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COURT FILE NUMBER **2401-12358**

COURT **COURT OF KING'S BENCH OF ALBERTA**

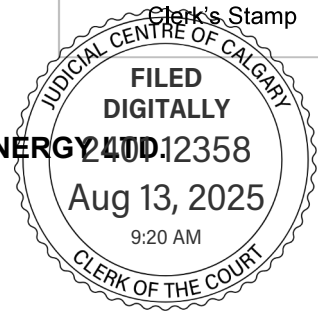
JUDICIAL CENTRE **CALGARY**

APPLICANT **BEARSPAW PETROLEUM LTD.**

RESPONDENTS **ALPHABOW ENERGY LTD. and TORXEN ENERGY LTD.**

DOCUMENT **CONSENT ORDER**

ADDRESS FOR
SERVICE AND
CONTACT **Code Hunter LLP**
Barristers
850, 440 – 2 Avenue SW
Calgary, AB T2P 5E9
Katherine Reiffenstein
Telephone: 403.234.9800
Facsimile: 403.261.2054
File No: 11950.003



DATE AND PLACE THIS ORDER WAS PRONOUNCED: August 12 **2025, Calgary, AB**

NAME OF APPLICATIONS JUDGE WHO MADE THIS ORDER: L.A. MATTIS

UPON THE REQUEST of Bearspaw Petroleum Ltd ("Bearspaw") to amend the Originating Application in the within action (the "Action"); **AND UPON** the acquisition by North 40 Resources Ltd. of interests previously held by AlphaBow Energy Ltd. pursuant to a December 19, 2024 Sales Approval and Vesting Order in Action No. 2401-05179 (the "SAVO") that are the subject of the Action; **AND UPON** noting that the within Action is listed as a Claim in Schedule C to the SAVO; **AND UPON** being informed that no steps have yet been taken in the Action; **AND UPON** noting the consent of the parties and of North 40 Resources Ltd., a party to be added as Respondent by the proposed amendment; **AND UPON** being informed by the parties that they intend to conduct the Action by the *Rules of Court* applicable to an action commenced by statement of claim notwithstanding that the Action was commenced by originating application; **IT IS HEREBY ORDERED THAT:**

1. Bearspaw is permitted to file the Amended Originating Application attached hereto as Appendix "A".
2. Bearspaw must file and serve the Amended Originating Application within 10 days of this Consent Order being entered.
3. Upon filing of the Amended Originating Application:

- a. all rules in the *Alberta Rules of Court* applicable to an action commenced by statement of claim shall apply to the Action;
 - b. the content of the Amended Originating Application shall constitute a pleading equivalent to a Statement of Claim; and
 - c. the Applicant shall thereafter be referred to as Plaintiff and the Respondents shall be referred to as Defendants.
4. Each Respondent shall have 30 days from service of the filed Amended Originating Application to file a Statement of Defence.
 5. The consent of the Respondents to this Order:
 - a. is without prejudice to their defences to the Amended Originating Application; and
 - b. does not constitute admission of or agreement to the facts or statements alleged in the Originating Application or Amended Originating Application.
 6. There shall be no costs payable in respect of this Consent Order.


 Applications Judge of the Court of King's Bench of Alberta

CONSENTED TO this 1st day
of August, 2025.

Anderson Morin LLP

Per: 
 Kerry Holmes
 Counsel for Respondent Torxen
 Energy Ltd.


CONSENTED TO this 6th day
of August, 2025.

Code Hunter LLP

Per: 
 Katherine Reiffenstein
 Counsel for Applicant Bearspaw
 Petroleum Ltd.

CONSENTED TO this 5th day
of August, 2025.

Bennett Jones LLP

Per: 
 Keely Cameron
 Counsel for Respondent
 AlphaBow Energy Ltd.

CONSENTED TO this 29th day
of July, 2025.

Burnet Duckworth & Palmer LLP

Per: 
 Craig Alcock
 Counsel for Respondent North 40
 Resources Ltd.

APPENDIX “A”

COURT FILE NUMBER	2401-12358
COURT	COURT OF KING’S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	BEARSPAW PETROLEUM LTD.
RESPONDENTS	<u>^ TORXEN ENERGY LTD. and NORTH 40 RESOURCES LTD.</u>
DOCUMENT	<u>AMENDED</u> ORIGINATING APPLICATION
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Code Hunter LLP Barristers 850, 440 – 2 Avenue SW Calgary, AB T2P 5E9 Katherine Reiffenstein Telephone: 403.234.9800 Facsimile: 403.261.2054 File No: 11950.003

NOTICE TO THE RESPONDENTS

This application is made against you. You are a Respondent.

