

COURT FILE NUMBER 1501-12220

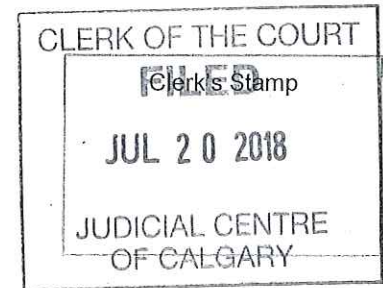
COURT COURT OF QUEEN'S BENCH OF  
ALBERTA  
JUDICIAL CENTRE CALGARY

PLAINTIFF(S) ALBERTA TREASURY BRANCHES

DEFENDANT(S) COGI LIMITED PARTNERSHIP,  
CANADIAN OIL & GAS  
INTERNATIONAL INC., AND  
CONSERVE OIL 1<sup>st</sup> CORPORATION

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT  
MacDONALD HANLEY  
Barristers and Solicitors  
Attention: James G. Hanley  
2050, 736 - 6 Avenue SW  
Calgary, AB, T2P 3T7  
Tel: 403-668-5432  
Fax: 403-233-2033  
File No.: 53376.001JGH  
jhanley@macdonaldhanley.com



### AFFIDAVIT OF GARY TAYLOR

Sworn on July 20, 2018

I, Gary Taylor, of the City of Calgary, in the Province of Alberta, make oath and say as follows:

1. I am the Controller of Firenze Energy Ltd. (Firenze), and as such have knowledge of the matters here and after deposed to.
2. Attached as **Exhibit "A"** to this Affidavit is my Statement of Account reconciliation.
3. This Affidavit is in response to the claim advanced by the Receiver against Firenze relating to the outstanding indebtedness and having regard to the decision of this court in relation to the amounts owing and payable.
4. It appears that the Receiver and its consultant have calculated the amounts owing based on the books and records of COGI without regard to a number of factors. The initial amount claimed in the pre-Receiver'ship category by the Receiver is \$488,997.79. I believe that that amount ought to be reduced to \$398,227.26. Firenze has disputed \$91,886.90 of that pre-Receiver'ship amount. It is Firenze's position that that amount was not owing prior to the Receiver'ship, and the Receiver's claim ought to be reduced by that amount.


5. Of the \$91,886.90 referred to above, \$40,922.79 relate to disputed overhead charges at the 4-11 Weyburn Battery. This amount was arrived at by a joint venture audit and I believe that having regard to the Operating Agreements, Firenze is entitled to have this amount credited pre-Receivership, as it was not then owing. It would appear that the reduction was never reflected in the COGI books.
6. Of the \$91,886.90, \$7,644.88 relates to property taxes at Marten Creek 14-10. I believe that Firenze was billed their share of property taxes and paid it directly and COGI billed Firenze 50% of the property taxes when they were Operator. Firenze advised COGI of this, and further advised that they had paid their share and were entitled to a credit. I believe that this amount has been incorrectly billed by COGI and Firenze is entitled to an adjustment.
7. Of the \$91,886.90, \$22,174.50 relates to charges Firenze disputed for wells at 14-7 and 15-7. These wells were 100% owned by COGI and Firenze had no responsibility for any working interest expenses. I believe that COGI incorrectly billed these amounts to Firenze and Firenze is entitled to a reduction of this amount.
8. Of the \$91,886.90, \$10,696.64 relates to COGI's half of the \$21,503.27 Carmangay fuel gas dispute. Firenze and COGI agreed that they would split the charges.
9. The remaining \$10,328.09 billed to Firenze pre-Receivership and Firenze has requested back-up information to determine the validity of these billings but it has not been received.
10. These summarize the pre-Receivership disputes Firenze has with the Receiver's claim and if successful, would reduce the total by \$91,886.20 and I believe that Firenze is entitled to a credit of this amount against the pre-Receivership amounts claimed by the Receiver.
11. The post-Receivership amounts are acceptable save for a disputed invoice in the amount of \$1,120.00. Firenze requested back-up with respect to this invoice and it has not been received. The amount of the Court post-Receivership claims by the Receiver total \$410,476.24 and it is only \$1,120.00 that Firenze disputes, solely due to lack of back-up.
12. Both of the above two categories and invoices arose at a time when COGI was the Operator, according to the ruling of this Court. Post Receivership and post change of Operatorship from September 2016 to present, there are substantial monies owing to Firenze by COGI. Those items are set out. Generally speaking, it appears that the Receiver is prepared to accept and approve JIB billings and invoices relating to wells which are producing and disputes all other JIBs pertaining or relating to suspended or abandoned wells. In essence, the response to these JIBs is that "the Receiver does not pay expenses for abandon wells".
13. Reviewing Part 3A of the Summary, the initial entry relates to unpaid lease rentals from November 2015 to March 2017. Firenze invoiced COGI \$24,586.93 for these unpaid lease rentals from November 2015 to March 2017. Firenze was required to pay these amounts to the Crown before leases would be transferred to Firenze.



14. The next two entries under Post Receivership headed "Late Payment for Fees for 2016 Property Taxes" relates to the obligation of unpaid property taxes. Firenze invoiced COGI \$19,828.26 and \$7,862.83 for late payment fees relating to unpaid property taxes. The Receiver of COGI was in possession of these tax accounts when they were Operator and post-transfer of Operatorship, Firenze became aware of them and was required to pay them and the late fees. The property taxes relate to producing and non-producing wells.
15. Following in Part 3A, the next heading under Capital Joint Interest Billings is the billing via Energylink in the amount of \$79,130.66. These invoices are capital JIBs relating to AFE expenses and \$79,130.66 has been approved by the Receiver of COGI or its consultant. In the following line entry, \$6,255.78 has been disputed by COGI, although they relate to miscellaneous capital costs to restore and repair facilities at Marten Creek, and, I believe, fall within the same category as the other JIBs approved by COGI.
16. In **Exhibit "A"**, Part 3A, heading "Operating Joint Interest Billings, June and May joint interest billings via Energylink are \$39,166.45, and \$117,113.38, respectively. These are operating expense billings that have been rendered to the Receiver. No comments or disputes have been made on either of these two categories. In the same category under the heading "Joint Interest Billings October 2016 to April 2018", the initial entry had a joint interest billing via Energylink is in the amount of \$81,376.95. This amount is a credit to COGI having regard to the invoices and has been approved by COGI, except those invoices with respect to producing wells and claim entitled to these funds. In the same category on the next line down, Joint interest billing via Energylink with an entry of \$51,897.68, this amount has been disputed by COGI because it relates to shut-in, abandoned and suspended wells. The entry immediately following for \$54,298.92 has been considered by COGI and they have requested further back-up with respect to those billings. Firenze is in the process of providing that back-up.
17. Of the total at the bottom of the Operating Joint Interest Billings of \$181,918.23 is the amount that Firenze is owed under their JIBs having credited the \$81,376.95.
18. Part 3B of the Summary are Post Receivership and Post Change of Operator Invoices that COGI has invoiced to Firenze. The invoices total \$38,368.52, but Firenze claims it owes \$15,123.39. The disputed \$23,245.13 relates to Firenze requiring back-up for \$294.00 relating to lease rental charges and the remainder due to Firenze disputing four (4) JIBs as a result of an error in which COGI is billing back Firenze 50% of COGI's 100% share of costs previously billed by Firenze to COGI.
19. In addition, the Summary contains a line below Part 3B entitled "Additional costs for Tidewater processing to be billed in July". Tidewater Midstream and infrastructure Ltd. ("Tidewater") processes all production from Marten Creek including both Firenze and COGI production. There have been issues with fees charged and timing of these billings by Tidewater. We anticipate Tidewater processing costs owing for the joint Marten Creek lands between January and March of 2018 to be invoiced to Firenze, totalling approximately \$154,169.00, with COGI's 50% portion being approximately \$77,084.50.
20. In Part 4 I have included in this analysis a claim for the actual amounts spent by Firenze for the abandonment of wells. We have invoiced COGI via Joint Interest Billing via Energylink the amount of \$239,402.87. These amounts are not payable but they are included in this analysis.

21. As a result, that additional amount will be owing post-Receivership, post-Operatorship COGI production.
22. As a result of all of the above, it is my view that the amount actually owing to COGI by Firenze in all categories is \$427,159.70. The pre and post Receivership before change of operator amount is \$808,703.50 owed by Firenze. The post-Receivership after change of operator amount is \$381,543.80 owed by COGI.
23. I make this Affidavit in response to the claim advanced by the Receiver with respect to these matters.

SWORN (OR AFFIRMED) BEFORE ME at  
Calgary, Alberta, this 20 day of July,  
2018.

  
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(Commissioner for Oaths in and for Alberta)

**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
in and for Alberta

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GARY TAYLOR

**Firenze Statement of Account Reconciliation  
At July 11, 2018**

SUBJECT TO FURTHER RECONCILIATION

(COGI Owes - / Firenze Owes +)

**PART 1 & 2**

COURT PRE-RECEIVER / POST RECEIVER (BEFORE CHANGE OF OPERATOR)	<b>808,703.50</b>	Firenze Owes
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**PART 3 A&B**

POST RECEIVER CHANGE OF OPERATOR (FIRENZE INVOICES & SOME COGI)	<b>- 304,459.30</b>	
Future costs for Tidewater processing to be billed in July	<u>- 77,084.50</u>	
	<b>- 381,543.80</b>	COGI Owes

**PART 4**

POST RECEIVER ACTUAL ABANDONMENT	<b>- 239,402.87</b>	
	Joint interest billing via Energylink	

THIS IS EXHIBIT "A" REFERRED  
TO IN THE AFFIDAVIT OF  
**GARY TAYLOR**  
SWORN THE 20 DAY OF  
July, 2018  
A Commissioner for Oaths/Notary Public  
In and for the Province of Alberta

**JAMES G. HANLEY**  
Barrister & Solicitor  
A Commissioner for Oaths  
In and for Alberta





Firenze Statement of Account Reconciliation

At July 11, 2018

Part 4 POST RECEIVER ABANDONMENT

SUBJECT TO FURTHER RECONCILIATION

(COGI Owes - / Firenze Owes +)

Invoice Number	Date	AR/AP As per Firenze	Adjustments to AR/AP as per Firenze	AR/AP as per Firenze	Notes
J2201702A-004		-4,032.95		-4,032.95	
J2201704A-002		-50,712.46		-50,712.46	
J2201704A-002		-89,659.53		-89,659.53	
J2201705A-001		-19,645.79		-19,645.79	
J2201707A-003		-3,170.86		-3,170.86	
J2201708A-001		-2,387.87		-2,387.87	
J2201708A-001		-5,335.24		-5,335.24	
J2201712A-001		-4,696.24		-4,696.24	
J2201801A-001		-17,337.66		-17,337.66	
J2201801A-001		254.74		254.74	
J2201802A-001		-547.49	407.67	-139.82	
J2201802A-001		-5,700.79		-5,700.79	
J2201804A-001		-3,715.47		-3,715.47	
J2201806A-001		-2,623.37		-2,623.37	
J2201806A-001		-239,810.54		-239,810.54	
				-318,402.87	

ACTUAL COSTS RELATED TO ABANDONED WELLS









Firenze Statement of Account Reconciliation  
 At July 11, 2018  
 Part 3A POST RECEIVER CHANGE OF OPERATOR  
 SUBJECT TO FURTHER RECONCILIATION

(COGI Owes - / Firenze Owes -)

Invoice Number	Date	AR/AP As per COGI	Adjustments to AR/AP as per Firenze	AR/AP as per Firenze	Notes
5170007		776.00			
5170008		2,411.97			
5170009		1,892.00			
5170010		560.00			
5170028		6,003.87			
			24.68		
			3,726.87		
JR201628A-C20		201.14			
JR201610A-C07		4,818.61			
JR201611A-C24		503.31			
JR201612A-C04		-27,281.82			
JR201613A-C05		132.10			
JR201614A-C04		583.31			
JR201615A-C04		309.15			
JR201616A-C04		149.28			
JR201617A-C04		2,423.49			
JR201618A-C04		15,643.72			
JR201619A-C09		25.99			
JR201620A-C08		-580.00			
JR201621A-C08		13,265.86			
JR201622A-C01		14,126.40			
JR201623A-C01		1,891.19			
JR201624A-C08		1,891.19			
JR201625A-C08		3,000.00			
		32,028.74			
			-4,440.07		
			3.00		Billed back 100% COGI portion in error
			9,087.42		
			344.21		
2017C8P4N					
				15,123.39	





