

FORM 49
[RULE 13.19]

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CALGARY

PROCEEDING

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, as amended**

AND IN THE MATTER OF ERIKSON NATIONAL ENERGY INC.

DOCUMENT

AFFIDAVIT

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING
THIS DOCUMENT

BENNETT JONES LLP
Barristers and Solicitors
4500 Bankers Hall East
855 – 2 Street SW
Calgary, Alberta T2P 4K7

Attention: Keely Cameron / Michael Selnes/Luc Rollingson
Telephone No.: 403-298-3324 / 3311/7971
Fax No.: 403-265-7219
Client File No.: 87754.38

AFFIDAVIT OF MARK HORROX

Sworn on October 15, 2024.

I, **Mark Horrox**, of City of Toronto, Ontario, **SWEAR AND SAY THAT:**

1. I am the sole director of the applicant, Erikson National Energy Inc. ("**Erikson**" or "**Applicant**") since the CEO retired and am also a Principal of Third Eye Capital Corporation ("**TEC**" or "**Agent**"), the agent for the secured lenders of Erikson.

2. I have personal knowledge of the matters deposed to in this Affidavit, except when stated to be based upon information and belief, in which case I believe the same to be true.
3. All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.

II. RELIEF

4. This Affidavit is made in support of an Application by Erikson for an Order:
 - (a) Granting a 40-day extension to file a proposal to its creditors, under section 50.4 of the *Bankruptcy and Insolvency Act*, RSA 1985, c. B-3, as amended;
 - (b) extending the stay of proceedings in the within matter for 40 days to November 30, 2024;
 - (c) Approving the Sale and Investment Solicitation Process;
 - (d) Approving an Administration Charge in the amount of \$200,000; and
 - (e) Approving interim financing.

III. BACKGROUND

5. Erikson is a corporation registered pursuant to the laws of Alberta, with a head office located in Calgary, Alberta.
6. Erikson is a junior oil and natural gas company with assets located in the Fort Nelson and Greater Fort St. John areas of British Columbia. Erikson's natural gas assets were previously owned by Ranch Energy Corp. ("**Ranch**").
7. TEC was agent for the secured lenders of Ranch Energy Corp. ("**Ranch**") and provided Ranch with a credit facility (the "**Ranch Loan**") to fund Ranch's acquisition of certain

natural gas assets from Predator Oil BC Ltd. and Ranch's post-acquisition working capital needs.

8. Ranch attempted to restructure its operations through proceedings under the *Companies' Creditors Arrangement Act*. However, TEC discovered that Ranch failed to provide accurate and reliable financial information to TEC, and that Ranch advanced certain transactions aimed at impairing TEC's ability to recover the amounts owing under the Ranch Loan, and a receiver was appointed over Ranch's assets on July 19, 2018. To mitigate the risk to TEC's investors and to assist the British Columbia Energy Regulator ("**BCER**") to avoid all of Ranch's assets from being orphaned, TEC ultimately agreed to fund Ranch's receivership and to run a sale and investment solicitation process.
9. During Ranch's receivership, TEC expressed a willingness to acquire certain of Ranch's assets if other bids were unsuitable, due to undervaluation or inadequate assumption of liabilities which would result in significant orphaned sites.
10. Ranch's receivership did not result in any suitable bidders stepping forward to acquire Ranch's assets or assume sufficient liabilities to obtain regulatory approval to conclude required permit transfers. TEC engaged with the British Columbia Energy Regulator ("**BCER**") to develop a strategy in which a TEC nominee would acquire certain Ranch assets, in so doing avoiding those assets from becoming orphaned.
11. Erikson, a portfolio company of TEC, ultimately stepped in to assume 414 oil and gas sites from Ranch ("**Ranch Transaction**"), with the remaining 401 wells and 3 facilities deemed orphans by the BCER. The BCER has taken steps to complete closure work in respect of those sites. Attached hereto as **Exhibit "A"** is a copy of June 17, 2020 Bulletin from the BCER.
12. Separately, around this time, TEC negotiated a loan and investment transaction with Pieridae Energy Limited ("**Pieridae**"), a publicly traded Canadian oil and gas company listed on the Toronto Stock Exchange (TSX: PEA) to:

