

Estate No. 11-2769350
Prince George Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
ALCAN FLUID DISPOSAL LTD.

ORDINARY ADMINISTRATION

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

BACKGROUND

Alcan Fluid Disposal Ltd. (“**Alcan**” or the “**Company**”), operating in the oil and gas sector, was incorporated in 2003 and operated two wells for the purpose of wastewater disposal.

A corporate registry search dated August 19, 2021 indicated that the Company’s Directors are Ron Baker and Karen Baker (the “**Directors**”).

The Company’s major creditors include Struthers Consulting Limited, Altec Inspection Holdings Ltd. and Ron & Karen Baker. The BC Oil & Gas Commission is also a stakeholder and its claim is based on estimated abandonment and reclamation costs with respect to the Alcan well sites. Altec Inspection Holdings Ltd. is related to Alcan by way of common control.

ASSIGNMENT IN BANKRUPTCY

Alcan has not been an operating entity for approximately 10 years and was unable to meet its obligations as they generally became due and made a voluntary assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (“**BIA**”) effective September 24, 2021 (the “**Date of Bankruptcy**”). MNP Ltd. was appointed Licensed Insolvency Trustee (the “**Trustee**”) of the Bankrupt Estate subject to creditor confirmation at the First Meeting of Creditors.

Notice of the Assignment in Bankruptcy and the First Meeting of Creditors was sent to all known creditors on September 27, 2021.

ASSETS

According to the Statement of Affairs filed in the bankruptcy, the assets of Alcan include:

Statement of Affairs

Oil & Gas Commission Well Deposit	416,462
Well Site C-19-A	1
Well Site B-62-C/94-J-15	1
Equipment	50,000
Total Assets	<u>\$466,462</u>

Oil & Gas Commission Well Deposit

The Directors advise that the Company had paid deposits totaling \$416,462 to the BC Oil & Gas Commission (“**BCOGC**”). It is the Trustee’s understanding that the BCOGC will have a priority claim over the deposit and the deposit is to be used for wellsite abandonment and reclamation obligations (“**ARO**”).

Well Sites C-19-A & B-62-C/94-J-15

List “H” of the Statement of Affairs shows the aggregate original cost of the well sites as \$1,041,320 as per the Company’s internal trial balance. These well sites are located in northern British Columbia and have not been in operation for approximately 10 years.

Over the past 8 years, the Directors have made several attempts to sell Alcan. In 2014, a Calgary-based company expressed an interest in purchasing Alcan, but a sale was never finalized. In 2015, a Saskatchewan-based company expressed interest, but again a sale was never finalized. Throughout 2017 and 2018, the Directors made arrangements with a third party to market the Alcan assets throughout Canada and parts of the United States, but given the downturn in the oil and gas industry and in particular in northern British Columbia, there was little to no interest from prospective purchasers during this time. More recently, in January 2021, the Directors approached First Nations and Indigenous groups in the Fort Nelson area, and in May 2021 reached out to two larger companies in the wastewater disposal business to see if there was interest in Alcan. No expressions of interest have been received from any of these parties.

The Trustee is of the view that a reasonable marketing effort has been made with regards to the sale of the well sites. Therefore, there is no reasonable expectation of net realizations for the bankruptcy estate from the well sites as they have been exposed to the market for several years, the oil and gas sector remains slow, and it is our understanding that the BCOGC would have a priority claim over the well site assets for ARO’s.

Equipment

The value of equipment reported on the Statement of Affairs is based on management's best estimate for the recoverable value. Although the Trustee understands that the Alcan equipment was in working condition when Alcan ceased day-to-day operations approximately 10 years ago, it has been in storage for the better part of the last 10 years, the condition is unknown and the net realizations may not be material after costs (ie. transport, auction commissions, trustee costs related to dealing with same, etc.).

The Trustee has been in communication with the BCOGC about next steps regarding the Alcan equipment.

PROVABLE CLAIMS

It is the duty of the Trustee to examine and satisfy itself as to the validity and priority of all claims filed in the bankruptcy estate. As of the date of this report, four proofs of claim have been filed with the Trustee and represents approximately \$1,899,000 in total creditor claims.

As at the date of this report, there have been no significant differences between the claims listed on the Statement of Affairs and the claims filed to date with the Trustee.

