



COURT FILE NUMBER 2003-06728

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

PLAINTIFF ROMSPEN MORTGAGE LIMITED  
PARTNERSHIP AND ROMSPEN  
INVESTMENT CORPORATION

DEFENDANTS 3443 ZEN GARDEN LIMITED  
PARTNERSHIP, LOT 11 GP LTD., LOT 11  
LIMITED PARTNERSHIP, ECO-  
INDUSTRIAL BUSINESS PARK INC.,  
ABSOLUTE ENERGY RESOURCES INC.,  
ABSOLUTE ENVIRONMENTAL WASTE  
MANAGEMENT INC., AND DANIEL  
ALEXANDER WHITE

ent

DOCUMENT **THIRD REPORT OF MNP LTD.,  
RECEIVER**

DATED November 14, 2022

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOENT

Counsel to Receiver

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Receiver

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## Appendices

Appendix A	Sproule Recommendation
Appendix B	Absolute Energy Resources Inc. Caveat
Appendix C	October 31, 2022, Interim Statement of Receipts and Disbursements

## INTRODUCTION

1. On November 4, 2021 Lot 11 GP Ltd. ("**LGP**"), Lot 11 Limited Partnership ("**LLP**"), Eco-Industrial Business Park Inc. ("**Eco**"), Absolute Energy Resources Inc. ("**AERI**"), and Absolute Environmental Waste Management Inc. ("**AEWM**") (collectively hereinafter referred to as the "**Companies**") were placed into receivership (the "**Receivership**") by an Order (the "**Receivership Order**") of the Court of Queen's Bench of Alberta (the "**Court**") with MNP Ltd. named as Receiver (the "**Receiver**") over the assets of the Companies (the "**Property**")
  
2. The Companies had interests in the following businesses/assets:
  - a) AEWM is an operating company that operated one of two industrial waste disposal wells licensed to Eco which are located at the Eco Industrial Business Park in the City of Edmonton (defined below as the "Eco Lands"). Neither disposal well is currently operating, and AEWM does not own any assets;
  
  - b) Eco is the owner of real estate, legally described in Schedule A to the Receiver's First Report dated January 31, 2022 (the "**First Report**") (the "**Eco Lands**").
  
  - c) Eco is also the licensee of the two disposal wells located on the Eco Lands, has a disposal facility licence and owns all physical assets and equipment located on the Eco Lands. AEWM managed one of the disposal wells known as the 11-17 well (license number W0036962) (the "**11-17 Well**") and Celanese Canada ULC ("**Celanese**") used the other disposal well (known as the 10-17 well) (license number W0028527) (the "**10-17 Well**") pursuant to a purchase and sale agreement dated August 21, 2007 (the "Celanese PSA"). (The 11-17 Well and the 10-17 Well shall hereinafter be collectively referred to as the "**Wells**"). The Wells were shut in by the Receiver as required by the Alberta Energy Regulator ("**AER**") as operations on the Wells had ceased due to operating issues encountered prior to the Receivership.
  
  - d) LGP is the owner certain lands legally described in Schedule A to the First Report (the "**Lot 11 Lands**"). The Lot 11 Lands are adjacent to and contiguous with the Eco Lands (The Eco Lands and the Lot 11 Lands shall hereinafter be referred to collectively as the "**Lands**").
  
  - e) AERI was established with the intent of purchasing additional lands in or around Lamont, Alberta; however, the anticipated purchase of lands did not materialize and AERI does not hold any assets.
  
  - f) LLP is an Alberta limited partnership, the general partner for which is LGP.

