

COURT FILE NUMBER 1029 of 2015

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE OF SASKATOON

APPLICANT **KNC HOLDINGS LTD.**

RESPONDENTS **FTI CONSULTING CANADA INC., NATIONAL
BANK OF CANADA, BAKER HUGHES CANADA
COMPANY, TRICAN PARTNERSHIP, ROUNDED
ENERGY SERVICES LTD., CRU WELL SERVICING
LTD. and CAL-GAS INC.**

ORIGINATING APPLICATION

NOTICE TO RESPONDENTS

This Application is made against you. You are the Respondent.

You have the right to state your side of this matter before the Court. To do so, you must be in Court when the application is heard as shown below:

Where: Court Of Queen's Bench
520 Spadina Crescent
Saskatoon SK S7K 3G7

Date: September 8, 2015

Time: 10:00 a.m.

(Read the Notice at the end of this document to see what else you can do and when you must do it.)

CONCISE STATEMENT OF FACTS

1. **March 6, 2014:** FTI Consulting Canada Inc. (“FTI”) became the Court Appointed Receiver and Manager of all the Property of, inter alia, Coast Resources Ltd. (“Coast Resources”) pursuant to an Order (paragraph 2) of Justice A.D. Macleod in the following proceedings:

COURT FILE NUMBER	1401-02489
COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE OF CALGARY	
APPLICANT	NATIONAL BANK OF CANADA
RESPONDENT	COAST RESOURCES LTD., 101033165 SASKATCHEWAN LTD., VIEWFIELD OIL & GAS LTD. and COAST SERVICES INC.

(“Alberta Court”)

2. **December 19, 2014:** FTI reported to the Alberta Court the following:
- (a) Beginning and continuing from March 6, 2014, FTI was carrying on Coast Resources’ business of extracting and selling oil from the liened lands (see paragraphs 28 to 34)
 - (b) National Bank of Canada (“National Bank”) has a secured property Claim for \$5,462,702.75 (see paragraph 66);
 - (c) Remaining Builders’ Lien Claims by KNC Holdings Ltd. (“KNC”), Baker Hughes Canada Company (“Baker Hughes”), Trican Partnership (“Trican”), Rounded Energy Services Ltd. (“Rounded Energy”), Cru Well Servicing Ltd. (“Cru Well”) and Cal-Gas Inc. (“Cal-Gas”) total \$490,388.00 (see paragraphs 78 and 79); and
 - (d) FTI’s recommendation is to, inter alia, set aside a Lien Fund of \$490,388.00 while disbursing to the National Bank \$2,900,000.00 (see paragraphs 81 and 83(d)).

3. **January 8, 2015:** the Honourable Mr. Justice D. Blair Nixon of the Alberta Court ordered:
 - (a) Approval of FTI's sale of Coast Resources' assets free and clear of National Bank's security as well as the Remaining Builders' Lien Claims;
 - (b) Approval of FTI's recommended interim distribution to National Bank of \$2.9 million (see paragraph 4); and
 - (c) Approval of a FTI Lien Fund reserve of \$490,388.00 (see paragraph 4).

4. **July 10, 2015:** the Honourable Madam Justice J. Strekaf of the Alberta Court ordered:
 - (a) Distribution to the National Bank of \$259,612.00 (see paragraph 4);
 - (b) Retention by FTI of the Disputed Amount of \$490,388.00 on account of the Remaining Liens (see paragraph 4);
 - (c) FTI to retain the Disputed Amount "pending further Order of the Court or the Court of Queen's Bench for Saskatchewan" (see paragraph 5);
 - (d) The usual request that "any Court ... in Canada, ... and in particular the Province of Saskatchewan, ... act in aid ... in carrying out the terms of this Order ..."; and
 - (e) The Alberta Court also acknowledged that the "Queen's Bench for Saskatchewan is the proper jurisdiction to determine the priority between National Bank and the Claimants ... Remaining Liens" (see paragraph 6).

WHO ARE THE PARTIES?

5. KNC, a Remaining Lien Claimant claiming \$161,074.00, is a Saskatchewan oil field services and transporter at Luseland, while its address for service is:

Robertson Stromberg LLP
Suite 600, 105 – 21st Street East
Saskatoon SK S7K 0B3
b.preston@rslaw.com

6. FTI, the Receiver and Manager retaining the Lien Fund of \$490,388.00, is an Alberta insolvency consulting corporation, while its address for service is:

McDougall Gauley LLP
1500 – 1881 Scarth Street
Regina SK S4P 4K9
mmilani@mcdougallgauley.com

7. National Bank, the unpaid secured creditor of Coast Resources, is a Canadian chartered bank, while its address for service is:

Norton Rose Fulbright Canada LLP
Suite 3700, 400 – 3rd Avenue SW
Calgary AB T2P 4H4
kyle.kashuba@nortonrosefulbright.com

8. Cru Well, a Remaining Lien Claimant claiming \$225,219.00, is an Alberta oil field mobile service rig corporation, while its address for service is:

McDougall Gauley LLP
Suite 500 - 616 Main Street
Saskatoon SK S4N 0J6
cfrith@mcdougallgauley.com

9. Trican, a Remaining Lien Claimant claiming \$150,916.00, is an Alberta oil field cementing and field services corporation, while its address for service is:

DLA Piper (Canada) LLP
100, 250 – 2nd Street SW
Calgary AB T2P 0C1
brian.davison@dlapiper.com

- ~~10. Rounded Energy, claiming \$15,737.00 and Cal-Gas claiming \$46,052.00 are each Remaining Lien Claimants and Alberta oil field service corporations carrying on business from Lloydminster, while their address for service is:~~

Robertson Moskal Sarsons
3801 – 51st Avenue
Lloydminster AB T9V 2C3
csarsons@lloydllaw.ca

11. Baker Hughes, a Remaining Lien Claimant claiming \$33,694.00, is a Nova Scotia oil field equipment supplier, while its address for service is:

DLA Piper (Canada) LLP
100, 250 – 2nd Street SW
Calgary AB T2P 0C1
ken.reh@dlapiper.com

12. Baker Hughes has caused the below styled Statement of Claim to be issued, but not yet served; at the below paragraphs:

- (a) **Paragraph 25:** pleads registration of its liens now discharged by the Alberta Court; and
- (b) **Paragraph 28(c):** prays against Coast Resources and the below Remaining Lien Claimants “relief ... entitled under *The Builders’ Lien Act*”.

COURT FILE NUMBER **QB No 681 of 2015**

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE OF SASKATOON

PLAINTIFF **BAKER HUGHES CANADA COMPANY**

DEFENDANTS **COAST RESOURCES LTD., DEVON
CANADA CORPORATION, WILLIAM
JOSEPH HOLTON, DONNA LYNN HOLTON,
PENN WEST PETROLEUM LTD.,
NORTHERN BLIZZARD RESOURCES INC.,
CRU WELL SERVICING LTD., ROUNDED
ENERGY SERVICES LTD., NATIONAL
BANK OF CANADA, TRICAN
PARTNERSHIP, and CAL-GAS INC.**

("Baker Hughes action")

RELIEF SOUGHT

13. QB Rule 12-1(1): an Order validating timely service of this Originating Notice as prescribed by QB Rule 3-50(1).
14. QB Rule 3-81(2)(a): an Order consolidating this Court file for this Claim with that for the Baker Hughes action.
15. QB Rule 3-49(3): Orders determining and directing:
 - (a) The priorities among the parties to the Lien Fund;
 - (b) Amounts, payable by FTI, to which each party is entitled; and
 - (c) An award of costs payable among the parties.

MATERIAL IN SUPPORT OF APPLICATION

16. March 6, 2014: Consent to Receivership Order by Justice A.D. Macleod. **[Tab 1]**
17. December 18, 2014: First Report of FTI filed December 19, 2014. **[Tab 2]**

18. January 8, 2015: Approval and Vesting Order – Northern Blizzard by Justice D. Blair Nixon. **[Tab 3]**
19. January 8, 2015: Interim Distribution Order by Justice D. Blair Nixon. **[Tab 4]**
20. July 9, 2015: Order Respecting Retention of Funds, Additional Distribution and Holdbacks by Madam Justice J. Strekaf file July 10, 2015. **[Tab 5]**
21. Copy of Statement of Claim by Baker Hughes in QB 681 of 2015, Saskatoon. **[Tab 6]**
22. Affidavit of Kim Zoller sworn on June 11, 2015 for the Alberta Court proceedings. **[Tab 7]**
23. Brief of Law submitted by Applicant, KNC. **[Tab 8]**

DATED at Saskatoon, Saskatchewan, this 30 day of July, 2015.

ROBERTSON STROMBERG LLP

Per: 

Bill Preston, Q.C., solicitor for
KNC Holdings Ltd.

NOTICE

You are named as a respondent because you have made or are expected to make an adverse claim with respect to this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken, which the applicant(s) is(are) entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form.

The rules require that a party moving or opposing an originating application must serve any brief of written argument on each of the other parties and file it at least 3 days before the date scheduled for hearing the originating application.

If you intend to rely on an affidavit or other evidence when the originating application is heard or considered, you must serve a copy of the affidavit and other evidence on the originating applicant at least 10 days before the originating application is to be heard or considered.

This *Originating Application* delivered by:

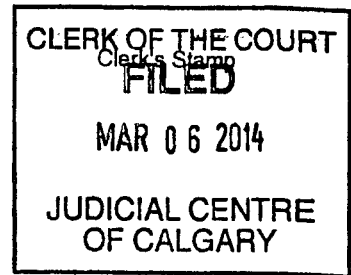
**ROBERTSON
STROMBERG**

ROBERTSON STROMBERG LLP

Barristers & Solicitors
Suite 600, 105 – 21st Street East
Saskatoon, SK S7K 0B3

Lawyer in Charge of file: Bill Preston, Q.C.
Direct Line: (306) 933-1388
Facsimile: (306) 652-2445
E-Mail: b.preston@rslaw.com

TAB 1



COURT FILE NUMBER 1401-02489
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA
RESPONDENTS COAST RESOURCES LTD., 101033165 SASKATCHEWAN LTD.,
VIEWFIELD OIL & GAS LTD. and COAST SERVICES INC.

DOCUMENT **CONSENT RECEIVERSHIP ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta T2P 4H2
Phone: +1 403.267.8222
Fax: +1 403.264.5973

I hereby certify this to be a true copy of the original Order

Dated this 6 day of March 2014
S. Ewert
for Clerk of the Court

Attention: Howard A. Gorman, Q.C. / Kyle D. Kashuba
howard.gorman@nortonrosefulbright.com
kyle.kashuba@nortonrosefulbright.com

File No. 01124572-0584

DATE ON WHICH ORDER WAS PRONOUNCED: March 6, 2014
NAME OF JUDGE WHO MADE THIS ORDER: Mr. Justice A.D. Macleod
LOCATION OF HEARING: Calgary, Alberta

CONSENT RECEIVERSHIP ORDER

UPON THE APPLICATION of National Bank of Canada (the "Lender") in respect of Coast Resources Ltd., 101033165 Saskatchewan Ltd., Viewfield Oil & Gas Ltd. and Coast Services Inc. (collectively, the "Debtor"); AND UPON reading the Application, and the two Affidavits of Karen Koury dated March 6, 2014, filed or to be filed; AND UPON reading the consent of FTI Consulting Canada Inc. to act as receiver and manager ("Receiver") of the Debtor, filed; AND UPON noting the consent of the Debtor endorsed hereon; AND UPON the Court being satisfied that in the circumstances the method for service on the Debtor and on the various interested parties is good, sufficient and should be validated; AND UPON hearing counsel for the Lender and any other interested parties that may be present;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the notice of application for this order is hereby abridged and service thereof is deemed good and sufficient.

APPOINTMENT

2. Pursuant to section 243 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("BIA"), section 13(2) of the *Judicature Act*, RSA 2000, c J-2, and s 65(7) of the *Personal Property Security Act*, RSA 2000, c P-7, FTI Consulting Canada Inc. is hereby appointed Receiver, without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:
 - (a) to take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
 - (b) to receive, preserve and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
 - (c) to manage, operate and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part other business, or cease to perform any contracts of the Debtor;
 - (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties, including without limitation those conferred by this Order;
 - (e) to purchase or lease machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
 - (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
 - (g) to settle, extend or compromise any indebtedness owing to or by the Debtor;
 - (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
 - (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
 - (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, and provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court;

- (k) to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
 - (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$500,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,
- and in each such case notice under subsection 60(8) of the *Personal Property Security Act*, RSA 2000, c P-7 shall not be required.
- (m) to apply for any vesting order or other orders (including without limitation, confidentiality or sealing orders) necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
 - (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
 - (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
 - (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
 - (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
 - (r) to exercise any shareholder, partnership, joint venture, or other rights which the Debtor may have;
 - (s) upon the application of the Receiver to this Court upon notice to all affected and interested parties, and where the Court is of the opinion on the making of such an application that it is proper and in the best interests of the estate, to assign the Debtor into bankruptcy or obtain a bankruptcy order against the Debtor; and
 - (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. (i) The Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**") and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.
5. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.
6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. No proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph 8; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. "**Regulatory Body**" means a person or

body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province.

NO EXERCISE OF RIGHTS OR REMEDIES

9. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" (as defined in the BIA), and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

10. No Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court. Nothing in this Order shall prohibit any party to an eligible financial contract from closing out and terminating such contract in accordance with its terms.

CONTINUATION OF SERVICES

11. All Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court (or alternatively, until receiving written permission of the Receiver, which the Receiver may choose in its discretion to provide) from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and this Court directs that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

12. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further order of this Court.

EMPLOYEES

13. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section

14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*, SC 2005, c 47 ("WEPPA").

14. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, SC 2000, c 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,
- (i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (a) below, the Receiver:
 - A. complies with the order, or
 - B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
 - (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,

- A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

Nothing in this Order shall derogate from the protection afforded to the Receiver by section 14.06 of the BIA, any other applicable legislation, or the common law.

LIMITATION ON RECEIVER'S LIABILITY

16. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.

RECEIVER'S ACCOUNTS

17. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, incurred both before and after the making of this Order in respect of these proceedings, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to section 14.06(7), 81.4(4) and 81.6(2) of the BIA.
18. The Receiver and its legal counsel shall pass their accounts from time to time.
19. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including the legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. The Receiver is at liberty and is hereby empowered to borrow by way of a revolving credit or otherwise from the Plaintiff, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

21. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
22. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.
23. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

ALLOCATION

24. Any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge amongst the various assets comprising the Property.

GENERAL

25. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
26. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence. The Receiver's reports shall be filed by the Court Clerk notwithstanding the same not including an original signature.
27. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.
28. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
29. The Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, and including in particular the courts of the Province of Saskatchewan, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
30. The Plaintiff shall have its costs of this Application, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.
31. Any interested party may apply to this Court to vary or amend this Order on not less than 7 days' notice (or such other time as the Court in its discretion may allow) to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

32. The Receiver shall establish and maintain a website in respect of these proceedings at <http://cfcanda.fticonsulting.com/CoastResources> and shall post there as soon as practicable:
- (a) all materials prescribed by statute or regulation to be made publically available; and
 - (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

" A. D. MALLON "

Justice of the Court of Queen's Bench of Alberta

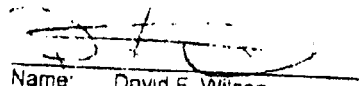
FILING

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- (a) all materials prescribed by statute or regulation to be made publically available; and
 - (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

Justice of the Court of Queen's Bench of Alberta

CONSENTED AS TO FORM AND CONTENT
THIS 5th DAY OF MARCH, 2014

Per


Name: David F. Wilson

Position

Authorized Representative for the Respondents,
Coast Resources Ltd., 101033165 Saskatchewan Ltd.,
Viewfield Oil & Gas Ltd and Coast Services Inc

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that FTI Consulting Canada Inc., the receiver and manager (the "Receiver") of all of the assets, undertakings and properties of Coast Resources Ltd., 101033165 Saskatchewan Ltd., Viewfield Oil & Gas Ltd. and Coast Services Inc. (collectively, the "Debtor") appointed by Order of the Court of Queen's Bench of Alberta (the "Court") dated the ____ day of March, 2014 (the "Order") made in action number _____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$500,000 which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily] [monthly not in advance on the ____ day of each month] after the date hereof at a notional rate per annum equal to the rate of ____ per cent above the prime commercial lending rate of the Bank of _____ from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at _____.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

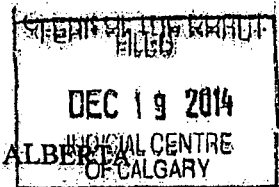
DATED the ____ day of _____, 201_.

FTI Consulting Canada Inc., solely in its capacity as Receiver and Manager of the Property (as defined in the Order), and not in its personal capacity

Per: _____
Name:
Title:

TAB 2

COURT FILE NUMBER 1401-02489
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT NATIONAL BANK OF CANADA
RESPONDENTS COAST RESOURCES LTD., 101033165
SASKATCHEWAN LTD., VIEWFIELD OIL &
GAS LTD. and COAST SERVICES INC.
DOCUMENT FIRST REPORT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS
COURT APPOINTED RECEIVER AND
MANAGER OF COAST RESOURCES LTD.,
101033165 SASKATCHEWAN LTD.,
VIEWFIELD OIL & GAS LTD. and COAST
SERVICES INC.



December 18, 2014

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER

FTI Consulting Canada Inc.
1000, 888 - 3rd Street S.W.
Calgary, AB T2P 5C5
Deryck Helkaa / Brett Wilson
Telephone: (403) 444-5372 / (403) 444-5373
Fax: (403) 444-6758
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brett.wilson@fticonsulting.com

COUNSEL

McDougall Gauley LLP
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Telephone: (306) 565-5117 / (306) 565-5149
Fax: (306) 359-0785
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ekleisinger@mcdougallgauley.com

INTRODUCTION

1. On March 6, 2014 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (the “**Property**”) of Coast Resources Ltd. (“**Coast Resources**”), 101033165 Saskatchewan Ltd. (“**1010**”), Viewfield Oil & Gas Ltd. (“**Viewfield**”) and Coast Services Inc. (“**Coast Services**”, and collectively with Coast Resources, 1010 and Viewfield, the “**Companies**”) pursuant to an Order of this Honourable Court (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, among other things, to carry on the business of the Companies, to market and solicit offers to purchase the Assets (as defined below) of the Companies, and to make such arrangements or agreements as deemed necessary by the Receiver.
3. The Receiver’s reports and other information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/coastresources/>.
4. The purpose of this report (this “**First Report**”) is to inform the Court as to the following:
 - (a) The status of various aspects of the Receivership Proceedings;
 - (b) The Receiver’s receipts and disbursements from the Date of Appointment to December 17, 2014;
 - (c) The Receiver’s summary and comments on the marketing efforts to solicit offers for the purchase of the Assets (as defined below);
 - (d) The details of the offers that have been received as result of these efforts, and the sale agreements that have been negotiated;

- (e) The details of the charges, security interests, encumbrances and liens registered against the Property; and
 - (f) The Receiver's proposed interim distribution of funds arising from the sales of the Assets.
5. The Receiver is requesting the following relief from this Honourable Court:
- (a) Approval of the activities of the Receiver since the Date of Appointment including its receipts and disbursements;
 - (b) Approval of the NBRI APS and the Crescent Point APS (each as defined below); and
 - (c) Approval to make the interim distributions (the "**Interim Distributions**") as recommended herein.