- (a) provide a loan to Pieridae to fund Pieridae's purchase of certain oil and gas assets ("**First Pieridae Loan**"); and
 - (b) purchase of common shares in the capital of Pieridae ("**Shares**").
13. During the negotiation with Pieridae around its financing needs, TEC identified that Pieridae might want to purchase the assets being purchased by Erikson through the Ranch Transaction, as Pieridae operates oil and natural gas assets in British Columbia proximal to the Ranch estate. In order to facilitate this opportunity to sell the remaining Ranch assets to a long term strategic operator, TEC negotiated the option for Pieridae to buy the Erikson assets within the first two years of the loan, and restructured the contemplated loan and equity financing to be funded via Erikson solely as a conduit for the financing, and which would facilitate the sale of its assets to Pieridae should Pieridae exercise its purchase option.
14. To facilitate the First Pieridae Loan and the Ranch Transaction, TEC as agent for various investment funds acting as lenders, advanced funds to Erikson for the following purposes:
- (a) The purchase of debt previously arranged by the Agent, for the purpose of a credit bid to purchase Ranch Corporation's natural gas assets out of receivership;
 - (b) Funding the First Pieridae Loan; and
 - (c) The purchase of the Shares; and
 - (d) Working capital support for Erikson post-closing of the Ranch Transaction (including BCER regulatory fees and expenses) and the posting of approximately \$5 million in security with the BCER.
15. As part of a subsequent amendment to the terms of the First Pieridae Loan, Pieridae issued to Erikson, a warrant to purchase additional shares of Pieridae, dated as of April 1, 2021 ("**Warrants**").

16. The First Pieridae Loan was repaid in July 2023. With Erikson being the flow-through vehicle by which TEC and the secured lenders funded the First Pieridae Loan, the First Pieridae Loan was repaid. As part of Pieridae's repayment process, Erikson's secured lenders agreed to refinance the First Pieridae Loan on new terms, which resulted in a second loan to Pieridae made in July 2023, with the funds being provided by TEC as agent for Erikson's secured lenders (the "**Second Pieridae Loan**").

IV. ONGOING WORKING CAPITAL SUPPORT

17. As of October 2021, Pieridae decided that it would not acquire Erikson's assets under its purchase option. From closing of the Ranch Transaction until the end of 2021, Erikson requested, and was provided, a further \$20.8 Million in working capital loans from TEC in order to maintain operations which were otherwise cash flow negative.
18. For the three quarters following the commencement of the Ukraine crisis in Q1-2022, when natural gas prices averaged \$5.36/GJ, Erikson was finally profitable. The profits generated during this period were reinvested in maintenance and abandonment and reclamation work at the assets, including the turnaround of the Wildboy gas plant. At no time has Erikson's operating cash flow been used to repay any amounts owing to TEC on behalf of Erikson's senior lenders. At no time were cash flows generated from the assets of the Ranch Transaction paid over to Erikson's senior lenders or TEC as fees, interest, principal repayment, or other compensation. TEC and Erikson's senior lenders have not benefited from the assets of the Ranch Transaction; in fact, TEC (on behalf of Erikson's senior lenders) has invested millions into the assets of the Ranch Transaction without return or recovery of its investment.
19. From Q4-2022 through to Q4-2023, Erikson requested, and again was granted, a further \$12.6 Million in working capital loans from TEC and its secured lenders to support the safe operation of the assets. In total, TEC provided an additional \$33.8 Million to Erikson post-closing of the Ranch Transaction to maintain its assets.

