

COURT FILE NUMBER B301-276975

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

Clerk's Stamp

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY*  
*ACT*, RSC 1985, c. B-3, AS AMENDED

IN THE MATTER OF THE NOTICE OF INTENTION TO  
MAKE A PROPOSAL OF BLUE SKY RESOURCES LTD.

DOCUMENT **AFFIDAVIT**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**OSLER, HOSKIN & HARCOURT LLP**

Brookfield Place, Suite 2700  
225 6 Ave SW  
Calgary, AB T2P 1N2

Attention: Emily Paplawski / Homa Aminnejad

Telephone: (403) 260-7071 / 403.260.7096

Facsimile: (403) 260-7024

Email: [epaplawski@osler.com](mailto:epaplawski@osler.com) / [haminnejad@osler.com](mailto:haminnejad@osler.com)

File Number: 1274131

**AFFIDAVIT OF ERIN LUNN**

**Sworn on November 14, 2025**

I, Erin Lunn, of the City of Calgary, in the Province of Alberta, **SWEAR AND SAY THAT:**

1. I am the Vice President, Land at Canadian Natural Resources Limited ("**Canadian Natural**"). In that role, I oversee Canadian Natural's mineral land group which manages all mineral tenure rights and associated rental and royalty payments/issues with His Majesty the King in right of Alberta as represented by the Minister of Energy and Minerals ("**Alberta Energy**"), among other things, on behalf of Canadian Natural. As such, I have personal knowledge of the matters to which I depose in this Affidavit, except where stated to be based on information and belief, in which case I believe such information to be true. I am authorized by Canadian Natural to swear this Affidavit.

2. I swear this Affidavit in support of an Application by Canadian Natural for an order, among other things:

- (a) declaring that:
- (i) the Gas Royalty Arrears: Leaseholder Recourse Default Letter dated September 25, 2025 (the “**Royalty Default Letter**”), and all demands for payment by Alberta Energy contained therein, constitutes a claim provable in bankruptcy against Blue Sky Resources Ltd. (“**Blue Sky**”) or exercise of a remedy by Alberta Energy against Blue Sky’s property, which must be advanced by Alberta Energy in first instance within the ongoing proposal proceedings of Blue Sky (the “**NOI Proceedings**”) prior to seeking any recoveries from Canadian Natural or any other leaseholder noted on the Royalty Default Letter;
  - (ii) the Royalty Default Letter, and all demands for payment by Alberta Energy contained therein, are subject to the stay of proceedings (as may be extended or continued, the “**Stay**”) imposed by section 69 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (“**BIA**”) in the NOI Proceedings, and any efforts by Alberta Energy to collect the Blue Sky Royalty Arrears (as defined below) from Canadian Natural or any other leaseholders, or exercise any remedies with respect thereto, constitutes a breach of the Stay and is prohibited by section 69 of the BIA; and
  - (iii) Alberta Energy is precluded from collecting any payments related to the Blue Sky Royalty Arrears until such time as the Stay is terminated or expires, following which Alberta Energy is entitled to proceed in the normal course to recover any Blue Sky Royalty Arrears relating to leases remaining in the Blue Sky estate, which have not been assigned to a purchaser in the NOI Proceedings, and which are not otherwise payable as “cure costs” pursuant to the terms of an Approval and Vesting Order, Reverse Vesting Order or such further or other order as may be granted by the Court in the NOI Proceedings;
- (b) ordering Alberta Energy to immediately return to all leaseholders, including Canadian Natural, any credits offset by Alberta Energy or any payments made to Alberta Energy by any leaseholder on account of the Blue Sky Royalty Arrears,

plus interest accrued from the date of payment by the applicable leaseholder until the date of repayment by Alberta Energy, calculated in accordance with section 37 of the *Natural Gas Royalty Regulation*, 2017, Alta Reg 211/2016 (“**NGRR**”) or such other basis as this Court deems just;

- (c) directing Alberta Energy to provide to Canadian Natural and any other interested party a comprehensive and detailed accounting of all Blue Sky Royalty Arrears claimed in the Royalty Default Letter including, without limitation, the petroleum and natural gas leases (“**PNG Leases**”) under which such Blue Sky Royalty Arrears are claimed and the amount of Blue Sky Royalty Arrears claimed under each PNG Lease;
- (d) granting costs of this application against Alberta Energy on a scale deemed just by this Honourable Court; and
- (e) such further and other relief as counsel may advise and this Honourable Court may grant.

### **The Parties**

3. Canadian Natural is a corporation incorporated pursuant to the laws of the Province of Alberta, with an office in Calgary, Alberta. Attached as **Exhibit “A”** is an Alberta corporate search for Canadian Natural.

4. Canadian Natural is one of the largest natural gas and heavy crude producers in Canada and royalty payors in Alberta (and elsewhere). For example, in 2024, Canadian Natural paid approximately \$8.6 billion to governments and local communities, comprised of \$6.6 billion in royalties, \$1.2 billion in corporate taxes, \$354 million in property taxes, and \$93 million in surface and mineral land rentals. In 2023, Canadian Natural paid approximately \$9 billion to governments and local communities, comprised of \$5.4 billion in royalties, \$3.2 billion in corporate taxes, \$335 million in property taxes, and \$90 million in surface and mineral land rentals.