TERMS OF REFERENCE

6. In preparing this First Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Companies' books and records and discussions with various parties (collectively, the "**Information**").
7. Except as described in this First Report:
- (a) The Receiver 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 Canadian Institute of Chartered Accountants Handbook; and

- (b) The Receiver has not examined or reviewed financial forecasts and projections referred to in this First Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.
8. Future oriented financial information reported or relied on in preparing this First Report is based on assumptions regarding future events; actual results may vary from forecasts and such variations may be material.
 9. The Receiver has prepared this First Report in connection with the Receiver's Notice of Application dated December 18, 2014. This First Report should not be relied on for other purposes.
 10. Information and advice described in this First Report that has been provided to the Receiver by its counsel, McDougall Gauley LLP (the "Receiver's Counsel"), and that has been provided to the Receiver to assist it in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
 11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

BACKGROUND

12. Each of the Companies is a private entity incorporated under the laws of the Province of Saskatchewan and was established to invest in and operate oil and gas properties in Saskatchewan. The operations of the Companies include the following three core oil and gas exploration and production areas (collectively, the "Assets"):

- (a) Coast Resources, Viewfield, and Coast Services hold various working interests in petroleum and natural gas leases on an operated and non-operated heavy oil property located near Luseland, Saskatchewan (the "**Luseland Property**");
 - (b) 1010 holds various working interests in petroleum and natural gas leases on an operated heavy oil property in southeastern Saskatchewan (the "**Glen Ewen Property**"); and
 - (c) Coast Resources, Viewfield, and Coast Services hold various working interests in petroleum and natural gas leases in an undeveloped property located in eastern Saskatchewan (the "**Hoosier Property**").
13. Prior to the Receivership Proceedings the Companies experienced various financial challenges due to a decline in production, a substantial increase in the operating expenses associated with the Assets, and losses on hedging contracts entered into by the Companies' management.
14. The Companies' unaudited consolidated financial statements as at September 30, 2013 indicated the following:
- (a) book value of property and equipment of approximately \$9.6 million;
 - (b) indebtedness of approximately \$5.1 million owed to National Bank of Canada ("**National Bank**"). The Companies have a demand loan and revolving facility with National Bank. National Bank is the largest creditor of the Companies; and
 - (c) \$2.4 million of accounts payable and accrued liabilities.

15. Various directors of the Companies resigned immediately prior to the Date of Appointment as described in the Affidavit of Karen Koury sworn March 6, 2014 (the "Koury Affidavit").
16. At the Date of Appointment the Luseland Property was producing approximately 73 barrels of oil equivalent per day and the Glen Ewen Property was producing approximately 12 barrels of oil equivalent per day.

RECEIVER'S ACTIVITIES SINCE THE DATE OF APPOINTMENT

CUSTODY AND CONTROL

17. On March 7, 2014, the Receiver met with all of the remaining employees of the Companies at their head office in Regina, Saskatchewan to present a copy of the Receivership Order and explain the current situation. The Receiver indicated its intent to continue the operations of the Companies in order to facilitate a sale of the Assets to maximize the return for all stakeholders.
18. On March 7, 2014, in accordance with the Receivership Order, the Receiver froze the Companies' bank accounts and transferred the remaining funds to the Receiver's account at National Bank.

INSURANCE

19. The Receiver contacted the Companies' insurance provider, Gallagher Energy Risk Services, to amend the Companies' existing insurance policies to reflect the Receiver's interest in the Assets, to review the adequacy of the insurance and to discuss the current status of the insurance coverage.
20. The Companies' insurance policy was set to expire on July 15, 2014. The Receiver subsequently extended the policy by three month terms on two separate occasions. The current policy will expire on January 15, 2015 and the Receiver will extend the policy for an additional three month term in the ordinary course.

EMPLOYEES

21. At the Date of Appointment the Companies employed three employees (the "Employees"). The services of the Employees were deemed necessary to assist the Receiver through the Receivership Proceedings, and each agreed to continue his or her employment under the existing terms.
22. The Employees agreed to assist the Receiver with the operations of the Companies, to maintain the books and records, and to assist with the marketing process. The Employees retained by the Receiver were the Companies' controller, the vice-president of operations, and the office assistant / accountant. Additionally, the president of the Companies agreed to assist the Receiver on an as-needed basis.
23. As at the date of this First Report, two of the Employees have resigned from their positions with the Companies. Only the office assistant / accountant remains.

OFFICE LEASE AGREEMENT

24. At the Date of Appointment the Companies were leasing their head office space located in Regina, Saskatchewan. The Receiver made arrangements with the landlord to continue leasing the space on a month to month basis.

STATUTORY COMPLIANCE

25. On March 10, 2014, the Receiver mailed its notice and statement of affairs in accordance with subsection 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* to the Superintendent of Bankruptcy and to all known creditors of the Companies.

26. The Receiver established a website at the following URL coordinates, <http://cfcanada.fticonsulting.com/coastresources/> (the "Receiver's Website"), where it has posted periodic updates on the progress of the Receivership Proceedings, material filed in connection with the Receivership Proceedings and other relevant information.
27. The Receiver notified Canada Revenue Agency ("CRA") of the Receiver's appointment and established new remittance accounts for the goods and sales tax ("GST") and employee source deduction obligations arising subsequent to the Date of Appointment.

OPERATIONAL REVIEW

28. On March 6, 2014, the Receiver met with the Companies' vice-president of operations to discuss the current status of the Companies' operations, urgent operational issues that required immediate attention and discretionary work-overs that may potentially increase production prior to commencing a sales process.
29. The Receiver, with the assistance of the Employees, assembled a list of critical suppliers to contact to ensure the continuation of services throughout the Receivership Proceedings. The Receiver successfully made arrangements with these critical suppliers and consequently the Companies' operations have proceeded with minimal disruption.
30. The Receiver contacted the Companies' field operators to discuss their continued involvement in operating the Assets. All required field operators agreed to work for the Companies under the terms that existed prior to the Date of Appointment.

31. The Receiver has continued to operate the Assets since the Date of Appointment without any material changes. During this time the Receiver worked with the Employees and instituted minor work-overs and maintenance programs which had been neglected prior to the Date of Appointment due to limited cash flow, in order to increase production and maximize the potential recoveries for stakeholders.
32. In order to complete the foregoing, the Receiver has drawn \$250,000 on the Receiver Certificate in accordance with the terms of the Receivership Order. None of that amount has been repaid to date.

SUMMARY OF RECEIPTS AND DISBURSEMENT

33. Receipts and Disbursements from the Date of Appointment to December 17, 2014 are summarized as follows:

Schedule of Receipts and Disbursements		Notes
Receipts		
Oil and Gas Revenue	2,288,558	a
Receiver Certificate	250,000	b
GST Collected	110,484	
Bank Account Transfer	20,000	c
Other Receipts	20,262	d
Total - Receipts	2,689,304	
Disbursements		
Operating Expenses	1,621,887	e
Royalty and Lease Payments	504,037	f
Employee Costs	203,115	g
Bank Charges	127,875	h
GST/PST Paid	92,345	
Legal Fees	30,299	i
Other Professional Fees	26,464	j
Rent and Utilities	22,733	
GST Remitted	21,943	
Insurance	8,829	
Other Disbursements	7,342	k
Total - Disbursements	2,666,869	
Net Cash on Hand	22,435	

- (a) Oil and Gas Revenue – revenue collected by the Receiver in respect of the sale of oil and gas from the Assets;
- (b) Receiver Certificate – amounts borrowed from National Bank under terms of the Receivership Order;
- (c) Bank Account Transfer – funds transferred from Coast Resources’ and 1010’s bank accounts to the Receiver’s bank account in accordance with the Receivership Order;
- (d) Other Receipts – receipts from joint venture partners, GST refunds and other miscellaneous collections;

- (e) Operating expenses – operating expenses relating to the Assets;
- (f) Royalty and Lease Payments – amounts disbursed in respect of the Companies’ petroleum and natural gas leases;
- (g) Employee Costs – amounts disbursed by the Receiver relating to payroll and employee deductions and consultants;
- (h) Bank Charges – amounts disbursed in respect of interest on amounts borrowed under the Receiver Certificate, wire payment fees, overdraft and interest in respect of the Companies’ pre-receivership accounts and other miscellaneous charges;
- (i) Legal Fees – Legal fees and disbursements in respect of the Receivership Proceedings;
- (j) Other Professional Fees – pre-receivership fees and disbursements relating to advisory services pursuant to National Bank’s credit agreement; and
- (k) Other Miscellaneous Expenses – amounts disbursed including filing fees paid to the Official Receiver, off-site storage and employee benefits.

34. As at December 17, 2014, the Receiver holds \$22,435 in cash on hand.

MARKETING PROCESS AND OFFERS TO PURCHASE

LUSELAND MARKETING PROCESS

35. The Receiver, in consultation with National Bank, determined that a selling agent should be retained to assist with the marketing of the Assets to maximize the return for the stakeholders.

36. Prior to the Date of Appointment the Companies had engaged Sayer Energy Advisors (“Sayer”) to market the Luseland Property (the “Luseland Marketing Process”). The Luseland Marketing Process commenced on February 14, 2014 and contemplated a bid deadline of March 20, 2014.
37. Given that Sayer had previously been engaged by the Companies and had knowledge of certain of the Assets, the Receiver, in consultation with National Bank, determined that Sayer would be the most effective agent to continue marketing the Luseland Property as Sayer had:
- (a) familiarity with certain of the Assets, as a result of having gathered data and drafted marketing materials;
 - (b) general experience and industry knowledge; and
 - (c) the ability to continue the marketing process that had already commenced.
38. After discussions with Sayer, the Receiver was confident that the Luseland Marketing Process had openly and effectively marketed the Luseland Property prior to the Date of Appointment. A summary of the Luseland Marketing Process is as follows:
- (a) Public marketing commenced on February 14, 2014. An information brochure was mailed to approximately 1,500 industry contacts and a copy of the information brochure along with corresponding summary information was placed on the Sayer website;
 - (b) On February 20, 2014 an advertisement was placed in the Daily Oil Bulletin and a data room containing well files and a seismic workstation was set up at Sayer’s office;
 - (c) There was a March 20, 2014 bid deadline for offers to be submitted in the form of non-binding letters of intent; and

- (d) Fourteen confidentiality agreements (“CAs”) were signed prior to the bid deadline on March 20, 2014. Three additional CAs were signed subsequent to March 20, 2014.
39. Sayer notified various interested parties of the Receivership Proceedings via email and instructed them to submit their offers in accordance with the Luseland Marketing Process by March 20, 2014.
40. On March 20, 2014, Sayer advised the Receiver that three offers had been received by the bid deadline.
41. After contemplating the offers received, having discussions with the Companies and National Bank, and receiving feedback from the interested parties, the Receiver determined that given the production declines (that had occurred in advance of the Luseland Marketing Process bid deadline) improved offers may be received by (i) implementing operational improvements, (ii) refreshing the Luseland Marketing Process, and (iii) initiating a full marketing process for the Hoosier Property and the Glen Ewen Property to maximize the return for all stakeholders.
42. The Receiver instituted a work-over plan at the Luseland Property in order to stabilize and return production that had declined prior to the Date of Appointment. That decline was due to operational issues and neglected routine maintenance as a result of working capital issues. The work-overs were completed in the first and second weeks of April, 2014 and a new bid deadline was set for June 19, 2014 (the “**Refreshed Marketing Process**”).
43. For the period of April to September 2014, oil and gas production from the Luseland Property averaged approximately 140 barrels of oil equivalent per day.
44. With respect to the Refreshed Marketing Process:

- (a) On June 5, 2014, Sayer provided the 17 entities which had signed CAs as part of the Luseland Marketing Process with a summary of the maintenance operations and work-overs and updated production information, and informed them of the revised bid deadline.
 - (b) Three entities submitted non-binding letters of intent, all of which were subject to standard due diligence.
45. After the due diligence period the Receiver selected Northern Blizzard Resources Inc. ("NBRI") to move forward with an offer to purchase the Luseland Property.

NORTHERN BLIZZARD OFFER TO PURCHASE

46. On September 9, 2014, NBRI submitted a non-binding offer to purchase the Luseland Property. The Receiver, in conjunction with the Receiver's Counsel, has negotiated an agreement of purchase and sale with NBRI (the "NBRI APS"). A signed copy of the NBRI APS is attached hereto as Appendix A. A summary of the key terms of the NBRI APS is as follows:
- (a) Purchase Price – \$1,960,000 excluding GST;
 - (b) Effective date – July 1, 2014;
 - (c) Subject to approval of, and the granting of a vesting Order by, this Honourable Court, and, if required, a vesting Order by the Court of Queen's Bench for Saskatchewan. The NBRI APS has no other closing conditions that have not been satisfied or that will not be satisfied at closing;
 - (d) Closing date – 1 business day following the granting of the vesting Order or Orders;

- (e) Purchase Price payable in full at closing; and
- (f) The NBRI APS can be terminated by either party if closing does not occur prior to January 31, 2015.

REMAINING ASSET MARKETING PROCESS

47. The Hoosier Property and the Glen Ewen Property were marketed concurrently with the Refreshed Marketing Process (the “**Remaining Assets Marketing Process**”). A summary of the Remaining Assets Marketing Process is as follows:
- (a) Public marketing commenced on May 27, 2014. An information brochure was mailed to approximately 1,500 contacts and a copy of the information brochure along with other summary information respecting each of the Hoosier Property and the Glen Ewen Property was placed on the Sayer website and the Receiver’s Website;
 - (b) On June 4, 2014, an advertisement was placed in the Daily Oil Bulletin and a data room was opened;
 - (c) Throughout the marketing period, Sayer had discussions with a number of entities who appeared to be interested in the Hoosier Property or the Glen Ewen Property;
 - (d) A total of 27 CAs were signed during the Remaining Assets Marketing Process and 9 entities submitted a total of 11 offers;
 - (e) After the due diligence period the Receiver negotiated an offer to purchase with Crescent Point Resources Partnership (“**Crescent Point**”) in respect of the Glen Ewen Property; and

- (f) At the date of this First Report the Receiver has not negotiated an agreement of purchase and sale for the Hoosier Property (as described below).

CRESCENT POINT OFFER TO PURCHASE

48. On June 26, 2014, Crescent Point submitted a non-binding offer to purchase the Glen Ewen Property. The Receiver, in conjunction with the Receiver's Counsel, has negotiated an agreement of purchase and sale with Crescent Point (the "Crescent Point APS"). A signed copy of the Crescent Point APS is attached hereto as Appendix B. A summary of the key terms of the Crescent Point APS is as follows:

- (a) Purchase Price – \$3,200,000 excluding GST;
- (b) Effective date – July 1, 2014;
- (c) Subject to approval of, and the granting of a vesting Order by, this Honourable Court and, if required, a vesting Order by the Court of Queen's Bench for Saskatchewan. The Crescent Point APS has no other closing conditions that have not been satisfied or that will not be satisfied at closing.
- (d) Closing date – 3 business days following the granting of the vesting Order or Orders;
- (e) Purchase price due in full at closing; and
- (f) Subject to a reduction to the Purchase Price if the transaction does not close by January 31, 2015.

HOOSIER PROPERTY

49. A number of offers were received for the Hoosier Property through the Remaining Asset Marketing Process. The Receiver was in the process of finalizing a purchase and sale agreement with one entity, however the prospective purchaser recently advised the Receiver that it was not willing to proceed with the transaction at this time.
50. Accordingly, on December 16, 2014, the Receiver instructed Sayer to contact parties that expressed interest in the Hoosier Property during the Remaining Asset Marketing Process to determine if any of the parties would be willing to move forward with an agreement of purchase and sale.
51. As previously indicated in this First Report, the Hoosier Property is a non-producing property with no significant liabilities associated with it. However, there is a reclamation liability associated with an abandoned well on the Hoosier Property. In order for the Receiver to be able to transfer the applicable well licenses required to close the Transactions under the NBRI APS and the Crescent Point APS the Receiver will be required to pay a deposit of \$22,200 to the Saskatchewan Ministry of the Economy (“SME”) in respect of this reclamation liability.

RECEIVER’S ANALYSIS OF THE OFFERS TO PURCHASE

52. The Receiver has concluded that the NBRI APS and the Crescent Point APS (collectively, the “Transactions”) represent the greatest recovery available in the present circumstances for all stakeholders based on the following:
 - (a) The Assets have been adequately exposed to the market through the Luseland Marketing Process, the Refreshed Marketing Process and the Remaining Assets Marketing Process;

- (b) The Transactions represent the best realizable value that could reasonably be obtained for the Assets (excluding the Hoosier Property); and
- (c) National Bank, the Companies' largest secured creditor, supports the Receiver completing the Transactions.

ASSIGNMENT OF FEDIRKO HOLDINGS INC. INTERESTS

- 53. Fedirko Holdings Inc. ("FHI") is a body corporate having its registered office in Regina, Saskatchewan. FHI holds various working interests (the "FHI Working Interests") in the Companies' petroleum and natural gas leases in the Luseland Property and the Hoosier Property. The principal of FHI is the Companies' former vice-president of operations.
- 54. At the Date of Appointment FHI was indebted to one or more of the Companies in the amount of approximately \$1.2 million as a result of joint venture billings from the Companies related to drilling and operating expenses (the "FHI Indebtedness").
- 55. The FHI Working Interests were included (by the proposed purchasers) in various offers to purchase the Luseland Property and the Hoosier Property. Therefore, the Receiver required the FHI Working Interests in order to accept the offers and complete these Transactions. FHI agreed to sell and assign the FHI Working Interests to the Receiver for the amount of the FHI Indebtedness (and in satisfaction of the FHI Indebtedness). The Receiver and FHI entered into an assignment agreement effective October 21, 2014 (the "Assignment Agreement").
- 56. In conjunction with the Assignment Agreement, FHI provided a statutory declaration confirming that the only assets owned by FHI were the FHI Working Interests.

57. The Receiver viewed the FHI Indebtedness as being uncollectible as FHI has no assets other than the FHI Working Interests. The Receiver concluded that the satisfaction of the FHI Indebtedness in return for the assignment of the FHI Working Interests was and is a reasonable compromise (and one that was required to facilitate the Transactions).

LANE LAND INTERESTS

58. Lane Land Services Ltd. (“Lane Land”) holds a number of Crown Leases as agent for Coast Resources and 1010 (the “Lane Land Interests”) as follows:
- (a) Luseland Property: PN64590, PN64589, PN65090 and PN66247; and
 - (b) Glen Ewen Property: PN63315, PN66528, PN64252 and PN64253.
59. Lane Land has executed transfers of the Lane Land Interests in favour of the purchasers, which transfers are being held by the Receiver’s Counsel until closing of the respective Transactions.

RIGHT OF FIRST REFUSAL

60. Crown Lease PN39696 (which is part of the Glen Ewen Property) is subject to a right of first refusal (“ROFR”) clause under the CAPL 1990 Operating Procedure.
61. The Receiver advised Crescent Point of the ROFR and requested an allocation of the purchase price to the NW¼ of section 29, township 02, range 01 W2M (the “NW29 Lands”), which are the lands covered by Crown Lease PN39696.

62. 1010's working interest partners in the NW29 Lands are Red River Resources Ltd. ("Red River") and Boulder Oil Inc. ("Boulder"). Red River and Boulder were served with ROFR notices (the "ROFR Notice") via courier and email on November 21, 2014.
63. Pursuant to clause 2401(B) of the CAPL 1990 Operating Procedure a party receiving a ROFR Notice may elect to exercise its preferential right of first refusal within a period of thirty (30) days after the receipt of the ROFR Notice.
64. As at the date of this First Report:
 - (a) Red River has waived its preferential right of first refusal under the ROFR; and
 - (b) the Receiver has not received a response from Boulder indicating its intentions in respect of the ROFR. The 30 day period for Boulder to exercise its ROFR rights will expire on December 22, 2014.

DETAILS OF SECURED AND POTENTIAL PRIORITY CLAIMS

65. The Receiver is aware of the following secured claims, charges and liens that are owed by the Companies either pursuant to statute or which have been registered against the Property.

NATIONAL BANK SECURED CLAIM

66. As described in the Koury Affidavit, as at February 26, 2014 the indebtedness of the Companies to National Bank was approximately \$5,462,702.75 in principal, plus interest, associated costs, fees and disbursements, with additional interest and other charges accrued and accruing thereon, including certain overdrafts to pay critical suppliers authorized by National Bank.

CRA DEEMED TRUST CLAIMS

67. CRA has filed a claim with the Receiver relating to unremitted employee payroll deductions at source. According to the claim, CRA is owed \$13,637.42. CRA is asserting a deemed trust claim in the amount of \$12,542.45 pursuant to the provisions of subsection 227(4) of the *Income Tax Act*, subsection 23(3) of the *Canada Pension Plan Act*, and subsection 86(2) of the *Employment Insurance Act*.
68. CRA has also filed a claim with the Receiver relating to unremitted GST/HST in the amount of \$4,938.39. CRA is asserting a deemed trust claim in the amount of \$4,902.67 under subsection 222(3) of the *Excise Tax Act*.

