Court of King's Bench of Alberta

Citation: RN Cardium Oil Inc v Loyal Energy (Canada) Operating Ltd, 2026 ABKB 239

Date: 20260327
Docket: 2501 04281
Registry: Calgary

Between:

RN Cardium Oil Inc.

Plaintiff/Respondent/Cross-Applicant

- and -

Loyal Energy (Canada) Operating Ltd.

Defendant/Applicant/Cross-Respondent

Reasons for Decision
of the
Honourable Justice P.R. Jeffrey

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[1] Loyal Energy (Canada) Operating Ltd. applies for summary dismissal of the claims against it in this action brought by RN Cardium Oil Inc.

[2] Loyal and Cardium are parties to a joint venture development agreement (the "**JVDA**") for the production and sale of hydrocarbons. Loyal has a 70% working interest and Cardium has the other 30%.

[3] Loyal is the "operator" of the wells that are subject to the JVDA. As operator, on behalf of itself and Cardium, Loyal produces, processes, delivers, markets, and monetizes the hydrocarbons. It then accounts for those activities and distributes to itself and Cardium their proportionate share of the net revenues.

[4] Loyal paid Cardium its 30% share of the net revenues approximately quarterly since taking on the operator role in 2020. After paying Cardium in November 2022, Loyal stopped paying.

[5] Twice in February 2023 Cardium wrote to Loyal requesting payment.

[6] Loyal responded on February 21 that it could no longer pay Cardium "due to ... the sanctions regulations." Loyal referred there to the *Special Economic Measures Act*, SC 1992, c 17 (the "***SEMA***") and the *Special Economic Measures (Russia) Regulations* SOR/2014-58, as amended (the "***Russia Regulation***"), enacted pursuant to the SEMA (both collectively, the "**Sanction Laws**").

[7] Loyal continued to produce from the jointly owned wells but not pay Cardium its 30% of the net proceeds (the "**Funds**"). Loyal says it continued to account for Cardium's share of all production revenue, account for all costs and expenses relating to their joint project, accumulate and hold all Cardium's share of the Funds, and ensure those Funds are available for payment to Cardium, but only "if and when permitted by law."

[8] On a few occasions since its cessation of quarterly payments, Loyal did issue a "Joint Interest Billing" ("**JIB**") to Cardium (which it soon after said had been issued in error), a few "Authorization for Expenditures" ("**AFE**") and a couple of "Independent Operation Notices" ("**ION**"), pursuant to the terms of the JVDA.

[9] On March 17, 2025, Cardium commenced this lawsuit against Loyal, alleging it breached their contract and breached various other common law obligations owed to it. In addition to claiming breaches of contract for not remitting the Funds to it and for breach of the duty of good faith performance of the JVDA, Cardium claims for breach of trust and breach of fiduciary duties. It claims damages for these breaches estimated at $6,000,000. It also claims for unquantified punitive damages and $60,000,000 in damages for conversion of its property to Loyal's own use.

[10] Loyal does not deny suspending its payments to Cardium and its informing it as required under the JVDA, but says it was prohibited by the Sanction Laws from doing so.

[11] A few months after pleadings closed, Loyal commenced this application for summary dismissal of Cardium's action. It says there is no issue between the parties that merits a trial.

[12] Cardium opposes the application, saying Loyal misinterprets and misapplies the Sanction Laws. Cardium requires a court judgment so that it may recover its losses.

[13] Cardium cross-applies pursuant to Rule 6.25 for an order directing the payment into Court of the Funds and additional amounts from Loyal's ongoing production of the parties' JVDA assets. It says the parties agree that those amounts belong to Cardium. Loyal's resistance to paying the Funds into Court only served to elevate Cardium's suspicion that Loyal may be making use of the Funds for its own purposes or that it may have dissipated them. Cardium wants them in the Court's hands to preserve them until the action concludes. Relatedly it seeks an accounting and audit of the joint interests, as well as costs and such further relief as the Court finds appropriate (the "**Cross Application**").

[14] Loyal does not resist the Cross Application strongly. It thinks the Sanction Laws prohibit it from paying the Funds even into Court, but if this Court orders that it do so it says of course it

would do so. It says that it has the Funds and that it continues to account for them. It has maintained throughout that it would release them to Cardium "if and when permitted by law."

[15] Cardium also filed a Notice of Constitutional Question (the "**NCQ**") challenging the constitutionality of the Sanction Laws in the event that "Loyal's interpretation of [them] is accepted". Cardium says if Loyal's interpretation of the Sanction Laws is correct, then they are unconstitutional for infringing sections 7, 8 and 11 of the *Canadian Charter of Rights & Freedoms*, *The Constitution Act, 1982*, Schedule B to *The Canada Act 1982 (UK)*, 1982, c 11 (the "***Charter***"). It further says in its NCQ that those laws are inoperative to the extent that they infringe Cardium's property rights and its procedural rights, pursuant to sections 1(a) and 2(e) of the *Canadian Bill of Rights*, SC 1960, c 44.

[16] I conclude Loyal was, and continues to be, prohibited from paying the Funds to Cardium. I find the NCQ misunderstands the nature and scope of the *Charter* rights asserted. Cardium has not shown Loyal's application of the Sanction Laws to have breached any of Cardium's *Charter* rights. It has not made even an arguable case worth further legal process that any of the Sanction Laws are unconstitutional. Since all the relief claimed in the action flows from the withholding of payment to Cardium, and that withholding was required by the Sanction Laws and the parties' contract, I grant Loyal's application and dismiss Cardium's entire action summarily.

[17] I therefore also decline Cardium's Cross Application.

Summary Dismissal

A. The Test for Summary Dismissal

[18] A party to a civil action may apply for the action to be determined summarily, without a trial, where "there is no merit to a claim or part of it": Rule 7.3(1)(b), *Alberta Rules of Court*, Alta Reg 124/2010.