3. In addition to assets described above, the Companies were party to certain ongoing litigation as of the date of Receivership. Actions against the Companies were stayed by virtue of the provisions of the Receivership Order. Following the Receiver's appointment, the Receiver's legal counsel, Osler, Hoskin & Harcourt LLP ("**Osler**") conducted a preliminary review of various litigation in which any of the Companies are named as Plaintiffs in order to determine that there were no urgent steps that required immediate attention. The Receiver continues to review the litigation to determine whether any of these actions should be pursued.
4. This is the Receiver's Third Report to Court (the "**Third Report**"), and it should be read in conjunction with the Receiver's Second Report to Court dated May 30, 2022 (the "**Second Report**") and the First Report.
5. Information on the receivership proceedings can be accessed on the Receiver's website at <https://mnpdebt.ca/en/corporate/corporate-engagements/absolute-et-al>.
6. All amounts included herein are in Canadian dollars unless otherwise stated.

#### **NOTICE TO READER**

7. In preparing the Third Report and making comments herein, the Receiver has relied upon certain unaudited, draft or internal financial information, including the Companies' books and records, and information from other third-party sources (collectively, the "**Information**"). The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance standards or other standards established by the Chartered Professional Accountants of Canada (the "**Standards**"). Additionally, none of the Receiver's procedures were intended to disclose defalcations or other irregularities. If the Receiver were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards, additional matters may come to the Receiver's attention. Accordingly, the Receiver does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of the Third Report.
8. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the use of the Third Report. Any use which any party makes of the Third Report or any reliance or decision to be made based on the Third Report is the sole responsibility of such party.

## PURPOSE OF THE THIRD REPORT

9. The purpose of the Third Report is to provide this Honourable Court with the Receiver's comments and information in respect of the activities of the Receiver since the Second Report and information in respect of an application by the Receiver seeking the following relief:
- a. Approving the reported actions of the Receiver in administering the receivership proceedings;
  - b. Directing the discharge of the Caveat registered by AERI against third-party owned lands;
  - c. Granting a sealing order (the "**Sealing Order**") in relation to the confidential supplement to the Third Report (the "**Confidential Supplement**"); and,
  - d. Increasing the Receiver's borrowing limit from \$2,000,000 to \$3,500,000.

## ACTIVITIES OF THE RECEIVER

10. Since the Second Report, the Receiver has maintained and undertaken the following activities:
- a. Maintained security checks and measures in respect of the Lands;
  - b. Met with City of Edmonton officials and first responders to address health and safety concerns;
  - c. Continued to manage rental agreements in respect of the Lands;
  - d. Prepared and filed the requisite statutory returns with CRA;
  - e. Corresponded further with the AER concerning repair work on and possible recommencing the operation of the Wells;
  - f. Continued to work with Sproule Asset Management Limited ("**Sproule**") to perform work on the Lands to address urgent environmental and safety concerns;
  - g. Worked with Sproule to assess various options to test and repair the Wells with a view to restarting operations on the lands (with the consent of the AER), including having Sproule prepare assessments of the Wells;
  - h. Began drafting the materials for the Receiver's Sales and Investment Solicitation Process ("**SISP**") to be undertaken at a date in the future;
  - i. Corresponded and met with Romspen and its legal counsel; and,
  - j. Corresponded with and met with Osler with respect to various estate matters.

## SUMMARY OF OPERATIONAL ISSUES

11. As set out in the Second Report, the AER issued an order (the "**AER Order**") that required the Receiver, if it intended to operate all or any part of the licenses of Eco, to provide the AER with an operational

plan demonstrating measures taken by the Receiver to ensure that operations could be operated safely and in compliance with all applicable regulations (the "**Operational Plan**").