You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the application is heard as shown below:

Date	_____
Time	10:00 am
Where	Calgary Court Centre, 601 5 Street SW, Calgary, AB, T2P 5P7
Before Whom	Justice in Chambers

Go to the end of this document to see what else you can do and when you must do it.

Basis for this claim:

1. This claim is to obtain a declaration confirming Bearspaw’s working interest in certain mineral rights and to obtain compensation for failure to pay Bearspaw proceeds of production in accordance with this working interest.

2. The Applicant Bearspaw Petroleum Ltd. ("**Bearspaw**") and each of the Respondents, ^ North 40 Resources Ltd. ("**North 40**") and Torxen Energy Ltd. ("**Torxen**"), are companies incorporated pursuant to the Alberta *Business Corporations Act* and are engaged in the business of exploration, development and production of petroleum and natural gas in the Province of Alberta.

Mineral Rights

3. This action concerns mineral rights underlying 15-29-20-W4M ("**Section 15**"), in particular underlying the SE quarter of Section 15 ("**SE 15**") in the Glauconitic Zone which is within the Mannville formation.
4. The mineral rights underlying SE 15 are owned by the Alberta Crown, and are leased by the Crown as follows:
 - a. Alberta Natural Gas Lease No. 780 dated March 10, 1972 (the "**1972 Natural Gas Lease**") grants for all of Section 15 the "exclusive right to drill for and produce natural gas that may be obtained from the Viking zone, the Glauconitic Sandstone zone and the Lower Mannville Sandstone zone."
 - b. Alberta Petroleum and Natural Gas Lease No. 0487040330 dated April 29, 1987 (the "**1987 PNG Lease**") grants for SE 15 the right to drill for and produce "petroleum and natural gas in all zones, except natural gas in the Viking zone and the Glauconitic Sandstone zone..."
5. The definition of "natural gas" in the 1972 Natural Gas Lease is: "the production from any well, that in the opinion of the Oil and Gas Conservation Board initially produces gas either alone or with oil at a gas-oil ration of 10,000 cubic feet to the barrel or higher..."
6. The 1972 Natural Gas Lease was amended in 1986 to exclude natural gas rights in the Lower Manville Sandstone Zone.
7. The 1987 Crown PNG Lease was amended on April 30, 1992 for reversion of rights below the Mannville, resulting in a grant of petroleum and natural gas to the base of the Mannville Group, excepting natural gas in the Viking formation and excepting natural gas in the Glauconitic Sandstone (the "**SE 15 Lands**").

Agreements Governing Production and Proceeds from Production

8. In 1964, a number of owners of working interests and royalty interests in the natural gas within the Glauconitic Zone underlying lands near Wayne and Rosedale in the Province of Alberta, including Section 15, entered into the Wayne-Rosedale Glauconitic Unit No. 1 Unit Agreement (the “**Unit Agreement**”). The Unit Agreement is still in effect, and Bearspaw is a current party to it.
9. The purpose and effect of the Unit Agreement is to pool the production of “natural gas and associated hydrocarbons, except coal and petroleum” from “the Glauconitic Zone underlying the Unit Area”, including Section 15, between the working interest owners of those lands and to share amongst them the expenses associated with production. Thus the Unit Agreement does not apply to petroleum produced from Section 15.
10. Effective June 1, 1977, an Operating Agreement (the “**OA**”) was made between the working interest owners of the 1972 Natural Gas Lease, as follows: Ashland Oil Canada Limited, Panalta Petroleums Ltd., Voyager Petroleums Ltd, S.M. Whipple and N.L. Easley.
11. The OA governs production of the “joint lands”, meaning the lands set out in Schedule A including the interests granted by the 1972 Natural Gas Lease. The OA is still in effect, and Bearspaw is a current party to the OA.
12. Effective May 1, 1989, a joint operating agreement (the “**JOA**”) was made between the working interest owners of the 1987 PNG Lease rights, as follows: Mobil Oil Canada; Amoco Canada Resources Ltd.; Murphy Oil Company Ltd.; Norcen Energy Resources Limited; ATCOR Ltd; Shell Canada Limited; Twin Richfield Oils Ltd; Voyager Energy Ltd.; Stewart M. Whipple; and Norman L. Easley.
13. The JOA governs production of the “Joint Lands” meaning: “All petroleum and natural gas except natural gas in the Viking zone and the Glauconitic Sandstone zone.”
14. The JOA is still in effect, and Bearspaw is a current party to the JOA.
15. The JOA incorporates by its terms the 1981 CAPL Operating Procedure (the “**Operating Procedure**”). The Operating Procedure provides that each party is to receive its proportionate share of production or payment for that production, and that any party who

receives income or proceeds from the sale of another party's production must distribute it to the party entitled to it:

601 EACH PARTY TO OWN AND TAKE ITS SHARE – each of the parties shall own its proportionate share of the petroleum substances produced from wells operated for the joint account and shall have the right, at its own expense, to take in kind and separately dispose of its proportionate share of production exclusive of the production which may be used by the Operator in developing and producing operations and of production unavoidably lost.

602 FAILURE TO TAKE IN KIND – When and so often as a Joint-Operator shall fail or refuse to take in kind and separately dispose of its proportionate share of any production, the Operator shall have the authority, revocable by that Joint-Operator at will (subject to existing sales contracts), to sell for the account and at the expense of that Joint-Operator its proportionate share of production to others at the same price which the Operator receives for its own share of the production or to purchase the same for its own account at the field price in the area....

...

605 DISTRIBUTION OF PROCEEDS – subject to the foregoing provisions of his Article, any party that receives income or proceeds from the sale of another party's production, shall forthwith distribute such income or proceeds to the party or parties entitled thereto. If a party fails to distribute such income or proceeds within ten (10) days following its receipt, the undistributed amount may, at the option of the party entitled thereto, bear interest (payable by the party holding such income or proceeds for the account of the party entitled thereto) at the rate provided for in Clause 502, from and after the aforesaid ten (10) days until it is paid.

...

2704 BINDS SUCCESSORS AND ASSIGNS – Subject to the provisions of Article XXIV, this Operating Procedure shall enure to the benefit of and shall bind the parties hereto and their respective successors and assigns, and the heirs, executors, administrators and assigns of all natural persons who are or become parties.

16. The interest payable under Clause 502 is “a rate two (2%) percentage points higher than the then prevailing prime bank interest rate charged by the chartered bank in Canada used by the Operator with respect to operations hereunder, until the amount is paid.”

The 7-15 Well

17. In 1961, a well was drilled in SE 15, identified as 100/07-15-029-20W4/00 (the “**7-15 Well**”) and beginning in 1969 produced both natural gas and petroleum from the Glauconitic Zone, initially at a gas-oil ratio of 10,000 cubic feet to the barrel or higher... In 1975 the 7-15 Well was designated as an oil well.

18. The 7-15 Well continues to produce both petroleum and natural gas from the Glauconitic Zone. The natural gas production is subject to the Unit Agreement and the petroleum production is subject to the OA, or alternatively to the JOA.

Bearspaw's Acquisition of Additional Working Interest

19. By August of 2016, the parties to both the Unit Agreement and the JOA were Husky Oil Operations Ltd. ("**Husky**"), Bearspaw, Blue Springs Energy Ltd. ("**Blue Springs**"), and Pengrowth Energy Corporation ("**Pengrowth**").
20. The working interest owners in the 1972 Natural Gas Lease in August of 2016 were Husky (53.5%), Bearspaw (11.7%), and Blue Springs (34.8%). Bearspaw had acquired:
- a. 5.2% working interest originally held by Panalta Petroleums Ltd. effective May 1, 2011 and September 1, 2011;
 - b. 3% working interest originally held by Maurice William Seitz effective February 1, 2005 and April 1, 2013;
 - c. 3.5% working interest originally held by Stewart Monroe Whipple effective April 1, 2013;
21. With respect to the JOA and the mineral rights in SE 15 granted by the 1987 Crown PNG Lease, Bearspaw's working interest as of August 2016 was 4.296100%. Bearspaw had acquired:
- a. 0.550800% working interest originally held by Norman L. Easley on April 15, 2005;
 - b. 1.909400% working interest originally held by Twin Ritchfield Oils Ltd. on May 1, 2011 and September 1, 2011;
 - c. 1.835900% working interest held by Stewart Monroe Whipple on April 1, 2013.
22. In August of 2016, Pengrowth notified Bearspaw that it wished to quit claim all of its rights and working interest in Section 15. Pengrowth held a working interest of 18.08790% in the SE 15 Lands.