[19] The Court of Appeal in *Weir-Jones Technical Services Incorporated v Purolator Courier Ltd*, 2019 ABCA 49, describes the approach I am to follow:

> [47] The proper approach to summary dispositions, based on the *Hryniak v Mauldin* [2014 SCC 7] test, should follow the core principles relating to summary dispositions, the standard of proof, the record, and fairness. The test must be predictable, consistent, and fair to both parties. The procedure and the outcome must be just, appropriate, and reasonable. The key considerations are:
>
> a) Having regard to the state of the record and the issues, is it possible to fairly resolve the dispute on a summary basis, or do uncertainties in the facts, the record or the law reveal a genuine issue requiring a trial?
>
> b) Has the moving party met the burden on it to show that there is either "no merit" or "no defence" and that there is no genuine issue requiring a trial? At a threshold level the facts of the case must be proven on a balance of probabilities or the application will fail, but mere establishment of the facts to that standard is not a proxy for summary adjudication.
>
> c) If the moving party has met its burden, the resisting party must put its best foot forward and demonstrate from the record that there is a genuine issue requiring a trial. This can occur by challenging the moving party's case, by

> identifying a positive defence, by showing that a fair and just summary disposition is not realistic, or by otherwise demonstrating that there is a genuine issue requiring a trial. If there is a genuine issue requiring a trial, summary disposition is not available.
>
> d) In any event, the presiding judge must be left with sufficient confidence in the state of the record such that he or she is prepared to exercise the judicial discretion to summarily resolve the dispute.
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> To repeat, the analysis does not have to proceed sequentially, or in any particular order. The presiding judge may determine, during any stage of the analysis, that summary adjudication is inappropriate or potentially unfair because the record is unsuitable, the issues are not amenable to summary disposition, a summary disposition may not lead to a "just result", or there is a genuine issue requiring a trial.

[20] In actions making several different claims for relief, partial summary dismissal can be granted. Whereas successful summary dismissal applications will resolve an entire claim, partial summary dismissal applications can be used to resolve part of a claim, leaving the remaining issues to be determined at trial. To be appropriate in the circumstances, the various issues must be "easily bifurcated": *Pittman Brothers Production Ltd v Evans*, 2022 ABQB 541 at para 26; see also *DIRTT Environmental Solutions Ltd v Falkbuilt Ltd*, 2021 ABQB 252.

B. The Sanction Laws

[21] The Federal Court of Appeal in *Makarov v Canada (Minister of Foreign Affairs)*, 2025 FCA 223, at para 8, recognized that the discretion of the Government of Canada to recommend and impose sanctions, "while subject to legal standards, is very wide indeed".

[22] The Government of Canada enacted the *Russia Regulation* pursuant to subsections 4(1) to (3) of *SEMA*. It came into force March 17, 2014. In its Regulatory Impact Analysis Statement,[1] the Government of Canada said it imposed sanctions through the *Russia Regulation* "in tandem with like-minded countries"[2] in condemnation of Russia's "illegal occupation and attempted annexation of Crimea": see "Canada's response" in the Regulatory Impact Analysis Statement to

[1] Regulatory Impact Analysis Statements accompanying the *Russia Regulation* are explicitly identified as being "not part of the Regulations". However, they are made directly by the Governor-in-Council. They are published together with the *Russia Regulation* in the Canada Gazette in support of transparency and to give some insight into the meaning of the amendments and acknowledgement of considered input received and anticipated impacts, if any: *Auer v Auer*, 2025 SCC 36 at para 53; *Mounted Police Association of Ontario v Canada (Attorney General)*, 2015 SCC 1 at para 114, referring to *Mining Watch Canada v Canada (Fisheries and Oceans)*, 2010 SCC at para 33.

[2] Each time the *Russia Regulation* is amended, there is an accompanying Regulatory Impact Analysis Statement. The text in the Regulatory Impact Analysis Statements oftentimes differs or is slightly amended from previous versions. For example, in the second-most recent amendment, the *Regulations Amending the Special Economic Measures (Russia) Regulations: SOR/2026-17*, the text "Canada's response" in the Regulatory Impact Analysis Statement states that "the Government of Canada, in tandem with partners and allies, enacted sanctions ...". In comparison, in the most recent amendment, the *Regulations Amending the Special Economic Measures (Russia) Regulations: SOR/2026-30*, the text "Canada's response" in the Regulatory Impact Analysis Statement provides that "Canada has imposed extensive sanctions under the *Special Economic Measures Act* in response to Russia's violations of Ukraine's sovereignty."

the *Russia Regulation*, including the *Regulations Amending the Special Economic Measures (Russia) Regulations*: SOR/2025-228.

[23] Sections 3 and 5 of the *Russia Regulation* prohibit a broad range of transactions and activities. They state:

> 3 It is prohibited for any person in Canada and any Canadian outside Canada to
>
> (a) deal in any property, wherever situated, that is owned, held or controlled by or on behalf of a person whose name is listed in Schedule 1;
>
> (b) enter into or facilitate, directly or indirectly, any transaction related to a dealing referred to in paragraph (a);
>
> (c) provide any financial or other related service in respect of a dealing referred to in paragraph (a);
>
> (d) make available any goods, wherever situated, to a person listed in Schedule 1 or to a person acting on their behalf; or
>
> (e) provide any financial or related service to or for the benefit of a person listed in Schedule 1.
>
> ...
>
> 5 It is prohibited for any person in Canada and any Canadian outside Canada to knowingly do anything that causes, facilitates or assists in, or is intended to cause, facilitate or assist in, any activity prohibited by these Regulations.

[24] In *Angophora Holdings Limited v Ovsyankin*, 2022 ABKB 711, at para 29, this Court said:

> Section 3 and 5 of the Russian Sanctions set out a broad set of prohibitions that clearly are designed to prevent Canadian persons or entities from aiding or facilitating any designated person, or entity controlled by or acting on behalf of a designated person from dealing with property in Canada.

[25] The broad-scoped prohibitions in the *Russia Regulation* are intended to be interpreted and applied in such a way as to achieve the legislative purposes for them. Significant among the legislative purposes is to freeze the assets of "individuals and entities supporting or enabling Russia's violation of Ukraine's sovereignty": see "Canada's response" in the Regulatory Impact Analysis Statement to the *Russia Regulation*, including *Regulations Amending the Special Economic Measures (Russia) Regulations*: SOR/2025-228.