12. The Receiver worked with Sproule, who prepared a "decision-tree" form of report, that set out various options for repair and viability of each of the 11-17 Well and the 10-17 Well and that included details on the estimated range of costs for each. Specific details on the original options were attached to the Confidential Supplement to the Receiver's First report (the "**First Confidential Supplement**"). Based on the information in the First Confidential Supplement, it was determined at that time that the most economical and viable course of action to restart operations on the Lands was to undertake facility upgrades to the 11-17 facilities and repairs to the 10-17 Well which would allow the disposal of waste through the existing 10-17 Well.
13. Subsequent to the Second Report, and upon further investigations and analysis by Sproule, certain additional information came to light that severely impacted the economic feasibility of the plan to bring the 10-17 Well back into operation as originally planned. As a result of this new information, additional engineering and economic analysis was undertaken by Sproule, in conjunction with Production Service Inc. ("**Keystone**"). This allowed Sproule to provide the Receiver with the following updated options and recommendations for repairs and restarting operations for the Receiver's consideration:
  - a. complete the facility work at the 11-17 site to install a centrifugal booster and PD pump to dispose of volumes down the 11-17 Well based on the injectivity test volumes provided previously (**Facility Option 1**);
  - b. complete the facility work at the 11-17 site to provide a centrifugal pump to provide lift and transport fluids to the 10-17 Well via a new composite underground pipeline. The new line would be a mix of conductor, conventional install, and boring to complete (**Facility Option 2**);
  - c. complete the facility work at the 11-17 site to provide a centrifugal pump to provide lift and transport fluids to the 10-17 Well based on completing a new surface pipeline to the 10-17 Well(**Facility Option 3**); and.
  - d. upgrade the 10-17 Well to accept fluid directly off the truck without settling tanks (**Facility Option 4**).
14. Based on initial analysis provided by Keystone, Sproule was able to provide the Receiver with the following analysis of each of these options:

#### Facility Option 1

- a. the true profit to be made under this scenario is limited by the amount of fluid that can be unloaded in the facility during operational hours;
- b. a facility amendment application approval from the AER will be required for the addition of the pumping equipment added to the facility;
- c. the upside to this option is that the existing waste management approval from the AER for this location can be reinstated and injectivity can start in the same well as before; and,
- d. conversely, the downside is that 400 m<sup>3</sup>/day will be the maximum quantity that can be put into the well based on its current state.

#### Facility Option 2

- a. the payout on this option is longer; however this option potentially provides for increased capacity in the future;
- b. if inlet volumes are good and the facility is expanded to include more risers, it gives injection access to the 10-17 Well which is assumed to be able to take all volumes provided to it; and,
- c. the downside is the cost of installation of a pipeline from the 11-17 Well to the 10-17 Well.

#### Facility Option 3

- a. the same outcome as Facility Option 2 but with a different delivery system;
- b. economically this option would result in the same return as Facility Option 2 but with the potential for increased injectivity capacity in the future if more risers are installed; and
- c. the downside is the additional cost and complexity of installation of a pipeline from the 11-17 Well to the 10-17 Well and the need for further structural road and pipeline crossings, as well as the need for heat tracing to prevent freeze-up during the winter months.

#### Facility Option 4

- a. setting up an upload riser to 10-17 Well which would result in a positive economic return if fluids are clean when delivered;
- b. well established controls would need to be implemented and care taken as there are currently no tanks present to retain settling solids and thereby the operations would need to rely on basket filters to catch large contamination; and,
- c. provides an option to allow for the disposal of the Celanese groundwater fluids.

15. Based on a cost estimate provided by Keystone, the options above are rated below from least expensive to most expensive:
- a. Facility Option 4;
  - b. Facility Option 1;
  - c. Facility Option 2; and,
  - d. Facility Option 3.
16. Based on cost estimates provided, and the practical limitations imposed based on the in-depth analysis of the facility options summarized above, Sproule has recommended that implementation of a combination of both Facility Option 1 and Facility Option 4 is the most economically feasible option (hereinafter referred to as the “**Facility Upgrades**”). A copy of the Sproule recommendation is attached hereto as **Appendix A**.
17. The detailed analysis on the facility options completed by Keystone, on which Sproule's recommendation and the decision to move forward with the Facility Upgrades is based, is attached as Appendix A (the “**Keystone Analysis**”) to the Confidential Supplement.
18. The current total estimated cost of the Facility Upgrades is \$1,316,000. Sproule has also prepared a Facility Plan Cost Estimate with respect to the Facility Upgrades (the “**Sproule Cost Assessment**”) that provides a further breakdown of these anticipated costs. The Sproule Cost Assessment is attached as Appendix B to the Confidential Supplement.
19. The Receiver believes that the information contained in the Keystone Analysis and the Sproule Cost Assessment is commercially sensitive and confidential in nature, and that publication of this information could negatively affect any future sales process for the Lands that the Receiver may need to undertake and would therefore be prejudicial to the receivership estate and its stakeholders. As copies of both the Keystone Assessment and the Sproule Cost Assessment are attached to the Confidential Supplement, the Receiver is recommending that the Confidential Supplement be sealed on the Court file until 30 days following the completion of a sale of all the Property or until further Order of this Court.
20. The Receiver still requires the support and approval of the AER to implement its plans to carry out the Facility Upgrades. With respect to the requirements of the AER as set out in the AER Order, the following conditions have, in the Receiver's opinion, been met:
- a. 24-hour phone number to remain activated and operational for safety measures;
  - b. Proof of adequate insurance has been provided to the AER;

