

COURT FILE NO. 1601-06131

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT **IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF
CONNACHER OIL AND GAS LIMITED**

DOCUMENT **ROYALTY APPROVAL AND VESTING ORDER**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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I hereby certify this to be a true copy of
the original **ORDER**
dated this **29** day of **JAN** 20**18**
[Signature]
Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: January 29, 2018

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice G.A. Campbell

UPON THE APPLICATION by Connacher Oil and Gas Limited (the "**Debtor**") for an order approving the royalty transaction (the "**Royalty Transaction**") contemplated by a royalty agreement (the "**Royalty Agreement**") between the Debtor and Burgess Energy Holdings, L.L.C. (the "**Royalty Owner**") substantially in the form of such Royalty Agreement being appended at Exhibit "A" to the Affidavit of Merle Johnson sworn on January 22, 2018 (the

"Johnson Affidavit"), and vesting in the Royalty Owner the Royalty (as defined in the Royalty Agreement) to which the Royalty Owner is entitled pursuant to the terms of the Royalty Agreement;

AND UPON HAVING READ the Initial Order dated May 17, 2016 (the **"Initial Order"**), the Johnson Affidavit, the Thirteenth Report of Ernst & Young Inc. in its capacity as Court-appointed monitor of the Debtor (the **"Monitor"**) and the Affidavit of Service Benjamin Goodis sworn on January 22, 2018, the Affidavit of Suzanne Loov sworn on January 22, 2018, and the Affidavit of Service of Benjamin Goodis sworn on January 24, 2018, filed;

AND UPON HEARING the submissions of counsel for the Debtor, the Monitor, the Interim Financing Agent, the First Lien Agent, and the Royalty Owner, with no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service, filed;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

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

APPROVAL OF TRANSACTIONS

2. The Royalty Transaction is hereby approved, and the execution and delivery of the Royalty Agreement by the Debtor is hereby authorized and approved, with such minor amendments as the Debtor, in consultation with the Royalty Owner, may deem necessary. The Debtor is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Royalty Transaction or for the grant of the Royalty to the Royalty Owner.
3. Without limiting the foregoing, the grant of the Lien (as defined in the Royalty Agreement) by the Debtor to the Royalty Owner is hereby authorized and approved.

VESTING OF ROYALTY

4. Upon the delivery of the Monitor's certificate to the Royalty Owner, substantially in the form set out in **Schedule "A"** hereto (the "**Monitor's Certificate**"), all of the Debtor's right, title and interest in and to the Royalty shall vest absolutely in the name of the Royalty Owner in accordance with and subject to the terms of the Royalty Agreement, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, caveats, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, royalties, pledges, options, privileges, interests, assignments, actions, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**"), but for clarity save and except for those Permitted Encumbrances (as defined in Sections 1.1(ww)(iii) to 1.1(ww)(xii) inclusive of the Royalty Agreement), but only to the extent that such Permitted Encumbrances: (a) are applicable to the Royalty Lands (as defined in the Royalty Agreement) and (b) indirectly encumber the Bitumen (as defined in the Royalty Agreement) within, upon or under the Royalty Lands.

5. From and after the delivery of the Monitor's Certificate to the Royalty Owner, no holder of any security interests in and to, or over, the Royalty Lands (including, without limitation: (x) those granted by the Debtor to a lender, debentureholder or any other Person (as defined in the Royalty Agreement), including, without limitation, the Existing Lender Security (as defined in the Royalty Agreement); and (y) those arising as a result of, or granted by the Court in connection with the Debtor's proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36) or applicable agent, trustee or collateral trustee thereunder or in respect thereof shall (a) have any interest in or to the Royalty, (b) seek to foreclose, or otherwise acquire an interest in the Royalty Lands (as defined in the Royalty Agreement) without acknowledgement that such assets are subject to the Royalty and the terms and conditions of the Royalty Agreement, (c) seek or support any conveyance of all or any portion of the Royalty Lands free and clear of the Royalty, (d) seek or support any restructuring plan or proposal or otherwise make or support any claim that (i) purports to eliminate or modify the Royalty or the Royalty Agreement without the express written consent of the

Royalty Owner, (ii) contests, challenges or brings into question the validity or enforceability of the Royalty as an interest in land, and specifically, in and to the Royalty Lands, or (iii) contest or challenge in any way the validity or enforceability of all terms, covenants, and conditions in the Royalty Agreement as running with and binding upon the Title and Operating Documents (as defined in the Royalty Agreement), the Royalty Lands and the estates affected thereby for the life of any of the Title and Operating Documents, subject to the terms and conditions of the Royalty Agreement.