PROPERTY TAX CLAIMS

69. As at December 17, 2014 the Rural Municipality of Progress No. 351 (the "Municipality of Progress") was owed approximately \$106,019.73 for outstanding property taxes.
70. As at December 17, 2014 the Rural Municipality of Enniskillen No. 3 (the "Municipality of Enniskillen") was owed approximately \$13,739.44 for outstanding property taxes.

ROYALTY CLAIMS

71. The SME is owed amounts for unpaid royalties and lease payments in respect of the Companies' petroleum and natural gas leases for the period of September 2013 to February 2014. The amounts total approximately \$170,338.86 including financing charges.

72. Devon Canada Corporation (“Devon”) and subsequently Canadian Natural Resources Limited (“CNRL”) (pursuant to a lease assignment from Devon to CNRL effective January 1, 2014) are owed amounts due to unpaid freehold royalties in respect of the Companies’ petroleum and natural gas leases for the period of October 2013 to February 2014. The amounts owing to Devon and CNRL respectively are \$51,653.48 and \$142,355.13.

LIEN CLAIMS

73. There are a number of liens registered against the Property. A summary of liens by area and date of registration is set out below:

Legal Description	Title # / PN #	Lien Registrations	Amount	Date Registered
SE Sec 21 Twp 35 Rge 25 W3	145290809	Trican Partnership	\$ 94,548	February 14, 2014
	145290809 / 113673887	Cru Well Servicing Ltd.	\$ 171,725	March 18, 2014
	113673887 / 145290809	Rounded Energy Services Ltd.	\$ 13,847	March 17 / 18, 2014
	145290809	Cal-Gas Inc.	\$ 14,160	April 1, 2014
	145290809	Cal-Gas Inc.	\$ 1,253	April 1, 2014
	145290809 / 113673887	Baker Hughes Canada Company	\$ 33,694	April 24, 2014
	145290809	KNC Holdings Ltd.	\$ 161,074	May 8, 2014
NE Sec 21 Twp 35 Rge 25 W3	145290764	Trican Partnership	\$ 31,581	February 14, 2014
	145290764 / 113673944	Cru Well Servicing Ltd.	\$ 20,866	March 18, 2014
	145290764	Cal-Gas Inc.	\$ 6,407	April 1, 2014
	145290764	KNC Holdings Ltd.	\$ 161,074	May 8, 2014
Sec 22 Twp 35 Rge 25 W3	PN53920	Trican Partnership	\$ 8,613	February 14, 2014
	113673821	Cru Well Servicing Ltd.	\$ 10,761	March 18, 2014
	PN53920	Cru Well Servicing Ltd.	\$ 10,761	April 17, 2014
	PN53920	Rounded Energy Services Ltd.	\$ 1,890	March 20, 2014
	PN53920	Cal-Gas Inc.	\$ 3,055	April 2, 2014
	PN53920	KNC Holdings Ltd.	\$ 161,074	May 9, 2014
SW Sec 03 Twp 36 Rge 25 W3	145355205	Trican Partnership	\$ 16,173	February 14, 2014
	114394349	Cru Well Servicing Ltd.	\$ 21,866	March 18, 2014
	145355205	Cal-Gas Inc.	\$ 21,177	April 1, 2014
	145355205	KNC Holdings Ltd.	\$ 161,074	May 8, 2014

74. In addition to the liens described above, the Receiver has been advised by CNRL that the following liens have been registered against CNRL's property: (i) registered February 14, 2014 by Trican Partnership in the amount of \$957.00 against the minerals in respect of SW Sec 03 Twp 35 Rge 26 W3M and (ii) registered February 14, 2014 by Trican Partnership in the amount of \$957.00 against the minerals in respect of SE Sec 25 Twp 35 Rge 25 W3M. In each case Trican claims to have provided services and materials to the Coast Entities in respect of wells located on these properties. However, the Coast Entities do not have an interest in these mineral properties, and are not selling them under the Transactions.
75. The liens filed against the Property total \$632,691 excluding the liens which have been registered against multiple titles. A summary of the amounts owing to each lienholder is as follows:

Company	Amount
Cru Well Servicing Ltd.	\$ 225,219
KNC Holdings Ltd.	\$ 161,074
Trican Partnership	\$ 150,916
Cal-Gas Inc.	\$ 46,052
Baker Hughes Canada Company	\$ 33,694
Rounded Energy Services Ltd.	\$ 15,737
	<u>\$ 632,691</u>

76. The liens summarized above all relate to the Luseland Property. None of the Companies have an interest in the minerals in respect of SW Sec 03 Twp 36 Rge 25 W3. The Companies had a mineral lease, which has now expired. However, the Companies hold surface leases related to such property that are being transferred to NBRI. The Receiver is not aware of any liens filed against the Glen Ewen Property or the Hoosier Property, which would form a charge on the proceeds to be realized from the Crescent Point APS.

ANALYSIS OF SECURED AND PRIORITY CLAIMS

77. A preliminary review of the validity and priority of the secured and priority claims described above has been conducted by the Receiver and the Receiver's Counsel, and the Receiver advises as follows:

- (a) National Bank's security has been independently reviewed by Miller Thomson LLP who has opined that the security creates a valid security interest in favour of National Bank in all of the right, title and interest of each of the Companies in its real property and personal property;
- (b) Payment of the amounts owed to CRA in respect of the deemed trust claims should be made to the Receiver General out of the realization of the Property that is subject to these statutory trusts;
- (c) Payment of the amounts owed to the Municipality of Progress and the Municipality of Enniskillen for outstanding property taxes should be paid in order to complete the Transactions;
- (d) Payment of the amounts owed to SME, Devon, and CNRL are contemplated to be paid in order to complete the Transactions to obtain the necessary license transfers from SME. National Bank is in agreement with the Receiver paying these outstanding amounts in order to complete the Transactions;
- (e) After review by the Receiver and the Receiver's Counsel it has been determined that Trican Partnership ("Trican") has liens totaling \$142,302.60 which have priority over the National Bank (the "Trican Liens") as follows:
 - (i) Title #145290809 (builders' lien amount of \$94,548.30 registered on February 14, 2014);

(ii) Title #145290764 (builders' lien amount of \$31,581.00 registered on February 14, 2014); and

(iii) Title #145355205 (builders' lien amount of \$16,173.30).

- (f) Trican also registered a lien against PN #53920 in the amount of \$8,613.00, however the Receiver's Counsel has determined that the lien was registered after the National Bank registrations at SME; and
- (g) The Trican Liens relate to the Luseland Property and the proceeds from the sale of those parcels of the Luseland Property are sufficient to pay the Trican Liens.

REMAINING BUILDERS' LIENS

78. The remaining builders' liens (as described below) are filed against the Luseland Property (and would form a charge against the applicable proceeds from the sale of the Luseland Property under the NBRI APS (the "Remaining Liens") on a property by property basis):

Legal Description	Lien Registrations	Amount
SE Sec 21 TWP 35 Rge25 W3	Cru Well Servicing Ltd.	\$ 171,725
	Rounded Energy Services Ltd.	\$ 13,847
	Cal-Gas Inc.	\$ 14,160
	Cal-Gas Inc.	\$ 1,253
	Baker Hughes Canada Company	\$ 33,694
		\$ 234,679
NE Sec 21 Twp 35 Rge 25 W3	Cru Well Servicing Ltd.	\$ 20,866
	Cal-Gas Inc.	\$ 6,407
		\$ 27,274
Sec 22 Twp 35 Rge 25 W3	Trican Partnership	\$ 8,613
	Cru Well Servicing Ltd.	\$ 10,761
	Rounded Energy Services Ltd.	\$ 1,890
	Cal-Gas Inc.	\$ 3,055
		\$ 24,319
SW Sec 03 Twp 36 Rge 25 W3	Cru Well Servicing Ltd.	\$ 21,866
	Cal-Gas Inc.	\$ 21,177
		\$ 43,043
All Sections	KNC Holdings Ltd.	\$ 161,074
		\$ 490,388

79. The Receiver and the Receiver's Counsel are continuing to review the Remaining Liens in order to confirm the amount of such claims and the priority of such claims (vis-à-vis the security of National Bank). Accordingly, the Receiver is proposing that the full amount of the Remaining Liens (totaling \$490,388) be held back from the proceeds of the NBRI APS (the "Lien Fund") until the Receiver completes its analysis of the Remaining Liens. At such time (anticipated to be by January 31, 2015), the Receiver will issue a further report to this Honourable Court with the Receiver's recommendations as to the distribution of the Lien Fund.

BMO SECURITY NOTICE

80. Registered against Crown Lease #19724 is a 1985 security notice by Bank of Montreal ("BMO"). The Receiver is not aware of any amounts owing to BMO and the Vesting Order being sought by the Receiver contemplates a discharge of this registration. BMO is on the service list.

PROPOSED INTERIM DISTRIBUTIONS

81. The Receiver proposes to make the following Interim Distributions from the proceeds to be derived from the Transactions:

Proposed Interim Distribution	
Funds Available for Distribution	
Proceeds from Crescent Point APS	3,200,000
Proceeds from NBRI APS	1,960,000
Net Cash on Hand	22,435
Total - Funds Available for Distribution	5,182,435
Proposed Holdbacks	
Lien Fund	490,388
Professional Fees	450,000
Final Statement of Adjustments and Operating Expenses	250,000
Sayer Commission	108,360
Contingency	67,632
SME Deposit	22,200
Total - Holdbacks	1,388,580
Proposed Distributions	
National Bank	2,900,000
Repayment of Receiver Certificate	250,000
SME	170,339
CNRL	142,355
Trican	142,303
Rural Municipality of Progress No. 351	106,020
Devon	51,653
Rural Municipality of Enniskillen	13,739
CRA Deemed Trust Claim - Source Deductions	12,542
CRA Deemed Trust Claim - GST/HST	4,903
Total - Proposed Distributions	3,793,855
Projected Ending Cash	-

82. All known creditors of the Companies (including those who have not asked to be included in the formal service list) will have been notified of this application and have been advised that all materials with respect of the Receivership Proceedings will be posted to the Receiver's Website.

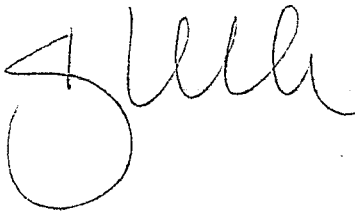
RECEIVER'S RECOMMENDATIONS

83. The Receiver respectfully requests that this Honourable Court grant the following Orders:

- (a) approving the activities of the Receiver since the Date of Appointment including its receipts and disbursements;
- (b) approving the NBRI APS dated December 1, 2014 in the form attached hereto as Appendix A;
- (c) approving the Crescent Point APS dated December 12, 2014 in the form attached hereto as Appendix B;
- (d) approving the Interim Distributions;
- (e) vesting title to the Assets (including the FHI Working Interests acquired by the Receiver and the Lane Land Interests) in and to the respective purchasers free and clear of all encumbrances;
- (f) providing for the registration of the Orders in the Saskatchewan Land Titles Registry, SME, the Saskatchewan Personal Property Registry and the Alberta Personal Property Registry; and
- (g) granting related relief.

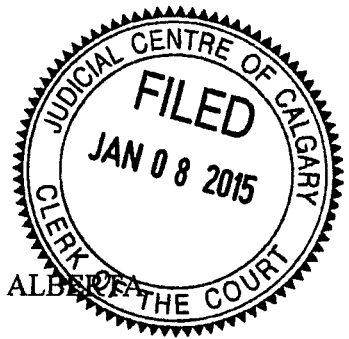
All of which is respectfully submitted this 18th day of December, 2014.

FTI Consulting Canada Inc. in its capacity as receiver
and manager of the assets undertakings and
properties of Coast Resources Ltd., 101033165
Saskatchewan Ltd., Viewfield Oil & Gas Ltd. and
Coast Services Inc.

A handwritten signature in black ink, appearing to read 'Deryck Helkaa'. The signature is written in a cursive style with a large, prominent initial 'D'.

Deryck Helkaa
Senior Managing Director

TAB 3



COURT FILE NUMBER: 1401-02489
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF: NATIONAL BANK OF CANADA
DEFENDANTS: COAST RESOURCES LTD., 101033165
SASKATCHEWAN LTD., VIEWFIELD OIL & GAS
LTD. and COAST SERVICES INC.
APPLICANT: FTI CONSULTING CANADA INC., in its capacity as
Court-appointed Receiver and Manager of the assets,
undertakings and property of COAST RESOURCES
LTD., 101033165 SASKATCHEWAN LTD.,
VIEWFIELD OIL & GAS LTD. and COAST
SERVICES INC.

DOCUMENT: APPROVAL AND VESTING ORDER – NORTHERN
BLIZZARD (Sale by Receiver)

ADDRESS FOR SERVICE AND CONTACT INFORMATION FOR PARTY FILING THIS DOCUMENT
McDougall Gauley LLP
1500 – 1881 Scarth Street
Regina, Saskatchewan S4P 4K9
Solicitor: Mr. Michael W. Milani, Q.C.
Telephone: (306) 565-5117
Facsimile: (306) 359-0785
Email: mmilani@mcdougallgauley.com
File Number: 542259-1

I hereby certify this to be a true copy of
the original Order
Dated this 8 day of January 2015
for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: January 8, 2015
NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Mr. Justice D. Blair Nixon
LOCATION OF HEARING: Calgary, Alberta

APPROVAL AND VESTING ORDER (NORTHERN BLIZZARD)

UPON THE APPLICATION of counsel to FTI Consulting Canada Inc., in its capacity as Court-appointed receiver and manager (the **"Receiver"**) of the assets, undertaking and properties of Coast Resources Ltd. (**"Coast Resources"**), 101033165 Saskatchewan Ltd. (**"1010"**), Viewfield Oil & Gas Ltd. (**"Viewfield"**) and Coast Services Inc. (**"Coast Services"**) and together with Coast Resources, 1010 and Viewfield, collectively the **"Debtors"** and individually, a **"Debtor"**), for, *inter alia*, an Order (i) approving the sale transaction (the **"Transaction"**) contemplated by an the Agreement of Purchase and Sale (the **"Sale Agreement"**) dated December 1, 2014 and made between the Receiver and Northern Blizzard Resources Inc. (the **"Purchaser"**), a copy of which is appended as Appendix A to Receiver's First Report dated December 18, 2014 (the **"Receiver's Report"**), (ii) vesting in the Purchaser all of Coast Resources', Viewfield's and Coast Services' (collectively, the **"Vendors"**) right, title and interest in and to the assets described in the Sale Agreement (the **"Purchased Assets"**) free and clear of all encumbrances other than permitted encumbrances (as those terms are defined below) and (iii) granting related relief;

AND UPON HAVING READ the Order dated March 6, 2014 appointing the Receiver (the **"Receivership Order"**), the Receiver's Report and the Affidavit of Service;

AND UPON hearing the submissions of counsel for the Receiver, counsel for the Purchaser, counsel for National Bank of Canada and from any other interested parties who may be present;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. Service of the notice of this application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served

with notice of this application, and the time for service of this application is abridged to that actually given.

Defined Terms

2. All capitalized terms not defined herein shall have the respective meanings ascribed to them in the Receiver's Report.

Actions of Receiver

3. The actions taken by the Receiver to date, and in particular the actions of the Receiver regarding the sale process regarding the Purchased Assets, as reported in the Receiver's Report, are hereby approved and ratified.

Approval of Transactions:

4. The Sale Agreement and the Transaction are commercially reasonable and in the best interests of the Vendors and their stakeholders. The Transaction is hereby approved, and the execution of the Sale Agreement by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver may deem necessary.

5. The Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may reasonably be necessary or desirable to complete the Transaction and the conveyance of the Purchased Assets to the Purchaser.

Vesting of the Assets:

6. Upon delivery of a Receiver's certificate to the Purchaser (or its nominee) substantially in the form set out in Schedule "A" hereto (the "**Receiver's Certificate**"), all of the Vendors' right, title, interest and estate, in and to the Purchased Assets shall, without further instrument of transfer or assignment, vest absolutely in the Purchaser as contemplated by the Sale Agreement, free and clear of and from any and all security interests (whether contractual, statutory or otherwise), hypothecs, caveats, interests, mortgages, trusts or deemed trusts (whether contractual, statutory or otherwise), liens, executions, levies, charges, or other financial or monetary claims, assignments, actions,

taxes, judgments, writs of execution, options, agreements, disputes, debts, easements, covenants, encumbrances or other rights, limitations or restrictions of any nature whatsoever including, without limitation, any rights or interests of any creditors of the Vendors, whether or not they have attached or have been perfected, registered or filed and whether secured, unsecured or otherwise, whether liquidated, unliquidated or contingent (collectively "**Claims**"), including, without limiting the generality of the foregoing:

- (a) any encumbrances or charges created by the Receivership Order;
- (b) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or *The Personal Property Security Act, 1993* (Saskatchewan) (collectively, the "**PPSAs**") or any other personal property registry system; and
- (c) those Claims listed on Schedule "C" hereto (all of which are collectively referred to as "**Encumbrances**", which term shall not include the permitted encumbrances, caveats and interests listed on Schedule "D" ("**Permitted Encumbrances**"); and

for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged, vacated and discharged as against the Purchased Assets.

7. No further authorization or approval or any other action by any authority or regulatory body exercising jurisdiction over the Purchased Assets shall be required for the closing and post-closing implementation of the Transaction contemplated in the Sale Agreement.

8. Upon delivery of the Receiver's Certificate, and upon filing of a certified copy of this Order, together with any applicable registration fees, the appropriate government authorities are hereby directed to register such transfers, interest authorizations, discharges, discharge statements of conveyances, as may be required to convey clear title to the Purchased Assets to the Purchaser subject only to Permitted Encumbrances. Without limiting the foregoing:

a) The Registrar of Titles under *The Land Titles Act, 2000* (Saskatchewan) (the “**Registrar**”) shall and is hereby authorized, requested and directed to:

(i) cancel and discharge all Claims (including the Encumbrances) registered against the interests of the Vendors, and without limiting the generality of this paragraph, those Encumbrances identified in part A of Schedule “C” to this Order; and

(ii) transfer the interests in the name of the Vendors listed in part A on Schedule “B” into the name of the Purchaser free and clear of all Claims (including Encumbrances) other than those Permitted Encumbrances that are registered against the said interests as of the date of this Order;

in order to convey clear title to such Purchased Assets to the Purchaser subject only to Permitted Encumbrances. For further certainty, the Registrar shall not cancel or discharge the registration of any Claims registered against estates or interests other than the estate or interest of the Vendors;

b) the Ministry of the Economy for the Province of Saskatchewan (the “**Ministry**”) shall and is hereby authorized, requested and directed to:

(i) cancel and discharge those Claims (including the Encumbrances), if any, registered against the estate or interest of the Vendors in and to the Purchased Assets located in the Province of Saskatchewan, and without limiting the generality of this paragraph, those Encumbrances identified in parts B and C of Schedule “C” to this Order, other than Permitted Encumbrances that are registered against the said interests as of the date of this Order; and

(ii) cancel the Crown leases in the name of the Vendors listed in part B on Schedule “B” and issue new leases in the name of the Purchaser;

in order to convey clear title to such Purchased Assets to the Purchaser subject only to Permitted Encumbrances. For further certainty, the Ministry shall not cancel or discharge the registration of any builders’ liens or security notices registered against estates or interests other than the estate or interest of the Vendors;

c) the Ministry shall and is hereby authorized, requested and directed to:

(i) cancel and discharge those Claims (including the Encumbrances), if any, registered against the estate or interest of Lane Land Services Ltd. ("**Lane**") in and to the Purchased Assets located in the Province of Saskatchewan, and without limiting the generality of this paragraph, those Encumbrances identified in parts B and C of Schedule "C" to this Order, other than Permitted Encumbrances that are registered against the said interests as of the date of this Order; and

(ii) cancel the Crown leases in the name of Lane listed in part C on Schedule "B" and issue new leases in the name of the Purchaser;

in order to convey clear title to such Purchased Assets to the Purchaser subject only to the Permitted Encumbrances. For further certainty, the Ministry shall not cancel or discharge the registration of any builders' liens or security notices registered against estates or interests other than the estate or interest of 1010;

- d) the Ministry shall and is hereby authorized, requested and directed to cancel the well licences and facility licences in the name of the Vendors listed on Schedule "E" and issue new well licences and facility licences in the name of the Purchaser;
- e) the Registrar of the Personal Property Registry (Saskatchewan) (the "**SK PPR Registrar**") shall and is hereby directed to cancel and discharge those Claims, if any, registered against the estate or interest of the Vendors in and to the Purchased Assets located in the Province of Saskatchewan, as more specifically described in part D of Schedule "C", other than those Permitted Encumbrances that are registered against the said interests as of the date of this Order; and
- f) the Registrar of the Personal Property Registry (Alberta) (the "**AB PPR Registrar**") shall and is hereby directed to cancel and discharge those Claims, if any, registered against the estate or interest of the Vendors in and to the Purchased Assets located in the Province of Alberta, as more specifically described in part E of Schedule "C", other than those Permitted Encumbrances that are registered against the said interests as of the date of this Order.

