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)