5. In the past five years (2020 – 2024), Canadian Natural has paid \$22.6 billion in royalties.

6. Canadian Natural is one of 32 to 36<sup>1</sup> leaseholders listed on the Royalty Default Notice from which Alberta Energy is seeking recovery of the Blue Sky Royalty Arrears (as defined below).

7. Alberta Energy is, to the best of my knowledge, a department within the Government of Alberta which administers, manages and regulates non-renewable resources, including petroleum and natural gas mineral rights, in the Province of Alberta.

8. Blue Sky is a corporation incorporated pursuant to the laws of the Province of Alberta, with an office in Calgary, Alberta. To the best of my knowledge, Blue Sky is a private oil and gas exploration company with assets in Alberta, British Columbia and Saskatchewan. Attached as **Exhibit "B"** is an Alberta corporate search for Blue Sky.

#### **NOI Proceedings**

9. On or about September 24, 2025, Blue Sky filed a Notice of Intention to Make a Proposal under section 50.4(1) of the BIA in Estate No. 25-3276975 and KSV Restructuring Inc. was appointed Proposal Trustee (the "**Proposal Trustee**"). Attached as **Exhibit "C"** is a copy of the Certificate of Filing from the Office of the Superintendent of Bankruptcy Canada.

10. I have reviewed the website established by the Proposal Trustee in the NOI Proceedings and understand that, as at the date of this Affidavit, the NOI Proceedings remain ongoing. Most recently, the Honourable Justice Neilson granted an Order which, among other things, extended the Stay in the NOI Proceedings to December 24, 2025, a copy of which is attached hereto as **Exhibit "D"**. I also understand that Blue Sky is seeking approval of a sales and investment solicitation process in an application to be heard by the Honourable Justice Johnston on November 21, 2025.

#### **Royalty Default Letter**

11. On or after September 25, 2025, following commencement by Blue Sky of the NOI Proceedings, Canadian Natural and other registered leaseholders on PNG Leases with Blue Sky received the Royalty Default Letter from Alberta Energy advising that:

---

<sup>1</sup> As discussed further below, Alberta Energy listed 32 third-party leaseholders on the Royalty Default Notice and copied an additional four third parties on the email circulating the Royalty Default Notice.

- (a) Blue Sky's gas royalty account no. G94 166910 (the "**Blue Sky Royalty Account**") has an outstanding balance of \$1,872,563.84, including interest calculated to October 31, 2025 (the "**Blue Sky Royalty Arrears**"), and in respect of which Alberta Energy is entitled to pursue all available recourse to remedy;
- (b) all registered lessees on the PNG Leases are jointly responsible for the full amount of the Blue Sky Royalty Arrears, regardless of their proportionate interest in a lease;
- (c) liability for the Blue Sky Royalty Arrears is not apportioned between lessees and, unless the Blue Sky Royalty Arrears are paid in full, Alberta Energy may exercise remedies against any lessee, regardless of whether such lessee has an interest in the PNG Lease from which the applicable Blue Sky Royalty Arrears relate;
- (d) unless full payment of the Blue Sky Royalty Arrears was remitted to Alberta Energy on or before October 31, 2025, Alberta Energy may pursue various remedies, including cancelling the affected PNG Leases, setting off the Blue Sky Royalty Arrears against credits owing by Alberta Energy to leaseholders and suspending leaseholders' electronic transfer system ("**ETS**") privileges.

Attached as **Exhibit "E"** is a copy of the Royalty Default Notice.

12. While Canadian Natural received the Royalty Default Notice directly from Alberta Energy, it appears from a review of the cover email that accompanied the Royalty Default Notice that not all affected parties were copied. Of the 32 companies listed on the Royalty Default Notice, only 12 companies are included on the cover email.<sup>2</sup> A copy of Alberta Energy's cover email is attached hereto as **Exhibit "F"**.

---

<sup>2</sup> The 12 companies included on Alberta Energy's email circulating the Royalty Default Notice are as follows: Peyto Exploration & Development Corp., Cenovus Energy Inc., Lynx Energy ULC, Axiom Oil and Gas Inc., Mjolnir Resources Corp., Canadian Natural Resources Limited, W.F. Brown Exploration Ltd., Sinopec Canada Energy Ltd., Tidewater Midstream and Infrastructure Ltd., Journey Energy Inc., Nuvista Energy Ltd. and Orlen Upstream Canada Ltd. In addition, the following companies were included on Alberta Energy's email but were not listed on the Royalty Default Notice: Saturn Oil and Gas Inc., ROK Resources, Sabre Energy Ltd. and Signalta Resources Limited. Finally, Alberta Energy included certain "@gmail", "@shaw", etc. email addresses on its cover email which appear to be personal and not related to any company.

### **Canadian Natural and Others Object to the Royalty Default Notice**

13. Canadian Natural reviewed the Royalty Default Notice and had concerns about the issuance of the Royalty Default Notice during the pendency of the NOI Proceedings. Counsel for Canadian Natural accordingly wrote Alberta Energy by letter dated October 16, 2025 (the “**Canadian Natural Response Letter**”) describing the basis of its concerns and requesting that Alberta Energy agree to stay any enforcement of the debts noted in the Royalty Default Notice (including any enforcement under the *Mines and Minerals Act*, RSA 2000, c M-17 (“**MMA**”) or the *Crown Minerals Registration Regulation*, Alta Reg 264/1997 (“**CMRR**”)) until the issue had been fully determined by the Court. A copy of the Canadian Natural Response Letter is attached hereto as **Exhibit “G”**.