- c. All wells, facilities and related infrastructure has been shut in and secured;
- d. All wells have been packer tested and downhole suspended and results have been submitted to the AER;
- e. A Site-Specific Liability Assessment has been updated by Vertex Environmental Inc. and will be submitted to the AER and included in the operational report;
- f. Containment devices have been depressurized, drained and the contents have been disposed in accordance with AER regulations; and,
- g. Regular inspections on site are taking place;

21. The requirements of the AER Order which have not yet been met by the Receiver are:

- a. Abandonment of the 10-17 Well and the 11-17 Well. This requirement has been extended by the AER to November 21, 2022,; and,
- b. A detailed Reclamation Plan for both the 10-17 Well and the 11-17 Well and associated facility sites to be submitted to the AER.

22. As the Receiver intends to undertake the Facility Updates to operate the 10-17 Well and the 11-17 Well, on the assumption that the AER will support the restarting of operations on the Lands, the Receiver does not intend to abandon the Wells at this time. An operational plan has been drafted for submission to the AER that outlines all measures taken by the Receiver to ensure that the Wells can be operated safely and in accordance with the AER rules and regulations. The Receiver is scheduled to meet with a representative of the AER on November 16, 2022, and will present its operational plan to the AER at that time.

23. Based on the information provided in the Keystone Analysis and the recommendations provided by Sproule, the Receiver is of the opinion that the Facility Upgrades provides for the most economically and commercially viable option for restarting operations on the Lands and is the best alternative for maximizing the value of the Lands and the Property for the benefit of all stakeholders.

24. The Receiver has consulted with Romspen (as the senior secured lender and the lender under the Receiver's Certificates) on the options set in the Keystone Analysis and the Sproule Cost Assessment, and Romspen is supportive of the Receiver proceeding with the Facility Upgrades as recommended by Sproule.

#### **AERI CAVEAT**

25. On or around October 31, 2022, the Receiver was contacted by a representative of an individual property owner of a parcel of real property located in Lamont County, Alberta, legally described as Meridian 4, Range 20, Township 56, Section 25, Quarter Southeast (the "**Lamont Property**"). The

property owner advised the Receiver that AERI had registered a caveat on title to the Lamont Property in 2015, and requested that the caveat be discharged. Osler pulled a copy of the caveat and learned that it was registered ostensibly as the result of a Purchase and Sale Agreement (the "**AERI PSA**") that was entered into by AERI and the registered owner of the Lamont Property in or around September 2015 (the "**AERI Caveat**"). A copy of the AERI Caveat is attached as **Appendix B**.

26. Based on the Receiver's review of the AERI Caveat and the available underlying documents, the Receiver notes that:

- a. The AERI PSA which was provided to the Receiver was unsigned by the vendor and the Receiver is advised that the owner of the Lamont Property never executed a copy of the AERI PSA;
- b. The second non-refundable deposit due in accordance with the AERI PSA was never paid to the vendor; and,
- c. The AERI PSA has never closed.

27. The Receiver contacted counsel for Mr. Daniel White, a defendant in the within action, to seek additional information around the transaction and the registration of the AERI Caveat, including confirmation as to whether a signed copy of the AERI PSA existed. To date, the Receiver has received no substantive response to its inquiries.

