Clerk's Stamp

JUDICIAL CENTRE OF CALGARY
FILED
JAN 25 2016
CLERK OF THE COURT

COURT FILE NUMBER	**1501-13786**
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	Calgary
	IN THE MATTER OF AN APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, C B-3, AS AMENDED
APPLICANT	**NATIONAL BANK OF CANADA, IN ITS CAPACITY AS ADMINISTRATIVE AGENT UNDER THAT CERTAIN AMENDED AND RESTATED CREDIT AGREEMENT DATED JUNE 30, 2015, AS AMENDED**
RESPONDENTS	**SPYGLASS RESOURCES CORP., 1196823 ALBERTA LTD., 1288916 ALBERTA LTD., 1398850 ALBERTA LTD., 15836621 ALBERTA LTD., 1636527 ALBERTA LTD., AVENEX ENERGY PARTNERSHIP, AVENEX REAL ESTATE ACQUISITION CORP., WESTBROOK MARKETING LIMITED PARTNERSHIP (formerly ELBOW RIVER MARKETING LIMITED PARTNERSHIP), 1159002 ALBERTA LTD. (formerly ELBOW RIVER MARKETING CORP.), MEOTA 2000 PARTNERSHIP, PACE OIL & GAS PARTNERSHIP, PACE OIL RESOURCES LTD. AND SEAVIEW**

I hereby certify this to be a true copy of the original Order

Dated this 25 day of January 2016

for Clerk of the Court

ENERGY PARTNERSHIP

DOCUMENT

CONSENT ORDER: Approval of Sale and Investment Solicitation Process

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Josef G.A. Krüger, Q.C./Jessica L. Cameron
Borden Ladner Gervais LLP
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Calgary, AB T2P 0R3
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Email: jkruger@blg.com/jcameron@blg.com
File No. 413255/000044

DATE ON WHICH ORDER WAS PRONOUNCED: January 25, 2016

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: P.R. Jeffrey

UPON the Application of Ernst & Young Inc., in its capacity as the court-appointed receiver and manager (the "**Receiver**") of Spyglass Resources Corp., 1196823 Alberta Ltd., 1288916 Alberta Ltd., 1398850 Alberta Ltd., 15836621 Alberta Ltd., 1636527 Alberta Ltd., Avenex Energy Partnership, Avenex Real Estate Acquisition Corp., Westbrook Marketing Limited Partnership (formerly Elbow River Marketing Limited Partnership), 1159002 Alberta Ld., (formerly Elbow River Marketing Corp.), Meota 2000 Partnership, Pace Oil & Gas Partnership, Pace Oil Resources Ltd., and Seaview Energy Partnership (collectively the "**Debtors**"); **AND UPON** reading the Application, First Report of the Receiver dated January 20, 2016 (the "**First Report**"), and the Affidavit of Service of Alexandra Cabral, dated January 21, 2016; **AND UPON** hearing from counsel for the Receiver, the Alberta Energy Regulatory (the "**AER**"), and the National Bank of Canada, in its capacity as Administrative Agent under that certain Amended and Restated Credit Agreement dated June 30, 2015, as amended, for a syndicate of lenders (the "**Syndicate**"); and any other interested party appearing at the Application;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of the notice of Application for this Order is hereby abridged and deemed good and sufficient and this Application is properly returnable today.

2. All capitalized terms used but not otherwise defined herein, shall have the meanings ascribed to them in the sales process procedure (the "**SISP**") attached hereto as **Schedule "A"**.

3. The SISP as attached hereto as **Schedule "A"** is hereby approved. The Receiver is hereby authorized and directed to implement the SISP and do all things as are reasonably necessary to conduct and give full effect to the SISP and carry out its obligations thereunder, including seeking approval of this Court as soon as reasonably practicable following the selection of a Successful Bid under the SISP.

4. The agreement between the AER and the Receiver, dated January 20, 2016, attached hereto as **Schedule "B"** (the "**AER Agreement**"), is hereby approved. The Receiver is hereby authorized and directed to do all things as are reasonably necessary to conduct and give full effect to the AER Agreement and carry out their obligations thereunder.

5. The AER shall be permitted access to all bids under the SISP. The Receiver shall consult with the AER regarding selection of Successful Bids under the SISP. The ultimate determination of the Successful Bids under the SISP shall be in the Receiver's sole discretion acting reasonably, subject to approval by the Court.

6. The Receiver and the AER are hereby directed to comply with the terms of the SISP, the AER Agreement, and this Order.

7. The net sale proceeds generated from transactions completed pursuant to the SISP shall be dealt with as follows:

   (a) the Receiver shall first pay any applicable statutory priorities and outstanding amounts owing under any executed Receiver's Borrowing Certificate or amounts that the Receiver has accrued in the administration of Spyglass' Receivership, including amounts that would be subject to the Receiver's Charge;

   (b) the Receiver shall then establish a holdback fund equivalent to the amount it reasonably anticipates will be required to satisfy remaining applicable statutory priorities and the ongoing costs of administration of the Receivership, including future Receiver's Borrowing Certificates that may be executed by the Receiver and amounts that may be incurred and covered by the Receiver's Charge;

   (c) the Receiver shall then distribute proceeds and/or hold proceeds in trust in accordance with Part 3 of the AER Agreement; and

   (d) the balance of the sale proceeds shall be kept in trust by the Receiver pending a further Order from this Honourable Court.

8. Service of this Order shall be deemed good and sufficient by serving same on the persons listed on the Service List (as found at **Schedule "A"** to the Application) and by posting a copy of this Order on the Receiver's website established in respect of these proceedings. No other persons are entitled to be served with a copy of this Order. Service of this Order

shall be deemed good and sufficient regardless of whether service is effected by PDF copy attached to an email, facsimile, courier, personal delivery or ordinary mail.

Justice of the Court of Queen's Bench of Alberta

Consented to this 20th day of January, 2016:

ALBERTA ENERGY REGULATOR

Per: Patricia M. Johnston
Executive Vice President, Law & General Counsel

Schedule "A"

Spyglass Resources Corp. Sales and Investment Solicitation Process

1. On November 26, 2015, the Alberta Court of Queen's Bench (the "**Court**") made an order (the "**Receivership Order**") appointing Ernst & Young Inc. ("**EYI**") as Receiver and Manager (the "**Receiver**") of Spyglass Resources Corp., 1196823 Alberta Ltd., 1288916 Alberta Ltd., 1398850 Alberta Ltd., 15836621 Alberta Ltd., 1636527 Alberta Ltd., Avenex Energy Partnership, Avenex Real Estate Acquisition Corp., Westbrook Marketing Limited Partnership (formerly Elbow River Marketing Limited Partnership) 1159002 Alberta Ltd. (formerly Elbow River Marketing Corp.), Meota 2000 Partnership, Pace Oil & Gas Partnership, Pace Oil Resources Ltd. and Seaview Energy Partnership (collectively, "**Spyglass**"), under Section 243(1) of the *Bankruptcy and Insolvency Act*, and Section 13(2) of the *Judicature Act*. On January 15, 2016, the Court approved the sale and investment solicitation process (the "**SISP**") set forth herein.

2. Set forth below are the procedures (the "**Sale Process Procedures**") to be followed with respect to the SISP to be undertaken to seek a Successful Bid, and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.

