

Recent Uptick In Oil & Natural Gas Insolvency Processes

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Since the beginning of 2024, there have been eight oil and natural gas exploration and development companies which have filed a Notice of Intention to Make a Proposal (the “NOI”) pursuant to the *Bankruptcy and Insolvency Act* (the “BIA”), or have entered into bankruptcy or receivership processes.

The eight announced in 2024 to date is already higher than all of calendar 2023 when five companies entered into insolvency processes, while in 2022 there was only a total of four.

On January 5, 2024, privately-held **Kingsland Oil Corp.** made an assignment into bankruptcy and **BDO Canada Limited** was appointed as the trustee in bankruptcy of the bankrupt estate. Kingsland ceased operations and shut-in its operated production in August 2023. Kingsland’s oil and natural gas interests are located in the Delta West and

Tompkins areas of southwestern Saskatchewan. Prior to shut-in, average production net to Kingsland for the first half of 2023 averaged approximately 21 boe/d, consisting of 19 barrels of oil and 12 Mcf/d of natural gas. BDO has engaged **Sayer Energy Advisors** to assist it with a sale of Kingsland's oil and natural gas properties.

Publicly-traded **Razor Energy Corp.** (together with its wholly-owned subsidiaries, **Blade Energy Services Corp.**, **Razor Royalties Limited Partnership**, and **Razor Holdings GP Corp.**, collectively, "Razor") each filed, on January 31, 2024, a NOI under the provisions of the BIA. Pursuant to the NOI, **FTI Consulting Canada Inc.** was appointed as the proposal trustee in Razor's proposal proceedings and will assist Razor in its restructuring efforts. According to Razor, *"the decision to file the NOI was made by the board in view of the effects of the ongoing dispute with the operator of the Judy Creek Gas Plant and the accompanying significant negative impact on Razor due to Razor having to shut in approximately 1,100 boepd of production, together with other ongoing challenges within its business"*.

Subject to the NOI proceedings, Razor will continue with its efforts to pursue strategic alternatives. Razor is open to evaluating a variety of proposals, including: a corporate sale, a sale of assets and undertaking, a financing or refinancing which may include an accompanying restructuring of Razor's financial and contractual obligations, or a combination of any of the foregoing. Razor's assets are located in southern Alberta and the Kaybob and Swan Hills areas of Alberta. Razor's recent production was 2,580 boe/d.

On March 6, 2024, privately-held **Kaden Energy Ltd.** filed a NOI under the provisions of the BIA. Pursuant to the NOI, BDO was appointed as the proposal trustee in Kaden's proposal proceedings and will assist Kaden in its restructuring efforts. Kaden's oil and natural gas properties are located in the Kakwa and Smoky areas of northwestern Alberta.

Ernst & Young Inc., on March 8, 2024, was appointed receiver and manager of **Deep Well Oil & Gas (Alberta) Ltd.** and **Northern Alberta Oil Ltd.** Ernst & Young, as part of the receivership process, is seeking a purchaser for a 25 per cent working interest in two oilsands leases held by Deep Well and Northern Alberta that are located in the Sawn Lake area of Alberta. The oilsands leases are operated by **Andora Energy Corporation**, which holds the remaining 75 per cent working interest. Andora has entered into a purchase and sale agreement with Ernst & Young ("Stalking Horse APA") to acquire the 25 per cent

interest held by Deep Well and Northern Alberta. The marketing process initiated by Ernst & Young is to determine whether a higher and better offer than the Stalking Horse APA may be obtained.

On March 25, 2024, privately-held **Enerstar Petroleum Corp.** and its working interest partner, **Taber Water Disposal Inc.**, filed a NOI under the provisions of the BIA. Pursuant to the NOI, **Grant Thornton Limited** was appointed as the proposal trustee in Enerstar and Taber Water's proposal proceedings.

Privately-held **AlphaBow Energy Ltd.** commenced restructuring proceedings on March 28, 2024, by filing a NOI under the provisions of the BIA. Pursuant to the NOI, **KSV Restructuring Inc.** was appointed as the proposal trustee. The purpose of the NOI is to allow for a stay of proceedings to allow AlphaBow to consider various restructuring options. AlphaBow has scheduled a Court application on April 26, 2024, to continue these proceedings under the *Companies' Creditors Arrangement Act*.

The recent uptick in oil and natural gas insolvency processes has been driven by weak natural gas prices, forced production shut-ins, and partner and regulatory pressures. If natural gas prices remain depressed, we may see a few more oil and natural gas companies enter into restructuring and insolvency processes throughout the remainder of 2024.