28. The Receiver has also contacted the law firm who originally filed the AERI Caveat to seek additional information with respect to the registration of the AERI Caveat. However, the Receiver was advised that the lawyer who was responsible for the registration of the AERI Caveat was no longer employed with the firm and therefore no additional information could be provided.

29. The title holder to the Lamont Property is seeking a discharge of the Caveat. Given the passage of time and the fact that there exists no evidence that the terms of the AERI PSA were met, the Receiver recommends that the AERI Caveat be discharged from title to the Lamont Property.

## **FUNDING OF THE RECEIVERSHIP**

30. In accordance with the Court order granted on June 7, 2022, in the within action, the Receiver's borrowing limit was increased from \$700,000 to \$2,000,000. To date, the Receiver has borrowed a sum of \$1,200,000 from its total authorized borrowing limit.

31. As noted above and further set out in the Sproule Cost Assessment, the anticipated costs to implement the Facility Upgrades exceed the amount currently available under the authorized limit. The Receiver believes that these costs need to be incurred to restart operations of the Companies and that

implementation and completion of the Facility Upgrades will maximize the value of the Property for all stakeholders.

32. The Receiver is therefore seeking to increase the borrowing power provided under the Receivership Order from \$2,000,000 to \$3,500,000 so that adequate funding will be available to proceed with the Facility Upgrades, to fund operating costs as required once operations recommence, and to further fund the ongoing costs of the administration of the Receivership.
33. Romspen has expressed its support of the Receiver's request to increase the borrowing limit as set out in this application.

#### **INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS**

34. Attached as **Appendix C** is a copy of the Receiver's Interim Statement of Receipts and Disbursements to October 31, 2022.

#### **CONCLUSION**

35. Based upon the foregoing the Receiver respectfully seeks the Court's approval for the following:
- a. Approval of the reported actions of the Receiver in administering the receivership proceedings;
  - b. Sealing of the Confidential Supplement until 30 days following the closing of the sale of all of the Property or upon a further order of the Court;
  - c. Discharging the AERI Caveat from title to the Lamont Property; and,
  - d. Increasing the Receiver's borrowing powers under the Receivership Order from \$2,000,000 to \$3,500,000.

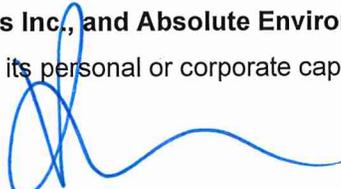
All of which is respectfully submitted this 14<sup>th</sup> day of November 2022.

#### **MNP Ltd.**

In its sole capacity as Receiver of

**Lot 11 GP Ltd., Lot 11 Limited Partnership, Eco-Industrial Business Park Inc., Absolute Energy Resources Inc., and Absolute Environmental Waste Management Inc.**

And not in its personal or corporate capacity



Victor P. Kroeger CPA, CA, LIT, CIRP, CFE  
Senior Vice President

# APPENDIX “A”

# MNP Absolute Update

## Progress to date

- Tank assessment
  - Internals, floors and anodes in the tanks are in good reasonable shape but uncoated – recommend to internally coat
- Pipeline assessment
  - Failed!
  - Poor construction practices, minimum depth of cover, high risk of future failure
- Engineering Study – 4 Options investigated
  - **#1 - Complete Facility Upgrades @11-17 with high pressure pump to dispose down 11-17**
  - #2 - Pull new composite liner in existing HDPE conduit pipeline and upgrade facilities for disposal down 10-17 well
  - #3 - Construct new above ground heat traced and insulated pipeline and upgrade facilities for disposal down 10-17 well
  - **#4 - Evaluate cost to install a direct offload enviro box at 10-17 well**
- Environmental
  - Vertex engaged
- **Recommendations**
  - **Proceed down path of Option 1 and 4 combined**
- Next Steps
  - Finalize engineering scope – pump selection – detailed engineering
  - Economics
  - Develop detailed operations plan
  - Coordinate meeting with AER
  - Compliance issue with 11-17 suspension

