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JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER	1501-13786
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	NATIONAL BANK OF CANADA, IN ITS CAPACITY AS ADMINISTRATIVE AGENT UNDER THAT CERTAIN AMENDED AND RESTATED CREDIT AGREEMENT DATED JUNE 30, 2015, AS AMENDED
RESPONDENTS	SPYGLASS RESOURCES CORP., 1196823 ALBERTA LTD., 1288916 ALBERTA LTD., 1398850 ALBERTA LTD., 1583662 ALBERTA LTD., 1636527 ALBERTA LTD., AVENEX ENERGY PARTNERSHIP, AVENEX REAL ESTATE ACQUISITION CORP., WESTBROOK MARKETING LIMITED PARTNERSHIP (formerly ELBOW RIVER MARKETING LIMITED PARTNERSHIP), 1159002 ALBERTA LTD. (formerly ELBOW RIVER MARKETING CORP.), MEOTA 2000 PARTNERSHIP, PACE OIL & GAS PARTNERSHIP, PACE OIL RESOURCES LTD. AND SEAVIEW ENERGY PARTNERSHIP
DOCUMENT	EIGHTH REPORT OF THE RECEIVER March 10, 2017
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INTRODUCTION

1. Ernst & Young Inc. was appointed as Receiver (the "Receiver") of the property, assets and undertakings (the "Property") of Spyglass Resources Corp., 1196823 Alberta Ltd., 1288916 Alberta Ltd., 1398850 Alberta Ltd., 1583662 Alberta Ltd., 1636527 Alberta Ltd., AvenEx Energy Partnership, AvenEx Real Estate Acquisition Corp., Westbrook Marketing Limited Partnership (formerly Elbow River Marketing Limited Partnership), 1159002 Alberta Ltd. (formerly Elbow River Marketing Corp.), Meota 2000 Partnership, Pace Oil & Gas Partnership, Pace Oil Resources Ltd. and Seaview Energy Partnership (collectively, "Spyglass", the "Company" or the "Debtor") pursuant to an Order of this Honourable Court (the "Receivership Order") dated November 26, 2015 (the "Appointment Date").

2. The Receivership Order authorized the Receiver, among other things, to carry on the business of Spyglass, to sell, convey, transfer, lease or assign the Property out of the normal course of business, subject to approval of this Honourable Court for any transactions exceeding $1.0 million, or the aggregate of multiple transactions exceeding $5.0 million, and to make such arrangements or agreements as deemed necessary by the Receiver.

3. The purpose of this eighth report (the "Eighth Report") of the Receiver is to provide this Honourable Court with the Receiver's comments on:

    a) The activities of the Receiver since the sixth report of the Receiver dated October 16, 2016 (the "Sixth Report") and the seventh report of the Receiver dated November 30, 2016 (the "Seventh Report"), and to provide a statement of receipts and disbursements for the period from the Appointment Date to March 10, 2017 (the "Reporting Period");

    b) The proposed interim distribution from the Receiver to the National Bank of Canada as agent for a syndicate of lenders (the "Syndicate");

    c) The remaining efforts to be undertaken by the Receiver to complete the administration of the Receivership; and

    d) The Receiver's recommendation.

TERMS OF REFERENCE

4. Capitalized terms not defined in this Eighth Report are as defined in the Receivership Order.

5. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

6. Background on Spyglass is available on the Receiver's website, www.ey.com/ca/spyglassresources.

ACTIVITIES OF THE RECEIVER

Administration

7. The Receiver has pursued the collection of outstanding accounts receivable balances owing to Spyglass from joint venture ("JV") partners. The Receiver has exhausted collection efforts for the remaining accounts receivable balances that would have a net benefit to the estate.

8. The Receiver and their conflict counsel, Norton Rose Fulbright Canada LLP, are awaiting a decision of this Honourable Court regarding a dispute between Spyglass and one of their JV partners.

9. The Receiver continues to wind down the administration of the receivership through records retention, completion of GST filings and attending to issues regarding the treatment of third party seismic data. In particular, the Receiver, through a third party consultant, is in the process of finalizing the separation of Spyglass' seismic trade data, owned by third party licensors, from Spyglass' proprietary seismic data, which was sold to SanLing Energy Ltd. ("SanLing"). Upon completion of the separation of the seismic data, the Receiver will be in a position to attend to either the destruction of the trade data or return the trade data to the third party licensors.

Lien Claims Process

10. On January 5, 2017, this Honourable Court granted an Order declaring the Lien Claims Process (as defined in the Seventh Report) complete and approving certain lien settlements made by the Receiver (the "Lien Completion Order").