Defined Terms

3. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Receivership Order and in this SISP. In addition, in this document:

"**AER**" means the Alberta Energy Regulator;

"**Arm's Length**" means persons who were **not** former directors or officers of Spyglass, and/or who did **not** directly or indirectly beneficially own more than 10% of the issued and outstanding shares of Spyglass, as at the date Spyglass became non-compliant with AER requirements;

"**Business**" means the business being carried on by Spyglass;

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Calgary;

"**DDS System**" means the AER's Digital Data Submission System;

"**Licensee**" has the meaning ascribed under the OGCA;

"**Lenders**" means the syndicate of secured lenders who advanced approximately $172.1 million to Spyglass;

"**Licensed Property**" means any Property comprising a well, facility, or pipeline that is subject to a license, permit or approval issued by the AER;

"**LMR**" means the ratio of a Licensee's (as defined in the OGCA) eligible deemed assets in the AER's Licensee Liability Rating program ("**LLR Program**"), Large Facility Liability Management program and Oilfield Waste Liability program, to its deemed liabilities in these programs;

"**OGCA**" means the *Oil and Gas Conservation Act*, RSA 2000, c O-6;

"**Prior Charges**" means all claims against Spyglass or its property that rank in priority to the security securing the Secured Lender Debt;

"**Property**" means the undertaking, property and assets of Spyglass or any portion thereof;

"**Receivership Charges**" means the charges created by the Receivership Order that rank in priority to the security securing the Secured Lender Debt;

"**Receivership Obligations**" means the indebtedness, liabilities and obligations secured by the Receivership Charges;

"**Secured Lender Debt**" means the debt owed by Spyglass to the secured syndicate of Lenders, including all principal, interest and costs.

Sales Process Procedure

4. The Sales Process Procedure set forth herein describes, among other things, the Property available for sale, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Property and the Business, the manner in which bidders and bids become Qualified Bidders and Qualified Bids (each as defined below), respectively, the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder(s) (as defined below) and the Court's approval thereof. The Receiver shall administer the Sales Process Procedures. In the event that there is disagreement as to the interpretation or application of this Sales Process Procedure, the Court will have jurisdiction to hear and resolve such dispute.

5. The Sales Process Procedure will be completed under the timeline set out in Schedule 2.

Purchase Opportunity

6. A Confidential Information Memorandum describing the opportunity to acquire all or substantially all of the Property will be made available by the Receiver to prospective purchasers that have executed a non-disclosure agreement with the Receiver, in a form satisfactory to the Receiver.

7. The Property will be separated into the following packages (together the "**Packages**" and each a "**Package**"):

    a. Matziwin

    b. Southern Alberta Oil

    c. Southern Alberta Gas

    d. Dixonville

    e. Provost

    f. Drumheller

g. Pembina

h. Peace River Arch

i. Northern Alberta

j. BC

k. Royalty interests

l. Proprietary Seismic

m. Corporate Transaction – pursuant to a CCAA process and a corporate reorganization purchaser could design a shareholding structure with or without Spyglass' current shareholders, compromise its debts, and maintain the majority of Spyglass' tax attributes.

8. Preference will be given to Qualified Bidders who submit bids for Packages and not subsets of the Packages. *En bloc* bids for all Packages will be considered.

AER

9. The Receiver has reached an Agreement with the AER such that, in the event Spyglass is in compliance with all AER requirements (excluding LLR Program requirements), policies and regulations at the time of transfer of a Package, or a part thereof, and the purchaser meets all applicable AER requirements, the AER will waive the requirement for Spyglass' pro forma LMR to be 1.0 or greater for the transfer of the licenses associated with the Licensed Property. As a result, the Receiver expects to be able to sell the Packages and effect the transfer of the AER licenses in conjunction with the closing of any sale of the Licensed Property and in accordance with the Agreement reached with the AER.

"As Is, Where Is"

10. The sale of the Property will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Receiver or any of its agents, except to the extent set forth in the relevant definitive purchase and sale agreement.

Free of Any and All Claims and Interests

11. In the event of a sale, to the extent permitted by law, all of the rights, title and interests of Spyglass in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon and there against (collectively the "**Claims and Interests**"), such Claims and Interests to attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), pursuant to an approval and vesting order made by the Court, upon the application of the Receiver, except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

Publication of Notice and Teaser

12. As soon as reasonably practicable after the approval of this Sales Process, the Receiver shall cause a notice of the SISP and such other relevant information which the Receiver considers appropriate to be published in the *Daily Oil Bulletin* and the *Globe & Mail*. At the same time, the Receiver shall issue a press release setting out the notice and such other relevant information in form and substance satisfactory to the Receiver with Canada Newswire designating dissemination in Canada and major financial centers in the United States, and shall invite, pursuant to a teaser letter, including a summary description of the purchase opportunity, bids from interested parties.

Participation Requirements

13. In order to participate in the Sales Process, each person interested in bidding on the Property (a "**Potential Bidder**") must deliver to the Receiver at the address specified in Schedule "1" hereto (including by email or fax transmission), and prior to the distribution of any confidential information by the Receiver to a Potential Bidder (including the Confidential Information Memorandum), an executed non-disclosure agreement in form and substance satisfactory to the Receiver, which shall inure to the benefit of any purchaser of the Property, as well as a statement indicating that:

    a. It is a Licensee in good standing with the AER or the B.C Oil and Gas Commission ("**BCOGC**"), or is eligible to obtain or hold, AER licenses, permits or approvals, or similar BCOGC licenses, permits or approvals, with respect to the BC Package; and

    b. Its current LMR rating is 1.0 or greater,

    (together the "**Bidder Conditions**").

14. A Potential Bidder that has executed a non-disclosure agreement and who satisfies the Bidder Conditions as described above, and who the Receiver determines has a reasonable prospect of completing a transaction contemplated herein, will be deemed a "**Qualified Bidder**" and will be promptly notified of such classification by the Receiver. The Receiver will promptly notify the Lenders and AER if there are any Qualified Bidders and how many there are.

Due Diligence

15. The Receiver shall provide any person deemed to be a Qualified Bidder with a copy of the Confidential Information Memorandum and access to an electronic data room and the Receiver shall provide to Qualified Bidders further access to such due diligence materials and information relating to the Property and the Business as the Receiver deems appropriate, including, as appropriate, on-site presentations by the Receiver and/or Spyglass and access to further information in the electronic data room. The Receiver makes no representation or warranty as to the information contained in the Confidential Information Memorandum or the information to be provided through the due diligence process or otherwise, except to the extent otherwise contemplated under any definitive sale agreement with a Successful Bidder executed and delivered by the Receiver and approved by the Court.

Seeking Qualified Bids from Qualified Bidders

16. A Qualified Bidder that desires to make a bid for all the Property or a Package(s) or a subset of a Package must deliver written copies of an initial proposal (the "**Initial Bid**") in the form of an

executed Letter of Intent ("**LOI**"), which LOI must indicate its current LMR rating and its prospective LMR rating should its Initial Bid be selected as a Successful Bid, to the Receiver at the address specified in Schedule "1" hereto (including by email or fax transmission) so as to be received by it not later than 5:00 p.m. Calgary time on March 10, 2016 (the "**Initial Bid Deadline**"). The Qualified Bidder must allocate the purchase price in its Qualified Bid, as between the Packages and any subsets thereof.

Qualified Bids

17. An Initial Bid will be considered a Qualified Bid only if (i) it is submitted by a Qualified Bidder and the Initial Bid complies with, among other things, the following (a "**Qualified Bid**"):

    (a) it contains an executed LOI;

    (b) it provides written evidence of a firm, irrevocable financial commitment for all required funding or financing;

    (c) it does not include any request for or entitlement to any break fee, expense reimbursement or similar type of payment;

    (d) it is not conditional upon obtaining financing;

    (e) it contains evidence of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body);

    (f) it is a Licensee in good standing with the AER or the BCOGC if bidding on the BC Package, and provides an AER business associate code, or applicable BCOGC business code, where applicable, or a statement that it is eligible to obtain or hold an AER business associate code and an AER license;

    (g) it provides a written list of its current officers and directors and all shareholders who directly or indirectly own more than 10% of its issued and outstanding shares (the "**Arm's Length List**"); and

    (h) it is received by the Initial Bid Deadline.