[26] Schedule 1 of the *Russia Regulation* lists thousands of persons (individual and corporate) for whom the Government of Canada has reasonable grounds to believe the person fits into an identified category of conduct that Canada does not condone. Those categories are, from section 2 of the *Russia Regulation*:

> (a) a person who has engaged in activities that directly or indirectly facilitate, support, provide funding for or contribute to a violation or attempted violation of the sovereignty or territorial integrity of Ukraine or that obstruct the work of international organizations in Ukraine;

> (a.1) a person who has participated in gross and systematic human rights violations in Russia;
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> (b) a former or current senior official of the Government of Russia;
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> (c) an associate of a person referred to in any of paragraphs (a) to (b);
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> (d) a family member of a person referred to in any of paragraphs (a) to (c) and (g);
>
> (e) an entity owned, held or controlled, directly or indirectly, by a person referred to in any of paragraphs (a) to (d) or acting on behalf of or at the direction of such a person;
>
> (f) an entity owned, held or controlled, directly or indirectly, by Russia or acting on behalf of or at the direction of Russia; or
>
> (g) a current or former senior official of an entity referred to in paragraph (a), (a.1), (e) or (f).

[27] Like Schedule 1, Schedule 3 lists persons for whom there are reasonable grounds to believe the entity is owned, held or controlled, directly or indirectly, by a sanctioned person, the Russian State, or on their behalf or at their direction. The difference between the two schedules relates to the nature of the prohibited acts affecting entities on each list. Entities on Schedule 3 are barred from benefitting from a very specific type of financing: no person may provide "financing for or otherwise deal in new debt of longer than 90 days' maturity ... in relation to" a Schedule 3 entity. The prohibitions affecting entities on Schedule 1 are far broader.

[28] Periodically since February 2022, Canada has expanded the restrictions, including by amending the *Russia Regulation* to list additional persons and to expand the categories of persons and activities that are prohibited. The listing of persons on the Schedules seems fluid, with persons listed on one schedule sometimes being moved to another Schedule.

[29] On June 22, 2023, the Government of Canada's amendments to the *SEMA*[3] introduced a "deemed ownership" provision (the "**Deeming Provision**"). This more clearly revealed Parliament's intention that the prohibitions apply not only to property that is owned by a sanctioned person, but also to property that is possessed by or controlled, directly or indirectly, by the sanctioned person. Section 2.1 of the *SEMA* says:

> Deemed ownership
>
> 2.1 (1) If a person controls an entity other than a foreign state, any property that is owned — or that is held or controlled, directly or indirectly — by the entity is deemed to be owned by that person.
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> (2) For the purposes of subsection (1), a person controls an entity, directly or indirectly, if any of the following criteria are met:
>
> > (a) the person holds, directly or indirectly, 50% or more of the shares or ownership interests in the entity or 50% or more of the voting rights in the entity;

[3] The amendments were implemented through the *Budget Implementation Act, 2023, No. 1* (formerly Bill C-47), which received Royal Assent on June 22, 2023.

> (b) the person is able, directly or indirectly, to change the composition or powers of the entity's board of directors; or
>
> (c) it is reasonable to conclude, having regard to all the circumstances, that the person is able, directly or indirectly and through any means, to direct the entity's activities.

C. Analysis

The Action is Suitable for Summary Disposition

[30] This action may be resolved without a trial, by a process that is fair to both parties.

[31] Cardium says the issues are legally and factually complex, necessitating a trial. I disagree.

[32] There are no facts in dispute. The parties disagree on the correct interpretation of the Sanction Laws, on the correct application of those Laws to the facts before the Court, and on the constitutionality of those Laws. Thus, the issues dividing the parties are matters of statutory interpretation, contractual interpretation and constitutional interpretation. Trial is not required to undertake such interpretations; the parties have opportunity to participate fully and oppose the opposite party fully.

[33] The Sanction Laws are less common to our Court, but that does not make their interpretation more complex, or their application. The principles of statutory, contract, and constitutional interpretation are well settled. The Sanction Laws engaged by this action are broad in scope, but nevertheless very clear. So are the contract clauses of the JVDA. The constitutional enactments relied on to call the constitutionality of the Sanction Laws into question benefit from a significant volume of jurisprudence, including guidance from the Supreme Court of Canada. The evidence is all largely uncontested.

[34] There are matters left unclear by the Sanction Laws, but they are not issues that need to be decided in this lawsuit as Cardium has framed it or to determine Loyal's summary dismissal application. Notable among the issues left unclear is whether Loyal can continue to produce jointly owned assets at all in the face of the very broad prohibitions in the Sanction Laws.

[35] Cardium questions how Loyal can "continue to produce assets which they allege are subject to sanctions." Cardium's counsel commented that if Loyal had to cease all production "that would be unfortunately collateral damage but it's consistent with my understanding of the factors the Government of Canada looks at when it makes its listing decision." Cardium's view is that Rosneft[4] is not listed on Schedule 1 by design, because doing so would cause Loyal's interest *and* Cardium's to get shut-in. This, it says, could not be Canada's intent and therefore Cardium is not caught by the Sanction Laws prohibitions.

[36] I will digress briefly to explain. The resource is jointly owned by the parties. The resource comingles. One party does not own 70% of the hydrocarbon molecules and the other own 30% of them. They each have an ownership interest in every molecule. In order to produce and monetize Loyal's 70% interest, Loyal must also produce Cardium's 30% interest. It is not possible to produce only 70% of each molecule as if that were Loyal's and shut-in the remaining 30% of each molecule for Cardium. Is producing hydrocarbons from any of the joint property a

[4] I explain below who Rosneft is and how it is relevant to these applications.

violation of the prohibitions? Must Loyal cease all activities involving the jointly owned property to avoid what is prohibited in respect of Cardium's interest? Must Loyal adversely affect its own interests to comply with the Sanction Laws? Would it have to do so even if it owned a 99% interest and Cardium a 1% interest? Is producing Cardium's 30% providing to Cardium a beneficial "related service", that is prohibited by the *Russia Regulation*? I refer to this collection of extraneous and more complex issues as the "**Joint Property Issue**" later in my reasons.

[37] Loyal provides a rationale for it continuing to produce the jointly owned hydrocarbons via the JVDA wells, based on its understanding of the purpose and intention of the Sanction Laws and on pragmatic considerations, including the safety and regulatory and cost implications of then having to indefinitely shut-in the wells, and the value destroying effects of that, all contrary to the public interest.

[38] But despite the existence of some complex legal and practical (and financial) issues for Loyal as operator in these circumstances, and despite Cardium criticizing Loyal for what it regards to be Loyal's selective and self-interested interpretation of the Sanction Laws, it is not necessary for the Court to resolve the Joint Property Issue in this summary application. Whether Loyal was and continues to be prohibited from producing and monetizing the joint resource assets at all because of the Sanction Laws is not a question on which the parties joined issue in this action. It need not be answered before Cardium's claims in the action can be determined. The Court is in good company when limiting its determinations to only the issues necessary to resolve the case before it. In *Phillips v Nova Scotia (Commission of Inquiry into the Westray Mine Tragedy)*, [1995] 2 SCR 97, at para 6, the Supreme Court of Canada said: "This Court has said on numerous occasions that it should not decide issues of law that are not necessary to a resolution of an appeal." This is equally apposite for the courts and tribunals of first instance.

[39] The question on which the action turns and that is before the Court on this summary disposition application is whether the Sanction Laws prohibited Loyal from paying Cardium its 30% of the net proceeds of monetized production. *That* issue is not complex. The action is suitable for summary disposition.

[40] As I indicated earlier in these reasons, Cardium advances many causes of action as all arising on the same fact allegations. It presents many different remedies that might be awarded to it, depending on how the trial Court might find the facts and apply the law. But they all flow from the same core question of whether Loyal was prohibited by operation of law from dealing with Cardium as they had agreed in their JVDA, because of the Sanction Laws.[5]

[5] Cardium pleads in its Prayer for Relief at the end of its Statement of Claim one remedy that might be considered as not turning on the correct statutory interpretation and contract interpretation, that all the other remedies claimed turn on. Cardium has also pleaded for an award of punitive damages. Punitive damages are based on an independent actionable wrong, where the conduct of the defendant is so malicious, oppressive, egregious, shameful, shocking or high-handed as to offend the Court's sense of decency and warrant its opprobrium. Intentional conduct is most often required, or callous disregard at least.
The pleading itself alleges little of that. At its highest it appears the grievous misconduct on Loyal's part asserted by Cardium as attracting a punitive damage award relates to what it says was the unlawful and unilateral seizure of its property and without any prior notice or subsequent due process. In this case, therefore, the remedy also turns on whether or not Loyal acted as required by the Sanction Laws.
The facts, however, are that within just 2 weeks Loyal explained to Cardium why payment was withheld. It appeared to work with Cardium to the extent allowed by the *Russia Regulation*. Cardium has adduced no evidence of

[41] I answer that question in Loyal's favour and that precludes all the remedies claimed by Cardium; it ends the entire action. Answered in Cardium's favour would end this dismissal application, probably only leaving for trial some issues of quantum.

[42] Phrased differently, none of the claims made by Cardium are extricable, or "easily bifurcated", from the core issues of statutory and contract interpretation, nor extricable at all. They are all dependant on the outcome to the same questions of statutory and contract interpretation.

[43] In these circumstances, this is not a case in which only part of an action should be dismissed. It is all of the action or none of it.

There is no Merit to Cardium's Action

[44] Loyal was prohibited from paying the Funds to Cardium because Cardium is "controlled by or on behalf of an entity whose name is listed in Schedule 1": section 3(a), *Russia Regulation*. That entity is JSC Rosneftegaz ("**Rosneftegaz**").

[45] To do so would be to violate sections 3 and 5 of the *Russia Regulation*. Loyal remains prohibited from doing so on the hydrocarbons it continues to produce from the joint property.

[46] Cardium is a wholly owned subsidiary of PJSC Rosneft Oil Company ("**Rosneft**").[6] Rosneft is listed on Schedule 3 to the *Russia Regulation*.[7]

[47] Rosneft's controlling shareholder is Rosneftegaz, which itself is wholly owned by Russia. Rosneftegaz is also listed on Schedule 1 to the *Russia Regulation*. So "indirectly", Cardium is controlled by a person listed on Schedule 1.

[48] Rosneftegaz is the controlling shareholder of Rosneft. This was so in February 2023 and then made even more certain when the Deeming Provision was added to the *SEMA*. Rosneftegaz is able to direct Rosneft's activities, "...having regard to all the circumstances": section 2.1(2)(c), *SEMA*.

[49] Significant among those circumstances are Rosneftegaz being able to vote over 50% of the *actual* shares of Rosneft voted by person or proxy at any of its shareholder meetings. It holds

egregious or high-handed conduct on the part of Loyal. It has not pleaded the requisite intention on Loyal's part. It has not gained any admissions from Loyal or its affiants on any of those points.
Any lack of due process before or after the withholding is a function of the statutory regime imposed by the Government of Canada, not Loyal. In addition, as I discuss later in the context of the NCQ, the statutory recourse options available to Cardium and Rosneft have not been pursued.
On this record, including the pleadings, I consider the punitive damages claim to be hopeless and to not merit a trial.

[6] On the evidence before the Federal Court in 2024, on a judicial review, it found that: "Rosneft ... is a very large Russian state-owned oil company. Rosneft is the second-largest Russian state-owned enterprise. Rosneft is also the largest player in the Russian oil sector." *Makarov v Canada (Foreign Affairs)*, 2024 FC 1234.
This finding is on a different evidentiary record than the one before me and so it is of anecdotal interest only; it is not given any weight in my analysis.

[7] Until the amendment to the *Russia Regulation* enacted February 19, 2026, when by sections 11 and 2 respectively, its name was removed from Schedule 3 and added to Schedule 1. The Funds accumulated prior to that change and the parties made their submissions accordingly and so, similarly, I am addressing that period of time. Most of the Funds were amassed before the change in Schedules.

40.4% of all issued and outstanding shares, but no less than 57.81% of all the actual shares voted by person or proxy at all its meetings.

[50] Just under 70% of all the issued and outstanding shares actually participate in any vote of the shareholders. The remainder do not. 10.36% of Rosneft's shares are owned by wholly owned subsidiaries of Rosneft. By one of these subsidiaries, Rosneft bought back some of its own shares. This 10.36%+ interest is not voted at shareholder meetings. On February 27, 2022, BP, PLC decided to "exit" its 19.7% shareholding in Rosneft as part of its abandoning entirely all its physical operations in Russia, which contributed roughly $2 billion per year to BP's earnings. BP's close to 20% of Rosneft's shares also do not get voted at any of Rosneft's shareholder meetings.

[51] Therefore, Rosneftegaz' 40.4% of the shares gives it, in fact, almost 58% of the possible votes at all shareholder meetings. Rosneftegaz and its owner Russia enjoy *de facto* voting control of Rosneft.

[52] Equally significant is the *de facto* Board control of Rosneft by Directors who are listed in Schedule 1 to the *Russia Regulation*. As of June 2023, 6 of the Board's 11 Directors are listed in Schedule 1, including Mr. Igor Sechin, Rosneft's CEO. In this way also, Cardium is controlled by "a person" listed on Schedule 1. By section 33(2) of the *Interpretation Act*, R.S., c. I-23, s. 1, the singular "person" includes the plural "persons". Persons listed in Schedule 1 control Cardium.

[53] By this measure also, Russia enjoys *de facto* control of Rosneft.

[54] Further, section 2.1 of the *Russia Regulation* explains the pre-requisite for a person being listed in Schedule 3, like Rosneft until the February 19, 2026, amendments (underlining added):

> 2.1 A person whose name is listed in Schedule ... 3 is a person in respect of whom the Governor in Council, on the recommendation of the Minister, is satisfied that there are reasonable grounds to believe is
>
> (a) an entity owned, held or controlled, directly or indirectly, by a person referred to in any of paragraphs 2(a) to (b) or acting on behalf of or at the direction of a person referred to in any of those paragraphs; [8] or
>
> (b) an entity owned, held or controlled, directly or indirectly, by Russia or acting on behalf of or at the direction of Russia.

[8] Paragraph 2(a) and (b) state:

> 2 A person whose name is listed in Schedule 1 is a person in respect of whom the Governor in Council, on the recommendation of the Minister, is satisfied that there are reasonable grounds to believe is
>
> (a) a person who has engaged in activities that directly or indirectly facilitate, support, provide funding for or contribute to a violation or attempted violation of the sovereignty or territorial integrity of Ukraine or that obstruct the work of international organizations in Ukraine;
>
> ...
>
> (b) a former or current senior official of the Government of Russia;

[55] The fact Rosneft was listed in Schedule 3, therefore, also militates strongly in favour of all the relevant circumstances pointing to Cardium being subject to Rosneftegaz' control and subject to the prohibitions in sections 3 and 5.

[56] Since Rosneftegaz controls Rosneft and Rosneft controls Cardium, Loyal is prohibited from:

- dealing in any of Cardium's property [s 3(a), *Russia Regulation*], this includes paying to it the Funds;
- entering any transaction related to its property [s 3(b), *Russia Regulation*];
- facilitating any transaction related to its property [s 3(b), *Russia Regulation*];
- providing any financial or other related service in respect of any of its property, or to Cardium otherwise, or for its benefit more generally [s 3(c) and (e), *Russia Regulation*], this may include rendering JIBs, AFEs, IONs, accountings of joint revenues and expenses and various other JVDA operator deliverables (depending on the correct answer to the Joint Property Issue); and
- doing anything that causes, facilitates or assists in, any prohibited activity [s 5, *Russia Regulation*].

[57] Cardium disputes that Rosneftegaz controls Rosneft. Cardium maintains that it does not but offers no contrary evidence. It only says that the evidence Loyal adduced is unreliable. Much of the evidence Loyal presents are Cardium's and Rosneft's own words and public representations, originating from its official public corporate communications or BP's official public corporate communications. Cardium offers no alternate conclusions or inferences to draw from the evidence. It is reliable and offers a sufficient evidentiary basis for summary disposition.

[58] Cardium maintains it is contractually entitled to payment from Loyal under the JVDA.

[59] It is not. By constituting a violation of the federal Sanction Laws, paying Cardium in these circumstances also would be contrary to the JVDA. The JVDA incorporates by reference the Sanction Laws. In the event of a conflict between the JVDA and the Sanction Laws regarding the parties' obligations, the Sanction Laws prevail; the obligations of Loyal under the JVDA are modified accordingly. Clauses 1.01 and 1.03(c) state:

> Section 1.01 Unless otherwise defined herein, capitalized terms in this Agreement shall have the meanings ascribed to them in the 2007 CAPL Operating Procedure.
>
> ...
>
> In the event of any conflict or inconsistency between the provisions of this Agreement and the Regulations, the provisions of the Regulations shall prevail and this Agreement shall be deemed to have been amended accordingly.

"Regulations" is a defined term in the 2007 CAPL Operating Procedure[9] and "means":

> … all statutes laws rules orders directives and regulations in effect from time to time and made by governments or their agencies with jurisdiction over Joint Property Operations or the Parties.

[9] Section 1.01 of the 2007 CAPL Operating Procedure, incorporated by reference into the JVDA.

In other words, were Loyal to pay the Funds to Cardium in the face of the Sanction Laws, it would breach the contract between them by doing so.

[60] Cardium has failed to show that Loyal breached the JVDA. The opposite is true. Loyal has shown that it acted in compliance with the parties' contract. The underlying action is doomed to fail and must be dismissed without putting Loyal to further cost defending it.

[61] Cardium argues that Loyal's assessment of its status under the Sanction Laws is "based on nothing more than conjecture, and which has never been confirmed by the Government of Canada". It contends that it is a British Columbia corporation, extra-provincially registered in Alberta, and its parent company is Rosneft, which is an entity listed in Schedule 3 to the *Russia Regulation* – but not Schedule 1.[10] It says Schedule 1 is the Schedule triggering the prohibitions in sections 3 and 5 of the *Russia Regulation*, not Schedule 3.

[62] I disagree. It is not conjecture. The law applied to the uncontested and unrefuted evidence compel the conclusion that Loyal paying the Funds to Cardium violates the prohibitions in sections 3 and 5 of the *Russia Regulation*.

[63] Cardium also says the Government of Canada is aware of who owns it and has not placed it on any of the Schedules to the *Russia Regulation*. Cardium says the proper inference to draw is that Canada does not intend Cardium be subject to the prohibitions in the *Russia Regulation*.

[64] With respect, the absence of Cardium from Schedule 1 is not dispositive. An owner or controlling entity being listed on Schedule 1 (or, in this case, *not* being listed on Schedule 1) is not the only way the sections 3 and 5 prohibitions can apply to Cardium. If that were the only way the sections 3 and 5 prohibitions could be triggered, the *SEMA* would not have been amended to add the Deeming Provision. If Cardium's interpretation were the correct interpretation, it would render the Deeming Provision superfluous, contrary to basic principles of statutory interpretation. Both the listing on Schedule 1 and satisfying the Deeming Provision alone suffice to prohibit dealings with Cardium.

[65] Cardium further alleges that Loyal has selectively complied with the Sanction Laws. For example, Cardium asserts, and Loyal admits, that Loyal has not issued formal notices or provided to Cardium accounting or production information related to the joint property pursuant to the JVDA. However, Loyal continues to actively deal in Cardium's property and to alone benefit from such property by continuing production, without providing Cardium with any transparency of this production.

[66] This is the Joint Property Issue I describe above, which has no bearing on whether Loyal is prohibited from paying the Funds to Cardium from the resource that has been produced, rightly or wrongly.

[67] Cardium argues that Loyal's interpretation of Sanction Laws is incorrect, because its interpretation creates an unfair process due to lack of authorization and notice and unavailability of mechanisms for review or challenge. As I describe below in the context of Cardium's

[10] Following the hearing of these Applications, and before rendering this Decision, the parties informed the Court that on February 19, 2026, the Government of Canada added Rosneft to Part 2 of Schedule 1 to the *Russia Regulation*: (SOR/2026-30). I comment on the implications of this development for these applications in the final paragraph of this Judgment.

objection under the *Canadian Bill of Rights*, there are methods of challenge available to Cardium in the *SEMA* regime, and it has pursued none of them.

[68] Cardium argues that the contractual arrangement between the parties does not contemplate this sort of situation and only provides short-term mechanisms allowing for the co-mingling of joint-interest monies with operator monies. It suggests these mechanisms do not allow for the long-term withholding that Loyal admits to here. In this regard Cardium refers to Section 5.07 of the CAPL Operating Procedure and the opinions of industry participants experienced with the ways the CAPL Operating Procedure is drafted and used. Leaving aside the many issues about the admissibility of the evidence and the manner it has come before the Court, it is not responsive to the question of duration of withholding under the Sanction Laws.

[69] Cardium argues that economic measures must be implemented through the form of an order under section 4(1)(b) of *SEMA*, which then allows for procedural safeguards and challenges. I disagree. Nothing in the *SEMA* suggests such orders are the only way economic measures may be implemented. The section read in context suggests it refers to sanctions that will always be available for any situation listed in section 4(1.1) that arises where there is not targeted regulation already created under the very next sub-section: s 4(2). It is not necessary for the Minister of Foreign Affairs to first exercise the regulation making power in section 4(2) and create something targeted like the *Russia Regulation* to address an isolated or infrequent event or condition. The section 4(1) power is always available. It can be used in 'one-off' situations or in protracted ones like the war in Ukraine. In this case, in the face of the *Russia Regulation*, there would be little need to resort to the general order provision in the *SEMA*. It certainly is not a first gate before the prohibitions in the *Russia Regulation* operate, nor does the power in section 4(1) of the *SEMA* preclude use of the *Russia Regulation* prohibitions.

[70] And in any event, none of the pre-conditions for the suggested mandatory threshold order under section 4(1) of the *SEMA* exist here on the evidence presented.

[71] Cardium argues that since the Deeming Provision was added to the Sanction Laws in June 2023, it could not have been the reason that Loyal withheld Funds in February 2023. That would appear accurate, but the Deeming Provision is not the only basis in the Sanction Laws requiring Loyal to withhold payment under section 3 of the *Russia Regulation*. As explained above, it is not the only basis for Loyal correctly understanding section 3 to have been triggered and Loyal being required to no longer deal with Cardium by paying Funds to it.

[72] Accordingly, I am not persuaded by any of these remaining arguments of Cardium.

[73] Loyal is independent of the Government of Canada. It has not done anything more than withhold payment of the Funds. It has not seized Cardium's property for Canada or for itself. It does not purport to suggest it has authority to do so. It is only dealing with Cardium's interest in the joint property in accordance with the contract between them in which Cardium authorized Loyal to do so. That is not a seizure.

[74] There is no merit to Cardium's action. It has failed to overcome the evidence and reasons of Loyal for withholding payment of the Funds. The action shall be dismissed summarily in entirety, unless the Sanction Laws are unconstitutional.

Constitutional Questions

[75] Cardium served the NCQ as required on the federal and provincial Departments of Justice in August 2025. Neither intends to participate.

[76] Cardium framed its constitutional questions as follows:

> If Loyal's interpretation of the SEMA and Regulations is accepted,
>
> (a) are the SEMA and Regulations unconstitutional as they infringe RNC's constitutional right to be secure from unreasonable search or seizure within the meaning of Section 8 of the *Charter*?
>
> (b) are the SEMA and Regulations unconstitutional as they deny the presumption of innocence and further infringe RNC's constitutional right to both substantive and procedural fairness in accordance with the principles of fundamental justice and presumption of innocence within the meaning of Sections 7 and 11 of the *Charter*?
>
> or
>
> (c) are the respective provisions of the SEMA and Regulations inoperative as they infringe RNC's right to enjoyment of its property and the right not to be deprived thereof except by due process of law pursuant to Sections 1(a) and 2(e) the *Canadian Bill of Rights*?

[77] If Cardium is correct on any of these grounds, it suggests Loyal's actions under the Sanction Laws would have been undertaken without lawful authority, or pursuant to an invalid law. The invalid law would not prevail over the JVDA contractual duties Loyal owes Cardium. Loyal's defence of Cardium's action would be doomed to fail. In that case, Loyal's application for summary dismissal would fail and the Court would entertain Cardium's late request for summary judgment against Loyal or merely let the action continue towards trial.

[78] Cardium is not correct on any of these grounds, however. I shall address each of its questions in the order presented.

[79] I begin by acknowledging that the *Charter* can apply to entities other than government when that entity acts "pursuant to the powers granted to them" by statute: *Eldridge v. British Columbia (Attorney General)*, 1997 SCC 327, at paras 19 and 35.

[80] Section 8 of the *Charter* provides that "[e]veryone has the right to be secure against unreasonable search or seizure". Cardium says that Loyal's withholding of Cardium's property, purportedly under the authority of the Sanction Laws, constitutes an unlawful and unreasonable seizure, contrary to section 8 of the *Charter*.

[81] Loyal's compliance with the prohibitions in the *Russia Regulation* does not constitute a "seizure" in the sense addressed in section 8 of the *Charter*. Section 8 of the *Charter* protects privacy rights; it does not protect against restrictions on the enjoyment of property absent some superadded impact on privacy rights occurring in the context of administrative or criminal investigation: *Canada (Attorney General) v Canadian Civil Liberties Association*, 2026 FCA 6, at paras 415-16.

[82] The Supreme Court of Canada made this clear in *Quebec (Attorney General) v Laroche*, 2002 SCC 72, at para 53, where it endorsed the following description of the right in S C

Hutchison, J C Morton and M P Bury's *Search and Seizure Law in Canada* [underlining added by the SCC]:

> The prohibition of unreasonable search and seizure is designed to promote privacy interests not property rights. Hence, *Charter* protections against unreasonable seizure should not apply to governmental actions merely because those actions interfere with property rights. Specifically, where property is taken by governmental action for reasons other than administrative or criminal investigation a "seizure" under the *Charter* has not occurred. A detention of property, in itself, does not amount to a seizure for *Charter* purposes – there must be superadded impact upon privacy rights occurring in the context of administrative or criminal investigation.

[83] Section 8 of the *Charter* is not engaged in this case; it is not engaged by any of the broad prohibitions in the Sanction Laws.

[84] Section 7 of the *Charter* protects everyone's "right to life, liberty and security of the person and the right not to be deprived thereof except in accordance with the principles of fundamental justice." As best I can tell on this claim, Cardium complains that its property has been taken from it without due process or procedural fairness. It says it breaches its *Charter* rights that it was not given prior notice nor any means of challenging the withholding.

[85] Section 7 of the *Charter* is not engaged in this case. Cardium's concerns are not matters affecting "life, liberty, and security of the person". Furthermore, only human beings can enjoy these rights: *Irwin Toy Ltd v Quebec (Attorney General)*, [1989] 1 SCR 927, at p 1004. This is not a right that Cardium can assert. Beyond that, its property has not been taken from it. Processes are available to it that it has not pursued (discussed in the context of the *Canadian Bill of Rights* arguments).

[86] The presumption of innocence is one of the rights listed in section 11 of the *Charter* enjoyed by any "person charged with an offence". That is not Cardium. Section 11 of the *Charter* is also not engaged in this case.

[87] Finally, though it does not affect the constitutionality of the Sanction Laws, Cardium raises sections 1(a) and 2 (e) of the *Canadian Bill of Rights* in its NCQ, suggesting the Court should find inoperative the aspects of the Sanction Laws that have resulted in its being deprived of the enjoyment of its property without due process of law. Those provisions state:

> 1 It is hereby recognized and declared that in Canada there have existed and shall continue to exist without discrimination by reason of race, national origin, colour, religion or sex, the following human rights and fundamental freedoms, namely,
>
> (a) the right of the individual to life, liberty, security of the person and enjoyment of property, and the right not to be deprived thereof except by due process of law;
>
> ...
>
> 2 Every law of Canada shall, unless it is expressly declared by an Act of the Parliament of Canada that it shall operate notwithstanding the *Canadian Bill of Rights*, be so construed and applied as not to abrogate, abridge or infringe or to authorize the abrogation, abridgment or infringement of any of the rights or freedoms herein

> recognized and declared, and in particular, no law of Canada shall be construed or applied so as to ...
>
> (e) deprive a person of the right to a fair hearing in accordance with the principles of fundamental justice for the determination of his rights and obligations;

[88] Section 1(a) is a "human right" of "the individual". The term "individual" does not include bodies corporate: *Smith, Kline & French v Canada (Attorney General)*, [1986] 1 FC 274, at page 299. Section 1(a) does not apply to or protect Cardium.

[89] Loyal's actions pursuant to the prohibitions in the Sanction Laws do not violate section 2(e) of the *Canadian Bill of Rights*. Cardium has not been deprived of fair hearing. Administrative processes were available.

[90] The Sanction Laws make available the opportunity to have a designation under any of Schedules 1, 2 or 3 reconsidered: section 8(1) *Russia Regulation*. Cardium's owner Rosneft, Rosneft's controlling owner Rosneftegaz, Cardium's CEO, and all five of Cardium's Directors, could each have applied to the Minister of Foreign Affairs to have their name removed from Schedule 1, 2 or 3. Cardium's Statement of Claim admits learning on February 21, 2023, that Loyal's reason for suspending all payments to it was the prohibitions in the *Russia Regulation*. At that time, and throughout the time since, section 8(1) of the *Russia Regulation* was in force. There is no evidence any of these listed people and entities exercised that right, but for the last 3 years the process was available to them.

[91] The Sanction Laws also make available a right to seek an exemption: 4(4) & (5) *SEMA*. *SEMA* at section 4 establishes a process whereby the Minister of Foreign Affairs could exempt "any person" from the restrictions and prohibitions under *SEMA*. Cardium could have applied to have Loyal exempted in respect of the JVDA payments and other operator actions and deliverables. There is no evidence Cardium or Rosneft or any other person affected by the prohibitions attempted to have the Minister render such a permit. Indeed, Cardium's counsel admitted during the oral hearing of these applications that "I was candidly not aware of" there being "some type of permit application" process. But the point here is that the process was available to Cardium; it has not persuaded me it was deprived of any due process.

[92] Cardium went so far as to suggest it was a breach of the JVDA that Loyal did not apply for such a permit. *Perhaps* the operator under CAPL ought to make such an application in doing everything within its power to fulfill its contractual payment obligations. But I am not persuaded it would be within its capability. The information needed to succeed on such an application would be known to Cardium or its controlling persons and entities. No such information was placed on this record. Cardium is far better positioned to make such an application and, very likely, Loyal would not be able to make it without Cardium's heavy involvement. More telling on this point is that at no time over the ensuing 3 years did Cardium make the suggestion to Loyal that Loyal was contractually required to make a permit application to benefit Cardium. I find no failing on Loyal's part for not making a permit application for Cardium's benefit or on its behalf. Doing so may also be prohibited under section 3 and 5 of the *Russia Regulation*. The opportunity was always there for Cardium to submit a request to the Minister.

[93] Cardium has not shown how either or both of these processes did not accord it the opportunity for a fair hearing in keeping with the principles of natural justice.

[94] The Sanction Laws as Loyal has complied with them in relation to Cardium, are not unconstitutional by reason of any infringement of sections 7, 8 or 11(d) of the *Charter*. They are not inoperative by reason of any violation of sections 1(a) or 2(e) of the *Canadian Bill of Rights*.

Cross Application for Payment into Court

[95] Cardium cross applies for an order requiring Loyal to pay into Court the Funds that it holds, and to continue to pay such moneys into Court following future production from the joint property. It says that it would be reasonable and equitable for the Court to direct an accounting, audit and reconciliation of the joint account by a jointly-appointed independent auditor at Loyal's sole cost and expense, to confirm the amounts owing to Cardium.

[96] Cardium also seeks waiver of the requirement to post any security for costs and the costs of its Cross Application. I have no problem in the circumstances of this case with waiving the usual requirement for an undertaking as to damages or the posting of security. It is not required in all cases. Injunctive relief is not sought here and there is no issue as to ownership of the property, only access to it. See, in this regard: *Echo Valley Farms Inc v Alberta*, 1998 ABQB 506, at para 21; affirmed in *Stevens (Estate) v Morrisroe*, 1999 ABQB 643, at para 22.

[97] Payment into Court under Rule 6.25 is a pre-trial remedy. Accordingly, it is an extraordinary remedy, one that is granted only in exceptional circumstances.

[98] Cardium believes this case is exceptional. It believes payment into Court to be appropriate, because there is "no dispute that the [Funds] belong to Cardium." In other words, rather than the Court pre-determining the trial issue of ownership by directing payment in, the parties are agreed on that point.

[99] With respect, this is not a persuasive reason. Ownership of the Funds never was in issue in the underlying action. The issue in the underlying action is possession of the Funds, not ownership. Possession of the Funds has now been determined in Loyal's favour. I have agreed with Loyal that the Sanction Laws prohibit it from transferring the Funds into Cardium's possession. I have summarily dismissed the action. Paying the Funds into Court seems to me to serve no useful purpose, if not being counter-productive. Possession remains with Loyal for the moment.

[100] If I had declined Loyal's application for summary dismissal, and the action continued towards trial on the issue of lawful possession of the Funds, then the application for payment in may have merited attention.

[101] Cardium also says leaving the Funds in Loyal's possession may adversely affect Cardium; Loyal may be deploying them for its own uses or in some other the Funds may be at risk of loss left in Loyal's hands. It observes that Loyal is a privately held corporation and that paying the Funds into Court will not prejudice Loyal.

[102] The record before the Court, however, does not substantiate any of these concerns. There is no evidence here of any dissipation. There is no evidence of Loyal heading towards insolvency. There is no evidence of Loyal dipping into them for low cost cash working capital or for its own investment capital. Further, Loyal's evidence to the contrary in response to Cardium's bald accusations was unchallenged by Cardium. Even if Cardium's interpretation of the Sanction Laws was correct and Loyal's summary dismissal application declined, the requisite

evidentiary foundation for the extraordinary pre-trial remedy of a preservation order has not been made out.

[103] Finally, I am concerned about how any Court approval of ongoing payments into Court from future production of the joint property might be construed as the Court condoning Loyal continuing to produce and monetize the joint assets in the face of the *Russia Regulation* prohibitions. It might be construed as the Court tipping its hand on how the Joint Property Issue would be correctly decided. As indicated earlier in these Reasons, I make no finding either way on the applicability of the prohibitions to the jointly owned property. It was not an issue on which the parties joined issue in their pleadings, developed the record, or that they addressed fully in their submissions. Also, since it is an issue of more far reaching implication than the largely private implications for these two parties here, giving other parties the opportunity to be heard on that broader Joint Property Issue may be warranted.

[104] For all these reasons, I decline the Cross Application.

Summary of Outcomes

[105] I grant Loyal's application and dismiss Cardium's action summarily.

[106] I decline Cardium's Cross Application; Loyal is not required to pay the Funds into Court or fund an independent audit and accounting of such amounts.

[107] Parties may speak to costs if they cannot agree, provided within two weeks of the date of this decision they contact the Court to arrange a time to speak to costs.

[108] After receiving all the submissions of the parties and before rendering this decision, I was informed of the February 19, 2026, amendments to the *Russia Regulation* that, among other things, added Rosneft to Schedule 1 and deleted it from Schedule 3. These amendments make it even more certain that, commencing February 19, 2026, all the prohibitions in sections 3 and 5 of the *Russian Regulation* prohibit Loyal's payment of Funds to Cardium. The amendment does not expressly have retroactive effect, therefore it remained necessary for the Court to complete this decision to address the claims in Cardium's action against Loyal for the time prior to February 19, 2026.

Heard between the 12th day of November, 2025, and the 24th day of February, 2026.
Dated at the City of Calgary, Alberta this 27th day of March, 2026.

P.R. Jeffrey
J.C.K.B.A.

Appearances:

Luke Rasmussen
Karolina Kluz
for the Applicant

Nick Bryanskiy
Evan Dixon
for the Respondent