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COURT FILE NUMBER

1501-12220

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

**ALBERTA TREASURY BRANCHES**

RESPONDENTS

**COGI LIMITED PARTNERSHIP, CANADIAN OIL  
& GAS INTERNATIONAL INC., AND CONSERVE  
OIL GROUP INC.**

DOCUMENT

**SECOND REPORT OF THE RECEIVER**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF PARTY  
FILING THIS DOCUMENT

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## INTRODUCTION AND BACKGROUND

1. MNP Ltd. was appointed as Receiver and Manager (the "**Receiver**") of COGI Limited Partnership ("**COGI LP**"), Canadian Oil & Gas International Inc. ("**COGI Inc.**") and Conserve Oil Group Inc. ("**Conserve**") (collectively "**COGI**" or the "**Company**") pursuant to an October 26, 2015 Alberta Court of Queen's Bench Order (the "**Receivership Order**").
2. Prior to the Receivership Order, COGI LP and COGI Inc. obtained a stay of proceedings pursuant to the *Companies Creditors Arrangements Act* on August 28, 2015. (the "**CCAA Proceedings**"). The CCAA Proceedings were terminated on October 26, 2015.
3. COGI LP is a limited partnership pursuant to the laws of the province of Alberta. COGI Inc. is the general partner of COGI LP. The limited partners of COGI LP represent between 14,000 and 18,000 German investors.
4. COGI LP is an oil and gas venture with producing properties in Alberta and non-producing properties in Saskatchewan.
5. The only business of COGI Inc. is as general partner of COGI LP and to hold title to various assets for the benefit of COGI LP.
6. Conserve is a private company and the owner of all of the issued and outstanding voting shares of COGI Inc. as well as a number of other companies.
7. COGI is part of a complicated corporate structure with many inter-related corporations with common directors, officers and shareholders. Many of these corporations are related through debt forgiveness agreements, loan agreements, asset transactions, share purchases and management agreements. In the last six to eight months, there appears to have been several asset and share transfers between some of these companies under trust arrangements or otherwise. The Receiver has had difficulty accessing corporate documents, computer books and minute books, as some records are missing or incomplete and corporate filings have not been updated regularly.
8. David Crombie and Alexander Gramatzki appear frequently in different capacities in many of the companies identified in the Preliminary Organization Chart attached as Appendix "A" to the Receiver's First Report.
9. The Receiver filed its First Report on November 6, 2015 and, as a result of information received at that time, brought an application returnable on November 10, 2015 seeking, amongst other relief, enhanced powers and control over two companies that the Receiver believed were wholly owned subsidiaries of Conserve, Proven Oil Asia Ltd. ("**POA**") and Conserve Oil 1<sup>st</sup> Corporation. ("**Conserve 1<sup>st</sup>**"). The relief sought with respect to POA and Conserve 1<sup>st</sup> was adjourned to a hearing on November 27, 2015. This is the Receiver's second report to the Court (the "**Second Report**"). Capitalized terms not defined in the Second Report are as defined in the First Report or the Receivership Order. All references to currency are in Canadian dollars unless otherwise stated.
10. In preparing the Second Report and making comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information of COGI, the books and records of COGI, 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.

11. Copies of the relevant documents relating to these proceedings are available on the Receiver's website at [www.mnpdebt.ca/cogi](http://www.mnpdebt.ca/cogi).

### **PURPOSE OF THE REPORT**

12. The purpose of the Second Report is to provide this Honourable Court with an update as to activities with respect to its adjourned application regarding POA. The Receiver will provide a further report with respect to its other activities, Conserve 1<sup>st</sup> and other matters in subsequent reports to the Court.

### **ACTIVITIES OF THE RECEIVER WITH RESPECT TO PROVEN OIL ASIA**

13. The Receivership Order was granted late on Monday afternoon, October 26, 2015. The Receiver took possession of the COGI offices on October 27, 2015. The Debtors lease office space on the fourth and fifth floors 340-12<sup>th</sup> Ave. SW in Calgary (the "**COGI Premises**"). POA lists the COGI Premises as their Registered Office and Records Office.
14. During the first few days of the Receivership, the Receiver had meetings with representatives of POA and COGI where the Receiver made clear that Niven Fischer Energy Services Inc. had been contracted to take over operations and that all pending transactions were to be cleared through the Receiver. The Receiver has been advised that, in addition to a Contract Well/Facilities Operating Agreement dated July 1, 2015, there was an overriding management agreement in place between POA and Conserve but, despite requests, has not been able to locate the terms of such agreement.
15. The Receiver has made requests for information, documents and access from POA, including a letter sent by the Receiver's counsel to David Crombie in his capacity as the sole director of POA on November 4, 2015. Subsequently, the Receiver met with Mr. Crombie on November 20, 2015 and cross examined him on his Affidavit sworn November 23, 2015 in his capacity as President and Director of POA.
16. The Receiver continues to collect evidence of multiple management agreements, consulting fees, commissions, unsecured promissory notes, secured or unsecured loans, share transactions and other documents evidencing a pattern of cash flow between the COGI companies, POA and other potentially non-arms' length companies and individuals.