The Registrar, the Ministry, the SK PPR Registrar and the AB PPR Registrar are expressly authorized and directed to include in the discharges of the encumbrances described above all encumbrances registered after the date the Receivership Order was granted.

9. In order to effect the discharges and transfers described above this Court requests that the Registrar, the Ministry, the SK PPR Registrar and the AB PPR Registrar each take such steps as are necessary to give effect to the terms of this Order and the Sale Agreement authorized herein. Presentment of this Order and the Closing Certificate shall be the sole and sufficient authority of the Registrar, the Ministry, the SK PPR Registrar and the AB PPR Registrar to make and register the said transfers and cancel and discharge the registrations of Claims and Encumbrances thereon as aforesaid.

10. This Order shall be registered as described above notwithstanding that the appeal period in respect of this Order has not elapsed, which appeal period is expressly waived.

Proceeds:

11. For the purposes of determining the nature and priority of Claims, the net proceeds of the sale of the Purchased Assets (to be held in an interest bearing trust account by the Receiver) shall stand in the place and stead of the Purchased Assets, and from and after the delivery of the Receiver's Certificate any encumbrances or charges created by the Receivership Order and all Claims and Encumbrances shall cease to be attached to, encumber or otherwise form a mortgage, security interest, lien or a claim against the Purchased Assets and shall attach to the net sale proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

12. The Purchaser shall, by virtue of the completion of the Transaction, have no liability of any kind whatsoever in respect of any Claims against the Vendors.

13. The Vendors and all persons who claim by, through or under the Vendors in respect of the Purchased Assets, save and except for the persons entitled to the benefit of the Permitted Encumbrances, shall stand absolutely barred and foreclosed from all estate, right, title, interest, royalty, rental and equity of redemption in the Purchased Assets and,

to the extent that any such persons remain in possession or control of any of the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser.

14. The Purchaser shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for its own use and benefit without any interference of or by the Vendors, or any person claiming by or through or against the Vendors.

15. Immediately after the closing of the Transaction, the holders of the Permitted Encumbrances shall have no claim whatsoever against the Receiver or the Vendors.

16. The Receiver is to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof to the Purchaser.

17. Notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order nor or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "BIA") in respect of any Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of any Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtors and shall not be void or voidable by creditors of the Debtors, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transactions under the BIA or any other applicable federal or provincial legislation, nor shall it constitute conduct oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

18. The Receiver, the Purchaser and any other interested party shall be at liberty to apply for further advice, assistance and directions as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.

Miscellaneous Matters

19. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories, and in particular the Province of Saskatchewan, or in the United States to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order as to provide such assistance to the Receiver, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

20. This Order must be served only upon those interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents.

21. Service of this Order on any party not attending this application is hereby dispensed with.

"D.B. Nixon"

J.C.Q.B.A.

D

SCHEDULE "A"

RECEIVER'S CERTIFICATE

COURT FILE NUMBER: 1401-02489
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF: NATIONAL BANK OF CANADA
DEFENDANTS: COAST RESOURCES LTD., 101033165
SASKATCHEWAN LTD., VIEWFIELD OIL & GAS
LTD. and COAST SERVICES INC.
APPLICANT: FTI CONSULTING CANADA INC., in its capacity as
Court-appointed Receiver and Manager of the assets,
undertakings and property of COAST RESOURCES
LTD., 101033165 SASKATCHEWAN LTD.,
VIEWFIELD OIL & GAS LTD. and COAST
SERVICES INC.

DOCUMENT: **RECEIVER'S CERTIFICATE**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT FTI Consulting Canada Inc.
1000, 888-3rd Street S.W.
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RECITALS

- A. Pursuant to an Order of the Honourable Justice of the Court of Queen's Bench of Alberta Judicial District of Calgary (the "**Court**") dated March 6, 2014 (the "**Receivership Order**") FTI Consulting Canada Inc. was appointed as the receiver and manager (the "**Receiver**") of the undertaking, property and assets of Coast Resources Ltd. ("**Coast Resources**"), 101033165 Saskatchewan Ltd.

("1010"), Viewfield Oil & Gas Ltd. ("Viewfield") and Coast Services Inc. ("Coast Services"), (collectively, the "Debtors" and individually, a "Debtor").

- B. Pursuant to an Order of the Court dated January ●, 2015, (the "Sale Approval Order") the Court approved the agreement of purchase and sale dated December 1, 2014 (the "Sale Agreement") between the Receiver and Northern Blizzard Resources Inc. (the "Purchaser") and provided for the vesting in the Purchaser of the Debtors' right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in Section ● of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.
- C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Approval Order.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the purchase price for the Purchased Assets payable on the closing date pursuant to the Sale Agreement.
2. The conditions to closing as set out in section ● of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser.
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at ● [Time] on ● [Date].

FTI Consulting Canada Inc. in its capacity as Receiver and Manager of the assets, undertakings and properties of Coast Resources Ltd., 101033165 Saskatchewan Ltd., Viewfield Oil & Gas Ltd. and Coast Services Inc.

Name: Deryck Helkaa
Title: Senior Managing Director,
FTI Consulting Canada Inc.

SCHEDULE "B"

**SPECIFIED PURCHASED ASSETS TO BE VESTED PURSUANT TO
PARAGRAPH 8 OF THIS SALE APPROVAL AND VESTING ORDER**

**A. Interests in the name of the Vendors to be vested in the name of Northern
Blizzard Resources Inc.**

Interest Register Number	Instrument	Interest Holder	Surface Parcel / Mineral Parcel	Registration Date
115955938	Miscellaneous Interest	Coast Resources Ltd.	Mineral Parcel #146053762	November 9, 2009
115955938	Miscellaneous Interest	Coast Resources Ltd.	Mineral Parcel #146053773	November 9, 2009
115955938	Miscellaneous Interest	Coast Resources Ltd.	Mineral Parcel #146053751	November 9, 2009
117133613	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118620109	February 3, 2011
111679588	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118619950	October 4, 2006
116228415	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118619961	March 9, 2010
115461222	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118604235	May 20, 2009
116817295	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118604235	September 30, 2010
117133602	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118620086	February 3, 2011
116191256	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118620097	February 22, 2010
116829175	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118620097	October 5, 2010

118021508	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118620097	January 13, 2012
118137393	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118620097	March 7, 2012
118137540	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118620097	March 7, 2012
118789318	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118620097	November 19, 2012
118789329	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118620097	November 19, 2012
116227920	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118620110	March 9, 2010
116875806	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118620110	October 25, 2010
117068654	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118620110	January 5, 2011
118069599	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118620110	February 7, 2012
118137461	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118620110	March 7, 2012
118696988	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118620110	October 10, 2012
118795191	Miscellaneous Interest	Coast Resources Ltd.	Surface Parcel #118620110	November 20, 2012
118652553	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118614720	September 21, 2012
117502679	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118614731	June 23, 2011
117533662	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118614742	July 7, 2011
117068643	Lease – 10 years or more	Coast Resources Ltd.	Surface Parcel #118604224	January 5, 2011

B. Crown Leases in the name of the Vendors to be vested in the name of Northern Blizzard Resources Inc.

Crown Lease Number	Legal Land Description and Rights	Holder	Vendors' Interest
PN54446	PNG from surface to base Mannville Group in Lsds 11, 12, 14, NE¼ and S½ all in Section 16-35-25-W3M	Red River Resources Ltd. – 20% Coast Resources Ltd. – 80%	37.5% (Pooled)
PN53920	PNG from surface to base Bakken formation in Section 22-35-25-W3M	Coast Resources Ltd. – 80% Red River Resources Ltd. – 20%	80% (after penalty)
PN19211	a) PNG from surface to base Bakken formation in Lsd 01 of Section 29-35-25-W3M; b) PNG from surface to base Mannville Group in Lsd 13 of Section 16-35-25-W3M and Lsd 14 of Section 20-35-25-W3M	Northern Blizzard Resources Inc. – 100%	37.5% (Pooled) [NOTE: Crown Lease PN19211 is recorded in the name of Northern Blizzard. Coast Resources has a working interest (through a pooling arrangement) in such lease. The recorded holder of Crown Lease PN19211 is to remain Northern Blizzard. National Bank of Canada's security interest registered against Crown Lease PN19211 is to be discharged by the Ministry, as shown in the schedule below.]

C. Crown Leases in the name of Lane, as agent for the Vendors, to be vested in the name of Northern Blizzard Resources Inc.

Crown Lease Number	Legal Land Description and Rights	Holder	Vendors' Interest
PN64589	PNG from base Mannville Group to top Precambrian in Lsds 2, 7, 8, NE¼ and W½ all in Section 18-35-25-W3M	Lane Land Services Ltd. – 100%	88%
PN64590	<p>a) PNG from base Mannville Group to top Precambrian in Lsds 11, 12, 14, NE¼ and S½ 20-35-25-W3M; and</p> <p>b) PNG from base Bakken formation to top Precambrian in Lsd 13 of 20-35-25-W3M</p>	Lane Land Services Ltd. – 100%	<p>a) 100% in PNG from base Bakken to top Precambrian in Lsd 13 of 20-35-25-W3M;</p> <p>b) 98% in PNG from base Mannville Group to top Precambrian in Lsds 11, 12, 14, NE¼ and S½ 20-35-25-W3M.</p>
PN65090	<p>a) PNG from surface to top Viking Sand in Section 24-35-26-W3M;</p> <p>b) P from top Viking Sand to Base Viking Sand in Section 24-35-26-W3M; and</p> <p>c) PNG from base Viking Sand to top Precambrian in Section 24-35-26-W3M.</p>	Lane Land Services Ltd. – 100%	<p>a) 88% in PNG from surface to top Viking Sand in Section 24-35-26-W3M;</p> <p>b) 100% in Petroleum from top Viking Sand to base Viking Sand in Section 24-35-26-W3M; and</p> <p>c) 100% in PNG from base Viking Sand to top Precambrian in Section 24-35-26-W3M.</p>
PN66247	PNG from surface to top Precambrian in Section 20-36-25-W3M	Lane Land Services Ltd. – 100%	98%

SCHEDULE "C"

CLAIMS TO BE CANCELLED AND DISCHARGED

A. Encumbrances to be Discharged by the Registrar Against the Interest of the Vendors

Registered Against Surface Parcel / Mineral Parcel / Interest Registration	Instrument	Interest Holder / Lienholder	Interest Register Number	Registration Date
Interest Registration – Interest Register #115955938, Interest #167748597	Mortgage	National Bank of Canada	119794573	February 19, 2014
Mineral Parcel #146053762	Mortgage	National Bank of Canada	119794573	February 19, 2014
Mineral Parcel #146053784	Mortgage	National Bank of Canada	119794573	February 19, 2014
Mineral Parcel #146053784	Mortgage	National Bank of Canada	119794607	February 19, 2014
Mineral Parcel #146053784	Mortgage	National Bank of Canada	119794630	February 19, 2014
Interest Registration – Interest Register #115955938, Interest #167748711	Mortgage	National Bank of Canada	119794573	February 19, 2014
Interest Registration – Interest	Mortgage	National Bank of Canada	119794607	February 19, 2014

Register #115955938, Interest #167748711				
Interest Registration - Interest Register #115955938, Interest #167748711	Mortgage	National Bank of Canada	119794630	February 19, 2014
Interest Registration - Interest Register #115955938, Interest #167748711	Builders' Lien	Cru Well Servicing Ltd.	119846694	March 18, 2014
Interest Registration - Interest Register #115955938, Interest #167748711	Builders' Lien	Baker Hughes Canada Company	119925513	April 24, 2014
Mineral Parcel #146053773	Builders' Lien	Trican Partnership	119788138	February 14, 2014
Mineral Parcel #146053773	Mortgage	National Bank of Canada	119794573	February 19, 2014
Mineral Parcel #146053773	Mortgage	National Bank of Canada	119794607	February 19, 2014
Mineral Parcel #146053773	Mortgage	National Bank of Canada	119794630	February 19, 2014
Mineral Parcel #146053773	Builders' Lien	Rounded Energy Services Ltd.	119844838	March 18, 2014
Mineral Parcel	Builders' Lien	Cru Well	119846694	March 18, 2014

#146053773		Servicing Ltd.		
Mineral Parcel #146053773	Builders' Lien	Cal-Gas Inc.	119872592	April 1, 2014
Mineral Parcel #146053773	Builders' Lien	Cal-Gas Inc.	119872615	April 1, 2014
Mineral Parcel #146053773	Builders' Lien	Baker Hughes Canada Company	119925513	April 24, 2014
Mineral Parcel #146053773	Builders' Lien	KNC Holdings Ltd.	119962682	May 8, 2014
Interest Registration – Interest Register #115955938, Interest #167748430	Mortgage	National Bank of Canada	119794573	February 19, 2014
Interest Registration – Interest Register #115955938, Interest #167748430	Mortgage	National Bank of Canada	119794607	February 19, 2014
Interest Registration – Interest Register #115955938, Interest #167748430	Mortgage	National Bank of Canada	119794630	February 19, 2014
Interest Registration – Interest Register #115955938, Interest #167748430	Builders' Lien	Cru Well Servicing Ltd.	119846683	March 18, 2014

Mineral Parcel #146053751	Builders' Lien	Trican Partnership	119788127	February 14, 2014
Mineral Parcel #146053751	Mortgage	National Bank of Canada	119794573	February 19, 2014
Mineral Parcel #146053751	Mortgage	National Bank of Canada	119794607	February 19, 2014
Mineral Parcel #146053751	Mortgage	National Bank of Canada	119794630	February 19, 2014
Mineral Parcel #146053751	Builders' Lien	Cru Well Servicing Ltd.	119846683	March 18, 2014
Mineral Parcel #146053751	Builders' Lien	Cal-Gas Inc.	119872604	April 1, 2014
Mineral Parcel #146053751	Builders' Lien	KNC Holdings Ltd.	119962682	May 8, 2014
Interest Registration – Interest Register #115461222, Interest #147202264	Builders' Lien	Cru Well Servicing Ltd.	119846526	March 18, 2014
Interest Registration – Interest Register #116191256, Interest #150541219	Builders' Lien	Cru Well Servicing Ltd.	119846425	March 18, 2014
Interest Registration – Interest Register #116191256, Interest #150541219	Builders' Lien	Baker Hughes Canada Company	119925502	April 24, 2014
Interest Registration –	Builders' Lien	Cru Well	119846425	March 18, 2014

Interest Register #118021508, Interest #157575729		Servicing Ltd.		
Interest Registration – Interest Register #118021508, Interest #157575729	Builders' Lien	Baker Hughes Canada Company	119925502	April 24, 2014
Interest Registration – Interest Register #118137393, Interest #158075039	Builders' Lien	Baker Hughes Canada Company	119925502	April 24, 2014
Interest Registration – Interest Register #118137540, Interest #158075501	Builders' Lien	Cru Well Servicing Ltd.	119846425	March 18, 2014
Interest Registration – Interest Register #118137540, Interest #158075501	Builder's Lien	Baker Hughes Canada Company	119925502	April 24, 2014
Surface Parcel #118620097	Builders' Lien	Rounded Energy Services Ltd.	119844007	March 17, 2014
Surface Parcel #118620097	Builders' Lien	Baker Hughes Canada Company	119925502	April 24, 2014

Interest Registration – Interest Register #116227920, Interest #150678838	Builders' Lien	Cru Well Servicing Ltd.	119846504	March 18, 2014
Interest Registration – Interest Register #117068654, Interest #153826016	Builders' Lien	Cru Well Servicing Ltd.	119846504	March 18, 2014
Interest Registration – Interest Register #118696988, Interest #160454459	Builders' Lien	Cru Well Servicing Ltd.	119846504	March 18, 2014
Interest Registration – Interest Register #117502679, Interest #155532944	Builders' Lien	Cru Well Servicing Ltd.	119846548	March 18, 2014
Mineral Parcel #146403558	Builders' Lien	Trican Partnership	119788150	February 14, 2014
Mineral Parcel #146403558	Mortgage	National Bank of Canada	119794573	February 19, 2014
Mineral Parcel #146403558	Mortgage	National Bank of Canada	119794607	February 19, 2014
Mineral Parcel #146403558	Mortgage	National Bank of Canada	119794630	February 19, 2014
Mineral Parcel #146403558	Builders' Lien	Cal-Gas Inc.	119872558	April 1, 2014

Mineral Parcel #146403558	Builders' Lien	KNC Holdings Ltd.	119962682	May 8, 2014
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B. Security Notices to be Discharged by Ministry of the Economy Against the Interests of the Vendors

Crown Lease	Instrument	Secured Party	Encumbrance ID	Registration Date	Discharged in respect of the interest of:
PN54446	Security Notice	National Bank of Canada	Document No. 79793	18-Feb-2014	Coast Resources Ltd.
PN19211	Security Notice	National Bank of Canada	Document No. 79766	14-Feb-2014	Coast Resources Ltd.
PN53920	Security Notice	National Bank of Canada	Document No. 79765	14-Feb-2014	Viewfield Oil & Gas Ltd.
PN53920	Security Notice	National Bank of Canada	Document No. 79766	14-Feb-2014	Coast Resources Ltd.
PN53920	Security Notice	National Bank of Canada	Document No. 79767	14-Feb-2014	Coast Services Inc.

C. Liens to be Discharged by Ministry of the Economy Against the Interests of the Vendors

Crown Lease	Instrument	Secured Party	Encumbrance ID	Registration Date	Discharged in respect of the interest of:
PN53920	Builder's Lien	Trican Partnership	Document No. 4266	14-Feb-2014	Coast Resources Ltd., Coast Services Inc.,

					and Viewfield Oil & Gas Ltd.
PN53920	Builder's Lien	Rounded Energy Services Ltd.	Document No. 4270	20-Mar-2014	Coast Resources Ltd., Coast Services Inc., and Viewfield Oil & Gas Ltd.
PN53920	Builder's Lien	Cal-Gas Inc.	Document No. 4271	02-Apr-2014	Coast Resources Ltd., Coast Services Inc. and Viewfield Oil & Gas Ltd.
PN53920	Builder's Lien	Cru Well Servicing Ltd.	Document No. 4274	17-Apr-2014	Coast Resources Ltd., Coast Services Inc. and Viewfield Oil & Gas Ltd.
PN53920	Builder's Lien	KNC Holdings Ltd.	Document No. 4276	09-May-2014	Coast Resources Ltd., Coast Services Inc. and Viewfield Oil & Gas Ltd.

