

Estate No. 25-2718889  
Calgary Registry

**IN THE MATTER OF THE BANKRUPTCY OF  
COPETREX OIL & GAS CO. LTD.  
TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

Copetrex Oil & Gas Co. Ltd. (“**Copetrex**” or the “**Company**”) filed an assignment in bankruptcy on March 9, 2021 and KPMG Inc. was appointed as the Trustee (the “**Trustee**”) of the Estate. This report has been prepared by KPMG Inc., in its capacity as Trustee of the Estate of Copetrex to provide preliminary information to the Company’s creditors.

**BACKGROUND**

Copetrex is located in Calgary, Alberta. The Company was established in 1974 for the primary purpose of holding investments in oil and gas working interest partnerships (“**LP**”). Over time Copetrex established seven LPs for holding oil and gas working interests, four of which remain active as at the date of bankruptcy.

As a result of declining revenues from its working interests, as well as the inability to satisfy significant contractual liabilities relating to its working interests, the Company’s directors made a voluntary assignment into bankruptcy.

**PRELIMINARY EVALUATION OF ASSETS**

The following table provides a preliminary summary evaluation of the Company’s assets based on information from the Statement of Affairs dated March 9, 2021 (the “**SOA**”) and the Trustee’s evaluation:

<b>Assets</b>	<b>SOA – Estimated Realizable Value</b>	<b>Trustee – Estimated Realizable Value</b>
Cash	\$319,308	\$319,308
Accounts Receivable	\$0.00	\$0.00
Prepays	\$0.00	\$0.00
Capital Assets	\$0.00	\$0.00

Cash

The Company had five bank accounts with the Toronto-Dominion Bank (“**TD**”) with a combined balance of \$319,308 at the date of bankruptcy. The Trustee instructed TD to place a hold on each of the company’s accounts and will arrange for these funds to be transferred into the Trustee’s estate bank account shortly.

### Accounts Receivable

The Company has listed \$8,693 in accounts receivable. These receivables have been long outstanding and the majority of which are subject to claims of set-off against outstanding unsecured claims. The Trustee has deemed these balances as uncollectible.

### Prepaid Expenses

The Company has listed \$325 in prepaid expenses. The Trustee does not believe there will be any realizations from these prepayments.

### Capital Assets

The Company has listed \$247,348 of capital assets associated with oil and gas interests held across the four remaining LPs. These capital assets comprise minority working interests in 36 oil & gas wells and 4 oil & gas facilities. The Company's records indicate that as at the date of bankruptcy only 6 of the oil & gas wells remain active; the remaining interests are either inactive, shut-in or abandoned.

Copetrex's former management had been attempting to sell these remaining interests to other working interest partners, however they had been unsuccessful to date. The Trustee has written to these partners to determine if they are interested in acquiring Copetrex's interest in active wells, however at this stage believes the likelihood of achieving a recovery from these assets as remote.

## **BOOKS AND RECORDS**

The Trustee is in possession of the Company's financial books and records.

## **PROOFS OF CLAIM**

### Secured

As of the date of this report, no secured claims have been received. The SOA lists the Alberta Energy Regulator ("AER") as a secured creditor for any contingent abandonment liability claims relating to the Company's interests in closed or abandoned wells. The value of this contingent claim has not yet been quantified; however, the Trustee believes it may ultimately exceed the realizable value of the Company's assets.

### Preferred

As of the date of this report, no preferred claims have been received. The company had one employee prior to the bankruptcy however the employee resigned prior to the assignment into bankruptcy and Company records indicate they have no claim for unpaid entitlements.

### Unsecured

As of the date of this report, the following proofs of claim from unsecured creditors have been received:

<b>Creditor</b>	<b>Amount</b>	<b>Proxy</b>
CNRL	\$27,877,672	None

The Trustee notes that the claim of Canadian Natural Resources Ltd (“CNRL”) relates to loans incurred by Copetrex when it acquired various working interests from Czar Resources Ltd, a predecessor entity of CNRL. Former management has advised the Trustee that the repayment of these loans was to be made through deductions from Copetrex’s royalty proceeds from the working interests, however it is not yet clear to the Trustee what deductions were made over the life of these loans and how they have been accounted for.

#### **PREFERENCE PAYMENTS & TRANSFERS AT UNDERVALUE**

The Trustee has not completed its review for potential Preference Payments and Transfers at Undervalue at this point.

#### **ESTIMATED REALIZATION & DISTRIBUTION**

At this time, the Trustee believes the likelihood of a distribution to creditors is dependent on the determination of the AER’s secured claim for abandonment liabilities. The estimated range of distribution (if any) is unknown at this point. Any dividends will be distributed in the manner and priority described by BIA section 136.

#### **REMUNERATION OF THE TRUSTEE**

The cost of administering this bankruptcy estate including the Trustee’s fees and disbursements are being funded from the estate.

**KPMG INC.,**  
Trustee of the Estate of  
Copetrex Oil & Gas Co. Ltd.  
and not in its personal capacity



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Per: Neil Honess  
*Senior Vice-President*

Dated this 29<sup>th</sup> day of March, 2021