23. As required by the JOA, Pengrowth issued a Notice of Right to First Refusal to all working interest owners, which Blue Springs exercised on September 7, 2015.
24. As a result of the exercise by Blue Spring of its Right of First Refusal, the working interest available to Bears paw to acquire from Pengrowth was 4.551150%.
25. Pengrowth and Bears paw entered into a Quit Claim Agreement dated September 29, 2016 (the “**Quit Claim Agreement**”), by which Pengrowth conveyed to Bears paw a 4.551150% working interest in the SE 15 Lands.
26. As a result of the Quit Claim Agreement, Bears paw’s working interest in all petroleum and natural to base Manville excluding natural gas in the Viking Sand and Glauconitic zones in SE 15 – including all petroleum in the Glauconitic zone – increased from 4.29610% to 8.847250% as of September 29, 2016.
27. Accordingly, Bears paw’s working interest in the 1987 Crown PNG Lease is recorded by the Minister of Energy of Alberta in a Memorandum of Registration as 8.847250%.
28. The Crown currently records the 7-15 Well as a well that falls within the lands and rights of the 1987 Crown PNG Lease.

^North 40 and Torxen Acquisitions of Interests

29. Effective October 1, 2017, ^ Sequoia Operating Corp., predecessor to AlphaBow Energy Ltd. (“AlphaBow”), acquired the interests of Pengrowth in the lands subject to the Unit Agreement, being a unit participation interest in all natural gas produced from the lands subject to the Unit Agreement, including SE 15. No portion of the working interest in the 1972 Natural Gas Lease was transferred as Pengrowth was never a working interest owner in the 1972 Natural Gas Lease.
30. On December 19, 2024, North 40 acquired the interests of AlphaBow in the lands subject to the Unit Agreement by a sale transaction approved by the Alberta Court of King’s Bench in Action No. 2401-05179.
31. Effective July 1, 2019, Torxen acquired the working interest of Husky in the lands subject to the Unit Agreement, and 12.5% of Husky’s interest in the JOA and SE 15 Lands. Torxen

became Operator under the Unit Agreement and the licensee of the 7-15 Well. Torxen also acquired the working interest of Husky in the 1972 Natural Gas Lease.

32. As a party to the JOA and the OA, Torxen was bound to distribute the proceeds of petroleum produced from the SE 15 Lands including the 7-15 Well in accordance with the terms of the Unit Agreement, the OA and the JOA.
33. In joint interest billing statements issued to the parties to the Unit Agreement, Torxen included income and expenses associated with production of petroleum in addition to natural gas, but failed to identify in those statements:
 - a. whether the petroleum production was from the 7-15 Well;
 - b. that petroleum production from the 7-15 Well was subject to the JOA, or alternatively the OA; or
 - c. the percentage basis on which proceeds of petroleum production from the 7-15 Well was allocated amongst working interest owners (which owners were common to both the Unit Agreement and JOA).

Failure of Torxen and AlphaBow to Pay Bears paw Its Proportionate Share

34. Bears paw is entitled to 11.7% of the proceeds from petroleum produced from the 7-15 Well by virtue of its 11.7% working interest in the 1972 Natural Gas Lease. North 40 has no entitlement to this production; its only entitlement to production from the 7-15 Well is to a percentage of proceeds of production of any natural gas (excluding petroleum) in accordance with the Unit Agreement.
35. In the alternative, if the petroleum produced from the 7-15 Well is subject to the 1987 PNG Lease, as recorded by the Crown in its records, then Bears paw is entitled to 8.847250% of the proceeds by virtue of its 8.847250% working interest in the 1987 PNG Lease.
36. In 2023, Bears paw discovered that Torxen was allocating proceeds of petroleum produced from the 7-15 Well on the basis that Bears paw's working interest in the petroleum was 4.2960914%, rather than the 11.7% working interest in the 1972 Natural Gas Lease or the 8.847250% working interest held by Bears paw in the 1987 Crown PNG Lease since the 2016 Quit Claim Agreement.

37. Bearspaw also discovered that Torxen was paying AlphaBow for proceeds of petroleum produced from the 7-15 Well on the basis that AlphaBow held an 18.08790% working interest in the SE Lands (the interest held by Pengrowth in the 1987 Crown PNG Lease prior to the Quit Claim Agreement).
38. Bearspaw informed Torxen on July 24, 2023 that Torxen was not paying Bearspaw a sufficient share of proceeds from petroleum production, but Torxen continued to pay Bearspaw on the basis of a working interest of 4.2960914%.
39. Bearspaw has suffered a loss in the approximate amount of \$183,585.43, the estimated income payable in respect of a 7.403909% share of the petroleum produced from the 7-15 Well (the difference between Bearspaw's 11.7% working interest in the 1972 Natural Gas Lease and the 4.2960914% interest on which it was paid) since March 2020 to December 2024, for which Torxen is liable to Bearspaw.
40. In the alternative, Bearspaw has suffered a loss in the approximate amount of \$112,849.29, the estimated income payable in respect of a 4.551150% share of the petroleum produced from the 7-15 Well (the difference between Bearspaw's 8.847250% working interest in the 1987 Crown PNG Lease and the 4.2960914% interest on which it was paid) since March 2020 to December 2024, for which Torxen ^ is liable to Bearspaw.
41. Bearspaw continues to suffer losses resulting from overpayment to North 40 by Torxen in respect of the petroleum produced from the 7-15 Well and corresponding underpayment to Bearspaw, for which Torxen and North 40 are jointly and severally liable to Bearspaw.
42. Bearspaw is entitled to an accounting to ascertain with certainty the production, income, expenses and payments to working interest owners associated with the 7-15 Well since September 29, 2016.

Breach of the JOA or OA

43. In breach of the terms of the express or implied terms of the JOA or OA, Torxen – and ^ North 40 to the extent it is bound to ^ those agreements – have failed to pay or distribute to Bearspaw its proportionate share of proceeds from production of petroleum from the 7-15 Well, and such breach constitutes gross negligence or willful misconduct.

Trespass

44. Torxen and ^ North 40 have taken and captured and continue to take and capture petroleum that is the property of Bearspaw, and are liable to Bearspaw for trespass to its property.

Unjust Enrichment

45. ^ North 40 has been unjustly enriched by receipt of Bearspaw's share of proceeds from production of petroleum from the 7-15 Well in the amount of 7.403909%, or in the alternative 4.551150% of total production, and Bearspaw has suffered a corresponding deprivation. There is no juristic reason for ^ North 40's enrichment.
46. In the alternative, if Torxen did not pay Bearspaw's ^ share of proceeds from the 7-15 Well petroleum to AlphaBow or North 40, but retained it, then Torxen has been unjustly enriched by that income, and Bearspaw has suffered a corresponding deprivation, and there is no juristic reason for Torxen's enrichment.

Remedy sought:

47. Bearspaw seeks the following relief:
- a. A declaration that Bearspaw holds an 8.847250% working interest in petroleum and natural gas to Base Mannville excluding natural gas in the Viking Sands and Glauconitic Sandstone in SE 15;
 - b. A declaration that Bearspaw is entitled to an 11.7%, or in the alternative an 8.847250% working interest in the petroleum produced from the 7-15 Well, and an injunction enjoining Torxen and successor operators of the 7-15 Well from distributing revenue other than in accordance with said declaration;
 - c. An accounting of the production, income, expenses, and payments to working interest owners from the 7-15 Well since September 29, 2016;
 - d. Judgment for \$183,585.43, or in the alternative \$112,849.29 or damages against Torxen ^ or such other amount to be determined on hearing of this application to compensate Bearspaw for taking of Bearspaw's petroleum from the 7-15 Well;

- e. Judgment in an amount to be determined on hearing of this application against North 40 to compensate Bearspaw for
- f. Disgorgement of the monies received by ^ North 40 and/or Torxen in respect of a a 7.403909%, or in the alternative 4.551150% working interest in the petroleum produced from the 7-15 Well;
- g. Interest payable at the rate of 2% higher than the then prevailing prime bank interest rate charged by the chartered bank in Canada used by the Operator;
- h. Costs of this Application;
- i. Such other and further relief as this Honourable Court may allow.

Affidavit or other evidence to be used in support of this application

- 48. Affidavit of Paul Wright sworn September 4, 2024;
- 49. Affidavit of Paul Wright sworn October 28, 2024;
- 50. Order of Justice Jeffrey pronounced December 19, 2024 in Court of King's Bench Action No. 2401-05179
- 51. Certified Copy of Alberta Natural Gas Lease No. 780, certified by Alberta Energy and Minerals;
- 52. Certified Copy of Alberta Petroleum and Natural Gas Lease No. 0487040330, certified by Alberta Energy and Minerals.

Applicable Acts and regulations:

- 53. n/a

WARNING

You are named as a respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant(s) is/are entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and the time shown at the beginning of this form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.