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	NINTH REPORT OF THE RECEIVER November 3, 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 ninth report (the "**Ninth Report**") of the Receiver is to provide this Honourable Court with the Receiver's comments on:

    a) The background and overview of the receivership proceedings to date, in support of the Receiver's requested for a discharge;

    b) The activities of the Receiver since the eighth report of the Receiver dated March 10, 2017 (the "**Eighth Report**"), and to provide a statement of receipts and disbursements for the period from the Appointment Date to November 1, 2017 (the "**Reporting Period**");

    c) The request for discharge of the Receiver, including the destruction of the Debtors' Records following the Receiver's completion of the administration of the estate;

    d) The final distribution proposed by the Receiver; and

    e) The Receiver's recommendations with respect to its proposed final distribution and request for a discharge.

TERMS OF REFERENCE

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

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

BACKGROUND & OVERVIEW OF THE RECEIVERSHIP PROCEEDINGS

6. Prior to the Receivership Order, the Debtors were engaged in the acquisition, enhancement and exploration of conventional oil and gas projects in Alberta. As of the Appointment Date, the Debtors had an interest in approximately 2,500 producing oil wells in Alberta. The Debtors' operations produced approximately 9,000 barrels of oil equivalent per day. The particulars of the Debtors' operations are set-out at paragraphs 11 to 22 of the First Report of the Receiver, dated January 20, 2016.

7. The Debtors' borrowed approximately $172 million from a syndicate of financial institutions (the "**Syndicate**"). The Syndicate is the first secured creditor of the Debtors.

8. Prior to the Appointment Date, the Debtors were experiencing financial difficulties due primarily to the extended depressed market prices for crude oil, natural gas and other petroleum products. The Debtors attempted to alleviate their financial difficulties by engaging in a broad disposition process for core and non-core assets. Due to insufficient liquidity, the Debtors were unable to continue this disposition process and unable to close a transaction, prompting the Syndicate to successfully petition the Debtors into receivership on November 26, 2015.

9. Pursuant to an Order of this Honourable Court pronounced on January 25, 2016, the Receiver implemented a sales and investment solicitation process (the "**SISP**") to realize on the assets of the Debtors.

10. The Receiver realized on all of the Debtors' valuable assets through four separate transactions, one of which originated from the SISP and three of which originated outside of the ordinary course of the SISP. All of the transactions were approved by this Honourable Court through Sale Approval and Vesting Orders pronounced on February 1, 2016, March 7, 2016 and May 11, 2016, respectively.

11. The Receiver has realized all of the Debtors' saleable property.

12. The Receiver obtained an independent security review from Borden Ladner Gervais LLP, indicating that the security granted by the Debtors to the Syndicate constitutes a valid and enforceable first charge security over all present and after acquired assets and undertakings of the Debtors.

13. As of the date of the Receivership Order, the Debtors owed the Syndicate approximately $171.9 million. Additionally, the Receiver borrowed $7.0 million from the Syndicate by way of Receiver's Certificates in order to fund the receivership proceedings.

14. The Receiver has made the following distributions to date to the Syndicate, which total $58 million to date:

    a) On July 6, 2016, this Honourable Court approved an interim distribution to the Syndicate in the amount of $50 million (the "**First Distribution**").

    b) On October 27, 2016, this Honourable Court approved a further interim distribution to the Syndicate in the amount of $5 million (the "**Second Distribution**").

    c) On March 21, 2017, this Honourable Court approved a further interim distribution to the Syndicate in the amount of $3 million (the "**Third Distribution**").

15. As of the date of this Application, the remaining amount owing to the Syndicate is approximately $120.6 million. As further discussed below, the Receiver proposes making a final distribution to the Syndicate in the amount of $275,000.

16. Given the significant outstanding indebtedness owed to the first secured creditor, the Receiver did not conduct a claims process with respect to unsecured claims. The Receiver has however addressed priority claims and also conducted a claims process with respect to lien claimants.

17. As a result of the numerous lien claims registered against the Debtors' lands and mineral interests, the Receiver determined that a lien claims process would be the most efficient and cost-effective mechanism to ensure that all lien claims were accounted for and proper distributions made.