18. Prior to selection of Successful Bid(s), the Receiver will provide to the AER the Qualified Bidder(s)' AER business associate code, where applicable, and the Arm's Length List. The AER will review the Arm's Length List to determine whether the Qualified Bidder(s) is Arm's Length from Spyglass. Where the Qualified Bidder(s) is not Arm's Length from Spyglass, the AER may in its sole discretion acting reasonably, advise the Receiver that such Qualified Bidder(s) may not become a Successful Bidder(s). The AER will use its best efforts to advise the Receiver in writing whether the Qualified Bidder(s) may become a Successful Bidder(s) within 2 Business Days of receipt of the required information from the Receiver.

19. The Receiver will give preference to Qualified Bids which take an entire Package.

20. The Receiver will negotiate the Qualified Bids to achieve a successful bid(s) (a "**Successful Bid**") and enter into definitive purchase and sale agreements with the successful bidder(s), who must comply with the following conditions:

    a. Be either a Licensee in good standing with the AER, or the BCOGC if bidding on the BC Package, or be eligible to hold, AER licenses, or applicable BCOGC licenses;

    b. Have an LMR of at least 1.0 or greater at the time of submitting its Initial Bid, and on the first day immediately preceding the closing of the proposed transaction, including by the posting of any security required by the AER to obtain an LMR rating acceptable to the AER; and

    c. Have been confirmed by the AER in accordance with paragraph 18 above to qualify as a Successful Bidder.

    ("**Successful Bidder(s)**").

21. Any purchase and sale agreement entered into by the Receiver with a Successful Bidder shall contain as a condition of that agreement, that the Successful Bidder will complete, or waive, all of its due diligence requirements prior to the Approval Motion (as defined and detailed below).

Approval Motion

22. The Receiver shall apply to the Court (the "**Approval Motion**") for an order approving the Successful Bid(s) and authorizing the Receiver to enter into any and all necessary agreements with respect to the Successful Bidder(s), as well as an order vesting title to Property in the name of the Successful Bidder(s).

23. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Receiver. The Approval Motion may be adjourned or rescheduled by the Receiver without further notice by an announcement of the adjourned date at the Approval Motion.

Deposits

24. Upon the entry of a Purchase and Sale Agreement with Successful Bidder(s) the Receiver will be paid a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Receiver), or such other form of payment acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to 15% of the total consideration in the Successful Bid to be held and dealt with in accordance with these Sales Process Procedures.

25. All Deposits shall be retained by the Receiver and invested in an interest-bearing trust account. The Deposit(s) (plus accrued interest) paid by the Successful Bidder(s) whose bid is approved at the Approval Motion shall be applied to the purchase price to be paid by the Successful Bidder(s) upon closing of the approved transaction and will be non-refundable.

Approvals

26. Any purchase of AER Licensed Property will be subject to the approval of the transfer of the applicable licenses, permits and approvals by the AER pursuant to sections 24 of the OGCA and 18 of the *Pipeline Act*, RSA 2000, c P-15, as amended.

27. Subject to Court approval at the Approval Motion, the AER has agreed that it will approve the transfer of the licenses associated with Spyglass' Licensed Property notwithstanding that Spyglass' pro forma LMR rating may be at or below 1.0 before or after the transfer, on the following conditions:

    a. A complete transfer application respecting the Licensed Properties shall be submitted to the AER by the Successful Bidder(s) (the "**Transfer Application**");

    b. The AER shall confirm the Successful Bidder(s)' compliance status in its DDS System;

    c. The AER shall use its best efforts to process the Transfer Application within 4 Business Days and if all conditions of this section in (a) to (e) are satisfied, transfer the licenses associated with the Licensed Property to the Successful Bidder, in exchange for an expedited processing fee of $500.00 payable to the AER for each Transfer Application, to be delivered by the Successful Bidder with its Transfer Application;

    d. At the time the AER reviews the Transfer Application, Spyglass must have no material non-compliances with AER requirements (excepting its LMR rating); and

    e. At the time the AER reviews the Transfer Application, the Successful Bidder(s) submitting the Transfer Application must:

        i. Be a Licensee in good standing or, if the Successful Bidder does not have any AER licenses, it must hold an AER business associate code and be eligible to hold AER licenses;

        ii. Have an LMR of at least 1.0 following the transfer, including by the posting of any security required by the AER to obtain an LMR rating acceptable to the AER; and

        iii. Be in compliance with all of its AER requirements,

    (subparagraphs (a) to (e) collectively referred to herein as the "**Transfer Conditions**").

28. With the exception of the LMR requirements addressed by these Sales Process Procedures, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by applicable laws in order to implement a Successful Bid.

29. All Qualified Bids (other than the Successful Bid(s)) shall be deemed rejected by the Receiver on and as of the date the AER approves the transfer of the relevant Licensed Property.

No Amendment

30. There shall be no amendments to this Sales Process Procedures, including, for greater certainty the process and procedures set out herein, without the consent of the Receiver.

No Obligation to Conclude a Sale

31. The Receiver has no obligation to conclude a sale arising out of these Sales Process Procedures, and it reserves the right and unfettered discretion to reject any offer or proposal.

Further Orders

32. At any time during the SISP, the Receiver may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

SCHEDULE "1"

NOTICE

TO THE RECEIVER:

Ernst & Young Inc.
1000 Ernst & Young Tower
440 - 2 Avenue SW
Calgary AB T2P 5E9

Attention: Neil Narfason

Phone: 403-206-5075
Fax: 403-206-5075
E-Mail: neil.narfason@ca.ey.com

WITH A COPY TO:

Borden Ladner Gervais LLP
Centennial Place, East Tower, 1900
520 Third Avenue S.W.
Calgary Alberta T2P 0R3

Attention: Josef G.A. Krüger, Q.C.

Phone: 403-232-9563
Fax: 403-266-1395
E-Mail: jkruger@blg.com

SCHEDULE "2"

SALES PROCESS TIMELINE

By January 25, 2016	Court Order approving the sales process
Monday, February 1, 2016	Establish an electronic data room, prepare the Teaser and Confidential Information Memorandum ("CIM")
Monday, February 1, 2016	Contact interested parties and distribute Teaser
Thursday, February 4, 2016 and Thursday, February 11, 2016	Place a newspaper advertisement in the *Daily Oil Bulletin* and *Globe & Mail*, in the first and second week of the marketing period
Monday, February 1, 2016 through Thursday, March 10, 2016	Distribute the confidentiality agreement and the CIM to interested parties. Place template Package purchase and sale agreement in electronic data room
Monday, February 1, 2016 through Thursday, March 10, 2016	Respond to requests for information, conduct management presentations, conduct site visits and due diligence conference calls
Thursday, March 10, 2016	Initial Bids to be submitted to the Receiver
Monday March 14, 2016 or Tuesday March 15, 2016	Bid review meeting with Syndicate and AER
Wednesday, March 16, 2016 through Monday March 21, 2016	Selection of Successful Bids and enter in definitive PSAs. Respond to further requests for information and to proposed changes to the template PSA
Tuesday, March 22, 2016	Finalization of a definitive unconditional PSA(s)
Monday, April 4, 2016	Court approval of the definitive Purchase Agreement(s)
April 1-29, 2016	Closing of PSA(s)