11. The Lien Completion Order approved the Receiver's activities respecting the Lien Claims Process, including the payment by the Receiver of the Lien Settlements and Revised Payments (each as defined in the Seventh Report).

12. The Lien Completion Order was not appealed. As a result, no further disbursements are anticipated respecting any lien claims against Spyglass.

STATEMENT OF RECEIPTS & DISBURSEMENTS

13. The following is a statement of the Receiver's receipts and disbursements during the Reporting Period:

Spyglass Resources Corp. | Exhibit 1
Statement of receipts and disbursements
CAD$, unaudited
November 26, 2015 to March 10, 2017

	Notes	
Opening cash balance	*a*	1,455,521
Receivers' certificates	*b*	7,000,000
Receipts		
Sale of assets	*c*	61,419,950
Oil and gas sales	*d*	45,037,896
Joint interest billings and rental income	*d*	8,199,474
Royalty income	*d*	375,680
Sale of surplus equipment		125,424
GST refunded		26,037
Other		22,844
		115,207,305
Cash balance before disbursements		123,662,826
Disbursements		
Payments to Syndicate	*e,f*	55,000,000
Oil and gas operating costs	*g*	29,739,023
Joint interest billings and rental payments	*g*	9,446,489
Salaries and benefits	*h*	8,123,177
FSOA (including interim payment)	*i*	4,339,531
Professional fees	*j*	3,078,041
Property and municipal taxes	*k*	2,887,071
Utilities	*g*	2,148,656
Office rent paid	*g*	1,595,583
Royalty payments	*g*	976,348
AER administrative levy	*l*	911,160
General and administration disbursements	*g*	739,518
Insurance	*g*	492,412
Interest and bank charges paid	*m*	181,434
Liens	*n*	170,912
GST remitted		77,434
Receivership disbursements	*j*	27,105
		119,933,893
Cash on hand		3,728,933

Notes:

a) Approximately $1.5 million was received from Spyglass' operating account on the Appointment Date. The Receiver did not freeze Spyglass' account upon appointment, because of the negotiations between Spyglass and the Syndicate pursuant to which Spyglass agreed not to oppose the enforcement of the Syndicate's debt, in exchange for the Syndicate and the Receiver agreeing to not return or cancel certain outstanding payments. This arrangement was disclosed to, and approved by the Court when the Receivership Order was granted;

b) The Receiver borrowed $7.0 million (of the $10.0 million authorized in the Receivership Order) in Receivers' certificates from the Syndicate to fund the Receivership;

c) The Receiver has collected approximately $59.7 million from the SanLing transaction and approximately $1.7 million from the sale of other assets pursuant to Orders of this Honourable Court dated February 1, 2016 and March 7, 2016, respectively;

d) The Receiver has collected approximately $53.6 million from the Receiver continuing to operate Spyglass' business (including oil and gas sales, joint interest billings, rental income and royalty income);

e) The Receiver made an initial interim distribution, to the Syndicate of $50.0 million pursuant to an Order of this Honourable Court dated July 6, 2016:

   i. Of which $7.0 million related to the repayment of the Receivers' certificates, plus associated interest and fees; and

   ii. The remainder applied to the secured debt outstanding;

f) The Receiver made a second interim distribution, to the Syndicate of $5.0 million pursuant to an Order of this Honourable Court dated October 27, 2016;

g) The Receiver has disbursed approximately $45.1 million from the Receiver continuing to operate Spyglass' business. Of this amount approximately:

i. $40.2 million relates specifically to oil and gas operating costs (net of insurance recovery proceeds received and prepayments returned from vendors), joint interest billings, rental payments and royalty payments;

ii. $2.1 million relates to utility expenses;

iii. $1.6 million relates to office rent paid (net of subleased rental income received);

iv. $0.7 million relates to general administration expenses (including internet, telephone, telecommunications, computer services, accounting services, levies and courier expenses); and

v. $0.5 million relates to insurance expenses;

h) The Receiver has disbursed salaries and benefits of approximately $8.1 million (including Worker's Compensation Board disbursements);

i) The Receiver has disbursed payments to SanLing of $4.4 million as determined on the final statement of adjustments calculated on November 30, 2016;

j) The Receiver has disbursed professional fees of approximately $3.1 million, of which:

i. Approximately $1.6 million relates to Receivers' fees and costs; and

ii. Approximately $1.5 million relates to the Receiver's counsels' fees and costs and other legal fees and costs where it is necessary to engage conflict counsel;

k) The Receiver has disbursed approximately $2.9 million in relation to property taxes;

l) The Receiver has disbursed approximately $0.9 million in relation to the AER administrative levy;

m) The Receiver has disbursed interest and bank charges paid of approximately $0.2 million (net of interest income); and

n) The Receiver has disbursed $0.2 million in connection with the approval of the lien settlements.