D. Registrations in the Saskatchewan Personal Property Registry to be Discharged

Registration Number	Secured Party	Debtor	Collateral
120987891	National Bank of Canada	Coast Resources Ltd.	All of the Debtor's present and after-acquired personal property
300701936	National Bank of Canada	Coast Services Inc.	All of the Debtor's present and after-acquired personal property
300521566	National Bank of Canada	Viewfield Oil & Gas Ltd.	All of the Debtor's present and after-acquired personal property

E. Registrations in the Alberta Personal Property Registry to be Discharged

Registration Number	Secured Party	Debtor	Collateral
09110215457	National Bank of Canada	Viewfield Oil & Gas Ltd.	All present and after-acquired personal property of the Debtor
11032527687	National Bank of Canada	Coast Services Inc.	All present and after-acquired personal property of the Debtor
04070716834	National Bank of Canada	Coast Resources Ltd.	All present and after-acquired personal property of the Debtor

SCHEDULE "D"

PERMITTED ENCUMBRANCES

Interest Register Number / Crown Lease Number	Description	Holder	Permitted Encumbrances
115955938	Miscellaneous Interest registered against Mineral Parcel #146053762	Coast Resources Ltd.	None
115955938	Miscellaneous Interest registered against Mineral Parcel #146053773	Coast Resources Ltd.	None
115955938	Miscellaneous Interest registered against Mineral Parcel #146053751	Coast Resources Ltd.	None
117133613	Lease – 10 years or more registered against Surface Parcel #118620109	Coast Resources Ltd.	None
111679588	Lease – 10 years or more registered against Surface Parcel #118619950	Coast Resources Ltd.	None
116228415	Lease – 10 years or more registered against Surface Parcel #118619961	Coast Resources Ltd.	None
115461222	Lease – 10 years or more registered against Surface Parcel #118604235	Coast Resources Ltd.	None
116817295	Miscellaneous Interest registered against Surface Parcel #118604235	Coast Resources Ltd.	None
117133602	Lease – 10 years or more registered against Surface Parcel #118620086	Coast Resources Ltd.	None

116191256	Lease – 10 years or more registered against Surface Parcel #118620097	Coast Resources Ltd.	None
116829175	Miscellaneous Interest registered against Surface Parcel #118620097	Coast Resources Ltd.	None
118021508	Lease – 10 years or more registered against Surface Parcel #118620097	Coast Resources Ltd.	None
118137393	Miscellaneous Interest registered against Surface Parcel #118620097	Coast Resources Ltd.	None
118137540	Lease – 10 years or more registered against Surface Parcel #118620097	Coast Resources Ltd.	None
118789318	Miscellaneous Interest registered against Surface Parcel #118620097	Coast Resources Ltd.	None
118789329	Miscellaneous Interest registered against Surface Parcel #118620097	Coast Resources Ltd.	None
116227920	Lease – 10 years or more registered against Surface Parcel #118620110	Coast Resources Ltd.	None
116875806	Miscellaneous Interest registered against Surface Parcel #118620110	Coast Resources Ltd.	None
117068654	Lease – 10 years or more registered against Surface Parcel #118620110	Coast Resources Ltd.	None
118069599	Miscellaneous Interest registered against Surface Parcel #118620110	Coast Resources Ltd.	None
118137461	Miscellaneous Interest registered against Surface Parcel #118620110	Coast Resources Ltd.	None

118696988	Lease – 10 years or more registered against Surface Parcel #118620110	Coast Resources Ltd.	None
118795191	Miscellaneous Interest registered against Surface Parcel #118620110	Coast Resources Ltd.	None
118652553	Lease – 10 years or more registered against Surface Parcel #118614720	Coast Resources Ltd.	None
117502679	Lease – 10 years or more registered against Surface Parcel #118614731	Coast Resources Ltd.	None
117533662	Lease – 10 years or more registered against Surface Parcel #118614742	Coast Resources Ltd.	None
117068643	Lease – 10 years or more registered against Surface Parcel #118604224	Coast Resources Ltd.	None
PN54446	Crown Lease	Red River Resources Ltd. – 20% Coast Resources Ltd. – 80%	None
PN19211	Crown Lease	Northern Blizzard Resources Inc. – 100%	None
PN53920	Crown Lease	Coast Resources Ltd. – 80% Red River Resources Ltd. – 20%	a) Notice of Offset Obligation recorded November 30, 2007 as Document No. 67734; b) Notice of Offset Obligation

			<p>recorded September 12, 2012 as Document No. 76813;</p> <p>c) Notice of Offset Obligation recorded February 27, 2014 as Document No. 79868</p>
PN64589	Crown Lease	Lane Services Ltd. - 100%	Land Ltd. - None
PN64590	Crown Lease	Lane Services Ltd. - 100%	Land Ltd. - None
PN65090	Crown Lease	Lane Services Ltd. - 100%	a) Notice of Offset Obligation recorded August 26, 2011 as Document No. 74960
PN66247	Crown Lease	Lane Services Ltd. - 100%	a) Miscellaneous Specific Restriction recorded August 10, 2011 as Document No. 74794

SCHEDULE "E"

WELL LICENCES AND FACILITY LICENCES

Well Licences

Licence #	Operator	WID	Status	Well Type
06I228	Coast Resources Ltd.	11-12-16-35-25-W3	Abandoned Dry	Oil Well
10C008	Coast Resources Ltd.	41-16-16-35-25-W3	Abandoned Dry	Oil Well
10L139	Coast Resources Ltd.	11-05-19-35-25-W3	Suspended	Oil Well
11A361	Coast Resources Ltd.	CC-09-20-35-25-W3	Cancelled	Oil Well
10L142	Coast Resources Ltd.	CC-11-20-35-25-W3	Cancelled	Oil Well
10L143	Coast Resources Ltd.	CC-14-20-35-25-W3	Cancelled	Oil Well
11L086	Coast Resources Ltd.	01-01-21-35-25-W3 1	Active	Oil Well
82F029	Coast Resources Ltd.	01-01-21-35-25-W3	Abandoned – Re-Entered	Oil Well
82F035	Coast Resources Ltd.	01-02-21-35-25-W3	Abandoned – Re-Entered	Oil Well
12J254	Coast Resources Ltd.	01-02-21-35-25-W3 1	Active	Oil Well
97L329	Coast Resources Ltd.	11-02-21-35-25-W3	Abandoned – Former Producer	Oil Well
11A157	Coast	CC-04-21-35-25-W3	Cancelled	Oil Well

	Resources Ltd.			
12G090	Coast Resources Ltd.	11-07-21-35-25-W3	Active	Oil Well
11A097	Coast Resources Ltd.	CC-07-21-35-25-W3	Cancelled	Oil Well
10B242	Coast Resources Ltd.	41-08-21-35-25-W3	Active	Oil Well
10B254	Coast Resources Ltd.	21-09-21-35-25-W3	Active	Oil Well
11A164	Coast Resources Ltd.	12-10-21-35-25-W3	Active	Oil Well
12I272	Coast Resources Ltd.	01-15-21-35-25-W3	Abandoned – Non-Producer	Oil Well
09E034	Coast Resources Ltd.	41-12-22-35-25-W3	Active	Oil Well
12I279	Coast Resources Ltd.	41-02-03-36-25-W3	Abandoned – Non-Producer	Oil Well
11G267	Coast Resources Ltd.	31-04-03-36-25-W3	Non-Active	Oil Well
11F404	Coast Resources Ltd.	41-13-03-36-25-W3	Abandoned – Non-Producer	Oil Well

Facility Licences

None

TAB 4



COURT FILE NUMBER: 1401-02489
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF: NATIONAL BANK OF CANADA
DEFENDANTS: COAST RESOURCES LTD., 101033165
SASKATCHEWAN LTD., VIEWFIELD OIL & GAS
LTD. and COAST SERVICES INC.
APPLICANT: FTI CONSULTING CANADA INC., in its capacity as
Court-appointed Receiver and Manager of the assets,
undertakings and property of COAST RESOURCES
LTD., 101033165 SASKATCHEWAN LTD. and COAST
VIEWFIELD OIL & GAS LTD. and COAST
SERVICES INC.

DOCUMENT: INTERIM DISTRIBUTION ORDER

ADDRESS FOR SERVICE AND CONTACT INFORMATION FOR PARTY FILING THIS DOCUMENT
McDougall Gauley LLP
1500 - 1881 Scarth Street
Regina, Saskatchewan S4P 4K9
Solicitor: Mr. Michael W. Milani, Q.C.
Telephone: (306) 565-5117
Facsimile: (306) 359-0785
Email: mmilani@mcdougallgauley.com
File Number: 542259-1

DATE ON WHICH ORDER WAS PRONOUNCED: January 8, 2015
NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Mr. Justice D. Blair Nixon
LOCATION OF HEARING: Calgary, Alberta

I hereby certify this to be a true copy of
the original Order
Dated this 8 day of Jan. 2015
for Clerk of the Court

INTERIM DISTRIBUTION ORDER

UPON THE APPLICATION of counsel to FTI Consulting Canada Inc., in its capacity as Court-appointed receiver and manager (the “**Receiver**”) of the assets, undertaking and properties of Coast Resources Ltd. (“**Coast Resources**”), 101033165 Saskatchewan Ltd. (“**1010**”), Viewfield Oil & Gas Ltd. (“**Viewfield**”) and Coast Services Inc. (“**Coast Services**”, and together with Coast Resources, 1010 and Viewfield, the “**Debtor**”), for an Order approving the interim distribution of funds as outlined in the Receiver’s First Report dated December 18 , 2014 (the “**Receiver’s Report**”);

AND UPON HAVING READ the Order made March 6, 2014 appointing the Receiver (the “**Receivership Order**”), the Receiver’s Report and the Affidavit of Service;

AND UPON hearing the submissions of counsel for the Receiver, counsel for National Bank of Canada, and from any other interested parties who may be present;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of the notice of this application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served with notice of this application, and the time for service of this application is abridged to that actually given.
2. All capitalized terms not defined herein shall have the respective meanings ascribed to them in the Receiver’s Report.
3. The Receiver’s statement of receipts and disbursements for the period from March 6, 2014 to December 17, 2014, as set out in the Receiver’s Report is hereby approved.
4. The Receiver is hereby authorized and directed to make the following interim distributions (the “**Distributions**”) after the closing of the Transactions, as set out in the Receiver’s Report, subject to any necessary reserves as may be determined by the Receiver:

Proposed Interim Distribution	
Funds Available for Distribution	
Proceeds from Crescent Point APS	3,200,000
Proceeds from NBRI APS	1,960,000
Net Cash on Hand	22,435
Total - Funds Available for Distribution	5,182,435
Proposed Holdbacks	
Lien Fund	490,388
Professional Fees	450,000
Final Statement of Adjustments and Operating Expenses	250,000
Sayer Commission	108,360
Contingency	67,632
SME Deposit	22,200
Total - Holdbacks	1,388,580
Proposed Distributions	
National Bank	2,900,000
Repayment of Receiver Certificate	250,000
SME	170,339
CNRL	51,653
Trican	142,303
Rural Municipality of Progress No. 351	106,020
Devon	142,355
Rural Municipality of Enniskillen	13,739
CRA Deemed Trust Claim - Source Deductions	12,542
CRA Deemed Trust Claim - GST/HST	4,903
Total - Proposed Distributions	3,793,855
Projected Ending Cash	-

5. The Receiver is hereby further authorized to take any act and execute any document that may be, in the opinion of the Receiver, necessary to effect the Distributions.

6. This Order must be served only upon those interested parties attending or represented at the within application and service may be effected by facsimile, electronic

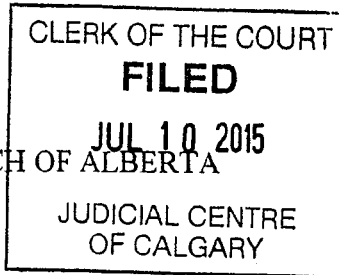
7. Service of this Order on any party not attending this application is hereby dispensed with.

"D. B. Nixon"
J.C.Q.B.A.

1400028v5

TAB 5

COURT FILE NUMBER: 1401-02489
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF: NATIONAL BANK OF CANADA
DEFENDANTS: COAST RESOURCES LTD., 101033165
SASKATCHEWAN LTD., VIEWFIELD OIL & GAS
LTD. and COAST SERVICES INC.
APPLICANT: FTI CONSULTING CANADA INC., in its capacity as
Court-appointed Receiver and Manager of the assets,
undertakings and property of COAST RESOURCES
LTD., 101033165 SASKATCHEWAN LTD.,
VIEWFIELD OIL & GAS LTD. and COAST
SERVICES INC.



DOCUMENT: **ORDER RESPECTING RETENTION OF FUNDS, ADDITIONAL
DISTRIBUTION AND HOLDBACKS**

ADDRESS FOR SERVICE AND CONTACT INFORMATION FOR PARTY FILING THIS DOCUMENT
McDougall Gauley LLP
1500 – 1881 Scarth Street
Regina, Saskatchewan S4P 4K9
Solicitor: Mr. Michael W. Milani, Q.C.
Telephone: (306) 565-5117
Facsimile: (306) 359-0785
Email: mmilani@mcdougallgauley.com
File Number: 542259-1

DATE ON WHICH ORDER WAS PRONOUNCED: July 9, 2015
NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Madam Justice J. Strekaf
LOCATION OF HEARING: Calgary, Alberta

INTERIM DISTRIBUTION ORDER

UPON THE APPLICATION of counsel to FTI Consulting Canada Inc., in its capacity as Court-appointed receiver and manager (the "**Receiver**") of the assets, undertaking and properties of Coast Resources Ltd. ("**Coast Resources**"), 101033165 Saskatchewan Ltd. ("**1010**"), Viewfield Oil & Gas Ltd. ("**Viewfield**") and Coast Services Inc. ("**Coast Services**"), and together with Coast Resources, 1010 and Viewfield, the "**Debtor**", for an Order authorizing and the Receiver to retain the full amount claimed on account of the Remaining Liens, approving an interim distribution of funds, approving holdbacks, and for other relief;

AND UPON HAVING READ the pleadings and proceedings had and taken herein, and the Affidavit of Service;

AND UPON hearing the submissions of counsel for the Receiver, of counsel for National Bank of Canada, of counsel for Baker Hughes Canada Corporation ("**Baker Hughes**") and Trican Partnership ("**Trican**"), of counsel for Rounded Energy Services Ltd. ("**Rounded Energy**") and Cal-Gas Inc. ("**Cal-Gas**"), of counsel for Cru Well Servicing Ltd. ("**Cru Well**"), and of counsel for KNC Holdings Ltd. ("**KNC**"), (KNC, together with Baker Hughes, Trican, Rounded Energy, Cal-Gas and Cru Well, collectively the "**Claimants Under the Remaining Liens**") and from any other interested parties who may be present;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of the notice of this application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served with notice of this application, and the time for service of this application is abridged to that actually given.
2. All capitalized terms not defined herein shall have the respective meanings ascribed to them in the Receiver's Second Report dated May 27, 2015 (the "**Receiver's Second Report**").

3. The Receiver's statement of receipts and disbursements for the period from the Date of Appointment to May 12, 2015, as set out in the Receiver's Second Report is hereby approved.

4. The Receiver is hereby authorized and directed to (i) retain the amount of \$490,388.00 (the "**Disputed Amount**") on account of the amount of the lien claims by the Claimants Under the Remaining Liens, (ii) make a distribution of \$259,612.00 to National Bank (the "**Distribution**") and (iii) retain the following holdbacks totalling \$117,248.00, as follows:

(a) Professional Fees - \$50,000;

(b) Operating and Administrative Expenses - \$35,248; and

(c) GST Payable - \$32,000.

5. The Disputed Amount shall be held by the Receiver pending further Order of this Court or the Court of Queen's Bench for Saskatchewan.

6. The determination of the priority between National Bank and the Claimants Under the Remaining Liens to the Disputed Amount is a matter governed by the laws of the Province of Saskatchewan, and the Court of Queen's Bench for Saskatchewan is the proper jurisdiction to determine the priority between National Bank and the Claimants Under the Remaining Liens.

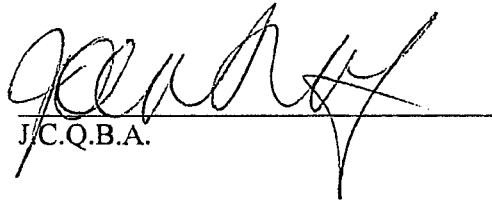
7. The actions taken by the Receiver to date, as reported in the Receiver's Second Report, are hereby approved and ratified.

8. The Receiver is hereby further authorized to take any act and execute any document that may be, in the opinion of the Receiver, necessary to effect the Distribution.

9. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories, and in particular the Province of Saskatchewan, or in the United

States to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order as to provide such assistance to the Receiver, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

10. This Order must be served only upon those interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents.


J.C.Q.B.A.

TAB 6

Form 3-9
(Rule 3-9)

COURT FILE NUMBER Q.B. No. 681 of 2015

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE SASKATOON

PLAINTIFF BAKER HUGHES CANADA COMPANY

DEFENDANTS COAST RESOURCES LTD., DEVON CANADA CORPORATION, WILLIAM JOSEPH HOLTON, DONNA LYNN HOLTON, PENN WEST PETROLEUM LTD., NORTHERN BLIZZARD RESOURCES INC., CRU WELL SERVICING LTD., ROUNDED ENERGY SERVICES LTD., NATIONAL BANK OF CANADA, TRICAN PARTNERSHIP, and CAL-GAS INC.,

NOTICE TO DEFENDANT

1. The Plaintiff may enter judgment in accordance with this Statement of Claim or the judgment that may be granted pursuant to *The Queen's Bench Rules* unless, in accordance with paragraph 2, you:
 - (a) serve a Statement of Defence on the Plaintiff; and
 - (b) file a copy of it in the office of the Local Registrar of the Court for the Judicial Centre named above.
2. The Statement of Defence must be served and filed within the following period of days after you are served with the Statement of Claim (excluding the day of service):
 - (a) 20 days if you were served in Saskatchewan;
 - (b) 30 days if you were served elsewhere in Canada or in the United States of America;
 - (c) 40 days if you were served outside Canada and the United States of America.
3. In many cases a Defendant may have the trial of the action held at a Judicial Centre other than the one at which the Statement of Claim is issued. Every Defendant should consult a lawyer as to his or her rights.
4. This Statement of Claim is to be served within 6 months from the date on which it is issued.

5. This Statement of Claim is issued at the above-named Judicial Centre on the 27th day of May, 2015.

seal
V. GROFF
DEPUTY LOCAL REGISTRAR

Local Registrar

STATEMENT OF CLAIM

1. The Plaintiff, Baker Hughes Canada Company ("Baker"), is a body corporate incorporated pursuant to the laws of the Province of Nova Scotia, and extra-provincially registered in the Province of Saskatchewan to carry on business in said Province.
2. So far as is known to Baker, the Defendant Coast Resources Ltd. ("Coast") is a body corporate incorporated pursuant to the laws of the Province of Saskatchewan, and carrying on business in said Province.
3. So far as is known to Baker, the Defendant Devon Canada Corporation ("Devon"), is a corporation incorporated pursuant to the laws of Alberta. Devon is named as a Defendant in this action, pursuant to section 88(2) of the *Builders Lien Act*, and for no other purpose.
4. So far as is known to Baker, William Joseph Holton And Donna Lynn Holton (the "Holtons") are individuals resident in the Province of Saskatchewan. The Holtons are named as Defendants in this action, pursuant to section 88(2) of the *Builders Lien Act*, and for no other purpose.
5. So far as is known to Baker, Penn West Petroleum Ltd ("Penn West") is a corporation incorporated pursuant to the laws of Alberta. Penn West is named as a Defendant in this action, pursuant to section 88(2) of the *Builders Lien Act*, as a party with registered security interests on the Lands (as described below) and for no other purpose.
6. So far as is known to Baker, Northern Blizzard Resources Inc. ("Blizzard") is a corporation incorporated pursuant to the laws of Alberta. Blizzard is named as a Defendant in this action, pursuant to section 88(2) of the *Builders Lien Act*, as a party with registered security interests on the Lands (as described below) and for no other purpose.
7. So far as is known to Baker, Cru Well Servicing Ltd. ("Cru") is a corporation incorporated pursuant to the laws of Saskatchewan. Cru is named as a Defendant in this action, pursuant to section 88(2) of the *Builders Lien Act*, as a party with registered security interests on the Lands (as described below) and for no other purpose.

8. So far as is known to Baker, Rounded Energy Services Ltd. ("Rounded") is a corporation incorporated pursuant to the law of Saskatchewan. Rounded is named as a Defendant in this action, pursuant to section 88(2) of the *Builders Lien Act*, as a party with registered security interests on the Lands (as described below) and for no other purpose.
9. So far as is known to Baker, National Bank Of Canada ("National Bank") is a federal corporation, extra-provincially registered and carrying on business in Alberta. National Bank is named as a Defendant in this action, pursuant to section 88(2) of the *Builders Lien Act*, as a party with registered security interests on the Lands (as described below) and for no other purpose.
10. So far as is known to Baker, Trican Partnership ("Trican") is a corporation incorporated pursuant to the laws of Alberta. Trican is named as a Defendant in this action, pursuant to section 88(2) of the *Builders Lien Act*, as a party with registered security interests on the Lands (as described below) and for no other purpose.
11. So far as is known to Baker, Cal-Gas Inc. ("Cal-Gas") is a corporation incorporated pursuant to the laws of Alberta. Cal-Gas is named as a Defendant in this action, pursuant to section 88(2) of the *Builders Lien Act*, as a party with registered security interests on the Lands (as described below) and for no other purpose.