14. Alberta Energy declined to stay enforcement of the Blue Sky Royalty Arrears. By letter dated October 22, 2025 (the “**Alberta Energy Response Letter**”), Alberta Energy advised Canadian Natural that it would not stay enforcement of the Blue Sky Royalty Arrears and accused Canadian Natural of making “spurious assertions” and attempting to “weaponize the insolvency process to prevent payment of arrears legally owed to the public for the use of public resources.” A copy of the Alberta Energy Response Letter is attached hereto as **Exhibit “H”**.

15. Since receipt of the Alberta Energy Response Letter, Canadian Natural has received a number of letters from other leaseholders listed on the Royalty Default Notice who share Canadian Natural’s concerns regarding Alberta Energy’s attempts to circumvent the NOI Proceedings through issuance of the Royalty Default Notice, including the following:

- (a) letter from Cenovus Energy Inc. (“**Cenovus**”) to Alberta Energy, dated October 22, 2025 (the “**Cenovus Letter**”) advising, among other things, that “Cenovus adopts and relies upon the same substantive grounds set out in Osler’s correspondence, including that enforcement of the alleged arrears during the NOI Proceedings would contravene the statutory stay of proceedings under the *Bankruptcy and Insolvency Act* and the principles affirmed by the Alberta and Supreme Courts respecting the single proceeding model.” A copy of the Cenovus Letter is attached hereto as **Exhibit “I”**;

- (b) letter from counsel to Ovintiv Canada ULC (“**Ovintiv**”) to Alberta Energy, dated October 27, 2025 (the “**Ovintiv Letter**”) advising that, among other things:

We disagree with your assessment of the merits of the positions and objections set out in the CNRL Letter. In particular, your assessment of the effect and purpose of the single proceeding model misses the point. As noted by Justice Gill in his decision in the CCAA proceedings of Bellatrix Exploration Ltd. on March 14, 2025, and with specific reference to the decision of the Supreme Court of Canada in *Peace River Hydro Partners v Petrowest Corporation*, the single proceeding model “centralizes all claims related to a debtor’s insolvency before a single court” with a view to “prevent inefficiency and confusion that would arise from multiple separate legal actions by different stakeholders”. He went on to say that there is broad authority of the CCAA court to “ensure that all disputes, claims and matters related to insolvency are dealt with expeditiously and in the best interests of the debtor’s creditors”.

In a situation where Alberta Energy (and not the registered participants) has an ability to be paid amounts outstanding under crown mineral leases at the time of assignment of such leases to a purchaser, in priority to other creditors of the insolvent estate, but instead chooses to recover from non-insolvent registered participants, the amounts outstanding by Blue Sky and its estate to creditors does not change. The claim has merely changed hands from Alberta Energy to the registered participants who are being required to contribute to Blue Sky’s failure to remit amounts owing to Alberta Energy. They, however, have no ability to require a priority distribution from ultimate proceeds of sale, but are left to recover as unsecured creditors to the extent all priority and secured claims are satisfied in full. It is not clear how this could be interpreted as an outcome that is “in the best interests of the debtor’s creditors” as you have suggested.

While Ovintiv does not dispute the requirement of registered participants to satisfy their proportionate share of unpaid royalties in respect of any crown mineral leases which are not assigned to a purchaser of assets from Blue Sky’s estate, we strongly object to Alberta Energy refusing to first participate in Blue Sky’s insolvency proceedings before looking to registered participants in respect of any crown mineral leases that cannot be monetized in the insolvency proceedings.

A copy of the Ovintiv Letter is attached hereto as **Exhibit “J”**;

- (c) letter from Whitecap Resources Inc. (“**Whitecap**”) to Alberta Energy, dated October 27, 2025 (the “**Whitecap Letter**”) advising that, among other things, “Whitecap agrees with the positions taken in the CNRL and Ovintiv letters and expects to support any application by CNRL to the Court of King’s Bench of Alberta in respect of the Royalty Default Letter.” A copy of the Whitecap Letter is attached hereto as **Exhibit “K”**; and

- (d) letter from Sinopec Canada Energy Ltd. (“**Sinopec**”) to Alberta Energy, dated October 29, 2025 (the “**Sinopec Letter**”) advising that “Sinopec supports the position taken in the CNRL Letter and supports any application by CNRL to the Court of King’s Bench of Alberta in respect of the Royalty Default Letter. We disagree with your assessment in the Response Letter of the merits of the positions and objections set out in the CNRL Letter.” A copy of the Sinopec Letter is attached hereto as **Exhibit “L”**.

### **Royalty Arrears Applicable to Canadian Natural Leases**

16. In response to the Royalty Default Letter, Canadian Natural requested, and Alberta Energy provided Canadian Natural with, a list of the specific Blue Sky Royalty Arrears relating to PNG Leases on which Canadian Natural is registered as the designated representative or registered participant. A copy of the spreadsheet listing the Blue Sky Royalty Arrears, including the period of royalty arrears, the lease agreement ID number, the well location from which Blue Sky produced gas and failed to pay the Blue Sky Royalty Arrears, and the amount of associated Blue Sky Royalty Arrears, is attached hereto as **Exhibit “M”**. In total, Alberta Energy is claiming Blue Sky Royalty Arrears of \$288,503.47 against Canadian Natural in respect of PNG Leases on which Canadian Natural is registered as designated representative or registered participant.