SECURED AND PRIORITY CREDITORS

Canada Revenue Agency ("CRA")

CRA has a "deemed trust" claim or property claim equal to the amount of payroll deductions withheld from employees' compensation and not remitted to CRA. This claim comes in priority to the claims of all other creditors. The Directors indicated that the company does not have any employees. We do not anticipate a debt owing to CRA in relation to payroll withholdings.

Any debt owing to CRA for unremitted Goods and Service Tax at the date of bankruptcy will rank as a general, unsecured claim. The Directors advised that there are no unpaid Goods and Service Tax amounts outstanding, and that all returns, and remittances are current.

Claims of Wage Earners

Pursuant to Section 81.3(1) of the BIA, claims of employees who are owed wages, vacation pay, and other compensation for services rendered in the six-month period preceding the Date of Bankruptcy are secured, to the extent of \$2,000, by security over the Company's current assets (cash and accounts receivable).

The Directors advised that the company does not have any employees, and as such, the Trustee does not anticipate receiving claims under Section 81.3(1).

BC Oil and Gas Commission

The estimated debt owed to BCOGC is for well site ARO costs for well sites B-62-C/94-J-15 & C-19-A. As mentioned above, the Trustee understands that the BCOGC has a priority to the well sites. The well site ARO costs are expected to be greater than the Oil & Gas Commission Well Deposit, and these costs have been estimated to be approximately \$550,000. At this time, the actual ARO costs for the well sites is unknown.

It is unclear if the BCOGC would have a priority claim over the Alcan equipment as well.

Ron Baker and Karen Baker

Ron & Karen Baker advanced funds to Alcan by way of a shareholder loan and were granted a secured charge over all the Company's assets and property which was registered in the Personal Property Registry of British Columbia on December 23, 2016. The Company's financial information indicates that the amount owing to the shareholders is \$710,381.

Altec Inspection Holdings Ltd.

Altec Inspection Holdings Ltd. advanced funds to Alcan and were granted a secured charge over all the Company's assets and property which was registered in the Personal Property Registry of British Columbia on December 23, 2016. The Company's internal financial information indicates that the amount owing to the Altec Inspection Holdings Ltd. is \$1,174,240.

PREFERRED CREDITORS

Employees

Employees are afforded priority for wages and compensation that are not paid by virtue of Section 81 of the BIA. Claims of employees that relate to the period more than six months preceding the date of bankruptcy are general, unsecured claims and will share ratably with the claims of other creditors. As reported, we do not anticipate receiving claims from employees for unpaid compensation.

UNSECURED CREDITORS

The Statement of Affairs reports total unsecured creditors of \$ 2,128,058, including the estimated deficiency claims of secured creditors.

Ultimately the amounts owing to the unsecured creditors will be based on proofs of claim filed and admitted by the Trustee.

SALE OF ASSETS

The Trustee, with the approval of Inspectors appointed, will disclaim its interest in the well sites. The Trustee is in communication with the BCOGC with respect to next steps regarding realization of the Company's equipment.

OTHER MATTERS

Books and Records

The Trustee is in possession of certain books and records at the date of bankruptcy that were provided by the Company.

Legal Proceedings

The Trustee has not commenced any legal proceedings at the date of this report. The Trustee will seek an independent legal opinion regarding BCOGC's priority as it relates to the Company's assets.

Conservatory and Protective Measures

Since the Date of Bankruptcy, the Trustee has taken steps to locate the Alcan equipment and has been in communication with the BCOGC about next steps with respect to the equipment. Further, the Trustee has confirmed insurance coverage was in place at the date of the bankruptcy.

Preferences, and Transactions at Under Value

The Trustee will review the Company's books and records preceding the date of bankruptcy to ascertain whether or not any preferential payments and/or reviewable transactions have occurred within the last three months or, where related parties are involved, within the last twelve months.

Directive 16 Third-Party Deposits and Guarantees

Altec Inspection Holdings Ltd. has provided the Trustee with a retainer in the amount of \$30,000 to cover professional fees over and above the fees that can be paid from the realization of the Company's unencumbered assets.

ESTIMATED REALIZATION

The total realization will depend on the proceeds from the sale of the Company's equipment. It is unknown at this time what funds may be realized by the Trustee from these assets.

All dividends payable by the Trustee to creditors are subject to a 5% levy payable to the Office of the Superintendent of Bankruptcy.

This concludes the Trustee's Preliminary Report to Creditors.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of October, 2021.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
of the Bankrupt Estate of Alcan Fluid Disposal Ltd.
and not in its personal capacity



Greg Ibbott, CIRP, LIT, CPA, CA
Senior Vice President