

COURT FILE NUMBER 2201-02699  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF NATIONAL BANK OF CANADA  
DEFENDANTS BALANCED ENERGY OILFIELD SERVICES INC., BALANCED ENERGY OILFIELD SERVICES (USA) INC., BALANCED ENERGY HOLDINGS INC., MICHELLE THOMAS, NEIL SCHMEICHEL, DARREN MILLER, and CODY BELLAMY

Clerk's Stamp

DOCUMENT **APPLICATION**  
**(Approval for Repaying Secured Debt and Approval of Receiver's Conduct and Activities)**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **Osler, Hoskin & Harcourt LLP**  
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Matter: 1230496

#### **NOTICE TO RESPONDENTS**

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

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

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

Date: June 10, 2022

Time: 2:00 p.m.

Where: Calgary Courts Centre (By WebEx as per Schedule "A")

Before Whom: The Honourable Justice R. A. Neufeld

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

**Orders Sought:**

1. FTI Consulting Canada Inc., in its capacity as Court-appointed receiver and manager (the “**Receiver**”) of Balanced Energy Oilfield Services Inc. (“**BCAN**”), Balanced Energy Oilfield Services (USA) Inc. (“**BUSA**”), and Balanced Energy Holdings Inc. (“**BEH**”) (collectively, the “**Balanced Group**” or “**Debtors**”), seeks an order substantially in the form attached hereto as **Schedule “B”**:

- (a) declaring that the within Application is properly returnable and that service of this Application on the Service List established in these proceedings is deemed good and sufficient;
- (b) authorizing and directing the Receiver to make the following distributions:
  - (i) to LBEL Inc. in an amount equal to the LBEL Secured Debt (as that term is defined below) (in such quantum as may be agreed between LBEL Inc. and the Receiver, or as may be determined by further Order of this Court) in full and final satisfaction of the LBEL Secured Debt and all obligations under the LBEL Security Agreement,
  - (ii) one or more interim distributions in such amounts (up to the amount of the NBC Secured Debt) and at such times as may be determined appropriate by the Receiver, out of the available cash on hand, to the National Bank of Canada, on account of and in partial satisfaction of the NBC Secured Debt (as that term is defined below) without further Order of this Honourable Court;
- (c) authorizing the Receiver to retain the Holdback (as that term is defined below); and
- (d) approving the actions, conduct and activities of the Receiver as outlined in the Second Report of the Receiver, dated May 30, 2022 (the “**Second Report**”).

**Grounds for making this application:**

2. Capitalized terms used but not otherwise defined herein have the meanings given to such terms as in the pleadings filed in these proceedings, the Stalking Horse Term Sheet, and the First and Second Report of the Receiver, as the case may be.

***The Secured Debt***

3. National Bank of Canada (the “**Senior Secured Lender**” or “**NBC**”) is the primary, senior secured lender to the Debtors.

4. On March 7, 2022, on the application of the Senior Secured Lender, the Receiver was appointed receiver and manager of all of the Debtors’ assets, undertakings and properties, including all proceeds thereof, pursuant to the Receivership Order.

5. The Receivership Order authorized the Receiver to, among other things:

- (a) market any or all of the Property (as defined in the Receivership Order), including advertising and soliciting offers in respect of the Property and negotiate such terms and conditions of sale as the Receiver in its discretion deemed appropriate; and
- (b) to settle, extend or compromise any indebtedness owing to or by the Debtors.

6. As outlined in the First Report of the Receiver, the Receiver was of the view that the most efficient and effective way to optimize value for the creditors and stakeholders of the Debtors was to run a sales process backed by a stalking horse bid provided by the Stalking Horse Bidder (a company incorporated by a former principal of the Balanced Group). The details of the Stalking Horse Transaction and Sales Process are provided for in detail in the First Report of the Receiver, the terms of which were approved by this Honourable Court pursuant to an Order on March 30,

2022 (the “**Sale Solicitation Process Order**”). The Senior Secured Lender (with input from the Receiver) supported the Stalking Horse Transaction.

7. Since the First Report, the Receiver has closed the Stalking Horse Transaction in accordance with the Sales Solicitation Process Order. On May 18, 2022, the Receiver collected sales proceeds of \$12,274,335 which represents the sales proceeds the assets included in the Stalking Horse Transaction except for the Seized Equipment (as that term is defined in paragraph 16 of the Second Report).

8. As at May 27, 2022, the Balanced Group is indebted to NBC in the amount of approximately \$25.2 million (the “**NBC Secured Debt**”), with interest accruing thereafter plus legal and professional fees, costs, charges disbursements and expenses incurred by NBC. The NBC Secured Debt is secured by the following instruments:

- (a) a general security agreement executed on February 20, 2018 by BCAN in favour of NBC;
- (b) a security agreement executed on September 26, 2018, by BUSA in favour of NBC;  
and
- (c) a general security agreement executed on February 20, 2018, by BEH in favour of NBC.

(collectively, the “**NBC Security**”)

9. The Receiver’s Counsel has reviewed the NBC Security and determined that, subject to the standard qualifications and assumptions, NBC has a valid and enforceable security over the Assets securing the NBC Debt.

10. In addition to NBC, LBEL Inc. (“**LBEL**”) holds a secured charge over certain equipment held by BUSA in the amount of approximately \$915,000 (as at May 16, 2022) (the “**LBEL Secured Debt**”) pursuant to a Specific Security Agreement dated March 20, 2018 (the “**LBEL Security Agreement**”).

11. The Receiver’s Counsel has also reviewed the LBEL Security Agreement and determined that, subject to the standard qualifications and assumptions, LBEL has a valid and enforceable security in the assets listed in the LBEL Security Agreement.

12. For these reasons, the Receiver is seeking an order authorizing and directing the Receiver to make the following distributions:

- (a) to LBEL in an amount equal to the LBEL Secured Debt (in such quantum as may be agreed between LBEL Inc. and the Receiver, or as may be determined by further Order of this Court) in full and final satisfaction of the LBEL Secured Debt and all obligations under the LBEL Security Agreement; and
- (b) such amount as may be determined appropriate by the Receiver, out of the available cash on hand, to NBC on account of and in partial satisfaction of the NBC Secured Debt, and to make one or more future distributions to NBC (up to the amount of the NBC Secured Debt) without further Order of this Honourable Court.

***The Holdback***

13. The Receiver has reserved approximately \$864,090 of cash on hand for (amongst other things) professional fees to complete the administration of the Receivership Proceeding, possible priority claims, and operating expenses (the “**Holdback**”). As such, the Receiver seeks an Order

authorizing the Receiver to retain the Holdback, in such quantum as the Receiver deems necessary to complete the administration of these Receivership Proceedings, as set out in the Second Report.

***Activities of the Receiver***

14. The Second Report sets out a description of the activities which have been undertaken by the Receiver since the First Report. All actions and activities of the Receiver since the First Report have been undertaken in accordance with the Receivership Order and in the best interest of the Debtors' estates.

**Affidavit or other Evidence and Materials to be used in Support of this Application:**

15. The Receiver intends to rely on the following materials:

- (a) the Receivership Order and pleadings filed in this matter;
- (b) the Second Report of the Receiver, dated May 30, 2022, filed;
- (c) such further and other materials as counsel may advise and this Honourable Court may permit.

**Applicable Rules:**

16. The Alberta *Rules of Court*, Alta Reg. 124/2010.

**Applicable Acts and Regulations:**

17. The *Bankruptcy and Insolvency Act*, RSC 1985, chap. B-3, as amended.

18. Such further and other relief Acts and Regulations as counsel may advise and this Honourable Court may permit.

**Any Irregularity Complained of or Objection Relied On:**

19. None.

**How the Application is Proposed to be Heard or Considered:**

20. By WebEx video conference before the Honourable Justice R. A. Neufeld at 2:00 on June 10, 2022.

**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 at the time shown at the beginning of the 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”

**Counsel: Please ensure that all relevant parties have received Webex information.**

**Virtual Courtroom 60** has been assigned for the above noted matter:

Virtual Courtroom Link:

<https://albertacourts.webex.com/meet/virtual.courtroom60>

Instructions for Connecting to the Meeting

1. Click on the link above or open up Chrome or Firefox and cut and paste it into your browser address bar.
2. If you do not have the Cisco Webex application already installed on your device, the site will have a button to install it. Follow installation instructions. Enter your full name and email address when prompted
3. Click on the **Open Cisco Webex Meeting**.
4. You will see a preview screen. Click on **Join Meeting**.

Key considerations for those attending:

1. Please connect to the courtroom **15 minutes prior** to the start of the hearing.
2. Please ensure that your microphone is muted and remains muted for the duration of the proceeding, unless you are speaking. Ensure that you state your name each time you speak.
3. If bandwidth becomes an issue, some participants may be asked to turn off their video and participate by audio only.
- 4. Note: Recording or rebroadcasting of the video is prohibited.**
- 5. Note: It is highly recommended you use headphones with a microphone or a headset when using Webex. This prevents feedback.**

If you are a non-lawyer attending this hearing remotely, **you must** complete the undertaking located here: <https://www.albertacourts.ca/qb/resources/announcements/undertaking-and-agreement-for-non-lawyers>

For more information relating to Webex protocols and procedures, please visit:

<https://www.albertacourts.ca/qb/court-operations-schedules/webex-remote-hearings-protocol>

You can also join the meeting via the “Cisco Webex Meetings” App on your smartphone/tablet or other smart device. You can download this via the App marketplace and join via the link provided above.



**Schedule “B”**

COURT FILE NUMBER 2201-02699

COURT COURT OF QUEEN’S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF NATIONAL BANK OF CANADA

DEFENDANTS BALANCED ENERGY OILFIELD SERVICES INC.,  
BALANCED ENERGY OILFIELD SERVICES  
(USA) INC., BALANCED ENERGY HOLDINGS  
INC., MICHELLE THOMAS, NEIL SCHMEICHEL,  
DARREN MILLER, and CODY BELLAMY

DOCUMENT **ORDER**

Clerk's Stamp

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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Matter: 1230496

**DATE ON WHICH ORDER WAS PRONOUNCED:** June 10, 2022

**LOCATION WHERE ORDER WAS PRONOUNCED:** Calgary, Alberta (by WebEx)

**NAME OF JUSTICE WHO MADE THIS ORDER:** The Honourable Justice R. A. Neufeld

**UPON THE APPLICATION** of FTI Consulting Canada Inc. in its capacity as receiver and manager (the “**Receiver**”) of all the current and future assets, undertakings, properties whatsoever and wherever situate of Balanced Energy Oilfield Services Inc., Balanced Energy Oilfield Services (USA) Inc., and Balanced Energy Holdings Inc. (the “**Debtors**”) for an order, among other things,

authorizing and directing the receiver to repay amounts owing under the LBEL Secured Debt and NBC Secured Debt (as those terms are defined in the within Application); and approving the actions, conduct and activities of the Receiver as outlined in the Second Report of the Receiver, dated May 30, 2022 (the “**Second Report**”); **AND UPON** having reviewed the Receivership Order granted by the Honourable Madam Justice Grosse on March 7, 2022 (the “**Receivership Order**”), the Second Report, **AND UPON** having reviewed the pleadings in these proceedings; **AND UPON** hearing from counsel for the Receiver, counsel for National Bank of Canada, counsel for LBEL Inc., and any other interested party;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

**SERVICE**

1. Service of notice of this Application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this Application and time for service of this Application is abridged to that actually given.

**APPROVAL OF DISTRIBUTING FUNDS TO SATISFY SECURED DEBT**

2. The Receiver is hereby authorized and directed to make the following distributions:
- (a) to LBEL Inc. in an amount equal to the LBEL Secured Debt (as that term is defined in the Second Report), in such quantum as may be agreed between LBEL Inc. and the Receiver, or as may be determined by further Order of this Court, in full and final satisfaction of the LBEL Secured Debt and all obligations under the LBEL Security Agreement (as those terms are defined in the Second Report); and
  - (b) one or more interim distributions in such amounts (up to the amount of the NBC Secured Debt, as that term is defined in the Second Report) and at such times as may be determined appropriate by the Receiver, out of the available cash on hand, to the National Bank of Canada, on account of and in partial satisfaction of the NBC

Secured Debt (as that term is defined in the Second Report) without further Order of this Honourable Court.

### **HOLDBACK**

3. The Receiver is hereby authorized and directed to retain the Holdback, in such quantum as the Receiver deems necessary to complete the administration of these Receivership Proceedings, and as set out in the Second Report.

### **APPROVAL OF CONDUCT AND ACTIVITIES**

4. The actions, conduct and activities of the Receiver, as reported in the Second Report are hereby approved.

### **MISCELLANEOUS**

5. The Receiver shall serve by courier, fax transmission, email transmission or ordinary post, a copy of this Order on all parties present at this Application and on all parties who are presently on the Service List established in these proceedings and such service shall be deemed good and sufficient for all purposes.

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J.C.Q.B.A.