17. The Blue Sky Royalty Arrears claimed against Canadian Natural as designated representative or registered participant fall into two categories: (a) arrears where Canadian Natural has a working interest in the producing well; and (b) arrears where Canadian Natural has no working interest in the producing well and is not party to any agreement with Blue Sky with respect thereto.

18. First, a portion of the Blue Sky Royalty Arrears relate to gas production received by Blue Sky from wells in which Canadian Natural has a working interest and in respect of which Canadian Natural and Blue Sky are party to a joint operating or other agreement.<sup>3</sup> In this scenario, the

---

<sup>3</sup> A portion of the PNG Leases from which the Blue Sky Royalty Arrears are owed are the subject of an ongoing litigation between Canadian Natural, TAQA North Ltd., TAQA North (together, “**TAQA**”) and Blue Sky (among others) relating to Canadian Natural’s withholding of consent to a transaction between TAQA and Blue Sky. While regulatory records still show TAQA as the working interest partner in the wells, TAQA assigned royalty payorship to Blue Sky. Accordingly, any amounts Canadian Natural is required to pay with respect to the Blue Sky Royalty Arrears will be added to its claim against TAQA. While the foregoing does not impact the issue with



Operator of the well (be it Canadian Natural, Blue Sky, or another third party working interest owner) produces the well and allocates either production on a "take in kind" basis to each of the working interest partners in accordance with their respective ownership percentages, or the production is marketed by the Operator and the revenues from such production are delivered to each of the working interest partners in accordance with their respective ownership percentages. Each owner is then responsible for paying the royalties relating to its respective share of production or production revenues from its own respective royalty account.

19. The Operator does not pay royalties on behalf of the other working interest partners. Instead, the Operator reports all production from the well to Alberta Energy, including the respective ownership allocation of each working interest partner, and then Alberta Energy issues an invoice for royalties payable on such production to the applicable party. Even if Canadian Natural is Operator, it receives only its own invoice for royalties payable on its respective share of production. It does not receive any invoices issued by Alberta Energy to any other working interest partners. Upon receipt of an invoice, the individual working interest partner is responsible to pay its royalties with respect to its production directly to Alberta Energy from its respective royalty account.

20. The foregoing can be contrasted with annual mineral rentals payable to Alberta Energy. Every year while a PNG Lease is validly in effect, the parties thereto must pay Alberta Energy an annual rental of \$3.50 per hectare for the privilege of holding the PNG Lease, regardless of whether any wells are drilled, or production is taken, from the PNG Lease. Such mineral rentals are paid by the designated representative under the PNG Lease and invoiced to each working interest partner in accordance with its proportionate ownership interest. Unlike royalties which are party-specific and based on the individual party's specific production entitlement, annual mineral rentals are costs to the joint account payable by the designated representative for and on behalf of all working interest participants as a cost of the joint operation. In other words, royalties are costs borne individually by each owner, while rentals are costs borne by the joint account.

21. Accordingly, with respect to the Blue Sky Royalty Arrears, such arrears: (a) relate only to the gas production taken in kind, or gas production revenues paid, to Blue Sky with respect to its

---

Alberta Energy, Canadian Natural flags this matter in the interests of full disclosure and to confirm that it currently does not recognize Blue Sky as having any right, title or interest under certain agreements.

proportionate ownership percentage in the wells; (b) were invoiced directly by Alberta Energy to Blue Sky; and (c) were payable by Blue Sky to Alberta Energy from the Blue Sky Royalty Account. None of the Blue Sky Royalty Arrears relate to Canadian Natural's share of production. Canadian Natural has paid all of its royalty obligations to Alberta Energy on its production from its own royalty account.

22. Second, a portion of the Blue Sky Royalty Arrears relate to gas production received by Blue Sky from wells in which Canadian Natural has no interest, is not a working interest partner in, and is not party to any agreement with Blue Sky with respect thereto. The wells are either owned 100% by Blue Sky or are owned jointly by Blue Sky and one or more third parties. Canadian Natural is listed as a designated representative or a registered participant on the PNG Lease as it holds working interests elsewhere on the PNG Lease (or has other operations or arrangements elsewhere on the PNG Lease), however it has no actual interest in the wells from which Alberta Energy now seeks payment of the Blue Sky Royalty Arrears and is not party to any contractual arrangement with Blue Sky with respect thereto.

23. The foregoing two categories relate to Blue Sky Royalty Arrears claimed against Canadian Natural as designated representative or registered participant. However, there are two other potential categories of Blue Sky Royalty Arrears asserted by Alberta Energy under the Royalty Default Notice: (a) Blue Sky Royalty Arrears owing on PNG Leases in which Canadian Natural holds a working interest (but not a registered interest); and (b) Blue Sky Royalty Arrears owing on PNG Leases in which Canadian Natural holds no interest (registered, working or otherwise) and which are held entirely by third parties.