Schedule “B”

RECEIVERSHIP SALE AGREEMENT dated January 20th, 2016

BETWEEN:

THE ALBERTA ENERGY REGULATOR, a corporation established pursuant to section 3 of the *Responsible Energy Development Act*, SA 2013, c R-17.3 (the "**AER**"),

- and -

ERNST & YOUNG INC., in its capacity as the Court appointed receiver and manager of Spyglass Resources Corp., 1196823 Alberta Ltd., 1288916 Alberta Ltd., 1398850 Alberta Ltd., 15836621 Alberta Ltd., 1636527 Alberta Ltd., Avenex Energy Partnership, Avenex Real Estate Acquisition Corp., Westbrook Marketing Limited Partnership (formerly Elbow River Marketing Limited Partnership), 1159002 Alberta Ltd., (formerly Elbow River Marketing Corp.), Meota 2000 Partnership, Pace Oil & Gas Partnership, Pace Oil Resources Ltd., and Seaview Energy Partnership (collectively, "**Spyglass**"), and not in its personal or corporate capacity (the "**Receiver**")

WHEREAS:

A. The Receiver was appointed as receiver and manager over all of Spyglass' current and future property and undertakings pursuant to an Order of the Alberta Court of Queen's Bench on November 26, 2015 (the "**Receivership Order**");

B. The Receiver wishes to conduct a sales and investment solicitation process (the "**SISP**") with respect to Spyglass' Property (as defined below);

C. The AER is the single regulator of upstream energy resource development in Alberta;

D. Pursuant to AER Directives 006 and 011, all AER Licensees (as defined below) are required to maintain a pro forma LMR (as defined below) rating of 1.0 or greater on a monthly basis. Further, the AER requires that where a Licensee is a transferor or transferee of a license issued by the AER, both the transferor's and the transferee's LMR rating must be 1.0 or greater;

E. The Receiver and the AER (together the "**Parties**" and each a "**Party**") have agreed that it is in all of Spyglass' stakeholders' interests if the Receiver is permitted to attempt to sell all of the Property and effect a transfer of the Licensed Property even where Spyglass' LMR rating may be 1.0 or less, as this will lessen the amount of the Licensed Property that becomes part of the Orphan Well Program (as defined below);

F. The AER is willing to permit such transfers to occur under the terms of this Agreement given the Receiver's willingness and agreement to give a preference to sales of complete asset packages and given the considerable amount of Licensed Property owned by Spyglass;

G. The Parties each recognize and acknowledge that this Agreement is being entered into as a commercial solution and a compromise to effect the orderly sale of Spyglass' Licensed Property pending the Court of Queen's Bench decision in the matter of Redwater Energy Corp., and nothing in this Agreement shall be construed as an admission of any liability, obligation, right or entitlement on the part of either Party; and

H. While not a Party to this Agreement, the Syndicate (as defined below) was consulted by the Receiver with respect to the terms of this Agreement, and the Syndicate has confirmed to the Receiver that the Syndicate does not intend to object to the Receiver entering into this Agreement.

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements contained herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Party to the other, the Parties agree as follows:

1. INTERPRETATION

1.1. Definitions

In this Agreement:

a) "**Licensee**" has the meaning ascribed under the OGCA;

b) "**Licensed Property/Properties**" means any Property that is the subject of a license, approval or permit issued by the AER;

c) "**LMR**" means the ratio of a Licensee's eligible deemed assets in the AER's Licensee Liability Rating program ("**LLR Program**"), Large Facility Liability Management program and Oilfield Waste Liability program, to its deemed liabilities in these programs;

d) "**OGCA**" means the *Oil and Gas Conservation Act*, RSA 2000, c O-6;

e) "**OWA**" means the Alberta Orphan Well Association;

f) "**Orphan Well Program**" means the program governing the suspension, abandonment, remediation and/or reclamation of wells, pipelines and/or other oil and gas facilities designated by the AER as orphans, and administered by the Alberta Orphan Well Association;

g) "**Property**" means the undertaking, property and assets of Spyglass or any portion thereof;

h) "**Receiver's Borrowing Certificate**" means any certificate issued by the Receiver pursuant to the Receivership Order;

i) "**Receiver's Charge**" has the meaning ascribed to it under the Receivership Order;

j) "**SISP**" means the Receiver's proposed sales process procedure respecting Spyglass' Property;

k) "**Syndicate**" means the group of secured lenders who advanced approximately $172.1 million to Spyglass pursuant to that certain Amended and Restated Credit Agreement, dated June 30, 2015, as amended;

l) **"Working Interest Participant"** has the meaning ascribed under the OGCA;

and all other capitalized terms not otherwise defined herein, shall have the meaning ascribed to them under the SISP and in this Agreement.

1.2. Interpretation

The following rules of construction shall apply to this Agreement unless the context otherwise requires:

a) Words importing the singular include the plural and vice versa, and words importing gender include the masculine, feminine and neuter genders.

b) The world "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

c) The words "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to this Agreement and not to any particular provision of this Agreement.

d) Reference to any Article, Section or Schedule means an Article, Section or Schedules of this Agreement unless otherwise specified.

e) If any provision of a Schedule hereto conflicts with or is at variance with any provision in the body of this Agreement, the provisions in the body of this Agreement shall prevail to the extent of the conflict.

f) This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party does not apply to the construction or interpretation of this Agreement.

1.3. Schedules

The Following are the Schedules attached to and incorporated in this Agreement by reference and deemed to be a part hereof:

Schedule "A"	SISP
Schedule "B"	Consent Order: Approval of Sales and Investment Solicitation Process (the "**Consent Order**")

2. SISP AGREEMENT

2.1. Preparation of SISP

In preparing the definition of "Package" under the SISP, the Receiver shall consult with the AER.

2.2. Approval of SISP

The AER hereby consents and agrees to the Receiver marketing and seeking bids for the Licenced Property on the terms as outlined in the SISP, attached hereto as **Schedule "A"**. The terms of the SISP shall be incorporated into this Agreement and form part and parcel of this Agreement between the Parties.

2.3. AER Involvement in Bid Review

The AER shall be permitted access to all bids received under the SISP. The Receiver shall consult with the AER regarding selection of Successful Bids under the SISP, in accordance with Article 2.4 hereof. The Receiver shall give a preference for Qualified Bids on entire Packages.

2.4. Bid Review Meeting

A meeting to discuss the Qualified Bids shall be held between the Receiver, the AER and the representatives of the Syndicate within four (4) Business Days of the Bid Deadline (the "**Bid Review Meeting**"). The purpose of the Bid Review Meeting will be to allow the AER and the Syndicate to convey their views to the Receiver about the selection of the Successful Bidders by the Receiver, and to achieve consensus between the AER and the Syndicate about such selection, if possible. The Bid Review Meeting will include discussions and negotiations about the possible acceptance by the Receiver of any Qualified Bids which may not extend to an entire Package.

2.5. Determination of Successful Bids

Subject only to the discretion granted to the AER in paragraph 18 of the SISP, and approval by the Court, the ultimate determination of a Successful Bid(s) under the SISP shall be in the Receiver's sole discretion acting reasonably and in accordance with Clauses 2.3 and 2.4 hereof.

2.6. Consent Order

Concurrent with the execution of this Agreement, the AER shall deliver to the Receiver duly executed copies of the Consent Order: Approval of Sale and Investment Solicitation Process, attached hereto as **Schedule "B"**.