Contract with Coast

12. At all material times hereto Baker was providing services as an oil field equipment supplier, supplying goods and services to Coast in relation to Coast' oil and gas operations.
13. Beginning in or about April 2013, Coast requested that Baker supply Coast with oil-field services and equipment. Baker agreed to do so in consideration of which Coast agreed to pay for such services (the "Contract").
14. The terms of the Contract, express or implied, included but are not limited to the following:
 - a. Coast would promptly render payment as and when invoices were issued by Baker;

- b. in accordance with industry standards, payment was due 30 days following receipt of any invoice;
- c. interest would be charged on overdue payments at a rate of 10% per annum, or in the alternative, in accordance with industry standards, at a rate of 24% per annum calculated monthly; and
- d. such further and other terms of the Contract as may be proven at the trial of this action.

15. In accordance with the terms of the Contract, Baker submitted a number of invoices for services rendered and equipment delivered at the instruction of Coast:

<u>Date</u>	<u>Invoice #</u>	<u>Amount</u>
August 13, 2013	0903528521	\$4,809.20
August 21, 2013	0903560219	\$290.00
August 27, 2013	0903580701	\$11,745.80
October 16, 2013	0903778251	\$5,379.01
October 18, 2013	0903788237	\$4,867.50
October 21, 2013	0903792647	\$317.50
October 31, 2013	0903848628	\$6,022.50
November 20, 2013	0903915449	\$290.00
November 28, 2013	0903792647	\$(27.50)

(Hereinafter, collectively the "Invoices")

- 16. The amounts currently owing on the Invoices totals \$33,694.01 (the "Debt"), all of which is a just debt due and payable.
- 17. Baker has repeatedly demanded payment for the Debt, but Coast has neglected, refused, or omitted to pay.

18. Coast' failure to pay the Debt in full is a breach of contract and Baker has suffered damages as a result in the amount of the Debt.
19. In the alternative, Baker has provided goods and services to Coast which goods and services have value and Baker is entitled to reasonable compensation for same. Baker pleads and relies upon the doctrine of *quantum meruit*.

Builder's Lien

20. Devon is the registered owner of all mines and minerals on Certificate of Title 98MW14435G in Mineral Parcel #146053773, Land Description SE-21-35-25-W3. Coast entered into a Petroleum and Natural Gas Lease with Devon on September 10, 2009 (hereinafter referred to as "Land 1").
21. The Holton's are the registered owners of Surface Parcel #118620097, Certificate of Title 97S42190, Land Description SE-21-35-25-W3. Coast entered into a lease with the Holtons on February 22, 2010 (hereinafter referred to as "Land 2").
22. Land 1 and Land 2 are hereinafter collectively referred to as the "Lands".
23. With respect to a portion of the goods or services detailed in the Invoices, Baker provided said goods and services in connection with the drilling and servicing of oil and/or gas wells on the Lands (the "Work").
24. Baker's Work on the Lands was furnished in connection with the recovery of oil or natural gas, or both, from the Land, and accordingly attaches to all estates and interests in the mines and minerals. The Work with respect to the liens, discussed below, was last provided on November 28, 2013.
25. By virtue of supplying said work to the Lands, the Lands were improved by at least the value of the work. Baker became entitled to valid builders' liens on the Lands (the "Liens"), which liens were registered with the Province of Saskatchewan Land Titles Registry as follows:

Land No.	Date	Amount	Interest No.
Land 1	April 24, 2014	\$33,694.01	166750476
Land 2	April 24, 2014	\$33,694.01	166750397

26. Baker pleads the provisions of the *Builders' Lien Act*, SS 1984-85-86, c B-7.1, and its regulations, as amended.

27. The Plaintiff proposes that the Trial of this action be held at the Court House, in the City of Saskatoon.

Remedy sought:

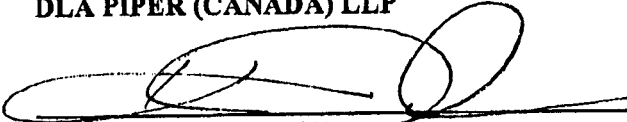
28. Wherefore the Plaintiff Baker Hughes Canada Company claims from and against the Defendant Coast Resources Ltd.:

- a. Judgment against Coast Resources Ltd. in the sum of \$33,694.01;
- b. Judgment for interest on the sum of \$33,694.01, at the rate of the contractual rate of 10% annum, or alternatively interest pursuant to the *Pre-Judgment Interest Act*, SS 1984-85-86, c P-22.2;
- c. Such further and other relief as the Plaintiff may be entitled under the *Builders' Lien Act*, SS 1984-85-86, c B-7.1;
- d. Costs of this action on a solicitor and its own client basis, or alternatively, costs of this action pursuant to the *Queen's Bench Rules*; and
- e. Such further and other relief as this Honourable Court determines

DATED at Saskatoon in the Province of Saskatchewan, this 27th day of May, 2015.

DLA PIPER (CANADA) LLP

Per:



Solicitors for the Plaintiff,
Baker Hughes Canada Company

CONTACT INFORMATION AND ADDRESS FOR SERVICE

Name of Firm: DLA PIPER (CANADA) LLP
Lawyer in charge of file: Kenneth P. Reh
Address of legal firm: #1000, 250 2nd Street SW Calgary, T2P 0C1.
Telephone: 403.698.8720
Fax: 403.213.4467
E-mail address: ken.reh@dlapiper.com

Whose agents in Saskatchewan are:

Name of firm: MCKERCHER LLP
Lawyer in charge of file: Paul Clemens
Address of legal firm: 374 Third Avenue South
Saskatoon, SK S7K 1M5
Telephone number: (306) 653-2000
Fax number: (306) 653-2669
E-mail address: p.clemens@mckercher.ca

TAB 7

COURT FILE NUMBER: 1401-02489
COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

PLAINTIFF NATIONAL BANK OF CANADA
DEFENDANTS COAST RESOURCES LTD.; 101033165
SASKATCHEWAN LTD., VIEWFIELD OIL & GAS
LTD. and COAST SERVICES INC.

APPLICANT FTI CONSULTING CANADA INC., in its capacity as
Court-appointed Reciever and Manager of the assets,
undertaking and property of COAST RESOURCES LTD.,
101033165 SASKATCHEWAN LTD., VIEWFIELD OIL
& GAS LTD. and COAST SERVICES INC.

DOCUMENT AFFIDAVIT

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

McLennan Ross LLP
1000 First Canadian Centre
350 - 7th Avenue South West
Calgary AB T2P 3N9
Attention: Blake P. Hafso
Phone: (403) 303-0159
Fax: (403) 303-1694
Email: bhafso@mross.com

Robertson Stromberg LLP
600, 105 - 21st Street East
Saskatoon SK S7K 0B3
Attention: Bill Preston, Q.C.
Phone: (306) 933-1388
Fax: (306) 652-2445
Email: b.preston@rsllaw.com

AFFIDAVIT OF KIM ZOLLER

Sworn on June 11, 2015

I, Kim Zoller, of Luseland, Saskatchewan, SWEAR AND SAY THAT:

I. INTRODUCTION

1. I am, President of KNC Holdings Ltd. ("KNC") as well as the operating mind of KNC for all of its oil field services operations in the Province of Saskatchewan.
2. KNC is a Saskatchewan commercial corporation registered in the Province of Saskatchewan.

II. KNC'S RELATIONSHIP WITH COAST RESOURCES

3. Attached hereto and marked as **Exhibit "A"** to this Affidavit is a true copy bearing registration particulars, of a Claim of Lien which KNC caused to be registered

pursuant to section 50(7) of the *Builder's Lien Act* with the Province of Saskatchewan, Saskatchewan Ministry of the Economy (“\$161,073.75 Claim of Lien”).

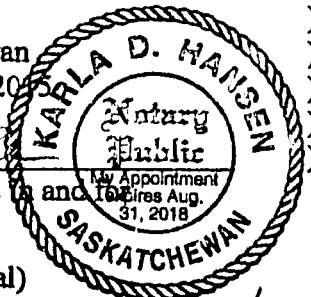
4. Attached to my Affidavit and marked as Exhibit “B” is a true copy (attached to FTI’s acknowledgement of delivery) of a Written Notice of Lien which KNC caused to be received by FTI Consulting Canada Inc. (“FTI Consulting”) on June 9/15 (“\$160,056.00 Written Notice”).
5. While, FTI Consulting has at paragraph 26 of its May 27/15 report filed June 1/15 acknowledged that KNC is among the Remaining Liens which are compliant with the requirements of the *Saskatchewan Builder's Lien Act*.
6. To explain the \$1,017.75 differential between each of these liens, the \$161,073.75 Claim of Lien is based upon KNC’s accounting records while the \$160,056.00 Written Notice is based upon FTI Consulting’s conclusion; KNC prefers to compromise its claim to the lesser sum rather than invest in further dispute processes to realize the \$1,017.75.
7. At all material times KNC was engaged as a fluids transporter and KNC duly rendered such services to all of the lands listed in the \$161,073.75 Claim of Lien.
8. During Coast Resources production process, there was always a natural occurring mixture of oil and water pumped up to the well head and into one or more large holding tanks located at the well site; to render the oil marketable, it must be separated from the water and then the water is pumped out of the heated holding tank into KNC’s truck; depending upon the flow rate from the well into Coast Resources holding tank, trucking of fluid can be more frequent than daily (“KNC’s Field Services”).
9. The amounts shown in the \$161,073.75 Claim of Lien and \$160,056.00 Written Notice is the unpaid amount contractually required of Coast Resources to pay KNC for KNC’s Field Services.

III. CONCLUSION

- 10. I am authorized to swear this Affidavit on behalf of KNC.
- 11. I make this Affidavit for no improper purpose.
- 12. I make this Affidavit in support of KNC's Application to this Honourable Court for a direction that the monies realized by FTI Consulting for payment to National Bank of Canada is subject to a lien charge pursuant to the *Saskatchewan Builder's Lien Act* s. 22(2) which much be paid before FTI Consulting pays the National Bank of Canada.

SWORN before me at
Luseland, Saskatchewan
this 11th day of June, 2015

A NOTARY PUBLIC in and for
Saskatchewan



(affix Notary seal)

My Appt. Expires: Aug 31/18
ph: (306) 236-5648

[Signature]
KIM ZOLLER

This Affidavit of Kim Zoller delivered by:



ROBERTSON STROMBERG LLP
Barristers & Solicitors
Suite 600, 105 – 21st Street East
Saskatoon, SK S7K 0B3

Lawyer in Charge of file: William D. Preston, Q.C.
Direct Line: (306) 933-1388
Facsimile: (306) 652-2445
E-Mail: b.preston@rslaw.com

BUILDERS' LIEN

**Form E
CLAIM OF LIEN**

Registered & Recorded at
Regina, Sask. on

the 9th day of May
2014 as Document No. 4276

A. Maxiner
Records Officer

(Subsection 50(3) of The Builder's Lien Act) Ministry of the Economy

PART A

Name of lien claimant: KNC Holdings Ltd.

Address of lien claimant: Box 339
Luseland, SK S0L 2A0

Address for service:
(if different than above) c/o Robertson Stromberg LLP
600, 105 - 21st Street East
Saskatoon, SK S7K 0B3
Attention: Bill Preston, Q.C.

Name of owner or person
believed to be owner: Coast Resources Ltd.

Claim of lien is made against the
estate or interest of: Coast Resources Ltd.

Address of owner or person
believed to be owner: FTI Consulting Canada Inc.
Attention: Brett Wilson
Bankers Hall West Tower
1000, 888 - 3rd Street S.W.
Calgary, AB T2P 5C5

This is Exhibit A referred to in the Affidavit
Kim Zoller

Name of person for whom the
services or materials have been
provided: Coast Resources Ltd. Sworn before me this 11th day of
June, 2015.

Address of person for whom the
services or materials have
been provided: FTI Consulting Canada Inc. Notary Public in and for Saskatchewan
Attention: Brett Wilson My Appt. Expires: Aug 31/18
Bankers Hall West Tower
1000, 888 - 3rd Street S.W. Ph: (301) 564-5648
Calgary, AB T2P 5C5

Name of Assignor: N/A

Short description of the
services or materials that
have been provided: Fluids hauling and snow clearance



The amount claimed in respect of services or materials that have been provided:

\$161,073.75

A description of the land: (sufficient for identification purposes)

PNG Lease Interest Register #115955938 against LSDs 1,2, 7, 8, 9 and 10 of E 1/2 21-35-25 W3

LSD 4 of 3-36-25 W3

Crown lease PN53920, LSD 12 of 22-35-25 W3

KNC HOLDINGS LTD.

May 5, 2014
Day/Month/Year

PER: [Signature]
Signature of Lien Claimant/Assignee/Agent

PART B

AFFIDAVIT OF VERIFICATION

I, KIM ZOLLER, hereby make oath and say that the facts set out in the claim of lien in Part A are true.

SWORN before me at Luseland, in the Province of Saskatchewan, this 5th day of ~~April~~ May, 2014.

[Signature]
A COMMISSIONER FOR OATHS for Saskatchewan.
My commission expires June 30, 2016

[Signature]
KIM ZOLLER
Notary Public
Saskatchewan
30 June 2016

Bill Preston

From: Wilson, Brett <Brett.Wilson@fticonsulting.com>
Sent: June-09-15 4:35 PM
To: Bill Preston; Helkaa, Deryck
Cc: Milani, Mike; Kleisinger, Erin (EKleisinger@mcdougallgauley.com)
Subject: RE: Coast Resources Receivership & KNC Holdings Ltd

Bill,

Your email has been received.

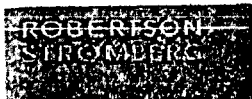
Regards,

Brett Wilson
+1.403.454.6033 T | +1.403.470.4054 M
brett.wilson@fticonsulting.com

From: Bill Preston [<mailto:b.preston@rslaw.com>]
Sent: Tuesday, June 09, 2015 10:31 AM
To: Helkaa, Deryck; Wilson, Brett
Cc: Milani, Mike; Kleisinger, Erin (EKleisinger@mcdougallgauley.com)
Subject: Coast Resources Receivership & KNC Holdings Ltd

*Morning gentlemen
Given section 22 (2) of the Saskatchewan Builders' Lien Act prescribes that KNC is entitled to a lien claim on the interest of Northland Bank of Canada's interest in the monies FTI has realized pursuant to the Orders issued by the Court of Queen's Bench of Alberta in file 1401-02489, KNC hereby delivers the below Written Notice of Lien pursuant to the Saskatchewan Builders' Lien Act 40(1).*

Would you please reply to this email by simply acknowledging FTI's receipt?
Thank you , thank you. Bill Preston, Q.C.



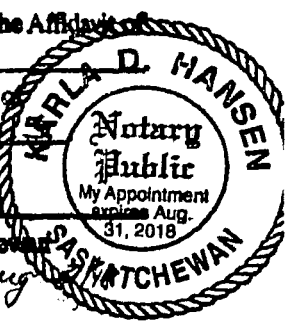
Robertson Stromberg LLP
Barristers and Solicitors
Suite 600, 105 21st Street East
Saskatoon, SK S7K 0B3

Phone: (306) 933-1388
Email: b.preston@rslaw.com
Fax: (306) 652-2445
Visit our website: www.rslaw.com

Please consider the environment before printing this email.

This is Exhibit B referred to in the Affidavit of
Kim Zoller
Sworn before me this 11th day of
June, 2015

A Notary Public in and for Saskatchewan
My Appot. Expires: Aug. 31, 2018
PH: (306) 236-5648



This communication is solicitor/client privileged and contains confidential information intended only for the person(s) to whom it is addressed. Any disclosure, copying or other distribution of this communication or acting on its contents is strictly prohibited by any person other than the intended recipient. If you have received this message in error, please notify us immediately by return email or other means. Thank you.

BUILDERS' LIEN ACT

Form A
WRITTEN NOTICE OF A LIEN
(Clause 2(1)(v) of The Builder's Lien Act)

Name of lien claimant: KNC Holdings Ltd.

Address of lien claimant: Box 339
Luseland, SK S0L 2A0

Address for service:
(if different than above) c/o Robertson Strumberg LLP
600, 105 - 21st Street East
Saskatoon, SK S7K 0B3
Attention: Bill Preston, Q.C.

Name of owner or person
believed to be owner: Coast Resources Ltd.

Address of owner or person
believed to be owner: FTI Consulting Canada Inc.
Attention: Brett Wilson
Bankers Hall West Tower
1000, 888 - 3rd Street S.W.
Calgary, AB T2P 5C5

Name of person for whom the services
or materials have been provided: National Bank of Canada

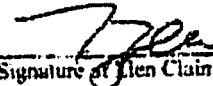
Address of person for whom the
services or materials have
been provided: Norton Rose Fulbright Canada LLP
Suite 3700, 400 - 3rd Avenue SW
Calgary AB T2P 4H2
Attention: Howard A. Gorman, Q.C.

Short description of the services or
materials that have been provided: Fluids hauling

The amount claimed in respect of
services or materials that have
been provided: \$160,056.00

A description of the land:
(sufficient for identification purposes) PNG Lease Interest Register #115955938
against LSDs 1, 2, 7, 8, 9 and 10 of
E. 2, 21-35-25 W3, LSD 4 of 3-36-25 W3
Crown lease PN53920, LSD 12 of 22-35-25 W3

8/16/2015
D, Month Year


Signature of Lien Claimant/Assignee/Agent

Confidentiality Notice:

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TAB 8

COURT FILE NUMBER _____

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE OF SASKATOON

APPLICANT **KNC HOLDINGS LTD.**

RESPONDENTS **FTI CONSULTING CANADA INC., NATIONAL
BANK OF CANADA, BAKER HUGHES CANADA
COMPANY, TRICAN PARTNERSHIP, ROUNDED
ENERGY SERVICES LTD., CRU WELL SERVICING
LTD. and CAL-GAS INC.**

**BRIEF OF LAW ON BEHALF OF THE APPLICANT,
KNC HOLDINGS LTD.**

**ROBERTSON
STROMBERG**

ROBERTSON STROMBERG LLP

Barristers & Solicitors
Suite 600, 105 – 21st Street East
Saskatoon, SK S7K 0B3

Lawyer in Charge of file: Bill D. Preston, Q.C.
Direct Line: (306) 933-1388
Facsimile: (306) 652-2445
E-Mail: b.preston@rslaw.com

I. INTRODUCTION

1. KNC Holdings Ltd. (“KNC”) is one of the Remaining Lien Claimants.
2. KNC has filed with this Court as an attachment to the Originating Application, the Affidavit of Kim Zoller addressing KNC’s status as a lien claimant within the below provisions of s. 22(2) of *The Builders’ Lien Act of Saskatchewan* – copy of portion of Act attached as **Tab A**.

22(2) Where services or materials are provided:

- (a) preparatory to;
- (b) in connection with; or
- (c) for an abandonment operation in connection with;

the recovery of a mineral, then, notwithstanding that a person holding a particular estate or interest in the mineral concerned has not requested the service or materials, the lien given by subsection (1) is also a lien on:

- (d) all the estates or interests in the mineral concerned, other than the estate in fee simple in the mines and minerals, unless the person holding that fee simple has expressly requested the services or materials;
- (e) the mineral when severed and recovered from the land while it is in the hands of the owner, and to the proceeds of the mineral and to the amounts to be paid in lieu of the proceeds of the mineral to the owner by a person that operates the mine, oil well or gas well;
- (f) the interest of the owner in the fixtures, machinery, tools, appliances and other property in or on the mines, mining claim or land, oil or gas well and the appurtenances thereto;

but, in all other respects, this Act applies to the lien existing by virtue of this subsection notwithstanding that the lien extended by clauses (e) and (f) is a lien on an interest in personal property.

II. FACTS & ISSUES

3. See Originating Application.

III. LAW AND ANALYSIS

4. KNC is a valid and enforceable lien claimant to Coast Resources Ltd.'s ("Coast Resources") interest in the lands referenced in KNC's lien.

Boomer Transport Ltd. v. Prevail Energy Canada Ltd. and Macquarie Bank Limited et al, 2014 SKQB 368 at paragraphs 19 to 25 (Rothery, J.)
– copy attached as **Tab B**.