# APPENDIX “B”

**ALBERTA GOVERNMENT SERVICES  
LAND TITLES OFFICE**

IMAGE OF DOCUMENT REGISTERED AS:

**152292832**

**ORDER NUMBER: 45754435**

**ADVISORY**

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**CAVEAT**

TO: THE REGISTRAR OF THE NORTH ALBERTA LAND REGISTRATION DISTRICT

TAKE NOTICE THAT Absolute Energy Resources Inc. of the City of Edmonton, in the Province of Alberta, claim an interest pursuant to the terms of a Purchase agreement made between Anne Wachowicz as Vendor and Absolute Energy Resources Inc. as Purchaser and whereas the Caveators agreed to purchase and the Vendor has agreed to sell the following lands described in the attached Schedule.

*file*

Being lands described in Certificate of Title standing in the register in the name of Anne Wachowicz We forbid the registration of any person as transferee or owner of, or of any instrument affecting the said estate or interest, unless the instrument or Certificate of Title, as the case may be, is expressed to be subject to our claim.

WE APPOINT 1250 Hayter Road, Edmonton, Alberta T6S 1A2, as the place at which notices and proceedings relating hereto may be served.

DATED this 1st day of September, 2015.



*[Handwritten signature]*

\_\_\_\_\_  
DONALD J. LUPUL, Agent for the Caveator

CANADA )  
PROVINCE OF ALBERTA )  
TO WIT: )  
)

I, DONALD J. LUPUL  
of the City of Edmonton,  
in the Province of Alberta,  
MAKE OATH AND SAY:

1. THAT I am agent for the above-named Caveator.
2. THAT I believe that the said Caveator has a good and valid claim upon the said land and I say that this Caveat is not being filed for the purpose of delaying or embarrassing any person interested in or proposing to deal therewith.

SWORN BEFORE ME at the City of )  
Edmonton, in the Province of )  
Alberta, this 1st day of )  
September, 2015. )

*[Handwritten signature]*

\_\_\_\_\_  
DONALD J. LUPUL

JOAN CATHERINE PHILLIPS  
A Commissioner for Oaths  
in and for Alberta  
My Commission Expires November 10, 2015

*[Handwritten signature]*

\_\_\_\_\_  
A COMMISSIONER FOR OATHS IN AND  
FOR THE PROVINCE OF ALBERTA

## SCHEDULE

MERIDIAN 4 RANGE 20 TOWNSHIP 56  
SECTION 25  
QUARTER SOUTH EAST  
EXCEPTING THEREOUT ALL MINES AND MINERALS  
AREA: 64.7 HECTARES (160 ACRES) MORE OR LESS



152292832

152292832 REGISTERED 2015 09 18

CAVE - CAVEAT

DOC 5 OF 5 DRR#: C0E958F ADR/TTAYLOR

LINC/S: 0022465299

# APPENDIX “C”

**Absolute Environment et al - in Receivership**  
**Statement of Receipts and Disbursements**  
**For the Period of November 3, 2021 to October 31, 2022**

	<b>November 3, 2021 to October 31, 2022</b>
<b>Cash Receipts</b>	
Receiver's Certificates Granted	\$ 1,200,000.00
Rental Income	16,500.00
<b>Total Cash Receipts</b>	<b><u>1,216,500.00</u></b>
<b>Cash Disbursements</b>	
Appraisal Fees	15,000.00
Consulting Services - Sproule Asset Management	131,210.83
Filing Fees	364.85
Insurance	73,906.00
Legal Fees and Disbursements	262,718.18
Miscellaneous Disbursements	804.94
Net GST paid and recoverable	45,642.19
Property Repairs, Inspection and Testing	388,341.86
Receiver's Fees and Disbursements	171,028.74
Security	1,255.50
<b>Total Cash Disbursements</b>	<b><u>1,090,273.09</u></b>
<b>Net Cash Receipts over Cash Disbursements Represented by Cash in Bank</b>	<b><u>\$ 126,226.91</u></b>