3. DISTRIBUTION SALE PROCEEDS

3.1. Positive LMR Sale

Where Spyglass' pro forma LMR will increase, remain neutral, or be 1.0 or greater immediately after the transfer of Licensed Property subject to a Successful Bid (a "**Positive LMR Sale(s)**"), subject to the Trust Funds (as defined and detailed below), all sale proceeds generated from that transaction are for the benefit of Spyglass' receivership estate, to be distributed by the Receiver in accordance with paragraph 7 of the Consent Order.

3.2. Adverse LMR Sale

Where Spyglass' pro forma LMR will decrease and be less than 1.0 immediately after the transfer of Licensed Property subject to the Successful Bids (an "**Adverse LMR Sale(s)**"), the Receiver shall pay to the AER, from the net sale proceeds, 50% of the maximum security deposit that Spyglass would be required to post to effect a transfer in accordance with the AER's policies and regulations, including Directives 006, 011 and 068 (the "**Security Deposit**"). The calculation of the Security Deposit shall be the difference between 1.0, or if Spyglass' pre-sale LMR is less than 1.0 and a Security Deposit has already been paid to the AER for that difference from 1.0, such lesser pre-sale LMR, and the pro forma LMR following the transfer of the Licensed Property subject to the Successful Bid. The following examples are included for greater clarity regarding the interpretation of this Article 3.2 and Article 3.1:

i. If Spyglass' LMR pre-sale is 0.92x and the pro forma LMR following license transfers would be 0.95x, there is no Security Deposit required.
ii. If Spyglass' LMR pre-sale is 0.92x and the pro forma LMR following license transfers would be 0.92x, there is no Security Deposit required.
iii. If Spyglass' LMR pre-sale is 0.92x and the pro forma LMR following license transfers would be 0.86x, the Security Deposit required is 50% of the difference between 0.92x and 0.86x, and not the difference between 1.0x and 0.86x.
iv. If Spyglass' LMR pre-sale is 1.2x and the pro forma LMR following licenses transfers would be 0.92x, the Security Deposit required is 50% of the difference between 1.0x and 0.92x, and not the difference between 1.2x and 0.92x.

3.3. License Transfers

Subject to payment of the Security Deposit, and provided Spyglass has no material non-compliances (excluding LLR Program non-compliances), the AER hereby waives any requirement for Spyglass to post any security to the AER, and the AER will permit the transfers of Spyglass' AER licenses to proceed notwithstanding Spyglass' LMR rating. The balance of the sales proceeds from the Successful Bids less the Security Deposit shall be distributed by the Receiver in accordance with paragraph 7 of the Consent Order.

3.4. Return of AER Proceeds

If, notwithstanding payment of the Security Deposit, an Adverse LMR Sale does not close and the Licensed Property which is subject to that particular Adverse LMR Sale is therefore not transferred, any Security Deposit paid as a result of that particular Adverse LMR Sale shall be returned by the AER to the Receiver within 7 Business Days, failing which the Receiver shall have the right to set-off against any other Security Deposit the Receiver owes to the AER.

3.5. Sales Proceeds to be held in Trust

Subject to payment and provision for all applicable statutory priorities and the Receivership Charges as more specifically outlined in Clause 3.6 hereof, the Receiver shall hold in trust a total amount of $5 million of the net sale proceeds generated from all Successful Bids (the "**Trust Funds**"), to be used in accordance with Clause 4.1 hereof.

3.6. Priority of Receivership Charges Not Affected by Trust

Prior to establishing the Trust Funds, from the gross sale proceeds generated from any Positive LMR Sale or Adverse LMR Sale, the Receiver shall first pay any applicable statutory priorities and any outstanding amounts owing under any executed Receiver's Borrowing Certificate or amounts that the Receiver has accrued in the administration of Spyglass' Receivership, including any amounts that would be subject to the Receiver's Charge, as determined by the Receiver in its discretion acting reasonably. In addition, the Receiver shall hold back from disbursing any sale proceeds that it reasonably anticipates will be required to satisfy remaining applicable statutory priorities and the ongoing costs of administration of the Receivership, including future Receiver's Borrowing Certificates that may be executed by the Receiver and amounts that may be incurred and covered by the Receiver's Charge, as determined by the Receiver in its discretion acting reasonably (collectively the "**Administrative Holdback**"). The Administrative Holdback shall be established by the Receiver prior to the establishment of the Trust Funds.

4. POST-SALE REQUIREMENTS

4.1. Requirement to Shut-in

Prior to the Receiver's discharge, the Receiver shall consult with the AER and the OWA regarding establishing priorities for shutting-in and suspending and abandoning any of Spyglass' remaining and unsold Licensed Property. Provided the Receiver is able to fund such expense from the Trust Funds, the Receiver shall effect the shut-in of any remaining Licensed Property in accordance with the AER's suspension requirements and in consultation with the AER and the OWA. The cost to shut-in and suspend those facilities shall be paid entirely from the Trust Funds. Excepting gross negligence by the Receiver, under no circumstances shall the Receiver be personally liable for the cost to shut-in and suspend those facilities and the Receiver shall not be required to fund any further amounts from the estate of Spyglass, including from any sales proceeds received, to conduct the shut-in, suspension, and abandonment of the remaining Licensed Property. The AER shall have no claim beyond the Trust Funds for any other costs necessary to shut-in or suspend the remaining Licensed Property.

4.2. Remaining Trust Funds

If after completing the suspension requirements in accordance with Clause 4.1 hereof, any Trust Funds remain, the trust shall terminate with respect to the balance of the remaining Trust Funds and such funds shall be distributed to the Receiver to be distributed in accordance with paragraph 7 of the Consent Order.

5. ORPHANED WELLS

Following the Receiver's discharge, the Receiver will have no obligations or liabilities in respect of the Licensed Property. The AER shall have no further claim to any sale proceeds generated from the sale of the Licensed Property or Spyglass (other than any remaining AER Licensed Properties of Spyglass) to satisfy any remaining abandonment and liability obligations of Spyglass.

6. USE OF AGREEMENT

By executing this Agreement, the Parties each recognize and acknowledge that this Agreement is being entered into as a commercial solution and a compromise to effect the orderly sale of Spyglass' Licensed Property. Nothing in this Agreement shall be construed as an admission of any liability, obligation, right or entitlement on the part of either Party.

7. MISCELLANEOUS

7.1. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta, and the federal laws of Canada applicable therein. Each Party irrevocably submits to the exclusive jurisdiction of the Alberta Court with respect to any matter arising hereunder or relating thereto.

7.2. Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

7.3. Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provisions validity or enforceability in any other jurisdiction.

7.4. Entire Agreement

This Agreement, including its incorporation of the terms of the SISP, constitutes the entire agreement between the Parties with respect to the subject matter hereof and cancels and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof. There are no conditions, covenants, agreements, representations, warranties or other provisions, whether oral or written, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof other than those contained in this Agreement.

7.5. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile or other electronic means of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

IN WITNESS WHEREOF this Agreement has been properly executed by the Parties as of the date first written above.

