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COURT **COURT OF QUEEN'S BENCH OF ALBERTA**

JUDICIAL CENTRE **CALGARY**

PLAINTIFF(S) **ALBERTA TREASURY BRANCHES**

DEFENDANT(S) **APEX ENERGY (CANADA) INC.**

DOCUMENT **FOURTH REPORT OF THE COURT APPOINTED RECEIVER AND
MANAGER OF APEX ENERGY (CANADA) INC. and COURT
APPOINTED RECEIVER AND MANAGER OF CERTAIN ASSETS
OF WORKMAN ENERGY LTD.**

Dated November 10, 2011

DELOITTE & TOUCHE INC.

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 October 7, 2008 to December 7, 2011

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INTRODUCTION AND BACKGROUND

Introduction

1. On October 7, 2008, the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "Court") granted an Order (the "Receivership Order") appointing Deloitte & Touche Inc. ("Deloitte") as Receiver and Manager (the "Receiver") of all of the current and future assets, undertakings and properties of Apex Energy (Canada) Inc. ("Apex" or the "Company"). A copy of the Receivership Order can be found on Deloitte's website at www.deloitte.ca under the Insolvency and Restructuring link.
2. In June 2000, Apex entered into a joint venture agreement (the "MW Joint Venture") with Workman Energy Ltd. ("Workman"). Pursuant to the MW Joint Venture, Workman was granted an interest in certain of Apex's petroleum and natural gas properties. On March 20, 2009, the Receivership Order was amended such that Deloitte was also appointed as Receiver and Manager of Workman's right, title and interest in and to the Workman Interests; as such term was defined in the MW Joint Venture.

Background

3. Apex was a privately owned company, which was incorporated in Alberta in 1993. As at the date of receivership, Apex held an interest in approximately 45 properties on which there were 67 producing natural gas wells and 15 producing oil wells, as well as a large number of shut-in natural gas and oil wells (the "PNG Assets"). The first report of the Receiver, dated April 2, 2009, was filed in support of an application for Court approval of the sale process undertaken with respect to the PNG Assets.
4. The second report of the Receiver, dated July 16, 2009, was filed in support of the Receiver's application on July 22, 2009 (the "July 22 Application"), at which the Court granted an Order (the "July 22 Order") approving the following transactions:
 - a. Certain properties located in the Sturgeon, Mitsue, Utikuma and Evi areas (referred to throughout the sale process as the "W5 North Package") were sold to Canadian Natural Resources Limited ("CNRL", the "CNRL Sale"); and
 - b. The PNG Assets, excluding the W5 North Package, were sold to 1476697 Alberta Ltd., which company later became known as Harness Petroleum Inc. and is currently known as MKE Canada Ltd. ("MKE", the "MKE Sale").

The Confidential Supplementary Report of the Receiver was also provided to and sealed by the Court at the July 22 Application.

5. The third report of the Receiver, dated December 8, 2010, was filed in support of the Receiver's application on December 15, 2010, whereat the Court granted an Order (the "December 15 Order") approving the following:
 - a. The Receiver's Interim Statement of Receipts and Disbursements for the period from October 7, 2008 to December 7, 2010; and
 - b. An interim distribution to Alberta Treasury Branches ("ATB"), Apex's principle secured creditor, up to the value of Apex's indebtedness to ATB (the "ATB Indebtedness").
6. This report constitutes the fourth report of the Receiver (the "Fourth Report"). The Fourth Report is being filed in support of the Receiver's application to this Honourable Court on November 18, 2011 (the "November 18 Application") seeking the following:
 - a. Approval of the reported actions of the Receiver to date in respect of the administration of these receivership proceedings;
 - b. Approval of the Receiver's Statement of Receipts and Disbursements for the period from October 7, 2008 to November 7, 2011;
 - c. Approval of the assignment of any further proceeds from the JVMI Receivables (as defined herein) and any other miscellaneous receipts to ATB;
 - d. Approval of the professional fees and disbursements of both the Receiver and the Receiver's legal counsel, Borden Ladner Gervais LLP, including estimated professional fees and disbursements required to complete the administration of the estate;
 - e. Approval of the destruction of Apex's corporate records (the "Records"), which are being held by the Receiver, in the event that Apex's former director does not request the return of the Records within 30 days of being notified of the Receiver's intent to destroy them;
 - f. The discharge of Deloitte as Receiver; and
 - g. A barring of all claims against the Receiver that arise from or are in any way connected to the Receiver's administration of the receivership, except where such claims arise from gross negligence or willful misconduct.
7. Except where contra-indicated, terms defined in prior reports will take on the same meaning in the Fourth Report.
8. The Fourth Report is being made to the Court and is for the Court's use. The Receiver assumes no responsibility or liability for any loss or damage suffered by any other party as a result of the publication, circulation, reproduction or use of the Fourth Report. Any use of the Fourth Report, reliance on the Fourth Report or basing of decisions on the Fourth Report by any other party are the sole responsibility of that party.