6. The closing of the Royalty Transaction shall be effected automatically upon the execution and delivery of the Royalty Agreement by the Debtor and the Royalty Owner and payment of the Consideration (as defined in the Royalty Agreement) in accordance with the terms of the Royalty Agreement and such amendments to the Royalty Agreement as may be agreed to in writing between the Royalty Owner and the Debtor.
7. For the purposes of determining the nature and priority of Claims, the Consideration received by the Debtor pursuant to the Royalty Agreement shall stand in the place and stead of the Royalty, and from and after the delivery of the Monitor's Certificate all Claims shall attach to the Consideration with the same nature and priority as they had with respect to the Royalty immediately prior to the grant of the Royalty, as if the Royalty had not been granted.
8. The Royalty Owner shall, by virtue of the completion of the Royalty Transaction, have no liability of any kind whatsoever in respect of any Claims against the Debtor.
9. The Monitor is to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof to the Royalty Owner.
10. Notwithstanding:
 - (a) the pendency of these proceedings;
 - (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("BIA") in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and

- (c) any assignment in bankruptcy made in respect of the Debtor,

the vesting of the Royalty in the Royalty Owner pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

11. The Debtor, the Monitor, the Royalty Owner and any other interested party, shall be at liberty to apply for further advice, assistance and directions as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Royalty Transaction.

INTERIM FINANCING REPAYMENT

12. The Debtor is hereby authorized and directed, following the closing of the Royalty Transaction, to forthwith pay to the Interim Financing Agent from the Consideration to be received under the Royalty Agreement such amount as agreed to among the Debtor, the Monitor and the Interim Financing Agent or as determined by further order of the Court, to satisfy in full all of the obligations (including the outstanding principal, accrued interest and all fees) owing by the Debtor under the Interim Financing Credit Facility (the “**Interim Financing Repayment**”). The Interim Financing Repayment shall be and shall be deemed to be made free and clear of all Claims and encumbrances. Upon the filing with the Court of the Monitor’s certificate substantially in the form set out in **Schedule “B”** hereto confirming completion of the Interim Financing Repayment, the Interim Lenders’ Charge (as defined in the Initial Order) shall be released and terminated.

SEALING ORDER

13. Confidential Exhibit “1” to the Johnson Affidavit (the “**Confidential Material**”) shall be sealed on the Court file, notwithstanding Division 4 of Part 6 of the *Alberta Rules of Court*. The Confidential Material shall be kept confidential and shall not form part of the public record, but rather shall be placed, separate and apart from all contents in the

Court file to be shown only to a Justice of this Court, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order.

MISCELLANEOUS MATTERS

14. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Debtor and its agents in carrying out the terms of this Order. All courts, tribunals regulatory and administrative bodies are hereby respectfully requested to make such orders as to provide such assistance to the Debtor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Debtor and its agents in carrying out the terms of this Order.
15. This Order must be served only upon those interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents.
16. Service of this Order on any party not attending this application is hereby dispensed with.
17. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Royalty Agreement or the Initial Order, as applicable.

"G.A. - Campbell"
J.C.C.Q.B.A.