18. In order to ensure that the Receiver had received all lien claims that had been registered against the Debtors' mineral interests, the Receiver sought and obtained an Order from this Honourable Court, dated July 6, 2016, establish a lien claims process (the "**Lien Claims Process**").

19. Throughout the fall of 2016, the Receiver duly administered the Lien Claims Process. The Receiver sought and obtained an Order from this Honourable Court, dated January 5, 2017, setting aside certain disputed lien claims, approving certain settlement agreements and declaring that the Lien Claims Process was complete. The Order was not appealed. As a result, no further disbursements are anticipated regarding any lien claims against the Debtors.

20. Further background on the Debtors' receivership proceedings is available on the Receiver's website, www.ey.com/ca/spyglassresources.

ACTIVITIES OF THE RECEIVER

21. The Receiver and their conflict counsel, Norton Rose Fulbright Canada LLP, have received a decision from this Honourable Court regarding a dispute between Spyglass and one of their joint venture ("**JV**") partners. The Receiver's application was unsuccessful. This concludes the Receiver's collection efforts for the remaining accounts receivable balances that would have a net benefit to the estate.

22. The Receiver continues to wind down the administration of the receivership through records retention and completing GST filings.

23. The Receiver has attended to issues regarding the treatment of third party seismic data. In particular, the Receiver, through a third party consultant, has finalized 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**") through the Vesting Order granted May 11, 2016. The Receiver has either destroyed the trade data or returned the trade data to the third party licensors.

STATEMENT OF RECEIPTS & DISBURSEMENTS

24. 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 November 1, 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*	45,231,419
Joint interest billings and rental income	*d*	8,237,951
Royalty income	*d*	375,680
Sale of surplus equipment		125,424
GST refunded		26,037
Other		23,545
		115,440,005
Cash balance before disbursements		123,895,526
Disbursements		
Payments to Syndicate	*e,f*	58,000,000
Oil and gas operating costs	*g*	29,922,326
Joint interest billings and rental payments	*g*	9,468,444
Salaries and benefits	*h*	8,123,751
FSOA (including interim payment)	*i*	4,339,531
Professional fees	*j*	3,135,416
Property and municipal taxes	*k*	2,887,071
Utilities	*g*	2,148,656
Office rent paid	*g*	1,585,844
Royalty payments	*g*	977,420
AER administrative levy	*l*	911,160
General and administration disbursements	*g*	739,888
Insurance	*g*	492,412
Seismic costs	*m*	244,689
Interest and bank charges paid	*n*	180,333
Liens	*o*	170,912
GST remitted		121,284
Receivership disbursements	*j*	37,949
		123,487,085
Cash on hand		408,441

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 $53.8 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, as well as a third interim distribution, to the Syndicate of $3.0 million pursuant to an Order of this Honourable Court dated March 21, 2017;

g) The Receiver has disbursed approximately $45.3 million from the Receiver continuing to operate Spyglass' business. Of this amount approximately:

   i. $40.4 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 $4.3 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 approximately $0.2 million in relation to the treatment of third party seismic data (separation of Spyglass' seismic trade data, owned by third party licensors, from Spyglass' proprietary seismic data, which was sold to

SanLing, and either destroying the trade data or returning the trade data to the third party licensors);

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

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

25. Total cash on hand held by the Receiver as at November 1, 2016 is approximately $0.4 million.

ESTIMATED COSTS TO COMPLETE RECEIVERSHIP

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

Spyglass Resources Corp. Final distribution CAD$, unaudited		Exhibit 2
	Notes	
Cash on hand		408,441
Anticipated receipts		
Accounts receivable collections	*a*	unknown
		0
Holdback (anticipated disbursements)		
Pre-filing GST returns	*b*	76,622
Professional fees and contingency	*c*	56,819
		133,441
Final distribution		275,000

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. No remaining accounts receivable are expected to be collected nor have a material impact to the estate;

b) Spyglass has unremitted pre-filing GST obligations of approximately $77,000. The Receiver understands that the Syndicate is bringing an application to petition Spyglass into bankruptcy pursuant to the *Bankruptcy and Insolvency Act* , RSC 1985, c B-3 (the "**BIA**"). This amount will be held back in the receivership estate and the priority of the amounts will be determined in accordance with the BIA in the event Spyglass is successfully petitioned into bankruptcy by the Syndicate; and

c) Professional fees of approximately $57,000, include outstanding professional fees incurred to date and estimated costs of the Receiver (including storage and destruction costs relating to the books, records and documents from the administration of the estate) and Receiver's counsel to complete the administration of the estate. This amount includes a contingent reserve to be held back by the Receiver which will be sufficient to fully settle any unforeseen costs to complete the administration of the Receivership (the "**Holdback**").

13. 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 (the "**Excess Funds Distribution**").

FINAL DISTRIBUTION

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

15. The Receiver is proposing to make a final distribution (the "**Final Distribution**"), as shown above in Exhibit 2, to the Syndicate of $275,000, to be applied to the secured debt. The Final Distribution contemplates the Holdback, which will provide sufficient funds to cover the remaining administration of the Receivership. The Excess Funds Distribution, if any, will be made to the Syndicate, upon completion of the Receivership.

APPROVAL OF PROFESSIONAL FEES

16. The following table shows the fees of the Receiver and its' counsels incurred, including invoiced and work in progress fees, to November 1, 2017:

Spyglass Resources Corp. Summary of professional fees CAD$, unaudited	Exhibit 3
Receiver's fees and costs	1,641,199
Receiver's counsels' fees and costs	1,311,060
Other legal counsels' fees and costs	183,157
Total professional fees	3,135,415

17. Copies of the Receiver's invoices, the Receiver's legal counsels' invoices, and other legal counsels' invoices where it was necessary to engage conflict counsel, are not attached to this Report due to concerns regarding the privilege associated with those invoices, but have been provided to this Honourable Court under separate cover.

18. The Receiver's and the Receiver's legal counsel estimate that fees to complete the administration of the Receivership subsequent to November 1, 2017 will not exceed $57,000.

19. The Receiver respectfully requests that this Honourable Court approve the Receiver's, the Receiver's legal counsel and other legal counsels' fees and disbursements along with the estimate of fees to complete the administration of the Receivership.

DISCHARGE OF THE RECEIVER

20. The Receiver has completed the majority of its administration of the receivership. The only outstanding issues for the receiver to complete are administrative in nature, relating to clerical issues with property taxes and post-filing GST returns.

21. Upon remitting the Final Distribution and any Excess Funds Distribution, if any, to the Syndicate, the Receiver is not aware of it being required for any further purpose herein and is therefore of the view that it should be discharged from its mandate.

22. The Receiver respectfully requests that this Honourable Court approve an Order discharging the Receiver from any and all obligations as Receiver of Spyglass on the condition of the completion of the items described above.

23. Following the Receiver's completion of the outstanding administrative matters concerning the Debtors' receivership estate, the Receiver seeks the approval of this Honourable Court to destroy the Debtors' Records remaining in its possession.

24. Prior to destruction of the Records, the Receiver intends to provide 30 days' notice to Spyglass' former directors and officers (acting up until the Appointment Date) regarding the Receiver's intention to destroy the Records and offering the former directors and officers the opportunity to collect the Records, should they so choose.

RECOMMENDATION

25. The Receiver recommends that this Honourable Court approve the following:

a) The activities of the Receiver during, and the statement of receipts and disbursements for, the Reporting Period;

b) The Receivers' fees and costs, the Receiver's counsels' fees and costs and other legal counsel fees and costs where it was necessary to engage conflict counsel;

c) The Final Distribution and the Excess Funds Distribution (if any) to the Syndicate; and

d) The Discharge of the Receiver, including approval to destroy the Debtors' Records following the completion of the administration of the estate.

All of which is respectfully submitted this 3rd day of November, 2017.

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

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

Cassie Riglin, CPA, CA, CIRP, LIT
Vice President