ASSETS

Accounts Receivable

7. The Receiver has collected accounts receivable (excluding the Valparaiso Receivable, as defined below) totaling \$27,561.
8. At the date of receivership, Apex's books and records indicated that Raptor Capital Inc., now known as Valparaiso Energy Inc. ("Valparaiso"), was indebted to Apex in the amount of \$282,026 (the "Valparaiso Receivable"). Valparaiso disputed the amount of the Valparaiso Receivable and after much negotiation Valparaiso paid \$20,000 to the Receiver in full settlement of the Valparaiso Receivable.
9. Pre-Receivership accounts receivable totaling \$382,757 (the "Pre-AR"), post-Receivership rental receivables totaling \$34,609 (the "Post-Rentals") and post-Receivership joint interest billings totaling \$47,453 (the "Post JIBs") have been referred to Joint Venture Management Inc. ("JVMI") for collection (the Pre-AR the Post Rentals and the Post JIBs will collectively be referred to as the "JVMI Receivables"). The recovery of the Pre-AR and the Post Rentals is doubtful. The JVMI Receivables are being pursued on a contingency basis by JVMI and the Receiver is seeking Court approval to assign any resulting net collections to ATB, in accordance with the December 15 Order.

PNG Assets

10. As noted above, the PNG Assets were sold pursuant to the CNRL Sale and the MKE Sale.
11. Apex previously held an operator's lien (the "Lien") against Valparaiso, Rage Energy Ltd. and Leys Energy Inc. as a result of amounts due to Apex from those parties. The Lien related to selected PNG Assets in the Nixon/Wandering River region (the "Nixon Properties"). As part of the MKE Sale, MKE acquired an interest in the Nixon Properties. Following the MKE Sale, a further interest in the Nixon Properties held by the Receiver and deemed not to be saleable, was quitclaimed to MKE (the "Quitclaim"). Following the MKE Sale and the Quitclaim, some uncertainty remained as to whether Apex continued to have an interest in the Lien. As a result of this uncertainty, MKE paid the Receiver \$30,575 in exchange for the Receiver releasing any interest in the Lien.

Properties for Abandonment/ Reclamation

15. Pursuant to both the MKE Sale and the CNRL Sale, all abandonment and reclamation liabilities associated with the PNG Assets were transferred to the respective purchasers, with the exception of those related to the following two wells:
 - a. Sturgeon Lake 100/16-16-070-26W5 - Surface 4-22; and
 - b. Bear Canyon 100/07-11-083-13W6 (collectively the "SB Wells").

The Energy Resources Conservation Board is proceeding to assume the licenses, abandonment and reclamation liabilities associated with the SB Wells pursuant to the Orphan Well fund.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

16. The Receiver's Statement of Receipts and Disbursements for the period from October 7, 2008 to November 7, 2011 (the "R&D") is attached as "Schedule 1". Funds totaling \$9,450 continue to be held by the Receiver for estimated professional fees and disbursements of the Receiver's legal counsel and the operations consultant.
17. A final distribution to ATB is estimated at \$50,176 (the "Final ATB Distribution"). The Final ATB Distribution was previously approved pursuant to the December 15 Order.
18. The R&D reflects total receipts of \$4,448,696. The Receiver highlights the following with respect to these receipts:
 - a. The CNRL Sale and the MKE Sale generated sale proceeds of \$400,500 and \$2,600,302 respectively (not including purchase price adjustments). As noted above, both the CNRL Sale and the MKE Sale were approved by the Court pursuant to the July 22 Order; and
 - b. The Receiver collected production revenue of \$937,075.
19. The R&D reflects disbursements of \$2,214,070 million (excluding distributions to ATB). The Receiver highlights the following with respect to these disbursements:
 - a. Pursuant to the July 22 Order, the Receiver was authorized to pay pre-receivership capital expenditures of \$176,918 to CNRL and \$80,228 to Cansearch Resources Ltd., which related to joint venture projects being completed in Apex's primary producing regions of Joffre and Hillsdown;
 - b. Niven Fischer Energy Services Inc. ("Niven") was retained by the Receiver to manage Apex's ongoing operations prior to the sale of the PNG Assets and to assist in conveying the PNG Assets to CNRL and MKE. As of November 7, 2011, Niven had been paid professional fees and disbursements totaling \$382,090 and estimated that an additional \$2,500 would be required to complete the administration of the estate.
 - c. Operating costs totaling \$161,579, including surface leases and land rentals, were incurred prior to the sale of the PNG Assets; and
 - d. Professional fees and disbursements of the Receiver totaling \$348,016 were reviewed and paid directly by ATB. Professional fees and disbursements of the Receiver's legal counsel totaling \$216,408 plus GST were paid by the Receiver. The Receiver and the Receiver's legal counsel have estimated the professional fees and disbursements required to complete the administration of the estate at \$10,000 and \$6,500 plus GST respectively. The professional fees and disbursements due to the Receiver will be paid directly by ATB.

20. Pursuant to the Orders granted by the Court on January 22, 2010 (the "January 22 Order") and the December 15 Order, the Receiver was authorized to make respective interim distributions to ATB of \$1,335,000 and then up to a maximum of the ATB Indebtedness (the "Interim ATB Distributions"). As at the date of this report, the Interim ATB Distributions totaled \$2,175,000 and the remaining ATB Indebtedness was \$1,620,845.
21. Also pursuant to the January 22 Order, the Receiver was ordered to hold funds in trust pending the determination of six builder's liens, a trust claim advanced by two of Apex's joint venture partners and post-closing adjustments related to the CNRL Sale and the MKE Sale. Both the builder's lien claims and the trust claim have now been settled and final statements of adjustments have been completed in respect of both the CNRL Sale and the MKE Sale.
22. Attached as "Schedule 2" is a summary of the professional fees and disbursements of both the Receiver and the Receiver's legal counsel, including estimated professional fees to complete the administration of the estate. Copies of all invoices submitted by both the Receiver and the Receiver's legal counsel, including detailed time analysis will be made available to the Court at the November 18 Application.

CONCLUSION

23. The Fourth Report is being filed in support of the November 18 Application, at which time the Receiver will be seeking the following:
 - a. Approval of the reported actions of the Receiver to date in respect of the administration of these receivership proceedings;
 - b. Approval of the R&D;
 - c. Approval of the assignment of any further proceeds from the JVMI Receivables or any other miscellaneous receipts to ATB;
 - d. Approval of the professional fees and disbursements of both the Receiver and the Receiver's legal counsel, including estimated professional fees and disbursements required to complete the administration of the estate;
 - e. Approval of the destruction of the Records in the event that Apex's former director does not request the return of the Records within 30 days of being notified of the Receiver's intent to destroy them;
 - f. The discharge of Deloitte as Receiver; and

- g. A barring of all claims against the Receiver that arise from or are in any way connected to the Receiver's administration of the receivership, except where such claims arise from gross negligence or willful misconduct.

DELOITTE & TOUCHE INC.,
in its sole capacity as Receiver of Apex Energy
(Canada) Inc. and not in its personal capacity.



Victor P. Kroeger, CA•CIRP, CFE,
Senior Vice President

Schedule 1

Apex Energy (Canada) Inc.
Receiver's Statement of Receipts & Disbursements
For the Interim Period from October 7, 2008 to November 7, 2011

Receipts		Notes
Cash held in financial institutions	\$ 112,511	
Sale of Assets - CNRL	400,500	1
Sale of Assets - MKE	2,600,302	2
Net MKE Adjustments (Operations & Joint Venture)	49,279	3
Production Revenue	937,075	
GST on Production Revenue	46,233	4
Royalty Revenue	89,270	
Adjustments on Pre-Receivership Asset Sale	14,853	5
Settlements with Valparaiso Energy Inc. and MKE Canada Ltd.	50,575	6
Accounts Receivable	27,561	
Joint Interest and Miscellaneous Revenue	120,538	
Total Receipts	4,448,696	
Disbursements		
Pre-Receivership AFEs - CNRL	176,918	7
Net CNRL Adjustments (Operations & Joint Venture)	34,249	3
Net MKE Adjustments (Operations & Joint Venture)	26,739	3
Pre-Receivership AFEs - Cansearch	80,228	7
Production Accountant	46,090	
Royalty Accountant	45,452	
Joint Venture Accountant (includes JV & Geo Nexus)	44,540	
Operations Consultant	382,090	
Operations Consultant - Conveyancing	38,814	
Operations (Including Surface Leases & Land Rentals)	161,579	
Payments to Joint Venture Partners (Includes net OpEx)	121,409	
Capital Expenses	91,531	
Reserve Report (Semi Mechanical Update)	29,500	
Sale of Assets - Work Fee & Commission	146,252	8
Insurance	25,094	
Receiver's Legal Fees	216,408	
Crown Royalties	47,608	9
Pre-Receivership Indian Oil and Gas Canada	15,747	7
Post Receivership Gross-Overriding & Freehold Royalties	45,731	9
Pre-Receivership Gross Overriding & Freehold Royalties	54,135	7
Abandoned Properties (Surface and Mineral Leases)	47,580	7
Mineral Leases	22,539	
Property Taxes	134,968	7
Fuel Tax Rebate Assessment	20,398	
Reimbursement of Funds Received in Error	21,413	
Payroll Source Deductions (Pre-Receivership)	2,049	
GST Paid	54,185	4
GST Remittances (Post-Receivership)	3,345	4
GST Remittances (Pre-Receivership)	9,321	7
Payments to Builders Lien Holders	47,185	
Settlement of Trust Claim	10,500	10
Miscellaneous Disbursements	10,472	
Total Disbursements	2,214,070	
Excess of Cash Receipts over Cash Disbursements	\$ 2,234,626	
Represented as follows:		
Interim Distribution to ATB	2,175,000	11
Estimated final distribution to ATB	50,176	
Holdback for the professional fees and disbursements of the Receiver's legal counsel and the operations consultant.	9,450	12
	\$ 2,234,626	

Notes:

1. The sale of assets to Canadian Natural Resources Limited ("CNRL", the "CNRL Sale") was approved by the Court of Queen's Bench of Alberta on July 22, 2009 and closed on September 1, 2009.
2. The sale of assets to 1476697 Alberta Ltd., now known as MKE Canada Ltd. ("MKE", the "MKE Sale"), was approved by the Court of Queen's Bench of Alberta (the "Court") on July 22, 2009 and closed on August 25, 2009.
3. Net adjustments agreed to in the interim and final statements of adjustments prepared in respect of the CNRL Sale and the MKE Sale.

4. Net GST Payable (Refund)

GST on Production Revenue	\$	46,233
GST Paid		(54,185)
GST remittances		(3,345)
Net GST Payable (Refund)		<u><u>(11,297)</u></u>

GST elections were completed in respect of both the CNRL Sale and the MKE Sale.

5. Net adjustments due pursuant to a pre-receivship sale of petroleum and natural gas assets to Fort Calgary.
6. Settlements related to an account receivable due to Apex Energy (Canada) Inc. ("Apex") from Valparaiso Energy Inc. and an operator's lien held by Apex over certain petroleum and natural gas properties in which MKE had an interest.
7. The payment of selected pre-receivership approvals for expenditure ("AFEs") and priority claims was approved pursuant to the Order granted by the Court on July 22, 2009.
8. Sayer Energy Advisors was retained to complete the sale of Apex's petroleum and natural gas assets. Pursuant to their retainer agreement, Sayer Energy Advisors was paid a work fee of \$35,000 as well as commissions of 5% on the first million in sale proceeds and 3% on sale proceeds over \$1.0 million.
9. Post-receivership freehold and gross-overriding royalties and crown royalties were paid in full for the period ended May 31, 2009, the effective date for the CNRL Sale and the MKE Sale.
10. Settlement of a trust claim advanced by two joint venture partners with respect to pre-receivership revenues related to Apex's Peco 6-6 well.
11. Paid to the Alberta Treasury Branches ("ATB") pursuant to the Orders granted by the Court on January 22, 2010 and December 15, 2010.
12. Receiver's fees, totaling approximately \$348,016 were paid directly by ATB.

Schedule 2

Apex Energy - In Receivership
Summary of Professional Fees and Disbursements

Professional Fees and Disbursements of the Receiver						
Payee	Invoice No.	Period Covered	Amount		GST	Total
Deloitte & Touche Inc.	2313187	October 3, 2008 - January 17, 2009	\$	131,452.11	\$ -	\$ 131,452.11
Deloitte & Touche Inc.	2349177	January 18, 2009 - March 7, 2009		82,040.00	-	82,040.00
Deloitte & Touche Inc.	2427182	March 8, 2009 - May 16, 2009		84,524.00	-	84,524.00
Deloitte & Touche Inc.	2664210	August 11, 2009 - May 27th, 2010		50,000.00	-	50,000.00
Deloitte & Touche Inc.	Estimate	To complete administration		10,000.00	-	10,000.00
Total			\$	358,016.11	\$ -	\$ 358,016.11

Professional Fees and Disbursements of the Receiver's Legal Counsel						
Payee	Invoice No.	Period Covered	Amount		GST	Total
Borden Ladner Gervais LLP	696433420	Period ended October 31, 2008	\$	18,520.50	\$ 922.43	\$ 19,442.93
Borden Ladner Gervais LLP	696448680	Period ended November 30, 2008		11,348.39	567.42	11,915.81
Borden Ladner Gervais LLP	696457452	Period ended December 31, 2008		18,721.59	932.38	19,653.97
Borden Ladner Gervais LLP	696467782	Period ended January 31, 2009		6,874.00	343.70	7,217.70
Borden Ladner Gervais LLP	696475986	Period ended February 28, 2009		9,844.08	492.21	10,336.29
Borden Ladner Gervais LLP	696487316	Period ended March 31, 2009		21,513.55	1,075.68	22,589.23
Borden Ladner Gervais LLP	696495732	Period ended April 30, 2009		10,129.76	506.49	10,636.25
Borden Ladner Gervais LLP	696518180	Period ended June 30, 2009		25,747.60	1,287.38	27,034.98
Borden Ladner Gervais LLP	696550730	Period ended September 30, 2009		75,302.41	3,731.53	79,033.94
Borden Ladner Gervais LLP	696640810	Period ended June 30, 2010		4,000.00	352.23	4,352.23
Borden Ladner Gervais LLP	696682219	Period ended October 31, 2010		1,995.50	99.78	2,095.28
Borden Ladner Gervais LLP	696688003	Period ended November 30, 2010		3,198.55	159.93	3,358.48
Borden Ladner Gervais LLP	696768998	Period ended July 31, 2011		440.75	22.04	462.79
Borden Ladner Gervais LLP	696698093	Period ended December 31, 2010		5498.81	274.95	5,773.76
Borden Ladner Gervais LLP	696736621	Period ended March 31, 2011		759.61	37.98	797.59
Borden Ladner Gervais LLP	696749444	Period ended May 31, 2011		2,513.04	125.65	2,638.69
Borden Ladner Gervais LLP	Estimate	To complete administration		6,500.00	325.00	6,825.00
Total			\$	222,908.14	\$ 11,256.77	\$ 234,164.91