Schedule "A"

Form of Monitor's Certificate

COURT FILE NO. 1601-06131

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

Clerk's
Stamp

APPLICANT **IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
CONNACHER OIL AND GAS LIMITED**

DOCUMENT **MONITOR'S CERTIFICATE**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT **McCarthy Tétrault LLP**
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421-7th Avenue SW
Calgary, Alberta T2P 4K9

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scollins@mccarthy.ca /wmacleod@mccarthy.ca

RECITALS

- A. Pursuant to an Order of the Honourable Madam Justice Dario of the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "**Court**") dated May 17, 2016 (the "**Initial Order**"), Ernst & Young Inc. was appointed as the monitor (the "**Monitor**") of Connacher Oil and Gas Limited (the "**Debtor**").
- B. Pursuant to an Order of the Honourable Madam Justice Campbell dated January 29, 2018 (the "**Royalty Approval and Vesting Order**"), the Court approved the royalty agreement made as of January 29, 2018 (the "**Royalty Agreement**") between the

Debtor and Burgess Energy Holdings, L.L.C. (the "**Royalty Owner**") and provided for the vesting in the Royalty Owner of the Debtor's right, title and interest in and to the Royalty (as defined in the Royalty Agreement) to which the Royalty Owner is entitled pursuant to the terms of the Royalty Agreement, which vesting is to be effective with respect to the Royalty upon the delivery by the Monitor to the Royalty Owner of a certificate confirming (i) the payment by the Royalty Owner of the Consideration (as defined in the Royalty Agreement); (ii) that, other than payment of the Consideration, there are no conditions to closing set out in the Royalty Agreement such that closing occurs and the Royalty Transaction is completed and effective automatically upon the execution and delivery of the Royalty Agreement by the Debtor and the Royalty Owner; and (iii) the Royalty Transaction has been completed to the satisfaction of the Monitor.

- C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Royalty Agreement, the Initial Order or the Royalty Approval and Vesting Order, as applicable.

THE MONITOR CERTIFIES the following:

1. The Royalty Owner has paid and the Debtor advised the Monitor that it has received the Consideration payable pursuant to the Royalty Agreement;
2. The Monitor has been advised in writing by the Debtor and the Royalty Owner that each of the Debtor and the Royalty Owner have executed and delivered the Royalty Agreement such that the Royalty Transaction is completed and effective as there are no conditions to closing as set out in the Royalty Agreement; and
3. The Royalty Transaction has been completed to the satisfaction of the Monitor.

This Certificate was delivered by the Monitor at _____ [Time] on January ___, 2018.

**Ernst & Young Inc., in its capacity
as Court-appointed Monitor of
Connacher Oil and Gas Limited**

Per: _____
Name:
Title:

Schedule "B"

Form of Monitor's Certificate

COURT FILE NO.	1601-06131
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY

Clerk's
Stamp

APPLICANT	IN THE MATTER OF THE <i>COMPANIES'</i> <i>CREDITORS ARRANGEMENT ACT</i>, R.S.C. 1985, c. C-36, AS AMENDED
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**AND IN THE MATTER OF A PLAN OF
 COMPROMISE OR ARRANGEMENT OF
 CONNACHER OIL AND GAS LIMITED**

DOCUMENT	MONITOR'S CERTIFICATE
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ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	McCarthy Tétrault LLP Suite 400 421-7 th Avenue SW Calgary, Alberta T2P 4K9
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 scollins@mccarthy.ca /wmacleod@mccarthy.ca

RECITALS

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- B. Pursuant to an Order of the Honourable Madam Justice Campbell dated January 29, 2018 (the "**Royalty Approval and Vesting Order**"), the Court authorized and directed the Debtor to forthwith pay to the Interim Financing Agent from the Consideration to be

received under the Royalty Agreement such amount as agreed to between the Debtor, the Monitor and the Interim Financing Agent or as determined by further order of the Court, to satisfy in full all of the obligations (including the outstanding principal, accrued interest and all fees) owing by the Debtor under the Interim Financing Credit Facility (the "**Interim Financing Repayment**").

- C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Initial Order or the Royalty Approval and Vesting Order, as applicable.

THE MONITOR CERTIFIES the following:

1. The Monitor has been advised in writing by the Debtor and the Interim Financing Agent that the Interim Financing Repayment has been completed.

This Certificate was delivered by the Monitor at _____ [Time] on January ___, 2018.

**Ernst & Young Inc., in its capacity
as Court-appointed Monitor of
Connacher Oil and Gas Limited**

Per: _____
Name:
Title: