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OF CALGARY

COURT FILE NUMBER	1801-09188
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	THIRD EYE CAPITAL CORPORATION
RESPONDENTS	RANCH ENERGY CORPORATION, OPSMOBIL INC., 1734163 ALBERTA INC., 1859821 ALBERTA INC., OPSMOBIL GROUP INC., OPSMOBIL CONSTRUCTION INC., OPSMOBIL ENERGY SERVICES INC., AIR DALLAIRE LTD. AND K.L. CAPITAL CORP.
DOCUMENT	SIXTH REPORT OF THE RECEIVER FEBRUARY 26, 2019
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	RECEIVER Ernst & Young Inc. Calgary City Centre 2200, 215 2nd Street SW Calgary, AB T2P 1M4 Attention: Peter Chisholm / Duncan MacRae Telephone: (403) 206-5061 / (403) 206-5035 Fax: (403) 206-5075 Email: peter.chisholm@ca.ey.com / duncan.macrae@ca.ey.com RECEIVER'S COUNSEL Borden Ladner Gervais LLP Josef G.A. Kruger, Q.C. / Robyn Gurofsky 1900, 520 3rd Ave SW Calgary, AB T2P 0R3 Phone: (403) 232-9563 / (403) 232-9774 Fax: (403) 266-1395 Email: jkruger@blg.com / rgurofsky@blg.com

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INTRODUCTION

1. Third Eye Capital Corporation ("TEC") issued a notice of intention to enforce security on June 6, 2018, pursuant to section 244(1) of the *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3 as amended (the "BIA") against Ranch Energy Corporation ("Ranch"), OpsMobil Inc. ("OMI"), 1734163 Alberta Inc. ("1734 AB"), 1859821 Alberta Inc. ("1859 AB"), OpsMobil Group Inc. ("OMGI"), OpsMobil Construction Inc. ("OMCI"), OpsMobil Energy Services Inc. ("OMESI"), Air Dallaire Ltd. ("Air Dallaire") and K.L. Capital Corp. ("KLCC") (collectively the "Corporations"). OMI, OMGI, OMCI, OMESI, Air Dallaire and KLCC are collectively referred to as "OpsMobil".

2. Ernst & Young Inc. ("EYI") was appointed as receiver (the "Receiver") of the Corporations' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property") pursuant to an order of the Court of Queen's Bench of Alberta (the "Honourable Court") dated July 19, 2018, (the "Receivership Date"), as amended on August 7, 2018 (the "Receivership Order").

3. The Receivership Order authorizes the Receiver, among other things, to manage, operate and carry on the business of the Corporations, including the powers to enter into any agreements, incur any obligations in the ordinary course of business and cease to perform any contracts of the Corporations.

PURPOSE

4. The purpose of this sixth report (the "Sixth Report") of the Receiver is to provide this Honourable Court with the Receiver's comments on the:

   a) Request for authorization to increase the Receiver's borrowings (the "Borrowings") and the corresponding Receiver's Borrowings Charge; and

   b) Activities of the Receiver since the Receivership Date (the "Reporting Period") and the request for approval of the fees and disbursements of the Receiver and the Receiver's legal counsel; and

   to provide the Receiver's recommendation in respect of the Receiver's requests.

TERMS OF REFERENCE

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

6. Capitalized terms not defined in this Sixth Report are as defined in the Receivership Order.

RECEIVER'S BORROWING CHARGE

7. The Receivership Order empowers the Receiver to borrow, by way of revolving credit or otherwise, amounts the Receiver considers necessary or desirable provided that the outstanding principal amount does not exceed $6,000,000 (or such greater amount as the Court may authorize). The $6,000,000 borrowing limit originally established in the Receivership Order was based on a cash flow forecast through to the period ending October 31, 2018.

8. The Receivership Order further authorizes the Receiver to borrow these amounts at any time for the purpose of funding the exercise of the powers and duties conferred upon it by the Receivership Order, including the funding of interim expenditures. The Receivership Order further provides that the whole of the Property is charged by way of a fixed and specific charge as security for the payment of the monies borrowed by the Receiver, together with interest and charges thereon, in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, except as otherwise set out in the Receivership Order, and subordinate in priority to the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA. This charge is known as the Receiver's Borrowings Charge.