20. In the Summer 2023, it became clear that Erikson would not be able to repay its indebtedness to TEC and its secured lenders due to a protracted depression in the natural gas market and the following challenges:
 - (a) the impact of the catastrophic wildfires that specifically affected the areas of Northeastern British Columbia in which Erikson operates; and
 - (b) increasing regulatory requests to expend funds on dormant sites and post additional security.
21. On October 16, 2023, TEC and Erikson entered into a forbearance agreement to provide Erikson further time until June 30, 2024 to: (a) find a potential acquisition partner to purchase its assets; and (b) develop a plan for Erikson's shut-in and eventual wind-down.
22. As consideration for the Agent and the secured lenders' forbearance to June 30, 2024, and in recognition that TEC provided the funds for Erikson as the conduit to purchase the Shares and to advance the Second Pieridae Loan, Erikson agreed to:
 - (a) Assign its Second Pieridae Loan, in the amount of \$20 million, to the Lenders directly, by which Erikson would receive in consideration for dollar-for-dollar reduction in the amount of its senior secured indebtedness owed to TEC and its secured lenders, including for capitalized interest accrued under the Second Pieridae Loan; and
 - (b) Through the enforcement of the secured lenders' security interests, surrender its Shares and Warrants as at October 16, 2023, in exchange for a dollar-for-dollar reduction in the amount of its senior secured indebtedness owed to TEC and its secured lenders, based on the price of the Shares at the close of trading on October 16, 2023 of \$0.56 per share.

(collectively, "**Forbearance Transactions**").
23. As at October 11, 2024, the Shares trade for \$0.245 per share.

24. As a result of the aforementioned transactions, the secured obligations of Erikson due to TEC on behalf of Erikson's secured lenders as at September 30, 2024 total \$31,696,600.64, plus further accruing interest and costs.
25. Throughout, TEC has continued to be supportive of Erikson and continues to be willing to assist in funding these proceedings subject to receipt of the customary charge provided to lenders in these circumstances.
26. To mitigate further losses, in or around May 2024, Erikson suspended its operations for a second time which were losing approximately \$250,000 a month, and reduced its staff, focusing its efforts on maintaining the sites in a safe state and pursuing an acceptable transaction. As part of the suspension efforts, Erikson winterized the sites, and continues to ensure ongoing monitoring and maintenance of the assets as needed.

B. The Notice of Intention

27. On October 1, 2024 Erikson filed a Notice of Intention to Make a Proposal (the "NOI"), pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, with KSV Restructuring Inc. ("KSV") named as proposal Trustee, attached as **Exhibit "B"** is a Certificate of Filing of a Notice of Intention to Make a Proposal. This protection was necessary on an urgent basis as one of Erikson's creditors had sought to garnish Erikson's bank account, which put at risk its ability to pay its employees.
28. KSV is the Proposal Trustee and has extensive experience in restructuring oil and gas companies. I am confident that KSV, as an officer of the Court, will protect the interest of all stakeholders during the process.

V. STAY EXTENSION

29. Since the filing of the NOI, Erikson has been working diligently and in good faith with the Proposal Trustee, in consultation with TEC, to work towards a restructuring. To date, Erikson has:

- (a) worked with the Proposal Trustee to prepare a cash flow statement and explore opportunities to reduce expenses;
- (b) worked with the Proposal Trustee to restore access to its bank account so that its employees could be paid;
- (c) engaged in discussions with the BCER to negotiate support for its sales and investment solicitation process;
- (d) engaged in discussions with various creditors;
- (e) participated in multiple meeting with Sayer Energy Advisors (“**Sayer**”), regarding the commencement of a sales process;
- (f) commenced preparing updated documentation for Sayer’s data room; and
- (g) commenced negotiations for interim financing from TEC.

30. In my view the extension is appropriate because:

- (a) Erikson has acted and continues to act in good faith and with due diligence;
- (b) Erikson will likely be able to make a viable proposal if the extension is granted; and
- (c) The short extension sought will not materially prejudice any of Erikson’s creditors.

VI. SALE AND INVESTMENT SOLICITATION PROCESS


31. In January 2023, in an attempt to benefit from improved market conditions, Erikson commenced formal marketing efforts through Sayer. Public marketing commenced on January 25, 2023 with a bid deadline of March 2, 2023 (“**First Sales Process**”). The First Sales Process was focused on the marketing of the shares of Erikson.


32. Following the commencement of the First Sales Process, gas prices declined. While some offers were received, they did not meet Erikson's goal at the time of ensuring all environmental liabilities were addressed. While no offers were received that were satisfactory to Erikson, it continued to informally market the assets, always focused on ensuring that all environmental obligations were addressed. Following the bid deadline, two parties approached Erikson regarding corporate transactions that would have ensured all environmental liabilities would be addressed and may have resulted in recovery for creditors, including through the payment of cure costs.
33. While discussions with both parties have been ongoing over a number of months, no agreement was reached and Erikson determined that a formal process was necessary to minimize the risk that assets will be orphaned and to maximize recovery for Erikson's stakeholders. Erikson has worked with the BCER to obtain their support.
34. Both Sayer Energy Advisors and the Proposal Trustee agree that a short sales process should be conducted and has worked with Erikson in preparing the proposed sales and investment solicitation process for which approval is sought.
35. To avoid delay, it is intended that the sales process will commence prior to the application for approval.
36. The proposed sales process contemplates a public asset divestiture and investment process, that will proceed in a single phase.
37. The proposed process is structured to be fair, organized and transparent, while preserving optionality for asset sales as well as the ability for a share sale or reorganization to be pursued if a merger or restructuring transaction is proposed by an interested party.

VII. ADMINISTRATION CHARGE


- 38. Erikson is seeking a charge on its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”) in the maximum amount of \$200,000 to secure the fees and disbursements incurred in connection with services rendered both before and after the commencement of the NOI Proceedings by counsel for Erikson, the Proposal Trustee, the Proposal Trustee’s counsel (incurred at their standard rates and charges).
- 39. Erikson requires the expertise, knowledge and continuing participation of the professionals in order to complete a successful restructuring and believes that an Administration Charge is necessary to ensure their important continued participation in this process.
- 40. I believe that the amount sought is reasonable in the circumstances. It was reached in consultation with the Proposal trustee.
- 41. I hereby swear this Affidavit in support of the within Application and for no improper purpose.

SWORN BEFORE ME)
at City of Toronto, Ontario, this)
15th day of October, 2024.)


_____)
A NOTARY PUBLIC IN AND FOR THE)
PROVINCE OF ONTARIO)
Patrick T. Harnett)
Barrister and Solicitor)


_____)
MARK HORROX)

This is **Exhibit "A"** referred to in the affidavit of Mark Horrox sworn before me at Toronto, Ontario this 15th day of October, 2024



A Notary Public in and for Ontario

Patrick T. Harnett
Barrister and Solicitor



The Regulator has designated 401 wells and three facilities formerly owned by Ranch Energy (Ranch) as orphans, following the June 12, 2020 approved sale of Ranch assets by the Court of Queen's Bench of Alberta.

DATE ISSUED: June 17, 2020

The Regulator has designated 401 wells and three facilities formerly owned by Ranch Energy (Ranch) as orphans, following the June 12, 2020 approved sale of Ranch assets by the Court of Queen's Bench of Alberta. As orphans, site clean-up and restoration work will be carried out by the Regulator, paid for through the industry-funded Orphan Site Reclamation Fund.

We have been monitoring this situation closely since Ranch was placed in receivership on July 19, 2018. Throughout the court proceedings, the Regulator took action to complete high priority work on Ranch sites to ensure public safety and protection of the environment. This included the abandonment (permanent plugging) of 11 wells, as well as draining water levels in a storage pond to safe levels. The Regulator continued to inspect Ranch sites to ensure the ongoing safety of operations throughout the proceedings.

The addition of the 404 Ranch sites means the Regulator is now responsible for 770 orphan sites in B.C. – though 56 sites are substantially restored - which is less than three per cent of all oil and gas wells in B.C. The rest are in the care and control of viable companies. We will continue working with land owners impacted by the Ranch decision.

The Regulator's orphan program – fully funded by industry - is spending more than \$27 million during 2020/21. The work includes abandonment of 80 wells, investigation of 40 sites, remediation of 20 sites and reclamation of 15 sites, with as many as 25 sites possible.

Backgrounder below.

If you have any questions regarding this Information Bulletin, please contact:

Mike Janzen

Director, Orphan Planning & Restoration

BC Energy Regulator

Mike.Janzen@bcogc.ca

250-419-4464

Media Inquiries:

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BC Energy Regulator

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250-980-6081

Ranch Energy Assets Backgrounder

June 17, 2020

The BC Energy Regulator

The BC Energy Regulator has been monitoring the ongoing proceeding involving Ranch Energy (Ranch), which was placed into receivership in 2018. We have continued to regulate all assets owned by Ranch and taken the steps necessary to protect public safety and the environment. This includes the abandonment (permanent plugging) of 11 wells, as well as draining water levels in a storage pond to safe levels.