ALBERTA ENERGY REGULATOR

January 20/2016
Per: Patricia M. Johnston
Executive Vice President, Law and General Counsel

ERNST & YOUNG INC., in its capacity as the court appointed receiver and manager of Spyglass Resources Corp., 1196823 Alberta Ltd., 1288916 Alberta Ltd., 1398850 Alberta Ltd., 15836621 Alberta Ltd., 1636527 Alberta Ltd., Avenex Energy Partnership, Avenex Real Estate Acquisition Corp., Westbrook Marketing Limited Partnership (formerly Elbow River Marketing Limited Partnership), 1159002 Alberta Ltd., (formerly Elbow River Marketing Corp.), Meota 2000 Partnership, Pace Oil & Gas Partnership, Pace Oil Resources Ltd., and Seaview Energy Partnership, and not in its personal or corporate capacity

Per: Neil Narfason
Title: Partner & Senior Vice-President, Transaction Advisory Services

SCHEDULE "A"

<u>**Spyglass Resources Corp. Sales and Investment Solicitation Process**</u>

1. On November 26, 2015, the Alberta Court of Queen's Bench (the "**Court**") made an order (the "**Receivership Order**") appointing Ernst & Young Inc. ("**EYI**") as Receiver and Manager (the "**Receiver**") of Spyglass Resources Corp., 1196823 Alberta Ltd., 1288916 Alberta Ltd., 1398850 Alberta Ltd., 15836621 Alberta Ltd., 1636527 Alberta Ltd., Avenex Energy Partnership, Avenex Real Estate Acquisition Corp., Westbrook Marketing Limited Partnership (formerly Elbow River Marketing Limited Partnership) 1159002 Alberta Ltd. (formerly Elbow River Marketing Corp.), Meota 2000 Partnership, Pace Oil & Gas Partnership, Pace Oil Resources Ltd. and Seaview Energy Partnership (collectively, "**Spyglass**"), under Section 243(1) of the *Bankruptcy and Insolvency Act*, and Section 13(2) of the *Judicature Act*. On January 15, 2016, the Court approved the sale and investment solicitation process (the "**SISP**") set forth herein.

2. Set forth below are the procedures (the "**Sale Process Procedures**") to be followed with respect to the SISP to be undertaken to seek a Successful Bid, and if there is a Successful Bid, to complete the transactions contemplated by the Successful Bid.

<u>**Defined Terms**</u>

3. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Receivership Order and in this SISP. In addition, in this document:

   "**AER**" means the Alberta Energy Regulator;

   "**Arm's Length**" means persons who were **not** former directors or officers of Spyglass, and/or who did **not** directly or indirectly beneficially own more than 10% of the issued and outstanding shares of Spyglass, as at the date Spyglass became non-compliant with AER requirements;

   "**Business**" means the business being carried on by Spyglass;

   "**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Calgary;

   "**DDS System**" means the AER's Digital Data Submission System;

   "**Licensee**" has the meaning ascribed under the OGCA;

   "**Lenders**" means the syndicate of secured lenders who advanced approximately $172.1 million to Spyglass;

   "**Licensed Property**" means any Property comprising a well, facility, or pipeline that is subject to a license, permit or approval issued by the AER;

   "**LMR**" means the ratio of a Licensee's (as defined in the OGCA) eligible deemed assets in the AER's Licensee Liability Rating program ("**LLR Program**"), Large Facility Liability Management program and Oilfield Waste Liability program, to its deemed liabilities in these programs;

   "**OGCA**" means the *Oil and Gas Conservation Act*, RSA 2000, c O-6;

"**Prior Charges**" means all claims against Spyglass or its property that rank in priority to the security securing the Secured Lender Debt;

"**Property**" means the undertaking, property and assets of Spyglass or any portion thereof;

"**Receivership Charges**" means the charges created by the Receivership Order that rank in priority to the security securing the Secured Lender Debt;

"**Receivership Obligations**" means the indebtedness, liabilities and obligations secured by the Receivership Charges;

"**Secured Lender Debt**" means the debt owed by Spyglass to the secured syndicate of Lenders, including all principal, interest and costs.

Sales Process Procedure

4. The Sales Process Procedure set forth herein describes, among other things, the Property available for sale, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Property and the Business, the manner in which bidders and bids become Qualified Bidders and Qualified Bids (each as defined below), respectively, the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder(s) (as defined below) and the Court's approval thereof. The Receiver shall administer the Sales Process Procedures. In the event that there is disagreement as to the interpretation or application of this Sales Process Procedure, the Court will have jurisdiction to hear and resolve such dispute.

5. The Sales Process Procedure will be completed under the timeline set out in Schedule 2.

Purchase Opportunity

6. A Confidential Information Memorandum describing the opportunity to acquire all or substantially all of the Property will be made available by the Receiver to prospective purchasers that have executed a non-disclosure agreement with the Receiver, in a form satisfactory to the Receiver.

7. The Property will be separated into the following packages (together the "**Packages**" and each a "**Package**"):

   a. Matziwin

   b. Southern Alberta Oil

   c. Southern Alberta Gas

   d. Dixonville

   e. Provost

   f. Drumheller

g. Pembina

h. Peace River Arch

i. Northern Alberta

j. BC

k. Royalty interests

l. Proprietary Seismic

m. Corporate Transaction – pursuant to a CCAA process and a corporate reorganization purchaser could design a shareholding structure with or without Spyglass' current shareholders, compromise its debts, and maintain the majority of Spyglass' tax attributes.

8. Preference will be given to Qualified Bidders who submit bids for Packages and not subsets of the Packages. *En bloc* bids for all Packages will be considered.

AER

9. The Receiver has reached an Agreement with the AER such that, in the event Spyglass is in compliance with all AER requirements (excluding LLR Program requirements), policies and regulations at the time of transfer of a Package, or a part thereof, and the purchaser meets all applicable AER requirements, the AER will waive the requirement for Spyglass' pro forma LMR to be 1.0 or greater for the transfer of the licenses associated with the Licensed Property. As a result, the Receiver expects to be able to sell the Packages and effect the transfer of the AER licenses in conjunction with the closing of any sale of the Licensed Property and in accordance with the Agreement reached with the AER.

"As Is, Where Is"

10. The sale of the Property will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Receiver or any of its agents, except to the extent set forth in the relevant definitive purchase and sale agreement.

Free of Any and All Claims and Interests

11. In the event of a sale, to the extent permitted by law, all of the rights, title and interests of Spyglass in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon and there against (collectively the "**Claims and Interests**"), such Claims and Interests to attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), pursuant to an approval and vesting order made by the Court, upon the application of the Receiver, except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

Publication of Notice and Teaser

12. As soon as reasonably practicable after the approval of this Sales Process, the Receiver shall cause a notice of the SISP and such other relevant information which the Receiver considers appropriate to be published in the *Daily Oil Bulletin* and the *Globe & Mail*. At the same time, the Receiver shall issue a press release setting out the notice and such other relevant information in form and substance satisfactory to the Receiver with Canada Newswire designating dissemination in Canada and major financial centers in the United States, and shall invite, pursuant to a teaser letter, including a summary description of the purchase opportunity, bids from interested parties.

Participation Requirements

13. In order to participate in the Sales Process, each person interested in bidding on the Property (a "**Potential Bidder**") must deliver to the Receiver at the address specified in Schedule "1" hereto (including by email or fax transmission), and prior to the distribution of any confidential information by the Receiver to a Potential Bidder (including the Confidential Information Memorandum), an executed non-disclosure agreement in form and substance satisfactory to the Receiver, which shall inure to the benefit of any purchaser of the Property, as well as a statement indicating that:

    a. It is a Licensee in good standing with the AER or the B.C Oil and Gas Commission ("**BCOGC**"), or is eligible to obtain or hold, AER licenses, permits or approvals, or similar BCOGC licenses, permits or approvals, with respect to the BC Package; and

    b. Its current LMR rating is 1.0 or greater,

    (together the "**Bidder Conditions**").

14. A Potential Bidder that has executed a non-disclosure agreement and who satisfies the Bidder Conditions as described above, and who the Receiver determines has a reasonable prospect of completing a transaction contemplated herein, will be deemed a "**Qualified Bidder**" and will be promptly notified of such classification by the Receiver. The Receiver will promptly notify the Lenders and AER if there are any Qualified Bidders and how many there are.