24. With respect to these two categories of potential liability, Alberta Energy has refused to provide Canadian Natural (and, I understand, any other lessees) with a list of all PNG Leases impacted by the Royalty Default Notice. Canadian Natural accordingly has no means of verifying:

- (a) whether any PNG Leases in which it holds a working interest are included in the Royalty Default Notice. As the Royalty Default Notice asserts that Alberta Energy may cancel PNG Leases for unpaid Blue Sky Royalty Arrears, Canadian Natural's economic and proprietary working interests are at risk of cancellation without Canadian Natural having any ability to address, or even confirm the existence of, such risk; and

- (b) whether any PNG Leases included in the Royalty Default Notice continue to have Blue Sky Royalty Arrears outstanding at any particular time. The Royalty Default Letter asserts that all lessees are responsible for Blue Sky Royalty Arrears owing under any PNG Lease, even those in which the lessee has no interest. Failure to pay the Blue Sky Royalty Arrears in full may result (according to the Royalty Default Letter) in Alberta Energy refusing to issue new agreements to Canadian Natural or suspend Canadian Natural's ETS privileges (including its ability to bid on lands posted for sale, register mineral agreement transfers, or request search products from Alberta Energy). Again, Canadian Natural has no ability to confirm or address this risk as Alberta Energy will not disclose a list of all impacted PNG Leases.

#### **Payment of the Blue Sky Royalty Arrears under Protest**

25. In light of Alberta Energy's refusal to stay enforcement of the Blue Sky Royalty Arrears until such time as the enforceability of the Royalty Default Letter was determined by the Court, on October 31, 2025, Canadian Natural remitted payment to Alberta Energy under protest of its proportionate share of the Blue Sky Royalty Arrears. The cover email that accompanied Canadian Natural's payment to Alberta Energy advised:

As detailed in Canadian Natural's external counsel's letter of October 16, 2025, Canadian Natural disputes the validity of the Gas Royalty Arrears: Leaseholder Recourse Default Letter (the "Royalty Default Letter"). We understand that Alberta Energy has declined Canadian Natural's request for a stay of enforcement while the validity of the Royalty Default Letter is determined by the Court. Accordingly, in light of the significant consequences prescribed in the Royalty Default Letter, Canadian Natural has paid under protest. Please see the attached wire confirmation.

Canadian Natural is confident that the Court will determine the Royalty Default Letter is invalid. Canadian Natural will seek repayment of all amounts paid under protest, with interest according to the *Natural Gas Royalty Regulation, 2017* or such other rate as deemed appropriate by the Court.

A copy of Canadian Natural's cover email is attached hereto as **Exhibit "N"**.

26. I understand from the Cenovus Letter, the Ovintiv Letter, the Whitecap Letter, and the Sinopec Letter that similar payments were made under protest by those companies to Alberta Energy with respect to the Blue Sky Royalty Arrears. I am also advised by Canadian Natural's counsel that Signalta Resources Limited confirmed that it was intending to make a payment of the

Blue Sky Royalty Arrears under protest. I further understand that the third parties (other than Blue Sky) listed as “designated representative” on the PNG Leases noted on Exhibit M confirmed with Canadian Natural their intention to pay the Blue Sky Royalty Arrears and invoice Canadian Natural for its respective share of such costs.<sup>4</sup> Canadian Natural has no information regarding the payments made by any other leaseholders noted on the Royalty Default Notice or the basis on which such payments were made.

27. Following payment of Canadian Natural’s (and other lessees’) proportionate shares of the Blue Sky Royalty Arrears, and in support of an adjournment request by Alberta Energy of Canadian Natural’s Application (originally scheduled for December 16, 2025), Alberta Energy confirmed that it would not take remedial action against the lessees with respect to the Blue Sky Royalty Arrears until resolution of the matter by the Court.

#### **PNG Lease Transfer Process in Alberta**

28. As noted above, the Blue Sky Royalty Arrears paid by Canadian Natural on October 31, 2025, relate to production taken by Blue Sky from wells drilled on various PNG Leases on which Canadian Natural is listed as designated representative or registered leaseholder. All of the PNG Leases are in writing, follow a relatively standard form and are issued by Alberta Energy. To the best of my knowledge, all of the PNG Leases grant the holders thereof the exclusive right to explore for, work, win and recover petroleum and natural gas within and under the lands described in the PNG Lease. While the language used to describe the right differs slightly amongst the various versions of PNG Leases used by Alberta Energy over the years, all are consistent in granting an exclusive right to the holders thereof. Therefore, because the rights granted under a PNG Lease are exclusive to the holder, PNG Leases cannot be freely or readily transferred without the approval of Alberta Energy. Examples of PNG Leases from which the Blue Sky Royalty Arrears are claimed by Alberta Energy are attached hereto as **Exhibits “O” to “S”**.

29. I am advised by Ms. Rhonda Gosse, Manager, Mineral Land Administration at Canadian Natural that the following is the process involved in transferring a PNG Lease in Alberta:

---

<sup>4</sup> The payment by these third parties will reduce Canadian Natural’s share of the Blue Sky Royalty Arrears payable directly to Alberta Energy to \$225,046.86. Canadian Natural will then be invoiced for its respective share of the amounts paid by such third parties to Alberta Energy.

- (a) transfers of PNG Leases are completed through ETS, a secure online platform administered by the Government of Alberta;
- (b) within ETS, the transferor (i.e. the current holder of the PNG Lease) initiates the transfer of its registered interest in the PNG Lease to the transferee who must accept the assignment electronically within ETS;
- (c) following the transferee's acceptance of the proposed transfer, the transfer application is then submitted to Alberta Energy for review and approval;
- (d) Alberta Energy reviews the transfer application for, among other things, the transferee's eligibility to hold the PNG Lease and the existence of any rental or royalty arrears owing on the PNG Lease. In the event any rental or royalty arrears are identified, Alberta Energy's stated process is to notify the transferor and transferee of the amount required to be paid to bring the PNG Lease current before the application can proceed to approval. While the transfer application is usually held in abeyance by Alberta Energy to permit the transferor and/or transferee time to bring the PNG Lease current (i.e. pay any outstanding rental or royalty payments in arrears), sometimes Alberta Energy simply rejects the requested transfer outright on the basis of outstanding arrears. In that instance, arrears must be paid and the transfer application resubmitted in ETS; and
- (e) once a proposed transfer is approved by Alberta Energy, a Memorandum of Registration is issued by Alberta Energy and attached to the applicable PNG Lease as confirmation that the transfer has been completed.

30. In all cases, Alberta Energy must approve the transfer of a PNG Lease in Alberta. A transferor and transferee cannot unilaterally complete such process without Alberta Energy's review and approval.

31. With respect to transfers of PNG Leases by Alberta Energy within an insolvency process, on September 26, 2024, Alberta Energy released Information Letter 2024-32 (the "**Information Letter**"). The subject of the Information Letter is "Obligations of a Receiver to the Alberta Crown during Insolvencies" and confirms the following about Alberta Energy's process for transferring PNG Leases within an insolvency proceeding:

This information letter reinforces that receivers, monitors, or trustees (the "receiver") must ensure that all agreements are in good standing (i.e., all rental and royalty balances are satisfied, and outstanding debts are paid) before the Department of Energy and Minerals ("Energy and Minerals") will consider approving agreement transfers.

...

Note, Energy and Minerals will process agreement transfer requests only when agreements are in good standing. If, during the insolvency proceedings, the receiver considers selling and transferring active mineral agreements to a purchaser, Energy and Minerals requires full payment of any outstanding rental, royalty, and debt obligations prior to approving the transfer of any mineral agreements.

Any interested parties considering the acquisition of Crown mineral agreements forming part of an insolvency proceeding are advised to solicit information from the receiver regarding outstanding royalty and rental debts prior to finalizing any purchase agreements. This information will help avoid unexpected delays in transferring mineral agreements and clarify purchaser obligations respecting existing agreement arrears.

Attached as **Exhibit "T"** is a copy of the Information Letter.

32. The foregoing position of Alberta Energy – that transfers of PNG Leases will not be approved in an insolvency process unless all arrears are paid current by the purchaser – was recently repeated by Alberta Energy in its submissions to the Court in the receivership proceedings of CLEO Energy Corp in Alberta Court of King's Bench Action No. 2501-09028 (the "**CLEO Receivership**"):

Yes, good morning, Justice. Mr. Emmett Larsen. So, yes, I'm a solicitor counsel for Alberta Energy. Now, I will -- before I begin, I'll just make a quick (INDISCERNIBLE). We, as Alberta Energy, don't necessarily deal with licence transfers, for like a well licence, that is the AER. Our concern is with the mineral tenure agreement, which is the Crown lease. So that is the asset under which these arrears have accrued. If the AER wants to speak to any well licence issues, I will leave it to them.

...

And so in a standard transaction an insolvent party and their Trustee or Receiver manager, they find a purchaser and the purchaser agrees to take on the assets. The Receiver will then submit a request to Alberta Energy for the transfer of the mineral agreement and Alberta Energy will receive that transfer request and review it. Usually the Receiver will provide a vesting order and an asset transaction and the purchase agreement and the Receiver's certificate and Alberta Energy will review those and ensure that everything is in order, but also check to see what arrears are outstanding.

If there are arrears outstanding, the Minister can refuse that transfer until those arrears are paid.

Now, it is standard practice, and most receivers and purchasers are well aware, in the standard purchase agreement there will be a provision made that the purchaser is responsible for payment of cure costs. So that is what is unique about this in that there is no provision for cure costs and it seems to be skirting -- or subverting directly that standard practice.

A copy of the transcript containing the foregoing submissions of Alberta Energy in the CLEO Receivership is attached hereto as **Exhibit “U”**.

33. Alberta Energy also filed and served the Affidavit of Tracy Wadson, sworn on October 22, 2025 (the “**Wadson Affidavit**”) in the CLEO Receivership which, similar to the above, confirmed the following about PNG Lease transfers within insolvency proceedings:

14. Upon sale of an insolvent's Mineral Leases (in an asset sale, not a share purchase arrangement), the receiver or trustee requests that Alberta Energy transfer those Mineral Leases to the name of the purchaser.

15. Under s. 18(2) of the Act, and, in particular, s. 5(1)(g) of the *Crown Minerals Registration Regulation*, AR 264/1997 (the “**Regulation**”), the Minister (through Alberta Energy) is authorized to refuse the transfer of a Crown agreement.

16. Alberta Energy requires payment of cure costs (i.e., the Crown Liabilities - the monetary defaults under the Mineral Lease) before it will transfer Mineral Leases to the purchaser (the “**Transfer Requirement**”).

17. Alberta Energy routinely enforces the Transfer Requirement in insolvency asset transactions and, based on my experience, both industry and receivers/trustees are aware of the Transfer Requirement.

18. For example, the following information is publicly available:

a. Guide for Transfers	It is the transferor's responsibility to disclose [outstanding agreement debts] to any potential buyer since any debts associated with the agreement are transferred along with agreement ownership .  ...the agreement must be in good standing for [transfer] to proceed.	Exhibit “C”
b. Indebtedness Guide	If a company is in debt to the Crown, [Energy] may ... [remove] a company's ability to transfer an agreement.	Exhibit “D”
c. IL 2024-32: Obligations of	[Energy] will process agreement transfer requests only when agreements are in good	Exhibit “E”

Receiver to Crown during Insolvencies	standing... [Energy] requires full payment of any rental, royalty, and debt obligations prior to approving transfer of mineral agreements.	
d. IL 2024-11: ETS Permission Suspension for Leaseholder Debt	Remedies [for Crown Liabilities] may include ... the suspension of a company's ability to ... transfer mineral agreements.	Exhibit "F"

A copy of the Wadson Affidavit is attached hereto as **Exhibit "V"**.

34. Notwithstanding Alberta Energy's position outlined above regarding the proper process in an insolvency proceeding for the recovery of outstanding rental and royalty arrears, Alberta Energy has taken contradictory positions in its dealings with Canadian Natural over the past years. In addition to the position currently being taken by Alberta Energy with respect to the Blue Sky Royalty Arrears, I am aware of the following:

- (a) On June 29, 2020, the Court granted an Approval and Vesting Order approving a transaction between PricewaterhouseCoopers Inc. LIT ("**PwC**"), as receiver and manager of Trident Exploration Corp. and various related entities and partnerships (collectively, "**Trident**"), and Tallahassee Exploration Inc. ("**Tallahassee**") pursuant to which Tallahassee acquired, among other things, an interest in PNG Lease No. 27403B (the "**Trident Lease**"). Alberta Energy transferred the Trident Lease to Tallahassee without requiring the payment of arrears. On September 8, 2021, Alberta Energy then issued a royalty default notice to Canadian Natural and other registered lessees in the amount of \$235,973.84 relating to gas royalty arrears owing by Trident on, among other things, the Trident Lease. Attached as **Exhibit "W"** is a copy of the royalty default notice with respect to Trident.
- (b) On March 30, 2022, the Court granted an Amended Approval and Vesting Order approving a transaction between PwC, as receiver and manager of SanLing Energy Ltd. ("**SanLing**") and Journey Energy Inc. and Journey Limited Partnership (together, "**Journey**") which, among other things, required that Journey remedy all monetary defaults of SanLing or PwC under any assumed contract, including any PNG Leases. Accordingly, on February 9, 2022, Canadian Natural wrote Alberta



Energy: "Journey Energy has purchased these wells in the attached spreadsheet and is looking to pay the outstanding arrears. I have included Kathryn Gagne from Journey and CNRL gives permission to release the amounts to us and Journey. CNRL is 100% registered holder on all agreements." In response, Alberta Energy provided confirmation of outstanding arrears up to June 2021. As such arrears were not current, Canadian Natural once again clarified the request: "We actually do need current information since the purchaser of the assets should be paying the cure costs which includes the AB Energy royalty arrears on SanLing's account that are associated with the assets that Journey purchased. Can you please provide us with up to date amounts. I'm sorry for the trouble." Alberta Energy refused to provide current information on arrears, instead advising Canadian Natural and Journey that Journey could pay the arrears up to June 2021 and Alberta Energy would default and hold Canadian Natural liable for the remainder: "Journey can pay the arrears of what is on the current report, and when the updated amounts are available at the Default Notice stage, CNRL can bill Journey." Canadian Natural once again followed up with Alberta Energy: "We are simply asking for the current amount of arrears so that they can be paid. There is no need for a default. Journey is prepared to pay the amount owed. We simply need to know how much that is." Alberta Energy once again denied Canadian Natural's request:

I am the Team Lead for Gas Royalty Collections, and I wanted to confirm that Alberta Energy will continue to follow our process of providing the arrear amounts to leaseholders during the Leaseholder Default Letter stage, and providing an updated report at the Default Notice stage as the G94 account has already reached the Default Stage.

The purpose of our Collection processes are not there to provide cure cost amounts for dealings amongst partners that have nothing to do with the agreement itself. Per our current legislation, Alberta Energy looks to the leaseholders to pay the arrears, and does not get involved at seeking payment from additional parties.

Again, Journey can pay the arrears of what is on the current report, and when the updated amounts are available at the Default Notice stage, CNRL can bill Journey.

Attached as **Exhibits "X" and "Y"** are copies of Canadian Natural's correspondence with Alberta Energy.

- (c) On February 8, 2023, Canadian Natural received royalty default notices with respect to Sydco Energy Inc. (“**Sydco**”) in the amount of \$88,320.07 and Direct Oil & Gas Inc. (“**Direct**”) in the amount of \$168,283.74. Upon review of the royalty default notices, Canadian Natural determined that: (i) Sydco (through its receiver) had sold and assigned its interest in a number of PNG Leases, among other assets, to Direct pursuant to an Approval and Vesting Order, granted September 6, 2017; (ii) Direct (through its trustee in bankruptcy) had sold and assigned its interest in a number of PNG Leases, among other assets, to Blue Sky pursuant to an Approval and Vesting Order, granted August 19, 2020 (as amended). The PNG Leases were transferred by Alberta Energy (in some cases, twice – from Sydco to Direct and from Direct to Blue Sky) without requiring payment of royalty arrears. When Canadian Natural raised the issue with Alberta Energy, no explanation was provided other than:

Jennifer, both agreements still have arrears on them.

Regarding 0589060380 – Blue Sky was supposed to pay a portion of it when they requested transfer but seems like they were under impression CNRL was going to pay the arrears and later on the transfer got approved without them paying the arrears.

Six years after the transaction in Sydco’s receivership, and 2.5 years after the transaction in Direct’s bankruptcy, Alberta Energy defaulted Canadian Natural for arrears that Alberta Energy had failed to collect at the time of the PNG Lease transfers. Attached as **Exhibits “Z” to “BB”** are copies of Canadian Natural’s correspondence with Alberta Energy and the royalty default notices with respect to Sydco and Direct.

- (d) On or about November 1, 2024, Canadian Natural received sixteen royalty default notices from Alberta Energy advising that Bellatrix Exploration Ltd. (“**Bellatrix**”) was in default of its obligation to pay royalties to Alberta Energy and demanding that Canadian Natural pay all outstanding arrears. The royalty default notices were issued more than three years after Bellatrix’s proceedings under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) concluded, and more than four years after the transaction whereby substantially all of Bellatrix’s assets were sold, and all PNG Leases were transferred by Alberta Energy to the purchaser, Spartan Delta

Corp. (“**Spartan Delta**”). Spartan Delta, Canadian Natural and PwC (as former Monitor of Bellatrix in its CCAA proceedings) challenged the ability of Alberta Energy to issue the royalty default notices, which challenge was heard by the Honourable Justice Gill in March 2025. In a decision issued March 14, 2025, Justice Gill held the following:

Now, to summarise my conclusion first, and then I will give some reasons. My conclusions are I find that Alberta Energy's claims for the payment of the Bellatrix royalty arrears against Spartan and the third parties are unenforceable for several reasons, including the following. Firstly, the claims are barred by the clear wording of the vesting order. Secondly, the claims undermine the integrity and finality of the Bellatrix CCAA process. And thirdly, the claims are not supported by the provisions of the Mines and Minerals Act.

With respect Justice Gill’s second conclusion – that the royalty default notices issued by Alberta Energy undermined the “integrity and finality of the Bellatrix CCAA process” – Justice Gill held as follows:

Secondly, my second reason is that Alberta Energy claims are also precluded as they undermine the integrity and finality of the Bellatrix CCAA process.

In *Peace River Hydro Partners v. Petrowest Corporation* the Supreme Court of Canada reiterated the importance of the single proceeding model, which centralizes all claims related to a debtor's insolvency before a single court. This model is described as designed to prevent inefficiency and confusion that would arise from multiple separate legal actions by different stakeholders. The Court's broad authority under the CCAA ensures that all disputes, claims, and matters related to insolvency are dealt with expeditiously in the best interests of the debtor's creditors. In this CCAA process, the monitors supervised the process that addressed any liabilities, including the pre-filing royalty arrears, that needed to be addressed. In addition, there was a post-filing holdback process.

As I mentioned, Alberta Energy was involved in the CCAA process. It was on the service list. It received notice of all steps taken and was provided opportunities to participate at all stages during the process. It was aware of the transfer of the Bellatrix mineral leases agreements. In fact, it had to approve those transfers. It had the opportunity to address the issue of royalty arrears with the monitor prior to approving the transfer of the leases.

Alberta Energy should have raised the issue of pre-filing royalty arrears during the process. It appears that it elected not to do so. Third parties, like CNRL, relied on the processes established in the CCAA proceedings to assess the respective risks and rights. So in summary,

the collection actions taken by Alberta Energy undermine the integrity of the Bellatrix CCAA process and also offend fundamental principles of fairness.

A copy of Justice Gill's decision is attached hereto as **Exhibit "CC"** (the "**Bellatrix Decision**"). The Bellatrix Decision is currently under appeal by Alberta Energy to the Alberta Court of Appeal. Attached as **Exhibit "DD"** is a copy of Justice Feth's Reasons for Decision granting leave to Alberta Energy to appeal the Bellatrix Decision.

- (e) On or about April 1, 2025, Canadian Natural received nine royalty default notices from Alberta Energy advising that Quicksilver Resources Canada Inc. ("**Quicksilver**") was in default of its obligations to pay royalties to Alberta Energy and demanding that Canadian Natural (as a designated representative or registered leaseholder) pay all outstanding arrears. The royalty default notices were issued approximately nine years after the approval and vesting order was granted in Quicksilver's CCAA proceedings and all PNG Leases were transferred by Alberta Energy to a third party purchaser. By letter dated April 15, 2025, Canadian Natural objected to issuance of the royalty default notices on the basis that, among other things, "Alberta Energy is purporting to act in direct contravention of the Court's decision in the Bellatrix Proceeding in its issuance of the Default Notices." In response, Alberta Energy agreed "to extend the deadline until resolution of the appeal, but makes no warranty as to treatment of the arrears upon resolution of the appeal." Attached as **Exhibits "EE"** and **"FF"** are copies of Canadian Natural's letter and Alberta Energy's response.

SWORN BEFORE ME at Calgary, Alberta,  
this 14<sup>th</sup> day of November, 2025.

  
A Commissioner for Oaths in and for Alberta

Cassidy H. Bishop  
Barrister & Solicitor

  
Erin Lunn