### **PROVEN OIL ASIA**

17. Many of the oil and gas licences which form the bulk of COGI's assets, were held and registered in the name of COGI but allegedly had been beneficially transferred to POA under trust arrangements, and with trust agreements and/or contract management agreements in place. The Receiver was told that some of these assets had been, or were in the process of being, transferred from POA to Arrow Point. At the time, the Receiver was unable to obtain certain documents and information, or access to the computer server, with the exception of a mirror image of part of the server and a hard drive with some data, which was controlled by Arrow Point.
18. At the date of the Receivership Order, relying on searches of corporate records in Alberta, the Receiver was of the opinion that that Conserve was the owner of all of the issued and outstanding voting shares in POA. Subsequently, and as stated in the Receiver's First Report at paragraph 21, on November 5, 2015 the Receiver's legal counsel located share certificate A-2 which indicated that Arrow Point had been issued 100,000 Class "A" voting shares in POA.
19. POA's Registered Office is in the COGI Premises, which is now in the control of the Receiver. The minute book was not located on those premises. The Receiver made inquiries of counsel who may have had knowledge of the location of the POA minute book. Eventually, on November 19, 2015 POA's counsel Field Law delivered two versions of POA's minute book to the Receiver's counsel, an original minute book and a copy of the minute book, which contained additional

documents not in the original minute book (collectively, the "**Minute Books**"). The Minute Books were only delivered to the Receiver's counsel after the terms regarding confidentiality of certain documents contained in a letter from POA's counsel dated November 16, 2015 were agreed to. A copy of that letter was attached to Mr. Crombie's Affidavit as Exhibit "E".

20. Mr. Crombie swore an affidavit on November 23, 2015 in which he testified that POA had issued 100,000 Class "A" voting shares as well as 100,000 "First Preferred Shares" to Arrow Point. Mr. Crombie then detailed the transaction that took place on November 20, 2015 wherein Arrow Point assigned its First Preferred Shares to Capital Asia Group Oil Management Ltd. ("**CAGOM**") and that CAGOM has since converted into 100,000 Class "A" voting shares in POA.
21. Pursuant to an agreement between legal counsel and in connection with the confidentiality provisions regarding the Minute Books, a portion of Mr. Crombie's cross examination transcript is being filed with the court as confidential. The Receiver intends to schedule an application to determine whether such information is, in fact, confidential.
22. On November 26, 2015, Mr. Crombie swore a supplemental affidavit admitting parts of his previous testimony set out in his Affidavit and during his cross examination were incorrect and that Arrow Point did not receive 100,000 Class "A" voting shares as he previously stated. According to Mr. Crombie's Supplemental Affidavit, the current shareholders of POA are Conserve, who holds 1,000 Class "A" voting shares and CAGOM, who holds 100,000 Class "A" voting shares.
23. The Receiver received a letter from the Alberta Energy Regulator ("**AER**") attaching a list of over 90 pages of oil and gas licenses registered in the name of COGI. It appears that certain of these properties have been the subject of recent sale transactions between COGI, POA and/or Arrow Point, and it is unclear whether full consideration has been paid for these sales, or whether legal title has transferred. The Receiver is continuing to investigate these transactions, including a consideration as to whether they are potentially sales at undervalue or otherwise reviewable. The Receiver is very concerned that these properties are being transferred (at least beneficially) between potentially non-arms' length companies, but the licence and liability in relation to these properties remains with COGI. The AER advises that there is substantial abandonment liability and LLR deposit costs related to these properties.

## **CONCLUSION**

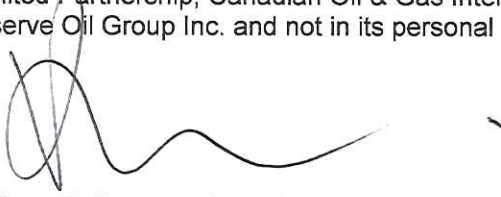
24. The Receiver and its counsel have had discussions with counsel for CAGOM. As a result of these discussions, the Receiver anticipates a Consent Order being presented to the Court with respect to the Receiver's role in the operations of POA.
25. Based upon the foregoing the Receiver seeks the Court's approval for the following;
  - i) Approving the activities of the Receiver to date;
  - ii) An order adjourning the Receiver's application with respect to Conserve 1<sup>st</sup> pending Alberta Treasury Branches' application for receivership; and
  - iii) An order adjourning the Receiver's application with respect to POA subject to the terms of a Consent Order.

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All of which is respectfully submitted this 27<sup>th</sup> day of November, 2015.

**MNP Ltd.**

In its capacity as Receiver-Manager of  
COGI Limited Partnership, Canadian Oil & Gas International Inc.  
and Conserve Oil Group Inc. and not in its personal capacity

A handwritten signature in black ink, appearing to be 'Victor P. Kroeger', written over a vertical line that serves as a signature line.

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