Due Diligence

15. The Receiver shall provide any person deemed to be a Qualified Bidder with a copy of the Confidential Information Memorandum and access to an electronic data room and the Receiver shall provide to Qualified Bidders further access to such due diligence materials and information relating to the Property and the Business as the Receiver deems appropriate, including, as appropriate, on-site presentations by the Receiver and/or Spyglass and access to further information in the electronic data room. The Receiver makes no representation or warranty as to the information contained in the Confidential Information Memorandum or the information to be provided through the due diligence process or otherwise, except to the extent otherwise contemplated under any definitive sale agreement with a Successful Bidder executed and delivered by the Receiver and approved by the Court.

Seeking Qualified Bids from Qualified Bidders

16. A Qualified Bidder that desires to make a bid for all the Property or a Package(s) or a subset of a Package must deliver written copies of an initial proposal (the "**Initial Bid**") in the form of an

executed Letter of Intent ("**LOI**"), which LOI must indicate its current LMR rating and its prospective LMR rating should its Initial Bid be selected as a Successful Bid, to the Receiver at the address specified in Schedule "1" hereto (including by email or fax transmission) so as to be received by it not later than 5:00 p.m. Calgary time on March 10, 2016 (the "**Initial Bid Deadline**"). The Qualified Bidder must allocate the purchase price in its Qualified Bid, as between the Packages and any subsets thereof.

Qualified Bids

17. An Initial Bid will be considered a Qualified Bid only if (i) it is submitted by a Qualified Bidder and the Initial Bid complies with, among other things, the following (a "**Qualified Bid**"):

(a) it contains an executed LOI;

(b) it provides written evidence of a firm, irrevocable financial commitment for all required funding or financing;

(c) it does not include any request for or entitlement to any break fee, expense reimbursement or similar type of payment;

(d) it is not conditional upon obtaining financing;

(e) it contains evidence of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body);

(f) it is a Licensee in good standing with the AER or the BCOGC if bidding on the BC Package, and provides an AER business associate code, or applicable BCOGC business code, where applicable, or a statement that it is eligible to obtain or hold an AER business associate code and an AER license;

(g) it provides a written list of its current officers and directors and all shareholders who directly or indirectly own more than 10% of its issued and outstanding shares (the "**Arm's Length List**"); and

(h) it is received by the Initial Bid Deadline.

18. Prior to selection of Successful Bid(s), the Receiver will provide to the AER the Qualified Bidder(s)' AER business associate code, where applicable, and the Arm's Length List. The AER will review the Arm's Length List to determine whether the Qualified Bidder(s) is Arm's Length from Spyglass. Where the Qualified Bidder(s) is not Arm's Length from Spyglass, the AER may in its sole discretion acting reasonably, advise the Receiver that such Qualified Bidder(s) may not become a Successful Bidder(s). The AER will use its best efforts to advise the Receiver in writing whether the Qualified Bidder(s) may become a Successful Bidder(s) within 2 Business Days of receipt of the required information from the Receiver.

19. The Receiver will give preference to Qualified Bids which take an entire Package.

20. The Receiver will negotiate the Qualified Bids to achieve a successful bid(s) (a "**Successful Bid**") and enter into definitive purchase and sale agreements with the successful bidder(s), who must comply with the following conditions:

    a. Be either a Licensee in good standing with the AER, or the BCOGC if bidding on the BC Package, or be eligible to hold, AER licenses, or applicable BCOGC licenses;

    b. Have an LMR of at least 1.0 or greater at the time of submitting its Initial Bid, and on the first day immediately preceding the closing of the proposed transaction, including by the posting of any security required by the AER to obtain an LMR rating acceptable to the AER; and

    c. Have been confirmed by the AER in accordance with paragraph 18 above to qualify as a Successful Bidder.

    ("**Successful Bidder(s)**").

21. Any purchase and sale agreement entered into by the Receiver with a Successful Bidder shall contain as a condition of that agreement, that the Successful Bidder will complete, or waive, all of its due diligence requirements prior to the Approval Motion (as defined and detailed below).

Approval Motion

22. The Receiver shall apply to the Court (the "**Approval Motion**") for an order approving the Successful Bid(s) and authorizing the Receiver to enter into any and all necessary agreements with respect to the Successful Bidder(s), as well as an order vesting title to Property in the name of the Successful Bidder(s).

23. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Receiver. The Approval Motion may be adjourned or rescheduled by the Receiver without further notice by an announcement of the adjourned date at the Approval Motion.

<u>Deposits</u>

24. Upon the entry of a Purchase and Sale Agreement with Successful Bidder(s) the Receiver will be paid a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Receiver), or such other form of payment acceptable to the Receiver, payable to the order of the Receiver, in trust, in an amount equal to 15% of the total consideration in the Successful Bid to be held and dealt with in accordance with these Sales Process Procedures.

25. All Deposits shall be retained by the Receiver and invested in an interest-bearing trust account. The Deposit(s) (plus accrued interest) paid by the Successful Bidder(s) whose bid is approved at the Approval Motion shall be applied to the purchase price to be paid by the Successful Bidder(s) upon closing of the approved transaction and will be non-refundable.

<u>Approvals</u>

26. Any purchase of AER Licensed Property will be subject to the approval of the transfer of the applicable licenses, permits and approvals by the AER pursuant to sections 24 of the OGCA and 18 of the *Pipeline Act*, RSA 2000, c P-15, as amended.

27. Subject to Court approval at the Approval Motion, the AER has agreed that it will approve the transfer of the licenses associated with Spyglass' Licensed Property notwithstanding that Spyglass' pro forma LMR rating may be at or below 1.0 before or after the transfer, on the following conditions:

    a. A complete transfer application respecting the Licensed Properties shall be submitted to the AER by the Successful Bidder(s) (the "**Transfer Application**");

    b. The AER shall confirm the Successful Bidder(s)' compliance status in its DDS System;

    c. The AER shall use its best efforts to process the Transfer Application within 4 Business Days and if all conditions of this section in (a) to (e) are satisfied, transfer the licenses associated with the Licensed Property to the Successful Bidder, in exchange for an expedited processing fee of $500.00 payable to the AER for each Transfer Application, to be delivered by the Successful Bidder with its Transfer Application;

    d. At the time the AER reviews the Transfer Application, Spyglass must have no material non-compliances with AER requirements (excepting its LMR rating); and

    e. At the time the AER reviews the Transfer Application, the Successful Bidder(s) submitting the Transfer Application must:

        i. Be a Licensee in good standing or, if the Successful Bidder does not have any AER licenses, it must hold an AER business associate code and be eligible to hold AER licenses;

        ii. Have an LMR of at least 1.0 following the transfer, including by the posting of any security required by the AER to obtain an LMR rating acceptable to the AER; and

        iii. Be in compliance with all of its AER requirements,

    (subparagraphs (a) to (e) collectively referred to herein as the "**Transfer Conditions**").

28. With the exception of the LMR requirements addressed by these Sales Process Procedures, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by applicable laws in order to implement a Successful Bid.

29. All Qualified Bids (other than the Successful Bid(s)) shall be deemed rejected by the Receiver on and as of the date the AER approves the transfer of the relevant Licensed Property.

No Amendment

30. There shall be no amendments to this Sales Process Procedures, including, for greater certainty the process and procedures set out herein, without the consent of the Receiver.

No Obligation to Conclude a Sale

31. The Receiver has no obligation to conclude a sale arising out of these Sales Process Procedures, and it reserves the right and unfettered discretion to reject any offer or proposal.