The Regulator is now liable for the remaining unsold assets, including 401 wells and three facilities, which have been deemed orphans; adding to the current B.C. inventory of 366*, for a total of 770. The Regulator has been preparing for this possibility for many months. The orphan designation of the Ranch sites will allow further site clean-up and restoration work to be done. (*Nine Norcan sites were added to the orphan list on June 11, 2020.)

Timeline of Ranch Energy Court proceedings and actions taken by the Regulator

- In **2017**, Predator Oil BC Ltd. acquired B.C. assets and currently holds permits for 815 wells in B.C., about half of which are inactive. Subsequently, Ranch Energy (Ranch) purchased certain oil and gas infrastructure regulated under the permits held by Predator Oil BC Ltd.
- On **April 18, 2018**, the B.C. Government introduced new legislation that allows the Regulator to improve the funding model of the Orphan Site Reclamation Fund (OSRF) and provides the tools to increase the restoration of orphan sites overall.
 - The enhanced tools the Regulator now uses:
 - Enforce – through regulation – an accelerated timeline for industry to restore inactive and abandoned sites.
 - Make sure industry continues to pay the full cost of restoration for all sites, including orphan sites, which is funded through an increased levy charged to industry.
 - Prevent operators with a history of insolvency from operating oil and gas sites in B.C.
 - Stop the transfer of oil and gas properties and permits to companies that do not have the financial means to restore the sites.
- On **July 19, 2018**, a Court order is issued, placing Ranch in receivership, and appointing E&Y as the receiver. Under receivership, Ranch receives Court protection from certain actions by its creditors while the receiver implements a process to sell Ranch's assets. These protections remain in place.
 - The Regulator participates in the receivership proceedings, in addition to continuing to regulate all assets owned by the company. Regulator inspectors assess assets held by Ranch, identifying priority sites near a residence or community and take necessary steps to protect public safety and the environment.
- On **Jan. 24, 2019**, the Regulator hosts a public information session in Fort St. John for land owners on dormant sites.
- On **April 24, 2019**, the Regulator hosts a public information session in Fort St. John for land owners on orphan sites.
- On **May 31, 2019**, the Regulator releases its [Comprehensive Liability Management Plan](#) (CLMP), which includes the new [dormancy regulation](#), making B.C. the first province in western Canada to impose timelines for the restoration of oil and gas wells. The regulation also ensures 100 per cent of the costs associated with restoration work continues to be paid for by industry. The plan provides a clear path forward to continue to hold industry accountable, enhance opportunities to collaborate with Indigenous communities and examine the role of traditional knowledge in restoration practices, protect public safety, and safeguard the environment.
- On **July 29, 2019**, the Court approves the sale of some Ranch assets to a new owner, Erikson National Energy Inc.
- The Court approved transaction closed **June 12, 2020** which will see 414 oil and gas sites owned by Ranch transferred to Erikson National Energy Inc.
- The Regulator is now responsible for the remaining unsold assets, including 401 wells and three facilities, which will be deemed orphans, adding to the current inventory of 366.
- The Regulator will continue working with impacted land owners following the Court approved sale.

Protecting Public Safety and the Environment

The BC Energy Regulator is the provincial agency regulating energy resource development within British Columbia, including oil and gas, renewable geothermal energy, pipeline transportation and reclamation. The Regulator ensures industry complies with provincial legislation and works with governments, Indigenous people, land owners and industry to ensure safe and responsible energy development to benefit all British Columbians.

For more information, please contact: OrphanRestoration@BCOGC.ca

This is **Exhibit “B”** referred to in the affidavit of Mark Horrox sworn before me at Toronto, Ontario this 15th day of October, 2024



A Notary Public in and for Ontario

Patrick T. Harnett
Barrister and Solicitor





Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-3135903
Estate No. 25-3135903

In the Matter of the Notice of Intention to make a proposal of:

Erikson National Energy Inc.

Insolvent Person

KSV RESTRUCTURING INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

October 01, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: October 02, 2024, 09:50

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada