

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, R.S.C. 1985, c B-3, AS AMENDED

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

DOCUMENT **APPLICATION**

ADDRESS FOR SERVICE **OSLER, HOSKIN & HARCOURT LLP**

AND CONTACT Suite 2700, Brookfield Place

INFORMATION OF 255 – 6th Avenue SW

PARTY FILING THIS Calgary, AB T2P 1N2

DOCUMENT

Solicitors: Emily Paplawski / Homa Aminnejad

Phone: 403.260.7071 / 403.260.7096

Email: epaplawski@osler.com / haminnejad@osler.com

Matter: 1274131

NOTICE TO THE RESPONDENTS: His Majesty the King in right of Alberta as represented by the Minister of Energy and Minerals (“Alberta Energy”)

This application is made against you.

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: January ●, 2026

Time: ● a.m./p.m.

Where: By Webex:

[Link]

Before Whom: The Honourable Justice ●

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

Remedy claimed or sought:

1. The applicant, Canadian Natural Resources Limited (“**Canadian Natural**”), seeks an Order substantially in the form attached hereto as **Schedule “A”**:

(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 petroleum and natural gas leases (“**PNG 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 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.

Grounds for making this application:

Overview

2. The Blue Sky Royalty Arrears are liabilities due and owing by Blue Sky. They arose with respect to gas production received by Blue Sky and for which Blue Sky was liable to pay associated royalties to Alberta Energy. They exist in Blue Sky’s gas royalty account with Alberta Energy and in respect of which Alberta Energy invoiced Blue Sky (and only Blue Sky). Blue Sky was the sole recipient of the benefit of the gas production taken from the PNG Leases and for which it was liable to pay royalties to Alberta Energy. It failed to do so, taking the benefit of the production without paying associated royalties. As of October

31, 2025, its gas royalty account with Alberta Energy was in arrears of \$1,872,563.84 (the “**Blue Sky Royalty Arrears**”).

3. On September 24, 2025, Blue Sky filed the NOI Proceedings.
4. On September 25, 2025, Alberta Energy issued the Royalty Default Letter to approximately 36 third parties registered on the PNG Leases. The Royalty Default Letter:
 - (a) advised all registered leaseholders that Blue Sky’s gas royalty account had an outstanding balance and that all registered lessees on the PNG Leases were jointly responsible for the full payment of the Blue Sky Royalty Arrears, regardless of their proportionate interest in the applicable PNG Leases;
 - (b) warned that failure to pay the Blue Sky Royalty Arrears in full could result in Alberta Energy cancelling the affected PNG Leases, setting off credits owed by Alberta Energy to the third party lessee, and/or suspending the lessee’s electronic transfer system privilege (used to, among other things, bid on lands posted for sale, register mineral agreement transfers, and request search products from Alberta Energy); and
 - (c) required that payment of the Blue Sky Royalty Arrears be remitted to Alberta Energy on or before October 31, 2025.
5. In response to the Royalty Default Letter, Canadian Natural and at least four other affected companies wrote to Alberta Energy expressing concern with Alberta Energy’s issuance of the Royalty Default Letter during the pendency of the NOI Proceedings. Canadian Natural requested that Alberta Energy agree to stay any enforcement of the debts noted in the Royalty Default Letter until the issue had been fully determined by the Court.
6. Alberta Energy declined the request – accusing 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.”
7. In light of Alberta Energy’s refusal to stay enforcement of the amounts claimed in the Royalty Default Letter, and the significant consequences of non-payment noted in the

Royalty Default Letter, Canadian Natural and other registered lessees paid their proportionate shares of the Blue Sky Royalty Arrears under protest to Alberta Energy. Canadian Natural's share of the Blue Sky Royalty Arrears totalled \$288,503.47.

Requested Declarations against Alberta Energy

8. The Blue Sky Royalty Arrears constitute a claim provable in bankruptcy against 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 NOI Proceedings prior to seeking any recoveries from Canadian Natural or any other leaseholder noted on the Royalty Default Letter.
9. Among other things, the Blue Sky Royalty Arrears: (a) relate to production received by Blue Sky; (b) arise from Blue Sky's interest in the PNG Leases; (c) were invoiced by Alberta Energy to Blue Sky; and (d) exist in Blue Sky's gas royalty account with Alberta Energy. Notwithstanding Alberta Energy's threats to the contrary in the Royalty Default Letter, the Stay prohibits any termination of the PNG Leases for non-payment of the Blue Sky Royalty Arrears precisely because of Blue Sky's interest therein.
10. Alberta Energy's current efforts to circumvent the NOI Proceedings by issuance of the Royalty Default Letter offends the "single proceeding model" which applies to the NOI Proceedings and which "centralizes all claims related to a debtor's insolvency before a single court." Within the NOI Proceeding, the Court has a "broad scope of authority" to "deal with most bankruptcy disputes, as '[a]nything less would unnecessarily complicate and undermine the economical and expeditious winding up of the bankrupt's affairs'."
11. The Royalty Default Letter also offends fundamental principles of fairness. Under the *Mines and Minerals Act*, RSA 2000, c M-17 ("**MMA**") and the *Crown Minerals Registration Regulation*, AR 264/1997, Alberta Energy must approve every transfer of a PNG Lease in Alberta. All of its publicly issued notices, process guides and representations before this Court in other insolvency proceedings confirm that Alberta Energy requires that all monetary defaults be cured before it will transfer a PNG Lease to a purchaser in an insolvency proceeding. Alberta Energy accordingly has an ability to be paid all outstanding

arrears under a PNG Lease at the time of assignment of such PNG Lease to a purchaser within the NOI Proceedings (or any other insolvency proceeding).

12. Unlike Alberta Energy, the registered lessees listed on the Royalty Default Letter have no ability to require a priority distribution from the Blue Sky estate with respect to any of the Blue Sky Royalty Arrears paid to Alberta Energy. Such third parties are left to try and recover the Blue Sky Royalty Arrears as unsecured creditors within the NOI Proceedings to the extent all secured and priority claims are satisfied in full. While the same amount remains outstanding by Blue Sky, the claim has changed hands from Alberta Energy to innocent third parties who, unlike Alberta Energy, have no ability to recover such amounts other than as unsecured creditors.
13. The converse of the foregoing is that any purchaser who would otherwise be liable for the Blue Sky Royalty Arrears upon an assignment of the purchased PNG Leases will no longer have such liability. Alberta Energy's position is to effectively require the third party lessees to subsidize the NOI Proceedings. Such result would be highly unfair and underlines the necessity of the "single proceeding model".
14. This case is not the first time that Alberta Energy has attempted to circumvent the insolvency process and recover royalty arrears directly from third party lessees. Following conclusion of Bellatrix Exploration Ltd.'s ("**Bellatrix**") proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 ("**CCAA**") in 2021, Alberta Energy issued royalty default notices to third party lessees in late 2024 relating to PNG Leases sold within the CCAA proceeding. The purchaser of substantially all of Bellatrix's assets in the CCAA proceeding, together with the former Monitor and Canadian Natural, challenged the royalty default notices.
15. In a decision dated March 14, 2025 (and reflecting the same grounds advanced by Canadian Natural in this Application), Justice Gill held that Alberta Energy's attempted circumvention of the insolvency process "undermine[d] the integrity of the Bellatrix CCAA process and also offend[ed] fundamental principles of fairness."

16. Importantly, the issue before this Court is not whether Alberta Energy is entitled to recover the Blue Sky Royalty Arrears from registered lessees. It is entitled to do so pursuant to section 20(2.1) of the MMA. However, this right does not give Alberta Energy permission to circumvent, and elect not to participate in, the NOI Proceedings. Like all other stakeholders, Alberta Energy is subject to the “single proceeding model” in the NOI Proceedings.
17. If, at the time the Stay expires or is terminated, PNG Leases remain in the Blue Sky estate which have not been monetized within the NOI Proceedings, Alberta Energy may look to registered lessees with respect to any Blue Sky Royalty Arrears on such PNG Leases. However, until then, Alberta Energy must participate in the NOI Proceedings like any other stakeholder and recover the available portion of the Blue Sky Royalty Arrears through the NOI Proceedings.

Repayment of Arrears with Interest

18. Alberta Energy was not entitled to issue the Royalty Default Letter during the pendency of the NOI Proceedings and in the face of the Stay. While Canadian Natural requested a stay of enforcement of the debts noted in the Royalty Default Letter until the issue had been fully determined by the Court, Alberta Energy refused such request. Accordingly, Canadian Natural and other third party lessees paid their proportionate share of the Blue Sky Royalty Arrears under protest and with an expressed intention of seeking full reimbursement from this Court.
19. As Alberta Energy was not entitled to issue the Royalty Default Letter, it is also not entitled to retain the payments made by Canadian Natural and other third party lessees of the Blue Sky Royalty Arrears in response to the Royalty Default Letter. All amounts recovered by Alberta Energy with respect to the Blue Sky Royalty Arrears must be refunded immediately by Alberta Energy, with interest payable pursuant to section 37 of the NGRR or such further and other basis as deemed just by this Honourable Court.

Disclosure of Information by Alberta Energy

20. Alberta Energy has provided Canadian Natural with a list of all PNG Leases included in the Royalty Default Letter in which Canadian Natural holds a registered interest.
21. However, in addition to PNG Leases in which Canadian Natural holds a registered interest, it is likely that Canadian Natural holds a working interest (but not a registered interest) in PNG Leases included within the Royalty Default Letter. Canadian Natural is unable confirm the existence of such working interests because Alberta Energy has not provided a list of all PNG Leases impacted by the Royalty Default Letter.
22. Alberta Energy's refusal to provide a list of all impacted PNG Leases puts Canadian Natural (and all other interest holders) in an untenable position. Canadian Natural will lose its proprietary interests (wells, production, etc.) if PNG Leases in which it holds a working interest are cancelled by Alberta Energy, while simultaneously having no ability to: (a) confirm the existence of such risk; or (b) take any steps to mitigate against such risks. Alberta Energy threatens draconian consequences for non-payment of the Blue Sky Royalty Arrears, then refuses to provide any of the information required by impacted parties to actually assess or address such consequences.
23. Such a position contradicts fundamental principles of fairness and defies reasonability.

Material or evidence to be relied on:

24. The Affidavit of Erin Lunn, sworn November 14, 2025; and
25. Such further and other material as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

26. The following Acts and Regulations:
 - (a) *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended;
 - (b) *Companies' Creditors Arrangement Act*, RSC 1985, c C-36;
 - (c) *Judicature Act*, RSA 2000, c J-2;

- (d) *Mines and Minerals Act*, RSA 2000, c M-17;
- (e) *Crown Minerals Registration Regulation*, Alta Reg 264/1997;
- (f) *Natural Gas Royalty Regulation*, 2017, Alta Reg 211/2016; and
- (g) Such further and other Acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

27. Alberta Energy issuing the Royalty Default Letter in breach of the Stay and contrary to section 69 of the BIA.

How the application is proposed to be heard or considered:

28. By Webex before the Honourable Justice ● at the following link: ●.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and 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.

Schedule “A”

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

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

DOCUMENT **ORDER**

ADDRESS FOR SERVICE **OSLER, HOSKIN & HARCOURT LLP**
AND CONTACT Suite 2700, Brookfield Place
INFORMATION OF 255 – 6th Avenue SW
PARTY FILING THIS Calgary, AB T2P 1N2
DOCUMENT

Solicitors: Emily Paplawski / Homa Aminnejad
Phone: 403.260.7071 // 403.260.7096
Email: epaplawski@osler.com / haminnejad@osler.com
Matter: 1274131

DATE ON WHICH ORDER WAS PRONOUNCED: January ●, 2026

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

JUSTICE WHO MADE THIS ORDER: The Honourable Justice ●

UPON THE APPLICATION of Canadian Natural Resources Limited (“**Canadian Natural**”); **AND UPON** reviewing the Affidavit of Erin Lunn, sworn November 14, 2025; **AND UPON** noting that on September 25, 2025, His Majesty the King in right of Alberta as represented by the Minister of Energy and Minerals (“**Alberta Energy**”) issued a Gas Royalty Arrears: Leaseholder Recourse Default Letter dated September 25, 2025 to, among others, Canadian Natural (the “**Royalty Default Letter**”) alleging that Canadian Natural and other third parties were liable for \$1,872,563.84 (the “**Blue Sky Royalty Arrears**”) of gas royalty arrears due and owing by Blue Sky Resources Ltd. (“**Blue Sky**”); **AND UPON** hearing submissions by counsel for Canadian Natural, Ovintiv Canada ULC, Blue Sky, Alberta Energy and such further and other

counsel or interested parties as may appear and make submissions; **IT IS HEREBY ORDERED THAT:**

1. The Royalty Default Letter, and all demands for payment by Alberta Energy contained therein, constitutes a claim provable in bankruptcy against 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 these 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.
2. 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 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.
3. 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 the petroleum and natural gas leases ("**PNG 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.
4. Alberta Energy shall 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 or such other basis as this Court deems just.

5. Alberta Energy shall 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 PNG Leases under which such Blue Sky Royalty Arrears are claimed and the amount of Blue Sky Royalty Arrears claimed under each PNG Lease.
6. Alberta Energy shall pay costs of this Application to Canadian Natural in the amount of \$_____.

Justice of the Court of King's Bench of Alberta