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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	**TWENTY-THIRD REPORT OF THE MONITOR** **JUNE 19, 2019**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** ERNST & YOUNG INC. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Peter Chisholm Telephone: (403) 206-5061 Fax: (403) 206-5075 Email: peter.chisholm@ca.ey.com **COUNSEL** McCarthy Tétrault LLP Suite 4000, 421 7th Avenue SW Calgary, Alberta T2P 4K9 Attn: Sean Collins Walker MacLeod Telephone: 403-260-3531 403-460-3710 Email: scollins@mccarthy.ca wmacleod@mccarthy.ca

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INTRODUCTION

1. On May 17, 2016 (the "**Filing Date**"), 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. C-36*, as amended (the "**CCAA**") pursuant to an Order of this Honourable Court (the "**Initial Order**").

2. Ernst & Young Inc. was appointed as Monitor (the "**Monitor**") of the Company pursuant to the terms of the Initial Order.

3. This Honourable Court granted an Order on May 16, 2019 (the "**2019 Creditors' Meetings Order**") approving meetings of the Affected Creditors of Connacher to consider and vote upon the CCAA plan of compromise and arrangement of Connacher (the "**2019 CCAA Plan**"). The Monitor reported its comments and recommendations on the 2019 CCAA Plan by way of the Monitor's Amended Twenty-First Report dated May 15, 2019 (the "**Amended Twenty-First Report**").

4. The purpose of this twenty-third report of the Monitor (the "**Twenty-Third Report**") is to provide this Honourable Court with the Monitor's comments with respect to:

   a) the results of the meetings of creditors (the "**2019 Creditors' Meetings**") held on June 19, 2019;

   b) the releases under the 2019 CCAA Plan; and

   c) the Monitor's recommendations.

5. All references to dollars are in Canadian currency unless otherwise noted.

6. Capitalized terms not defined herein are as defined in the Initial Order, Amended and Restated Support Agreement or 2019 CCAA Plan.

BACKGROUND

7. 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

8. In preparing this Twenty-Third 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.

2019 CREDITORS' MEETINGS

9. Pursuant to the 2019 Creditors' Meetings Order, there were two classes of creditors established for purposes of considering and voting on the 2019 CCAA Plan: (i) the First Lien Lender Class (as defined below); and (ii) the General Creditor Class (as defined below).

First Lien Lenders' Class

10. The First Lien Lenders comprised a single class of creditors (the "**First Lien Lenders' Class**") for voting purposes.

11. The aggregate amount of the First Lien Lenders' claim under the 2019 CCAA Plan is $292.2 million (the "**First Lien Lender Claim**") based upon principal and accrued interest outstanding as at October 31, 2018. Each First Lien Lender was entitled to vote its *pro rata* share of the First Lien Lender Claim.

12. Monitor's counsel has reviewed the security held on behalf of the First Lien Agent (the "**First Lien Security**") and has issued an opinion that, subject to usual and customary assumptions and qualifications, all security held is valid, enforceable and would rank in priority to any subsequently appointed trustee in bankruptcy of the Company.

13. The unsecured portion of First Lien Lender Claim in the aggregate sum of $117.0 million is defined as the "**First Lien Deficiency Claim**" and shall be a General Creditor Claim under the 2019 CCAA Plan.

General Creditor Class

14. The general creditors (the "**General Creditors**") are comprised of all Affected Claims of Connacher with the exception of the:

a) First Lien Lender Claim (other than the First Lien Deficiency Claim);

b) Priority Secured Claims including the Municipal Tax Claims;

c) Employee Priority Claims;

d) Crown Priority Claims; and

e) Equity Claims.

(the "**General Creditor Claims**")

15. As the First Lien Claim will not be satisfied in full and the First Lien Lenders have a deficiency claim in an amount equal to the First Lien Deficiency Claim, the Second Lien Noteholders shall have a deficiency claim of $71.3 million (the "**Second Lien Deficiency Claim**") representing the full principal and accrued interest outstanding to the Second Lien Noteholders as at October 31, 2018. The Second Lien Deficiency Claim is a General Creditor Claim.

16. The General Creditors comprised a single class of creditors (the "**General Creditor Class**") for voting purposes.

Voting Parameters

17. As set out in the CCAA and in the 2019 Creditors' Meetings Order, all votes in connection with the 2019 CCAA Plan are determined by way of the "double majority" test. To receive approval, 66 2/3% in value and a majority in number of Affected Creditors with Accepted Claims, present and voting (in person or by proxy) within each class of creditors (the "**Required Majority**"), must vote in favour of the 2019 CCAA Plan in order for the 2019 CCAA Plan to be approved by such class.

18. Pursuant to the 2019 Creditors' Meetings Order, the quorum required at each 2019 Creditors' Meeting is met if one Affected Creditor with an Accepted Claim is present at each Creditors' Meeting (in person or by proxy) (the "**Quorum**"). A Quorum was present for both meetings.

19. Separate meetings were held for the vote of the First Lien Lender Class (the "**First Lien Lender Meeting**") and the vote of the General Creditor Class (the "**General Creditor Class Meeting**").

20. At the First Lien Lender Meeting, Affected Creditors of the First Lien Lender Class were asked to vote on a single resolution accepting and approving the 2019 CCAA Plan. A vote in favour of the 2019 CCAA Plan was also deemed to be that Affected Creditors' vote in favour of any General Creditor Claims, including any First Lien Deficiency Claim held by such First Lien Lender for the General Creditor Class Meeting.

21. At the General Creditor Class Meeting, Affected Creditors were also asked to vote on a single resolution accepting and approving the 2019 CCAA Plan. As set out in the Amended Twenty-First Report, Affected Creditors in the General Creditor Class with an Accepted Claim of $2,000 or less will receive payment in full of the Accepted Claim under the 2019 CCAA Plan and Affected Creditors of the General Creditor Class with an Accepted Claim greater than $2,000 were also entitled to make a Distribution Election in respect of their General Creditor Claim to receive $2,000 on account of their General Creditor Claim under the 2019 CCAA Plan (each, a "**Convenience Class Creditor**" and together, the "**Convenience Class Creditors**"). Each Convenience Class Creditor was deemed to vote as part of the General Creditor Class in favour of the 2019 CCAA Plan, with a Voting Value equal to that Convenience Class Creditor's Accepted Claim. Convenience Class Creditors were not entitled to vote at the General Creditor Class Meeting, whether in person or by proxy. The votes of the Convenience Class Creditors are summarized in the voting results below.

22. Under the 2019 Creditors' Meeting Order, Affected Creditors with Disputed Claims were entitled to vote at the 2019 Creditors' Meetings with such votes to be tabulated separately subject to the resolution and ultimate approval of the Disputed Claim, either by the Monitor or this Honourable Court. No Creditors holding Disputed Claims voted at the 2019 Creditors' Meetings.

Results of Votes

23. The Creditors' Meetings were held on June 19, 2019 at the offices of Cassels Brock & Blackwell LLP, Suite 3810, Bankers Hall West, 888 3rd Street SW, Calgary, Alberta, with the following meeting times for each of the two classes of creditors:

a) The First Lien Lender Meeting was held at 11:30 a.m. (Calgary time); and

b) The General Creditor Class Meeting was held at 11:45 a.m. (Calgary time).

24. Mr. Peter Chisholm, Vice President of Ernst & Young Inc., acted as Chair of the 2019 Creditors' Meetings. The Company's legal counsel, the Monitor's legal counsel and the Monitor were available at the 2019 Creditors' Meetings to answer creditor questions. Copies of the 2019 CCAA Plan were made available to each Affected Creditor in attendance at the 2019 Creditors' Meetings, upon request.

25. At each of the 2019 Creditors' Meetings, a quorum was present and accordingly, the Chair declared each of the 2019 Creditors' Meetings to be properly constituted.

26. The votes received in connection with the 2019 CCAA Plan were tabulated based on the Required Majority for each of the First Lien Lender Class and the General Creditor Class.

27. Table 1.0 below sets out the results of the votes of the Affected Creditors of the First Lien Lender Class, in respect of the resolution to approve the 2019 CCAA Plan.

Connacher Oil and Gas Limited — **Table 1.0**
Creditors' Meetings - June 19, 2019
First Lien Lender Class - Voting Results
CAD $000s

Affected Creditor Class	Total Number of Votes	% of Votes by Number		Total Value of Votes	% of Votes by Value	
		For Plan	Against Plan		For Plan	Against Plan
First Lien Lender Class	19	100%	0%	289,836	100%	0%

28. Table 2.0 below sets out the results of the votes of the Affected Creditors of the General Creditor Class, in respect of the resolution to approve the 2019 CCAA Plan.

Connacher Oil and Gas Limited — **Table 2.0**
Creditors' Meetings - June 19, 2019
General Creditor Class - Voting Results
CAD $000s

Affected Creditor Class	Total Number of Votes	% of Votes by Number		Total Value of Votes	% of Votes by Value	
		For Plan	Against Plan		For Plan	Against Plan
General Creditor Class	263	100%	0%	207,099	100%	0%

29. As identified above, both the First Lien Lender Class and the General Creditor Class, voting in person or by proxy, approved the 2019 CCAA Plan by a majority well in excess of the Required Majority.

30. Table 3.0 below summarizes the Affected Creditors of the General Creditor Class that were deemed to participate in the Convenience Class and the Affected Creditors that elected to participate in the Convenience Class.

Connacher Oil and Gas Limited Creditors' Meetings - June 19, 2019 Summary of Convenience Class Elections CAD $000s			Table 3.0
General Creditor Class	Total Number of Elections	Total Value of Claims*	Total Distributions under Convenience Class
General Creditors - Distribution Elections	7	89	14
General Creditors - Deemed Elections	19	16	16
First Lien Beneficial Noteholders - Distribution Elections	1	109	2
Second Lien Beneficial Noteholders - Distribution Elections	212	6,843	171
Total	**239**	**7,058**	**203**

**Represents the total value of Voting Claims that deemed or elected to participate in the Convenience Class, as applicable.*

RELEASES UNDER THE 2019 CCAA PLAN

31. As noted in the Amended Twenty-First Report, pursuant to the 2019 CCAA Plan, the directors and officers of Connacher, current and former employees, the Monitor, the Financial Advisor, the First Lien Agent, the Collateral Trustee (as defined in the 2019 CCAA Plan), the Second Lien Trustee, the Consenting First Lien Lenders, and the current and former directors, advisors, legal counsel and agents of the aforementioned will be released on the Effective Date from all claims other than those arising on the basis of willful misconduct, criminal or fraudulent acts having taken place or those carved out pursuant to section 5.1 (2) of the CCAA.

32. The Monitor notes that all of the parties benefitting from the proposed releases (the "**Released Parties**") have played a significant role in Connacher's CCAA proceedings.

33. The proposed Sanction Order will include customary provisions for such Orders, including provisions giving effect to the releases contained in the 2019 CCAA Plan. Specifically, the Monitor notes that the 2019 CCAA Plan states that the Sanction Order will provide that any Claims which have been preserved in accordance with the Claims Procedure Order or the Supplemental Claims Procedure Order against Directors that cannot be compromised due to the provisions of Section 5.1(2) of the CCAA will be limited in recovery to the proceeds of any Directors insurance policies.

34. Furthermore, pursuant to the 2019 CCAA Plan, nothing in the releases contemplated therein shall release or discharge:

a) Connacher from any Unaffected Claim that has not been paid in full under the 2019 CCAA Plan, to the extent of such non-payment;

b) a Released Party from its obligations under the 2019 CCAA Plan;

c) a Released Party found by a court of competent jurisdiction by final determination on the merits to have committed fraud in relation to a Released Claim for which it is responsible at law; or

d) the Directors from any Claims which have been preserved in accordance with the Claims Procedure Order or the Supplemental Claims Procedure Order that cannot be compromised pursuant to section 5.1(2) of the CCAA.