14. Total cash on hand held by the Receiver as at March 10, 2016 is approximately $3.7 million.

ESTIMATED COSTS TO COMPLETE RECEIVERSHIP

15. The Receiver estimates that the following estimated costs are required to complete the administration of the Receivership:

Spyglass Resources Corp. Proposed interim distribution CAD$, unaudited		Exhibit 2
	Notes	
Cash on hand		3,728,933
Anticipated receipts		
Accounts receivable collections	*a*	unknown
		0
Holdback (anticipated disbursements)		
Costs to complete	*b*	200,000
GST remittance	*c*	41,934
Contingency	*d*	287,000
Professional fees	*e*	200,000
		728,933
Proposed interim distribution		3,000,000

Notes: The Receiver notes the following in respect of the estimated costs required to complete the administration of the Receivership:

a) The Receiver has pursued the collection of all material accounts receivable balances owing to Spyglass. Any remaining accounts receivable balances to be collected are unknown at this time, but are not expected to have a material impact to the estate;

b) The Receiver anticipates approximately $0.2 million of administrative costs to wind down the Spyglass operations. These costs include amongst others the storage and destruction of company files and the deletion and destruction of third party seismic data;

c) The Receiver anticipates remitting post-filing GST amounts to the Canada Revenue Agency of approximately $41,934;

d) The Receiver will hold back a contingent reserve of approximately $0.3 million which will be sufficient to fully settle any additional priority claims and unforeseen costs to complete the administration of the Receivership. Excess funds held by the Receiver at the completion of the Receivership and after the settlement of claims in priority to the Syndicate will be distributed to the Syndicate; and

e) Professional fees of $0.2 million, include outstanding professional fees incurred to date and estimated costs of the Receiver and Receiver's counsel to complete the administration of the estate.

(collectively, the "Holdback").

THIRD INTERIM DISTRIBUTION

32. The Receiver has obtained an independent security review from BLG, (the "Security Review"), indicating that the security granted by Spyglass to the Syndicate constitutes a valid and enforceable first charge security over all present and after acquired assets and undertakings of Spyglass, subject to certain priority registrations which include liens, and which the Receiver will review and deal with by way of the proposed Holdback. As of the Appointment Date, Spyglass owed the Syndicate approximately $171.9 million excluding interest and professional fees accrued during the Reporting Period. In addition the Receiver borrowed $7.0 million in Receiver's Certificates to fund the Receivership. As of February 27, 2017, the amount owing to the Syndicate of all borrowings (including the Receiver's Certificates), interest and professional fees, less the $50.0 million initial interim distribution pursuant to the Order of this Honourable Court dated July 6, 2016 and the $5.0 million second distribution pursuant to the Order of this Honourable Court dated October 27, 2016, is $124.7 million.

33. Having completed the Lien Claims Process, the Receiver is aware of no other interests that would have priority over the Syndicate.

34. The Receiver is proposing to make a third interim distribution (the "Third Interim Distribution"), as shown above in Exhibit 2, to the Syndicate of $3.0 million, to be applied to the secured debt. The Third Interim Distribution contemplates the Holdback, which will provide sufficient funds to cover other priority claims and the remaining administration of the Receivership. Excess funds held by the Receiver at the completion of the Receivership and after the settlement of claims in priority to the Syndicate will be distributed to the Syndicate as a final distribution.

COMPLETION OF RECEIVERSHIP

35. The Receiver has to complete the following tasks to complete the administration of the Receivership:

a) Finalize outstanding GST returns;

b) Await the decision of this Honourable Court regarding the dispute between Spyglass and one of their JV partners;

c) Finalize the separation of seismic trade data from Spyglass' proprietary seismic data, and attend to either the destruction of the trade data or return of such data to third party licensors;

d) Complete final administration and wind down of Spyglass' operations; and

e) Remit any final funds to the Syndicate.

RECOMMENDATION

36. The Receiver recommends that this Honourable Court approve the Third Interim Distribution to the Syndicate.

All of which is respectfully submitted this 10th day of March, 2017.

ERNST & YOUNG INC.
in its capacity as Court Appointed
Receiver of Spyglass

Neil Narfason, CPA, CA, LIT, CIRP, CBV
Senior Vice President

Cassie Riglin

Cassie Riglin, CPA, CA
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