5. And, pursuant to *The Builders' Lien Act* s. 22(d) and (e) KNC also has a lien on the interest of National Bank of Canada ("National Bank") in the in situ oil, extracted oil and/or proceeds.

Boomer Transport Ltd. v. Prevail Energy Canada Ltd. and Macquarie Bank Limited et al, 2014 SKQB 368 at paragraph 44 – copy attached as **Tab B**.

6. While, National Bank has the burden of proving that the Lien Fund as well as the Interim Distributions to it do not include any value realized by FTI Consulting Canada Inc.'s ("FTI") operations since March 6, 2014.

Boomer Transport Ltd. v. Prevail Energy Canada Ltd. and Macquarie Bank Limited et al, 2014 SKQB 368 at paragraphs 40 and 41 – see attached as **Tab B**.

7. Finally, the July 8, 2015 Alberta Court Retention Order empowers this Court to determine that KNC has priority to National Bank regarding the Lien Fund.

CF: Boomer Transport Ltd. v. Prevail Energy Canada Ltd. and Macquarie Bank Limited et al, 2014 SKQB 368 at paragraph 44 – see attached as **Tab B**.


RELIEF REQUESTED

8. Set out in Originating Application.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

DATED at the City of Saskatoon, in the Province of Saskatchewan this 30 day of July, 2015.

ROBERTSON STROMBERG LLP

Per: 
Bill Preston, Q.C. Solicitor for,
KNC Holdings Ltd.

This *Brief of Law* delivered by:



ROBERTSON STROMBERG LLP

Barristers & Solicitors
Suite 600, 105 – 21st Street East
Saskatoon, SK S7K 0B3

Lawyer in Charge of file: Bill D. Preston
Direct Line: (306) 933-1388
Facsimile: (306) 652-2445
E-Mail: b.preston@rslaw.com

TAB A

The Builders' Lien Act

being

Chapter B-7.1* of the *Statutes of Saskatchewan, 1984-85-86* (effective January 1, 1986) as amended by the *Statutes of Saskatchewan*, 1986, c.8; 1988-89, c.54; 1989-90, c.29; 1993, c.C-26.1; 1996, c.E-9.3 and 17; 1997, c.S-50.11; 2000, c.L-5.1; 2001, c.23; 2002, c.C-11.1, R-8.2 and S-35.02; 2004, c.C-11.2 and L-16.1; 2005, c.M-36.1 and S-35.03; 2006, c.C-1.1 and 25; 2010, c.N-5.2; 2010, c.E-9.22; 2013, c.S-15.1 and c.32; and 2014, c.1.

*NOTE: Pursuant to subsection 33(1) of *The Interpretation Act, 1995*, the Consequential Amendment sections, schedules and/or tables within this Act have been removed. Upon coming into force, the consequential amendments contained in those sections became part of the enactment(s) that they amend, and have thereby been incorporated into the corresponding Acts. Please refer to the Separate Chapter to obtain consequential amendment details and specifics.

NOTE:

This consolidation is not official. Amendments have been incorporated for convenience of reference and the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. In order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

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When contract deemed complete

4 For the purposes of this Act, a contract is deemed to be completed when the total price of the following is not more than 1% of the contract price:

- (a) completion;
- (b) correction of a known defect;
- (c) last provision of services or materials.

2014, c.1, s.4.

Application of Act to Crown

5(1) Except as otherwise provided, the Crown is bound by this Act.

(2) This Act does not apply where services or materials are provided:

- (a) in connection with a contract entered into under or pursuant to *The Highways and Transportation Act*; or
- (b) in connection with the construction or improvement of a street or highway owned by the Crown.

(3) Notwithstanding subsection (2), this Act applies where services or materials are provided in connection with the construction or improvement of a bridge owned by the Crown other than a bridge constructed or improved under or pursuant to *The Highways and Transportation Act*.

1984-85-86, c.B-7.1, s.5.

PART II Trust Provisions

Owner's trust

6(1) All amounts received by an owner, other than the Crown, that are to be used in the financing of an improvement, including the purchase price of the land and the payment of prior encumbrances, constitute, subject to the payment of the purchase price of the land and prior encumbrances, a trust fund for the benefit of the contractor.

(2) Where the owner provides his own capital or where the owner is the Crown, and where amounts become payable under a contract to a contractor, the moneys in the hands of the owner or received by him for payment under the contract at any time thereafter constitute a trust fund for the benefit of the contractor.

(3) Where the owner's interest in an improvement is sold by the owner, an amount equal to the positive difference between:

- (a) the value of the consideration received by the owner as a result of the sale; and
- (b) the reasonable expenses arising from the sale and the amount, if any, paid by the vendor to discharge any encumbrances which are entitled to priority under this Act;

constitutes a trust fund for the benefit of the contractor.

BUILDERS' LIEN

c. B-7.1

(1) The owner is the trustee of the trust fund created by subsections (1) to (3), and he shall not appropriate or convert any part of the trust fund to his own use or to any use inconsistent with the trust until the contractor is paid all amounts related to the improvement owed to him by the owner.

1984-85-86, c.B-7.1, s.6.

Contractor's trust

7(1) All amounts:

- (a) owing to a contractor, whether or not due or payable; or
- (b) received by a contractor;

on account of the contract price of an improvement constitute a trust fund for the benefit of:

- (c) subcontractors who have subcontracted with the contractor and other persons who have provided materials or services to the contractor for the purpose of performing a contract; and
- (d) labourers who have been employed by the contractor for the purpose of performing the contract.

(2) The contractor is the trustee of the trust fund created by subsection (1) and he shall not appropriate or convert any part of the trust fund to his own use or to any use inconsistent with the trust until all persons for whose benefit the trust is constituted are paid all amounts related to the improvement owed to them by the contractor.

1984-85-86, c.B-7.1, s.7.

Subcontractor's trust

8(1) All amounts:

- (a) owing to a subcontractor, whether or not due or payable; or
- (b) received by a subcontractor;

on account of the subcontract price of an improvement constitute a trust fund for the benefit of:

- (c) subcontractors who have subcontracted with the subcontractor and other persons who have provided materials or services to the subcontractor for the purpose of performing the subcontract; and
- (d) labourers who have been employed by the subcontractor for the purpose of performing the subcontract.

(2) The subcontractor is trustee of the trust fund created by subsection (1) and he shall not appropriate or convert any part of the trust fund to his own use or to any use inconsistent with the trust until all persons for whose benefit the trust is constituted are paid all amounts related to the improvement owed to them by that subcontractor.

1984-85-86, c.B-7.1, s.8.

BUILDERS' LIEN

c. B-7.1

Payment pursuant to Act not breach of trust

21 Payment from or retention of trust funds when authorized or required to be made by this Act is not a breach of trust.

1984-85-86, c.B-7.1, s.21.

PART III
The Lien

Lien on land and materials and extension re minerals

22(1) A person who provides services or materials on or in respect of an improvement for an owner, contractor or subcontractor, has, except as otherwise provided in this Act, a lien on the estate or interest of the owner in the land occupied by the improvement, or enjoyed therewith, and on the materials provided to the improvement for as much of the price of the services or materials as remains owing to him.

(2) Where services or materials are provided:

- (a) preparatory to;
- (b) in connection with; or
- (c) for an abandonment operation in connection with;

the recovery of a mineral, then, notwithstanding that a person holding a particular estate or interest in the mineral concerned has not requested the services or materials, the lien given by subsection (1) is also a lien on:

- (d) all the estates or interests in the mineral concerned, other than the estate in fee simple in the mines and minerals, unless the person holding that fee simple has expressly requested the services or materials;
- (e) the mineral when severed and recovered from the land while it is in the hands of the owner, and to the proceeds of the mineral and to the amounts to be paid in lieu of the proceeds of the mineral to the owner by a person that operates the mine, oil well or gas well;
- (f) the interest of the owner in the fixtures, machinery, tools, appliances and other property in or on the mines, mining claim or land, oil or gas well and the appurtenances thereto;

but, in all other respects, this Act applies to the lien existing by virtue of this subsection notwithstanding that the lien extended by clauses (e) and (f) is a lien on an interest in personal property.

1984-85-86, c.B-7.1, s.22.

23 Repealed. 1989-90, c.29, s.4.

No lien under \$100

24 No lien exists for a claim less than \$100.

1984-85-86, c.B-7.1, s.24.

c. B-7.1**BUILDERS' LIEN****Priority of liens over executions, etc.**

70(1) The liens arising from an improvement have priority over all judgments, seizures, executions, attachments, garnishments and receiving orders except those executed or recovered on before the first lien arose in respect of the improvement.

(2) No assignment by a contractor or subcontractor of any moneys that may be or become payable under or in respect of any contract or subcontract to which this Act applies is valid as against any lien arising under this Act.

1984-85-86, c.B-7.1, s.70; 2010, E-9.22, s.144.

Priorities between mortgages, etc., and liens

71(1) The liens arising from an improvement have priority over all mortgages, conveyances or other agreements registered after a claim of lien is registered.

(2) In the case of an agreement for sale of land where the purchase money or part of the purchase money is unpaid and no transfer of title for the parcel of land has been made to the purchaser, for the purposes of this Act the purchaser shall be deemed to be a mortgagor and the seller a mortgagee whose mortgage was registered on the date of the agreement for sale.

(3) Subject to Part II:

(a) a lien has priority in respect of all payments or advances made on account of any conveyance or mortgage after written notice of a lien has been given to the person making the payments or advances or after a claim of lien is registered; and

(b) if no written notice of a lien is given or if no claim of lien is registered, all of the payments or advances have priority over the lien.

1984-85-86, c.B-7.1, s.71; 2000, c.L-5.1, s.219.

Persons who comprise class

72 All persons having a lien who have provided services or materials to the same payer comprise a class, and a person who has provided services or materials to more than one payer is a member of each class to the extent to which his lien relates to that class.

1984-85-86, c.B-7.1, s.72.

Priority between and within class

73 Except as otherwise provided by this Act:

(a) no person having a lien is entitled to any priority over another member of the same class;

(b) all amounts available to satisfy the liens in respect of an improvement shall be distributed rateably among the members of each class according to their respective rights; and

(c) the lien of every member of a class has priority over the lien of the payer of that class.

1984-85-86, c.B-7.1, s.73.

Procedure

89(1) A trust claim and a lien claim may be joined in the same action and, subject to subsection (2) and unless otherwise ordered, a party may join with his lien or trust claim a claim for breach of his contract or subcontract.

(2) A party may, within the time limited by The Queen's Bench Rules for delivery of a defence:

- (a) counterclaim against the plaintiff;
- (b) ~~crossclaim against a co-defendant; or~~
- (c) claim against a third party who is not already a party;

in respect of a matter related to the making of the improvement, whether or not the party against whom a claim is made delivers a statement of defence.

(3) A party who fails to make a counterclaim, crossclaim or third party claim pursuant to subsection (2) shall not be permitted to do so or to commence a separate action under this Act with respect to that claim, except with leave of the court.

(4) Where a defendant named in a statement of claim, counterclaim, cross claim or third party claim has been noted for default of defence, he shall not be permitted to contest a claim, to file a statement of defence, counterclaim, cross claim or third party claim or to take any proceeding under this Act except with leave of the court.

(5) Except where leave has been granted under subsection (4), a party who has been noted for default of defence shall be deemed to admit all allegations of fact made in the statement of claim, counterclaim, cross claim or third party claim, as the case may be.

(6) A party against whom no relief is sought may serve and file a demand for notice, and shall be entitled to receive notice of all subsequent proceedings in the action and to participate in the trial.

1984-85-86, c.B-7.1, s.89.

Use of examinations and limitation

90(1) Any part of an examination under section 83 or any part of an examination for discovery may, subject to all just exceptions, be used in evidence against the party on whose behalf the person was examined and all other parties of like interest.

(2) Where a person has been examined under section 83, no further examination for discovery of that person, or of the party on whose behalf the person was examined, shall be conducted without leave of the court.

1984-85-86, c.B-7.1, s.90.

BUILDERS' LIEN

c. B-7.1

Proceedings to be summary

91(1) The object of this Act being to enforce liens at the least expense, the procedure shall be as far as possible of a summary character having regard to the amount and nature of the liens in question.

(2) Except where otherwise provided by this Act, no interlocutory proceedings shall be permitted without an order of the court or the consent of all parties on the application.

1984-85-86, c.B-7.1, s.91.

Evidence

92 Any issue may be tried on *viva voce* or affidavit evidence, as the court may direct.

1984-85-86, c.B-7.1, s.92.

Technical assistance

93 The court may:

- (a) obtain the assistance of any merchant, accountant, actuary, building contractor, architect, engineer or other person to enable the court to determine better any matter of fact in question;
- (b) fix the remuneration of a person appointed under clause (a); and
- (c) determine who shall pay the remuneration fixed under clause (b).

1984-85-86, c.B-7.1, s.93.

Representation by agent

94 A lien claimant whose claim of lien is for an amount within the monetary jurisdiction given to the Provincial Court of Saskatchewan under *The Small Claims Act, 1997* may be represented in the court by an agent who is not a barrister and solicitor.

1984-85-86, c.B-7.1, s.94; 1988-89, c.54, s.3;
1997, c.S-50.11, s.54.**Carriage of action**

95 The court may at any time make an order respecting the conduct or carriage of the action.

1984-85-86, c.B-7.1, s.95.

Disposition by court

96(1) The court may:

- (a) try the action, including any set off, crossclaim, counterclaim and third party claim, and all questions that arise therein or that are necessary to be tried in order to dispose completely of the action and to adjust the rights and liabilities of the persons appearing before it; and

TAB B

QUEEN'S BENCH FOR SASKATCHEWAN

Citation: 2014 SKQB 368

Date: 2014 11 07
Docket: 236 of 2012
Judicial Centre: Battleford

2014 SKQB 368 (CanLII)

BETWEEN:

BOOMER TRANSPORT LTD.

PLAINTIFF

- and -

PREVAIL ENERGY CANADA LTD.

DEFENDANT

-and-

MACQUARIE BANK LIMITED, NEEDHAM OILFIELD SERVICES INC., PRODAHL ENVIRONMENTAL SERVICES LTD., RONAN CONSULTING LTD., SCORPION OILFIELD SERVICES LTD., WIZARD WELL SERVICING LTD., and LONKAR SERVICES LTD.

NAMED DEFENDANTS

Counsel:

J. M. Lee, Q.C. and M. J. Russell

for Boomer Transport Ltd. and Prodahl Environmental Services Ltd.

R. B. Armstrong

for Wizard Well Servicing Ltd.

C. R. Hirschfeld

for Macquarie Bank Limited

JUDGMENT
November 7, 2014

ROTHERY J.

[1] Pursuant to the order of Allbright J. of June 16, 2014, providing for a hearing to determine entitlement to funds paid into the Court of Queen's Bench for Saskatchewan following the receivership of the debtor, Prevail Energy Canada Ltd. [Prevail], the hearing was set at the Judicial Centre of Saskatoon on September 12, 2014. As part of the order of Allbright J., all parties claiming entitlement to the funds in court were required to file their written materials with the local registrar at the Judicial Centre of Saskatoon by July 15, 2014. If any party failed to file its written materials by July 15, 2014, that party's claim was extinguished and barred as against the funds paid into court. All named defendants, including Macquarie Bank Limited [Macquarie] and all lien claimants, were served with the order of Allbright J. As a result, Macquarie, Boomer Transport Ltd. [Boomer], Prodahl Environmental Services Ltd. [Prodahl] and Wizard Well Servicing Ltd. [Wizard] all served and filed affidavit evidence.

[2] Scorpion Oilfield Services Ltd. [Scorpion] sent a letter to the local registrar at the Judicial Centre of Saskatoon marked as received on June 19, 2014 in support of the application before Allbright J. Scorpion was served with the order of Allbright J. on June 25, 2014. However, Scorpion never served any written materials in support of its lien nor did it appear at this hearing. Therefore, as provided for in paragraph 3 of the order of Allbright J., Scorpion's claim to any of these funds is extinguished and forever barred.

BACKGROUND FACTS

[3] On June 10, 2013, Grant Thornton Limited, the court-appointed receiver of Prevail, paid into court in the action the sum of \$269,470. This payment was made as a result of the order of Streckaf J. of the Alberta Court of

Queen's Bench made March 15, 2013 which included, in part, the following directions:

2. The Receiver is authorized and directed to pay into the Court of Queen's Bench for Saskatchewan the entirety of the remaining funds in the receivership estate, in the approximate sum of \$269,000, less unbilled professional fees of the Receiver and its counsel (the "Remaining Funds"), to be held in Court pending a determination of the priority between Macquarie and the Lien Claimants with respect to the entitlement to the Remaining Funds. The Remaining Funds shall be paid into the credit of a court file to be agreed to and provided by the Lien Claimants, with the Court of Queen's Bench for Saskatchewan.

3. The determination of the priority to the Remaining Funds (the "Priority Dispute") is a matter governed by the laws of the Province of Saskatchewan, and the Court of Queen's Bench for Saskatchewan is the proper jurisdiction to determine the priority between Macquarie and the Lien Claimants, and to the extent of any shortfall, amongst the Lien Claimants, with respect to the entitlement to the Remaining Funds.

[4] Prevail is an insolvent corporation, incorporated in Alberta, that was engaged in the exploration, development and production of heavy crude oil and natural gas. Prevail operated wells located on certain lands in Saskatchewan, holding both freehold and Crown petroleum and natural gas leases. Prevail borrowed monies from Macquarie and granted Macquarie a security interest over the lands and personal property to secure the repayment of \$50,000,000. Macquarie's security interest and mortgage were duly registered in 2010.

[5] Boomer, Prodahl, and Wizard, collectively referred to as the Lien Claimants, had provided goods and/or services to Prevail over the time period of 2008 – 2010. Because of Prevail's non-payment of invoices, the Lien Claimants demanded payment of Prevail's indebtedness and registered their liens pursuant to *The Builders' Lien Act*, SS 1984-85-86, c B-7.1 [BLA] in 2010, but after

Macquarie had registered its security interest and mortgage against Prevail's assets.

[6] Prevail defaulted in payment of its loan to Macquarie and owed about \$7 million. Macquarie demanded payment of its indebtedness on December 6, 2010, and at the same time, served the requisite notice of intention to enforce security under s. 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 [BIA]. Macquarie applied to the Court of Queen's Bench in Alberta for a court-appointed receiver. The Alberta Court appointed Grant Thornton Limited as receiver-manager of Prevail on February 1, 2011.

[7] In this receivership order, Grant Thornton Limited [Receiver] was provided a receiver's borrowing charge of \$1,760,000. The Receiver's plan was to enhance the wells to increase the value of the assets for sale. Of Prevail's thirty-three wells drilled at the time of the receivership appointment, two were non-operated wells. Only five wells were in production, providing less than twenty barrels of oil per day.

[8] The Receiver was aware of the seven builders' lien claimants under the BIA, and their total claim of \$741,090.11. In the Receiver's first report dated November 4, 2011 and filed with Alberta court, the Receiver listed the lien claimants and stated that it had not reviewed the validity of these liens. However, the Receiver advised the Alberta court that it had obtained the confirmation of six of the seven lien claimants, by letter dated April 25, 2011, that the lien claimants would not challenge the priority of the receiver's borrowing charge over their lien claims. This confirmation included Boomer and Prodahl, but not Wizard.

[9] The Receiver continued Prevail's oil and gas operations on its mineral leases in Saskatchewan between February 1, 2011 and September 5, 2012, when the assets were ultimately sold. The Alberta court granted approval of the sale by the order of LoVecchio J. on August 31, 2012. Pursuant to paragraph 11 of the sale approval order, all proceeds generated by the sale of Prevail's well assets stood in place of the well assets and all claims against the well assets, including lien claims, attached to the proceeds with the same validity and priority and amounts that existed when such claims attached to the well assets.

[10] In its third report to the Alberta court dated August 24, 2012, the Receiver stated that, as a result of the well enhancement and maintenance activities, production from fourteen operated wells had reached a high of 114 barrels per day, but by August 24, 2012, were in the range of 30 barrels of oil per day.