35. The Monitor understands that the intent of the Sanction Order is to limit recovery on all Claims against Directors to proceeds available from applicable director insurance policies (collectively, the "**Insurance Policies**"). To the extent that any valid Director Claims are covered by the Insurance Policies and payments are made thereunder, holders of such Director Claims would not appear to be materially prejudiced by this provision of the proposed Sanction Order. However, to the extent that valid Director Claims, if any, exceed the $60.0 million limit on the Insurance Policies or are not covered by the Insurance Policies, the effect of this provision of the proposed Sanction Order appears to be that the holders of such valid Director Claims would either lose any ability to recover or otherwise have their ability to recover limited to the amount of the Insurance Policies.

36. The Monitor notes that the D&O Claims that were filed pursuant to the Claims Procedure Order and Supplemental Claims Procedure Order have either been resolved or withdrawn and, as such, no allowed D&O Claims currently exist.

37. The Monitor understands that the releases being sought by Connacher under the 2019 CCAA Plan are critical to the Released Parties' support of the 2019 CCAA Plan, and is supportive of the releases.

RECOMMENDATIONS

38. The Monitor respectfully recommends that this Honourable Court approve Connacher's motion to sanction the 2019 CCAA Plan on the basis that:

   a) Notice to Affected Creditors for the 2019 Creditors' Meetings held to approve the 2019 CCAA Plan was duly given and the 2019 Creditors' Meetings were duly constituted;

   b) The 2019 CCAA Plan is fair and reasonable, pursuant to the analysis and for the reasons set out in the Amended Twenty-First Report;

   c) The required Quorum was met at each of the First Lien Lenders Meeting and the General Creditors Meeting;

   d) The Affected Creditors of each of the First Lien Lender Class and the General Creditors Class, voting in person or by proxy, approved the 2019 CCAA Plan by a majority well in excess of the Required Majority;

   e) Notice of the 2019 CCAA Plan Sanction Hearing was duly given and no parties have filed any objection or opposition to sanctioning of the 2019 CCAA Plan; and

   f) To the best of the Monitor's knowledge, Connacher has complied with all statutory requirements of the CCAA and all previous orders of this Honourable Court and has not done or purported to do anything which is not authorized by the CCAA.

Dated at Calgary, this 19th day of June, 2019.

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

Peter Chisholm CA, CPA, CIRP, LIT
Vice President

APPENDIX A

VOTING RESULTS

Connacher Oil and Gas Limited
Creditors' Meetings - June 19, 2019
2019 CCAA Plan - Voting Results
CAD $000s

Appendix A

First Lien Lender Class

	Number of Votes	% of Votes (Number)	Value of Votes	% of Votes (Value)	Plan Approved?
FOR Plan	19	100%	289,836	100%	
AGAINST Plan	-	0%	-	0%	
Total Votes	**19**	**100%**	**289,836**	**100%**	
Value of First Lien Lender Claim	292,218				
% Value of First Lien Lender Claim Voting	99%				
Required Majority					
Number requisite : >50% number votes	-	Yes	-	-	Yes
Value requisite: 66 2/3% value of votes	-	-	-	Yes	

General Creditor Class

	Number of Votes	% of Votes (Number)	Value of Votes	% of Votes (Value)	Plan Approved?
FOR Plan	263	100%	207,099	100%	
AGAINST Plan	-	0%	-	0%	
Total Votes	**263**	**100%**	**207,099**	**100%**	
Total Proven Claims	217,497				
% of Proven Claims Voting	95%				
Required Majority					
Number requisite : >50% number votes	-	Yes	-	-	Yes
Value requisite: 66 2/3% value of votes	-	-	-	Yes	