9. The borrowing limit and the Receiver's Borrowings Charge was increased to $7,000,000 pursuant to an order of this Honourable Court dated October 2, 2018 (the "October 2 Order"). The $7,000,000 borrowing limit was based on a cash flow forecast through to the period of November 30, 2018 and the Receiver has since borrowed to the limit of the October 2 Order.

10. Based on actual receipts and disbursements incurred through February 22, 2019, and a refreshed cash flow forecast through the period to April 26, 2019, the Receiver forecasts the estate's cash requirements to be up to $9,000,000.

11. As a result of the forecast, the Receiver is seeking authorization to increase the Borrowings by $2,000,000, from $7,000,000 to $9,000,000.

12. The receipts and disbursements incurred through February 22, 2019 and the cash flow forecast through the period of April 26, 2019 (the "Forecast Period") are attached as Appendix 'A'.

13. The Receiver believes April 26, 2019 is a reasonable forecast date as it requires additional time to:

    a) close a sale of certain assets of Ranch to the Successful Bidder (as defined in the SISP); and

b) determine a resolution with respect to a sale of the OMGI assets, either through litigation or negotiation.

14. To date, the Receiver has been involved in extensive negotiations with the prospective purchasers and other stakeholders with the goal of entering into binding purchase and sale agreements and, ultimately, closing transactions that will result in a recovery to the receivership estate. The Receiver is optimistic that continuing these negotiations will achieve this result within the Forecast Period. Both transactions are subject to approval of this Honourable Court.

APPROVAL OF PROFESSIONAL FEES

15. The following exhibit demonstrates the fees and costs of the Receiver up to February 11, 2019 and fees and costs of its counsel up to February 15, 2019:

Ranch Energy Corporation et al. Summary of profeesional fees CAD$, unaudited	Exhibit 1
Receiver's fees and costs	514,740
Receiver's counsels' fees and costs	618,125
Total professional fees paid	1,132,864

16. Copies of the Receiver's invoices and the Receiver's legal counsels' invoices are not attached to this Sixth Report due to concerns regarding the privilege associated with those invoices, but have been provided to this Honourable Court under separate cover.

17. Activities of the Receiver and the Receiver's legal counsel to date include, *inter alia*:

a) The Receiver's custody, control and general administration of the receivership estate, including employee matters, creditor and other stakeholder communications, and the accounting and operation of the Wildboy area property, for the past seven months;

b) The Receiver's legal counsel's security reviews, including in respect of various priority disputes;

c) Court applications and various ongoing discussions and negotiations relating specifically to Ranch including:

i. The SISP and its' related activities (meetings and discussions with the Selling Agent, Potential Bidders, other stakeholders, etc.); and

ii. Predator Oil BC Ltd.'s application with respect to operatorship of the Ranch property, which application was ultimately dismissed;

d) Court applications and various ongoing discussions and negotiations relating specifically to OpsMobil including but not limited to:

i. Analysis and discussions regarding the CRA's statutory deemed trust;

ii. An application by Airborne Energy Solutions Inc. ("AES") for, among other things, specific performance of a purchase and sale agreement in respect of OMGI assets entered into prior to receivership, which has been adjourned pending negotiations between the parties which remain ongoing;

iii. An emergency application by the Receiver to ground a fleet of OMGI aircraft pending resolution of insurance related issues with AES, which application was granted with costs in favour of the Receiver; and

iv. An application by ECN Aviation Inc. ("ECN") in relation to a security priority dispute as between TEC and ECN (the decision on this application has not yet been rendered and the Receiver has worked with ECN in an attempt to resolve a portion of the dispute).

18. The Receiver believes that the fees and disbursements incurred by the Receiver and its legal counsel are proportionate to the nature, complexity and amount of work required to date and respectfully requests that this Honourable Court approve the fees and disbursements of the Receiver and the Receiver's legal counsel.

RECOMMENDATION

19. The Receiver respectfully recommends that this Honourable Court:

a) Authorize the increase of the Receiver's Borrowings Charge to $9,000,000;

b) Approve the Receivers' fees and disbursements up to February 11, 2019 and the Receiver's counsels' fees and disbursements up to February 15, 2019.

