deemed to be delivered first (section 2(3)(b)).

The advice to withhold the Crown's royalty share of crude oil production fails to recognize the Crown's continuing estate, ownership and title to that royalty share. It mistakenly assumes that Razor Energy has somehow acquired title to the Crown share and simply owes a cash royalty obligation in return, which is not true.

We would ask for your immediate attention to clarify this issue, rescind the former advice to withhold the Crown's royalty share deliveries, and confirm steps that will be taken to rectify the suspended deliveries.

I look forward to your response.

Thanks,

**Nolan Hindmarsh**

General Counsel

Tel: 403-297-4563

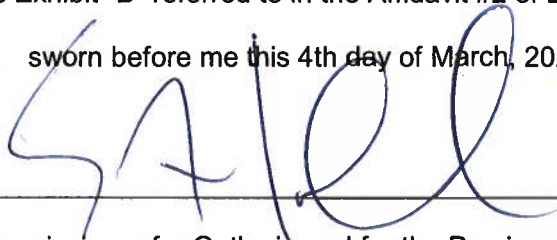
Cell: 587-227-0395

[Nolan.Hindmarsh@apmc.ca](mailto:Nolan.Hindmarsh@apmc.ca)



---

This is Exhibit "B" referred to in the Affidavit #2 of Doug Bailey  
sworn before me this 4th day of March, 2024.

A handwritten signature in blue ink, appearing to read "S. Collins", written over a horizontal line.

A Commissioner for Oaths in and for the Province of Alberta

**SEAN F. COLLINS**  
**BARRISTER & SOLICITOR**

**Razor Energy Corp., Razor Royalties Limited Partnership, Razor Holdings GP Corp., and Blade Energy Services Corp. (the "Razor Entities")**  
 Projected Cash Flow Statement for the period of March 4, 2024 to March 31, 2024

<b>Cash Flow Statement</b>		<b>Week 1</b>	<b>Week 2</b>	<b>Week 3</b>	<b>Week 4</b>	<b>Total</b>
(C\$ 000s)	Week Ending	10-Mar	17-Mar	24-Mar	31-Mar	
<b>Receipts</b>						
Net production revenue	1	\$ -	\$ 283	\$ -	\$ 2,079	\$ 2,362
Other receipts	2	15	15	15	15	60
<b>Total - Receipts</b>		<b>15</b>	<b>298</b>	<b>15</b>	<b>2,094</b>	<b>2,422</b>
<b>Disbursements</b>						
Operating expenses	3	(337)	(473)	(812)	(263)	(1,885)
Transportation costs	4	-	-	-	(327)	(327)
Lease rentals	5	-	(54)	-	-	(54)
Insurance	6	(27)	(27)	-	(624)	(678)
Payroll	7	-	(230)	-	(230)	(460)
Professional & Sales Agent fees	8	(125)	-	-	(165)	(290)
G&A expense	9	(50)	(50)	(50)	(60)	(210)
<b>Total - Disbursements</b>		<b>(539)</b>	<b>(834)</b>	<b>(862)</b>	<b>(1,669)</b>	<b>(3,904)</b>
<b>Net cash flow</b>		<b>(524)</b>	<b>(536)</b>	<b>(847)</b>	<b>425</b>	<b>(1,482)</b>
<b>Opening cash balance</b>		<b>2,102</b>	<b>1,578</b>	<b>1,042</b>	<b>195</b>	<b>2,102</b>
<b>Ending cash balance</b>		<b>\$ 1,578</b>	<b>\$ 1,042</b>	<b>\$ 195</b>	<b>\$ 620</b>	<b>\$ 620</b>

**RAZOR ENTITIES**

Per: Doug Bailey, President and CEO

**Notes:**

Management of the Razor Entities has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Razor Entities during the period of March 4, 2024 to March 31, 2024. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in the notes below. Consequently, actual results will likely vary from actual performance and such variances may be material.

- 1 - Net production revenue relates to the sale of Razor Energy Corp's petroleum and natural gas production and is based on forecast production volumes and third-party pricing. Further, it assumes no operated production can be sent to the Judy Creek Gas Plant and no additional net revenue received from non-operated production.
  - Week ending March 17, 2024, includes the Pembina Midstream Limited Partnership receivable.
  - Crown royalties for oil production are paid in kind.
- 2 Other receipts consist of third-party road use fees, partner joint interest billings, etc.
- 3 Operating expenses are based on the annual operating budget and relates to the costs associated with the operation of oil and natural gas wells.
- 4 Transportation costs relate to transporting petroleum and natural gas production from well head to market and is based on projected production volumes and transportation rates.
- 5 Lease rentals are based on annual budget (excluding freehold).
- 6 Insurance is based on current policy premiums and estimated D&O run off insurance.
- 7 Payroll is based on the most recent payroll registers.
- 8 Professional fees include estimates for the Monitor, the Monitor's legal counsel, Razor Entities' legal counsel, and sales agent.
- 9 G&A expense includes overhead costs based on the annual budget and margin call on hedging contracts.