Further Orders

32. At any time during the SISP, the Receiver may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

SCHEDULE "1"

NOTICE

TO THE RECEIVER:

Ernst & Young Inc.
1000 Ernst & Young Tower
440 - 2 Avenue SW
Calgary AB T2P 5E9

Attention: Neil Narfason

Phone: 403-206-5075
Fax: 403-206-5075
E-Mail: neil.narfason@ca.ey.com

WITH A COPY TO:

Borden Ladner Gervais LLP
Centennial Place, East Tower, 1900
520 Third Avenue S.W.
Calgary Alberta T2P 0R3

Attention: Josef G.A. Krüger, Q.C.

Phone: 403-232-9563
Fax: 403-266-1395
E-Mail: jkruger@blg.com

SCHEDULE "2"

SALES PROCESS TIMELINE

By January 25, 2016	Court Order approving the sales process
Monday, February 1, 2016	Establish an electronic data room, prepare the Teaser and Confidential Information Memorandum ("CIM")
Monday, February 1, 2016	Contact interested parties and distribute Teaser
Thursday, February 4, 2016 and Thursday, February 11, 2016	Place a newspaper advertisement in the *Daily Oil Bulletin* and *Globe & Mail*, in the first and second week of the marketing period
Monday, February 1, 2016 through Thursday, March 10, 2016	Distribute the confidentiality agreement and the CIM to interested parties. Place template Package purchase and sale agreement in electronic data room
Monday, February 1, 2016 through Thursday, March 10, 2016	Respond to requests for information, conduct management presentations, conduct site visits and due diligence conference calls
Thursday, March 10, 2016	Initial Bids to be submitted to the Receiver
Monday March 14, 2016 or Tuesday March 15, 2016	Bid review meeting with Syndicate and AER
Wednesday, March 16, 2016 through Monday March 21, 2016	Selection of Successful Bids and enter in definitive PSAs. Respond to further requests for information and to proposed changes to the template PSA
Tuesday, March 22, 2016	Finalization of a definitive unconditional PSA(s)
Monday, April 4, 2016	Court approval of the definitive Purchase Agreement(s)
April 1-29, 2016	Closing of PSA(s)

SCHEDULE "B"

COURT FILE NUMBER	**1501-13786**
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	Calgary
	IN THE MATTER OF AN APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, C B-3, AS AMENDED
APPLICANT	**NATIONAL BANK OF CANADA, IN ITS CAPACITY AS ADMINISTRATIVE AGENT UNDER THAT CERTAIN AMENDED AND RESTATED CREDIT AGREEMENT DATED JUNE 30, 2015, AS AMENDED**
RESPONDENTS	**SPYGLASS RESOURCES CORP., 1196823 ALBERTA LTD., 1288916 ALBERTA LTD., 1398850 ALBERTA LTD., 15836621 ALBERTA LTD., 1636527 ALBERTA LTD., AVENEX ENERGY PARTNERSHIP, AVENEX REAL ESTATE ACQUISITION CORP., WESTBROOK MARKETING LIMITED PARTNERSHIP (formerly ELBOW RIVER MARKETING LIMITED PARTNERSHIP), 1159002 ALBERTA LTD. (formerly ELBOW RIVER MARKETING CORP.), MEOTA 2000 PARTNERSHIP, PACE OIL & GAS PARTNERSHIP, PACE OIL RESOURCES LTD. AND SEAVIEW**

Clerk's Stamp

ENERGY PARTNERSHIP

DOCUMENT

CONSENT ORDER: Approval of Sale and Investment Solicitation Process

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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File No. 413255/000044

DATE ON WHICH ORDER WAS PRONOUNCED: January 25, 2016

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: P.R. Jeffrey

UPON the Application of Ernst & Young Inc., in its capacity as the court-appointed receiver and manager (the "**Receiver**") of Spyglass Resources Corp., 1196823 Alberta Ltd., 1288916 Alberta Ltd., 1398850 Alberta Ltd., 15836621 Alberta Ltd., 1636527 Alberta Ltd., Avenex Energy Partnership, Avenex Real Estate Acquisition Corp., Westbrook Marketing Limited Partnership (formerly Elbow River Marketing Limited Partnership), 1159002 Alberta Ld., (formerly Elbow River Marketing Corp.), Meota 2000 Partnership, Pace Oil & Gas Partnership, Pace Oil Resources Ltd., and Seaview Energy Partnership (collectively the "**Debtors**"); **AND UPON** reading the Application, First Report of the Receiver dated January 20, 2016 (the "**First Report**"), and the Affidavit of Service of Alexandra Cabral, dated January ___, 2016; **AND UPON** hearing from counsel for the Receiver, the Alberta Energy Regulatory (the "**AER**"), and the National Bank of Canada, in its capacity as Administrative Agent under that certain Amended and Restated Credit Agreement dated June 30, 2015, as amended, for a syndicate of lenders (the "**Syndicate**"); and any other interested party appearing at the Application;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of the notice of Application for this Order is hereby abridged and deemed good and sufficient and this Application is properly returnable today.

2. All capitalized terms used but not otherwise defined herein, shall have the meanings ascribed to them in the sales process procedure (the "**SISP**") attached hereto as **Schedule "A"**.

3. The SISP as attached hereto as **Schedule "A"** is hereby approved. The Receiver is hereby authorized and directed to implement the SISP and do all things as are reasonably necessary to conduct and give full effect to the SISP and carry out its obligations thereunder, including seeking approval of this Court as soon as reasonably practicable following the selection of a Successful Bid under the SISP.

4. The agreement between the AER and the Receiver, dated January 20, 2016, attached hereto as **Schedule "B"** (the "**AER Agreement**"), is hereby approved. The Receiver is hereby authorized and directed to do all things as are reasonably necessary to conduct and give full effect to the AER Agreement and carry out their obligations thereunder.

5. The AER shall be permitted access to all bids under the SISP. The Receiver shall consult with the AER regarding selection of Successful Bids under the SISP. The ultimate determination of the Successful Bids under the SISP shall be in the Receiver's sole discretion acting reasonably, subject to approval by the Court.

6. The Receiver and the AER are hereby directed to comply with the terms of the SISP, the AER Agreement, and this Order.

7. The net sale proceeds generated from transactions completed pursuant to the SISP shall be dealt with as follows:

   (a) the Receiver shall first pay any applicable statutory priorities and outstanding amounts owing under any executed Receiver's Borrowing Certificate or amounts that the Receiver has accrued in the administration of Spyglass' Receivership, including amounts that would be subject to the Receiver's Charge;

   (b) the Receiver shall then establish a holdback fund equivalent to the amount it reasonably anticipates will be required to satisfy remaining applicable statutory priorities and the ongoing costs of administration of the Receivership, including future Receiver's Borrowing Certificates that may be executed by the Receiver and amounts that may be incurred and covered by the Receiver's Charge;

   (c) the Receiver shall then distribute proceeds and/or hold proceeds in trust in accordance with Part 3 of the AER Agreement; and

   (d) the balance of the sale proceeds shall be kept in trust by the Receiver pending a further Order from this Honourable Court.

8. Service of this Order shall be deemed good and sufficient by serving same on the persons listed on the Service List (as found at **Schedule "A"** to the Application) and by posting a copy of this Order on the Receiver's website established in respect of these proceedings. No other persons are entitled to be served with a copy of this Order. Service of this Order

shall be deemed good and sufficient regardless of whether service is effected by PDF copy attached to an email, facsimile, courier, personal delivery or ordinary mail.

Justice of the Court of Queen's Bench of Alberta

Consented to this 20th day of January, 2016:

ALBERTA ENERGY REGULATOR

Per: Patricia M. Johnston
Executive Vice President, Law & General Counsel