Dated at Calgary, this 26th day of February, 2019.

ERNST & YOUNG INC.
in its capacity as the
Receiver of the Corporations

Peter Chisholm, CPA, CA, CIRP, LIT
Vice-President

Duncan MacRae, CPA, CA, CIRP, LIT
Manager

APPENDIX ‘A’

Ranch Energy, OpsMobil, et al.
Cash flow forecast for the period of February 19, 2019 to April 26, 2019
$000's, CAD

Week ended	Actuals 19-Jul-18 to 15-Feb-19	22-Feb-19	01-Mar-19	08-Mar-19	15-Mar-19	22-Mar-19	29-Mar-19	05-Apr-19	12-Apr-19	19-Apr-19	26-Apr-19	Forecast 10 weeks	Total Actual + Forecast
Oil and gas receipts	6,853	-	1,151	-	-	-	1,206	-	-	-	1,105	3,462	10,315
Liquids receipts	381	-	64	-	-	-	67	-	-	-	61	192	573
Insurance proceeds	331	-	-	-	-	-	-	-	-	-	-	-	331
Other receivables	274	-	-	-	-	-	-	-	-	-	-	-	274
Joint interest billings	196	-	33	-	-	-	34	-	-	-	32	99	295
Interest	9	-	-	-	-	-	-	-	-	-	-	-	9
Total receipts	8,044	-	1,248	-	-	-	1,308	-	-	-	1,198	3,753	11,797
Field operating costs	(3,993)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(1,000)	(4,993)
Transportation costs	(2,859)	-	(405)	-	-	-	(393)	-	-	-	(508)	(1,306)	(4,165)
Salaries, wages and source deductions	(2,300)	-	(114)	-	(114)	-	(114)	-	(114)	-	(114)	(570)	(2,870)
Carbon taxes	(698)	-	(453)	-	-	-	(219)	-	-	-	(392)	(1,064)	(1,762)
Professional fees	(1,369)	-	(20)	(20)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(110)	(1,479)
Mineral leases (Crown)	(317)	-	(101)	(5)	(5)	(8)	(9)	(9)	(10)	(11)	(472)	(630)	(947)
Insurance	(628)	(43)	(17)	-	-	(43)	(17)	-	-	(43)	(17)	(179)	(807)
Maintenance and regulatory	(585)	-	-	-	-	-	-	(200)	-	-	-	(200)	(785)
Joint interest billings	(103)	-	(293)	(23)	(23)	(23)	(45)	(23)	(23)	(23)	(45)	(521)	(624)
BC road use fees	-	-	(437)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(549)	(549)
Accounting services	(263)	-	(100)	-	-	-	(50)	-	-	-	(50)	(200)	(463)
Surface leases (Crown)	-	-	(108)	(8)	(8)	(9)	(9)	(9)	(9)	(9)	(290)	(459)	(459)
Contingency	-	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(200)	(200)
Surface leases (freehold)	(192)	-	-	-	-	-	-	-	-	-	-	-	(192)
Office rent	(148)	-	(20)	-	-	-	-	(20)	-	-	-	(40)	(188)
Royalties (Crown and freehold)	(80)	-	(45)	-	-	-	(15)	-	-	-	(15)	(75)	(155)
General and administrative expenses	(93)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(50)	(143)
Total disbursements	(13,628)	(168)	(2,238)	(195)	(299)	(232)	(1,020)	(410)	(305)	(235)	(2,052)	(7,154)	(20,782)
Total net change in cash	(5,584)	(168)	(990)	(195)	(299)	(232)	288	(410)	(305)	(235)	(854)	(3,400)	(8,984)
Opening cash balance	-	1,416	1,248	258	63	64	32	320	10	5	854	1,416	-
Receiver's borrowings	7,000	-	-	-	300	200	-	100	300	1,084	-	1,984	8,984
Ending available cash balance	1,416	1,248	258	63	64	32	320	10	5	854	(0)	-	-

The forecast has been prepared solely for the Receiver to determine liquidity requirements. Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Consequently, readers are cautioned that it may not be appropriate for other uses.