[11] The Receiver reported to the Alberta court in its fourth report dated February 25, 2013 that its receipts totalled \$4,090,475, and were comprised of oil and gas proceeds, well asset proceeds and the other production related receipts. The Receiver disbursed a total of \$3,546,004 to repay the receiver's borrowing charge of \$1,760,000 and receivership costs of \$1,786,000. Once interest was paid on the receiver's borrowing charge and with a holdback of \$100,000 for remaining work, the amount of the net funds for distribution was \$269,470. That was the sum paid into court pursuant to the order of Streckaf J. and now the subject of the priority dispute between Macquarie and the three Lien Claimants.

POSITION OF THE PARTIES

[12] Macquarie's position is that it is entitled to all these proceeds. It argues that the liens are not valid as defined by s. 22 of the *BLA*. Even if they are valid liens, some liens have been improperly registered against the landowner's surface interests and not registered against Prevail's interests. They are now statute barred by *The Limitations Act*, SS 2004, c L-16.1 from now properly registering and commencing an action to enforce their liens against Prevail's interests. Finally, the Lien Claimants cannot prove that the proceeds in court constitute proceeds from the sale of oil at the time of the receivership appointment. As such, the Lien Claimants cannot rely upon the priority given to lien claimants over the secured creditor as provided by s. 22(2) of the *BLA*.

[13] The Lien Claimants submit that these are all valid lien claims. If some of the liens were not properly registered at the date of the receivership order, the other liens were properly registered and their actions commenced within the two year limitation period as required by s. 55 of the *BLA*. They rely upon the reasoning in *RGR Enterprises Ltd. v Allsteel Builders(2) Ltd.*, 2012 SKQB 254, 400 Sask R 150 [*RGR Enterprises*], to allow the improperly registered lien claims to become parties to the action and to participate in the undistributed funds.

[14] The Lien Claimants argue that, at any rate, once the receivership order was made, the Receiver was responsible to ensure that, if the lien claims were valid claims, the assets the Lien Claimants were entitled to were preserved. In this receivership, the Lien Claimants argue they are entitled to not only the proceeds of the sale of oil at the date of receivership, but also to Prevail's leasehold interests and its well assets at the date of receivership. If the Receiver has not allocated the assets subject to the Lien Claimants' priority under s. 22(2) of the *BLA*, Macquarie is not entitled to those assets by default.

WHETHER THE LIENS ARE VALID

[15] The first issue to be determined is whether the liens claimed by each of Boomer, Prodahl and Wizard are valid liens as allowed by the *BLA*. In particular, s. 22(1) of the *BLA* defines the lien:

A person who provides services or materials on or in respect of an improvement for an owner, contractor or subcontractor, has, except as otherwise provided in this Act, a lien on the estate or interest of the owner in the land occupied by the improvement, or enjoyed therewith, and on the materials provided to the improvement for as much of the price of the services or materials as remains owing to him.

[16] “Owner” is defined in s. 2(1)(k) of the *BLA* as:

(k) “owner” includes a person having an estate or interest in land, other than an encumbrance, at whose request, express or implied, and:

- (i) on whose credit;
- (ii) on whose behalf;
- (iii) with whose privity and consent; or
- (iv) for whose direct benefit;

an improvement is made to the land;

[17] “Improvement” is defined in s. 2(h) of the *BLA* as:

(h) “**improvement**” means a thing constructed, erected, built, placed, altered, repaired, improved, added to, dug or drilled or intended to be constructed, erected, built, placed, altered, repaired, improved, added to, dug or drilled on or into, land, except a thing that is not affixed to the land or intended to become part of the land and includes:

- (i) landscaping, clearing, breaking, excavating, digging, drilling, tunnelling, filling, grading or ditching of, in, on or under land;
- (ii) the demolition or removal of any building, structure or works or part thereof;
- (iii) services provided by an architect, engineer or land surveyor;

and “**improved**” has a corresponding meaning;

[18] There is no doubt that Prevail meets the definition of “owner”. The question is whether the contractual obligations undertaken by Boomer, Prodahl and Wizard meet the definition of “improvement” and whether they each provided “services or materials on or in respect of an improvement”.

[19] The affidavit evidence filed shows that Boomer provided the service to Prevail of pumping out, hauling and disposing of water and pumping out and hauling oil from the holding tank into a transport truck. As explained in para. 3 – 4 of the affidavit of Joanne Thompson on behalf of Boomer:

3. During the production process, a naturally-occurring mixture of oil and water is pumped from the ground through the well head into one or more large holding tanks located at the well site. The ratio of oil to water in the mixture varies – it can range from 95% oil to 95% water. To render the oil marketable, it must be separated from the water. The oil and water mixture in the holding tank is heated to assist with that process, and the water is then pumped out. To maximize the value of the oil, as much water as possible should be removed. Ideally, “clean oil” should contain no more than .5% water by volume.

4. In addition to the issue of marketability of the oil, in order for the well to continue in production, oil and water, respectively, must be pumped out of the holding tank on a regular basis in order to make room for new oil and water flowing in from the well head. Depending on the rate of flow, the holding tank may require emptying more than once per day. If the holding tank is not emptied, production ceases because there is nowhere for the oil and water mixture from the well head to go. Once production from an oil well ceases, Saskatchewan law requires such idle well to be “shut in” or sealed.

[20] The affidavit of Tony Prodahl, on behalf of Prodahl, shows that Prodahl provided Prevail with services and materials in the form of containment systems. These are described as being basins built underneath and/or around large oil tanks to catch any hazardous liquids or chemicals that might spill or leak from the oil tank.

[21] The affidavit of Richard Leyen, on behalf of Wizard, shows that Wizard provided services and materials to serve Prevail’s oil wells, described in the following manner in the affidavit:

4. Oil well servicing equipment are the rigs seen mounted on mobile equipment, usually larger service rig trucks, that are moved without the need for a separate trailer and truck to haul them. These are generally smaller rigs than those used to drill the original hole, and are brought in after the initial hole has been drilled.

5. Well servicing is primarily done to complete the well production process, as well as to “work over” a well or increase the production of a well. This is done by reducing sand or water content or cleaning out water or sand to make a well more efficient (or to start up a well that has been shut-in).

...

7. Well servicing can also be for the purpose of maintenance or replacement of downhole components, such as tubing, rods, safety valves, or pumps.

8. Well servicing can also be done to drill holes in the earth to allow the extraction of oil or natural gas from geologic reservoirs. Generally a hole has been drilled prior to commencing services with a serve rig, but a service rig can extend a hole if so required.

...

12. In the work done for Prevail, Wizard provided services (labour, equipment) to install the down hold pump(s), tubing and rods just prior to the wells beginning production. There was also additional work, termed “work overs”, which was done at Prevail’s request to restart production or increase production.

13. The wells worked on for Prevail by Wizard were generally wells that required additional work due to the sandy oil found in that area and in the Prevail wells in particular. There were wells where Wizard “worked over” or provided well servicing materials and services on more than one occasion.

[22] There is no dispute that both Prodahl and Wizard meet the definition of a lien claimant as required by s. 22(1) of the *BLA*. Macquarie argues that Boomer merely hauled oil and water and thus, does not meet the definition of a lien claimant.

[23] I cannot agree with this characterization. First of all, as stated in *Points North Freight Forwarding Inc. v Coates Drilling Ltd. (Trustees of)* (1992), 101 Sask R 133 (QB), at para 15, Gerein J. held that “a mere hauler of material, depending on the circumstances, may indeed have a valid lien claim.”

[24] And, at para. 23, Gerein J. stated:

In summary, I hold that if a person provides a service which can be characterized as a direct and real contribution to the construction of an improvement, that person is entitled to a claim of lien. Each case will depend on its particular facts ...

[25] In this case, Boomer performed a service that was an integral part of the production of oil for market. It pumped out and hauled away, on a continuous basis, the water that was required to be extracted from the oil and water mixture being pumped from the ground through the oil well head. I find that all three Lien Claimants have valid liens as defined by s. 22(1) of the *BLA*.

WHETHER A LIEN CLAIM MUST BE REGISTERED TO BE VALID AND ENFORCEABLE

[26] The evidence is clear that all three Lien Claimants commenced their statements of claim within the limitation period required by s. 55 of the *BLA*, that is, two years from the date the liens were filed. Because Prevail was already in receivership at this point, the Lien Claimants obtained the permission of the Receiver to commence these actions. The problem arises because Prodahl registered its lien against the interests of the owner of the freehold interest rather than against the interests of Prevail, the owner of the mines and minerals lease. Boomer and Wizard only registered their liens against some of Prevail's mineral parcels, not all of them. They each registered other liens against the freehold interest only.

[27] Macquarie argues that the Lien Claimants have breached s. 50(3) and (3.1) of *The Land Titles Act, 2000*, SS 2000, c L-5.1 [*LTA*] which states:

(3) Subject to subsection (3.1), an interest in another interest may be registered only against that other interest and not against a title.

(3.1) If an interest that supports another interest has not been registered, the interest in the supporting interest may be registered against the title.

[28] Macquarie argues that there is no discretion under the *BLA* to correct or modify those registrations because of s. 100 of the *BLA* which states:

(1) No certificate of substantial performance, written notice of a lien, claim of lien or any other prescribed form is invalidated by reason only of a failure to

comply strictly with the prescribed forms or subsection 50(2) unless, in the opinion of the court, a person has been prejudiced thereby and then only to the extent of the prejudice suffered.

(2) Nothing in subsection (1) shall be construed as dispensing with the registration of the claim of lien as required by this Act.

[29] I find that, although some of the liens may be registered against the incorrect interest, it is of no consequence here to their validity. First of all, had the lien claims that were correctly registered, for which statements of claim have been issued within the two year limitation period of s. 55 of the *BLA*, been able to proceed with their actions against Prevail, any of the unregistered lien claims would have been entitled to share in the proceeds of the sale of Prevail's assets. This interpretation of the *BLA* is made clear in *Deloitte & Touche Inc. v Merit Energy Ltd.*, 2004 SKCA 124, 254 Sask R 161, at para 23 – 24 which states:

23 The Hunter Order is cast almost exclusively in terms of "registered liens," but the Act accords protection and priority, in certain circumstances, to unregistered liens, which have certain rights which may be asserted until such time as the Act provides. For example, a person commencing litigation is required to join, as party defendants, unregistered lien claimants of which he or she has knowledge:

88(2) Subject to subsection (3), the following shall be joined as party defendants in the action:

...

(f) every other person who, to the knowledge of the plaintiff, has or may have a lien.

If an unregistered lien claimant is not joined as a party defendant, the claimant may apply to be joined as a party (see subsection 88(4)).

24 Such provisions are necessary, because with respect to litigation commenced by a lien claimant, unregistered lien claimants are permitted, to a certain degree, to "shelter" under the valid registration of another lien claimant. See, for example, subsection 56(8):

56(8) Where an order is made under subsection (1) or (2), the money paid into court or any security posted is subject to the claims of all lien claimants but such amount as is found owing to any lien claimant whose registered claim of lien or written notice of a lien has been vacated plus costs is a first charge on the money or security.

[30] And see: *RGR Enterprises* and the discussion at para. 28 – 52.

[31] Secondly, and just as important, is the intervening application by Macquarie for the court-appointed receiver of all Prevail's assets. At that moment, all lien claimants, whether their lien claims were registered in accordance with *BLA*, lost all control over the remedies provided to them by the *BLA*. By court order, the Receiver took control of all Prevail's assets and those Lien Claimants could only assert their claim to the assets. The evidence is they did just that. The Receiver acknowledged the seven builders' lien claims, totalling \$741,090.11, in its first report to the court dated November 4, 2011. The Receiver stated that it had not reviewed the validity of these liens, but it advised the court that the lien holders acknowledged that the receiver's borrowing charge would have priority over their lien claims. By the Receiver's fourth report to the court dated February 25, 2013, the same seven lien holders were listed for the same amount of \$741,090.11.

[32] As stated earlier, at the conclusion of the receivership, the receiver's certificate of \$1,760,000 plus interest was repaid from the sale of Prevail's assets. As well, all professional fees were paid, leaving the sum of monies which are now the subject of this application.

[33] Thus, the issue of registration of lien claims has been a moot point since the Receiver took control of Prevail's assets under its court appointment. In the circumstances of this case, registration is not determinative of the validity of the lien claims. I find these are valid lien claims, and their entitlement to the proceeds of Prevail's sale assets depends upon whether the *BLA* provides the Lien Claimants a priority over Macquarie.

LIEN CLAIMANTS' PRIORITY UNDER S. 22(2) OF THE *BLA*

[34] I have already determined that the three liens are valid liens as required by s. 22(1) of the *BLA*. But the matter does not end there. Section 22(2) of the *BLA* provides a priority to lienholders over secured creditors in situations where services and materials are provided by the lienholders that pertain to the recovery of minerals.

[35] Section 22(2) of the *BLA* states:

- (2) Where services or materials are provided:
- (a) preparatory to;
 - (b) in connection with; or
 - (c) for an abandonment operation in connection with the recovery of a mineral, then, notwithstanding that a person holding a particular estate or interest in the mineral concerned has not requested the services or materials, the lien given by subsection (1) is also a lien on:
 - (d) all the estates or interests in the mineral concerned, other than the estate in fee simple in the mines and minerals, unless the person holding that fee simple has expressly requested the services or materials;
 - (e) the mineral when severed and recovered from the land while it is in the hands of the owner, and to the proceeds of the mineral and to the amounts to be paid in lieu of the proceeds of the mineral to the owner by a person that operates the mine, oil well or gas well;
 - (f) the interest of the owner in the fixtures, machinery, tools, appliances and other property in or on the mines, mining claim or land, oil or gas well and the appurtenances thereto;
- but, in all other respects, this Act applies to the lien existing by virtue of this subsection notwithstanding that the lien extended by clauses (e) and (f) is a lien on an interest in personal property.

[36] As I stated in *Cambrian Blasting Co. v Trican Well Services Ltd.*, 2003 SKQB 355, 237 Sask R 289, at para 21 – 22 in following the reasoning in *Canada Trust Co. v Cenex Ltd.* (1982), 13 Sask R 435 (CA) [*Cenex*], the lienholder had claim in priority to the interests of the secured party in ore extracted from the mine and taken over by the receiver.

[37] Previously, the court in *Doug Johnston Construction Co. v Avonlea Mineral Industries Ltd.* (1990), 87 Sask R 2 (QB), also relying on *Cenex*,

interpreted s. 22(2)(e) of the *BLA* to include not only the mineral, but the proceeds of the mineral. Kyle J. stated at para. 3 – 5:

3 Counsel for the respondent, Ekaton, suggested that subs. 22(1)(d) and (e) must be read disjunctively, and that, essentially, a claim for proceeds under sub. 22(1)(e) of the Act cannot, in and of itself, elevate the applicant's claim above that of the respondent. I cannot agree with that suggestion.

4 Mr. Justice Hall, in *Canada Trust Co. v. Cenex Ltd.*, [1982] 2 W.W.R. 361, leave to appeal to S.C.C. refused (1982), 16 Sask. R. 180 (note) states:

"The language used in s. 12(2) is clear and unambiguous. It was intended that those who provide the work and material to sever and extract ore from a mine should have first claim upon it. The provision is limited in its scope to property which is defined and identified, that is the ore so severed or extracted."

5 Although the *Cenex* decision, *supra*, dealt with what is now s. 22(2)(d) of The Builders' Lien Act, I think the comments of Hall J.A. are equally applicable to s. 22(2)(e). In my opinion the Legislature could not have intended that the interests of a lien claimant could be defeated simply because the subject of the lien was sold, particularly when the subject is readily identifiable. While the respondent Ekaton contended that the minerals herein had been processed to some extent, they have not changed in character and are easily identified. Moreover, I am satisfied that there is no question that the applicant was the only party who would have a claim to the subject minerals.

[38] The reading of s. 22(2) of the *BLA* makes it clear that the “mineral” includes oil or natural gas because those wells are specifically referred to along with “mines” in s. 22(2)(e) and (f). The reading of s. 22(2) also makes it clear that the lienholder as defined in s. 22(2) has a first claim upon not only the ore or its proceeds, but the oil lease and specified personal property. Just as s. 22(2) (d) and (e) cannot be read disjunctively, nor can s. 22(2)(f) of the *BLA* be so read. Thus, the liens extend to Prevail’s oil leases, its extracted oil at the time of the receivership appointment or the proceeds thereof, and the well assets.

[39] Counsel for Macquarie submits that the proceeds of sale by the Receiver include far more than merely the oil or proceeds at the time of the Receiver’s court appointment. The Receiver operated Prevail’s oil drilling for a

period of time after, and the Receiver's receipts included that oil extracted. It is impossible to now trace what, if any oil, was in Prevail's hands at the time of the receivership appointment. Counsel argues that the Lien Claimants' priority to any of the proceeds in court has not been proven and should not be allowed.

[40] Counsel for the Lien Claimants confirmed that no claims process was ever initiated by the Receiver. The Lien Claimants ought not to lose their priority to the assets as set out in s. 22(2) of the *BLA* simply because the Receiver has not allocated certain proceeds that would be directly traceable to those assets. This was a functioning corporation at the time of the receivership appointment and oil was being extracted at the time. Thus, oil or proceeds existed at that time. The Receiver has been fully compensated for operating the business until the assets were sold. Counsel argue that the remaining funds ought to be paid to the Lien Claimants.

[41] I must agree with counsel for the Lien Claimants. Because the Receiver decided to operate the corporation without addressing the lien claims, either by a claims procedure or a form of allocation of assets that are subject to s. 22(2) of the *BLA*, does not nullify any priority the Lien Claimants may have to the net proceeds. The use of a claims procedure to have priorities adjudicated upon is common in court-appointed receiverships. See, for example, the discussion in *Bank of Montreal v Scott*, 2013 SKQB 64, 415 Sask R 58.

[42] I refer to *Canadian Commercial Bank v Simmons Drilling Ltd.* (1989), 78 Sask R 87 (CA), where the Saskatchewan Court of Appeal outlined the receiver's duties and obligations when it takes possession of property subject to the trust provisions of the *BLA*. While the instant case is not being decided on the question of whether the Receiver ought to have paid the lienholders from the

contractor's trust fund, the observation of Sherstobitoff J.A. at para. 15, 21 – 22 are apposite:

Unlike a trustee in bankruptcy, a receiver does not become vested with title to the debtor's property. He only has possession and custody of them. As stated in *Kerr on Receivers*, (15th Ed.) at p. 130:

The appointment of a receiver does not in any way affect the right to the property over which he is appointed. The court takes possession by its receiver, and his possession is that of all parties to the action according to their titles...[*Re Butler* (1863), 13 L.R.I.R. 456; *Bertrand v. Davies* (1862) 31 Beav 436.

What is clear is that, when the receiver was appointed, the subcontractors were entitled to payment from the trust fund. The failure to make payment to the subcontractors within a reasonable time thereafter, an obligation imposed by s. 89 of *The Business Corporations Act* and s. 7 of *The Builders' Lien Act* taken together, was in default of those statutory obligations. If the receiver had applied to the court for directions for payment out of the monies on that date or within a reasonable time thereafter, the money would have been ordered paid to the subcontractors. The result is that the default of the receiver in failing to act with sufficient promptness and diligence to discover and pay the claims against the trust before expiration of the limitation period has deprived the subcontractors of the right to realize their claims from the trust fund.

The bank now seeks to benefit from that default and the receiver supports its position. That position is untenable. While it may not be improper for a private debtor to withhold payment of a debt due and owing, whether deliberately or by neglect or oversight, and thereby benefit from an intervening limitation period, the same is not true of a receiver, for he is an officer of the court. The receiver's action is the action of the court and the court will not permit or approve any action on the part of its officer which has the effect of changing the rights of competing creditors, whether deliberately or by default.

[43] In this case, the Receiver took possession of Prevail's assets, knowing that the Lien Claimants claimed a priority over certain of those assets as provided by s. 22(2) of the *BLA*. Case authority clarified this. Why the Receiver did not resolve the priority dispute in a timely manner when an evidentiary base could have been set before the court to determine the extent of that priority under s. 22(2) of the *BLA* need not be answered here. What can be answered is Macquarie is not entitled to benefit from the Receiver handling the receivership in this manner.

[44] It is hereby declared that the total sum of \$269,470 paid into court is subject to the Lien Claimants' priority under s. 22(2) of the *BLA*. It is hereby ordered that the monies shall be paid to the three Lien Claimants in proportion to the amounts of their respective liens.

J.
A. R. ROTHERY