

COURT FILE NUMBER

1601 - 06131

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

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

AND IN THE MATTER OF CONNACHER OIL AND GAS
LIMITED

DOCUMENT

ELEVENTH REPORT OF THE MONITOR

October 27, 2017

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

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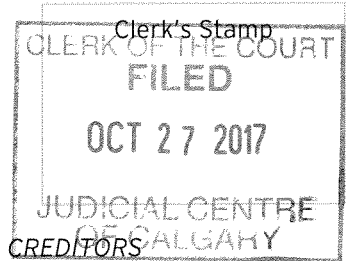


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INTRODUCTION

1. On May 17, 2016, Connacher Oil and Gas Limited (the “Company” or “Connacher”), sought and obtained protection pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the “CCAA”) pursuant to an Order of this Honourable Court (the “Initial Order”).
2. Ernst & Young Inc. was appointed as the Monitor (the “Monitor”) of the Company pursuant to the terms of the Initial Order.
3. The purpose of this Eleventh Report of the Monitor (the “Eleventh Report”) is to provide this Honourable Court with the Monitor’s comments with respect to the application by Emkay Canada Leasing Corp. (“Emkay”) in respect of the Emkay Canada Vehicle Leasing Agreement, dated October 4, 2012, and the various lease schedules in connection thereto (collectively, the “Emkay Lease”) filed on July 10, 2017 (the “Emkay Application”), and the cross-application by Connacher seeking an accounting of sale proceeds and various other relief, filed on October 16, 2017 (the “Connacher Cross Application”).
4. All references to dollars are in Canadian currency unless otherwise noted.
5. Capitalized terms not defined herein are as defined in the Initial Order.

BACKGROUND

6. Additional background information on Connacher and these CCAA proceedings is available on the Monitor’s website at www.ey.com/ca/connacheroilandgas.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this Eleventh Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Company. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future orientated financial information relied upon in this report is based on management’s assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

THE EMKAY APPLICATION

8. As previously described in the Ninth Report of the Monitor, dated June 21, 2017, Connacher, pursuant to the Emkay Lease, leased 24 pickup trucks from Emkay (the "Emkay Equipment"). Following the granting of the Initial Order, Connacher made a determination that the Emkay Lease was a financing lease. As a result of this determination, Connacher did not make any payments on account of the Emkay Lease following the granting of the Initial Order (the "Post-Filing Payments"). The Monitor viewed Connacher's determination that the Emkay Lease was a financing lease as being reasonable in the circumstances and supported it not making Post-Filing Payments on that basis.

THE CONNACHER CROSS APPLICATION

9. The Monitor is of the view that Emkay should account for the proceeds of any sale of the Emkay Equipment. This position is based on the fact that, even if the Emkay Lease is classified as a true or operating lease, information on the sale of the Emkay Equipment will be required for the Monitor to assess Emkay's claim against Connacher. The Monitor would be prepared to accept the accounting on reasonable confidentiality terms to be either agreed to by each of Connacher, Emkay and the Monitor or as otherwise ordered by this Court.. In the event that the Emkay Lease is determined to be a financing lease, the Monitor is of the view that the balance of the relief sought by Connacher in the Connacher Cross Application should also be granted.

Dated at Calgary, this 27th day of October, 2017.

ERNST & YOUNG INC.
in its capacity as the Monitor
of Connacher Oil & Gas Limited

A handwritten signature in black ink, consisting of a stylized 'N' followed by a horizontal line and a loop.

Neil Narfason, CA, CIRP, CBV
Senior Vice-President