CLERK OF THE COURT
FILED
SEP 2 5 2019
JUDICIAL CENTRE
OF CALGARY

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-FOURTH REPORT OF THE MONITOR** **SEPTEMBER 25, 2019**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**MONITOR**</u> 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 <u>**COUNSEL**</u> 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

TABLE OF CONTENTS OF THE TWENTY-FOURTH REPORT

APPENDICES

INTRODUCTION

1. On May 17, 2016 (the "**Filing Date**"), Connacher Oil and Gas Limited (the "**Company**" or "**Connacher**"), sought and obtained protection under 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. The purpose of this twenty-fourth report of the Monitor (the "**Twenty-Fourth Report**") is to provide this Honourable Court with the Monitor's comments with respect to:

    a) an update of the CCAA proceedings of Connacher;

    b) the Company's forecast to actual cash flow results for the period of June 1, 2019 to September 20, 2019 (the "**Reporting Period**");

    c) the Company's cash flow projection (the "**Cash Flow Projection**") for the period of Sep 21, 2019 to November 1, 2019 (the "**Forecast Period**");

    d) the Company's request for an extension of the stay period until the earlier of (i) October 31, 2019, and (ii) the filing of the Monitor's Certificate confirming implementation of the 2019 CCAA Plan (the "**Stay Extension**"); and

    e) the Monitor's recommendation with respect to the above.

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, Amended and Restated Support Agreement or 2019 CCAA Plan.

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 Twenty-Fourth 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.

UPDATE ON CCAA PROCEEDINGS

8. On May 6, 2019, an amended and restated support agreement (the "**Amended and Restated Support Agreement**") was entered into between Connacher, the Consenting First Lien Lenders and the First Lien Agent. The Amended and Restated Support Agreement was approved by this Honourable Court on May 16, 2019.

9. Pursuant to the Amended and Restated Support Agreement, Connacher will proceed to complete a transaction whereby the First Lien Lenders will own Connacher's business through an exchange of a portion of the first lien debt for new senior secured debt of Connacher and all of Connacher's equity by way of a CCAA plan of compromise and arrangement (the "**2019 CCAA Plan**").

10. A summary of the 2019 CCAA Plan and the Monitor's comments and analysis regarding the 2019 CCAA Plan are outlined in detail in the Monitor's Amended Twenty-First Report dated May 15, 2019.

11. This Honourable Court granted an Order on May 16, 2019 (the "**2019 Creditors' Meetings Order**") authorizing meetings of the Company's creditors (the "**2019 Creditors' Meetings**") to be held on June 19, 2019 to consider approval of the 2019 CCAA Plan.

12. The 2019 CCAA Plan was approved by 100% of the Affected Creditors who were present and voted in person or by proxy at the 2019 Creditors' Meetings. The Monitor reported its summary and comments on the results of the 2019 Creditors' Meetings by way of the Monitor's Twenty-Third Report dated June 19, 2019.

13. On July 16, 2019, this Honourable Court granted an Order (the "**Plan Sanction Order**") sanctioning the 2019 CCAA Plan.

14. Connacher, with the assistance of the Monitor, has been working diligently to implement the 2019 CCAA Plan in accordance with the terms of the Amended and Restated Support Agreement, the 2019 CCAA Plan and the various Orders granted by this Honourable Court.

FORECAST TO ACTUAL CASH FLOW RESULTS

15. The forecast to actual analysis presented in Appendix "**A**" contains the actual cash receipts and disbursements for the Reporting Period as compared to the cash flow forecast presented in the Twenty-Second Report of the Monitor dated June 13, 2019 (the "**Twenty-Second Report**").

16. The following is a summary of the forecast to actual results over the Reporting Period:

Connacher Oil and Gas Limited — **Table 1.0**
Forecast to actual results
For the period of June 1, 2019 to September 20, 2019
CAD $000s

	Forecast	Actual	Variance
Receipts	60,583	65,784	5,201
Disbursements	(67,031)	(69,213)	(2,182)
Cash flow from operations	**(6,448)**	**(3,429)**	**3,019**
Restructuring costs	(1,000)	(1,661)	(661)
Net change in cash	**(7,448)**	**(5,090)**	**2,358**
Opening unrestricted cash	63,358	63,358	
Ending unrestricted cash	**55,911**	**58,268**	
Restricted cash	7,200	7,200	
Total ending cash	**63,111**	**65,468**	

17. As set out in the table above, Connacher's total receipts for the Reporting Period were approximately $65.8 million, which was $5.2 million higher than forecast. This variance is largely attributable to higher than forecast crude oil price. Actual West Texas Intermediate ("**WTI**") price averaged US$46.29/bbl compared to forecast of US$44.46/bbl. Additionally, Connacher received $0.9 million from the Government of Alberta related to the oil sands innovation fund.

18. Connacher's total disbursements for the Reporting Period were $69.2 million, which was $2.2 million higher than forecast. This unfavorable variance is largely attributable to:

a) a net unfavorable variance of $2.0 million for diluent/transportation costs mostly driven by higher than forecast crude oil price which resulted in an increase in the price of diluent;

b) a net favorable variance of $1.7 million for capital expenditures due to timing differences. Forecast capital expenditures contemplated $0.6 million in oil sands exploration ("**OSE**") reclamation work that was delayed;

c) a net favorable variance of $1.1 million for principal repayments of the New Senior Secured Term Facility as the forecast assumed the 2019 CCAA Plan was implemented during the week ending June 28, 2019;

d) a net unfavorable variance of $1.1 million for realized gains from risk management contract as actual crude oil price was higher than forecast; and

e) a net unfavorable variance of $1.0 million for oil sands operating expenses.

19. Connacher's restructuring costs for the Reporting Period were $1.7 million, which was $0.7 million higher than forecast. This unfavorable variance is largely driven by legal and professional fees incurred in connection with the implementation of the 2019 CCAA Plan.

20. Connacher has funded and continues to hold $7.2 million in a segregated bank account to be held as restricted cash for shut-in costs, as described in the Proposed Monitor's Report, dated May 16, 2016 and directed in the Initial Order.

21. As described above, the ending net cash balance as at September 20, 2019 was $65.5 million, consisting of unrestricted cash of $58.3 million and restricted cash of $7.2 million.

REVISED CASH FLOW FORECAST THROUGH NOVEMBER 1, 2019

22. The Company, with the assistance of the Monitor, has prepared a Cash Flow Projection for the Forecast Period. Management has prepared this forecast based on current information available at September 24, 2019.

23. The Cash Flow Projection is presented in Appendix "**B**" to this Twenty-Fourth Report and contains the weekly summary of the projected receipts and disbursements for the Forecast Period, up to and including November 1, 2019.

24. The following Table 2.0 is a summary of the Cash Flow Projection over the Forecast Period:

Connacher Oil and Gas Limited		**Table 2.0**
Revised 6-week cash flow		
For the period of September 21, 2019 to November 1, 2019		
CAD $000s		
Opening unrestricted cash	*a*	58,268
Restricted cash		7,200
Total opening cash		**65,468**
Cash receipts		15,804
Cash disbursements		(23,055)
Cash flow from operations		**(7,251)**
Restructuring costs		(400)
Net change in cash	*b*	**(7,651)**
Ending unrestricted cash	*a+b*	50,617
Restricted cash		7,200
Total ending cash		**57,817**

25. As summarized above, Connacher is projecting receipts of $15.8 million and cash disbursements (including restructuring fees) of $23.5 million for a net decrease in cash of $7.7 million over the Forecast Period.

26. The Cash Flow Projection assumes that Connacher delivers the Plan Implementation Fund to the Monitor during the week ending September 27, 2019 and the 2019 CCAA Plan is implemented on September 30, 2019. In the event that the 2019 CCAA Plan is not implemented on or before September 30, 2019, the costs associated with implementation of the 2019 CCAA Plan will not be incurred during the week ending September 27, 2019, but rather in October 2019. As demonstrated in the Cash Flow Projection, even with the disbursement related to the Plan Implementation Fund, Connacher has sufficient liquidity to operate during the period covered under the proposed Stay Extension.

27. The significant assumptions applied by Connacher's management to prepare the Cash Flow Projection are generally consistent with the Twenty-Second Report and have been updated for adjustments relating to timing of receipts and disbursements, forecast oil prices, production volume estimates, pricing based on current contract rates, changes to operating and transportation costs and general and administrative costs.

28. Oil prices, including WTI and the price differential that Canadian oil production sells at relative to WTI, continue to experience volatility. Connacher has mitigated some of its risk exposure by implementing hedges on a portion of its production.

29. The Monitor has reviewed the assumptions supporting the Cash Flow Projection and believe the assumptions to be reasonable.

THE COMPANY'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

30. Pursuant to the Stay Extension Order dated June 27, 2019, the stay period expires on September 30, 2019. Connacher is seeking a Stay Extension to extend the stay until the earlier of (i) October 31, 2019, and (ii) the filing of the Monitor's Certificate confirming implementation of the 2019 CCAA Plan.

31. The proposed Stay Extension may be required for Connacher to satisfy the remaining conditions to the implementation of the 2019 CCAA Plan.

32. The Monitor has been advised that the First Lien Agent and the Consenting First Lien Lenders support the proposed Stay Extension.

33. Connacher is forecast to have sufficient liquidity to operate during the period covered under the proposed Stay Extension.

34. In the Monitor's view, Connacher is acting in good faith and with due diligence.

RECOMMENDATIONS

35. The Monitor respectfully recommends that this Honourable Court approve the Stay Extension.

Dated at Calgary, this 25th day of September, 2019.

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

Peter Chisholm CA, CPA, CIRP, LIT
Senior Vice President

APPENDIX A

FORECAST TO ACTUAL CASH FLOW

Connacher Oil and Gas Limited APPENDIX A

Comparison of Forecast to Actual Cash Flows for the period of June 1, 2019 to September 20, 2019

CAD $ 000's

WEEK ENDED	Forecast 1-Jun-19 to 20-Sep-19	Actual 1-Jun-19 to 20-Sep-19	Variance $	*Notes*
Receipts				
Crude sales	58,722	63,139	4,417	Note 1
Other	1,861	2,645	784	Note 2
Total Receipts	**60,583**	**65,784**	**5,201**	
Disbursements				
Royalties	(1,215)	(1,436)	(221)	
Oil sands operating expenses	(19,331)	(20,379)	(1,048)	
Diluent/Transportation expenses	(25,806)	(27,827)	(2,021)	Note 3
General and administrative costs	(3,516)	(4,070)	(554)	
Capital expenditures	(12,445)	(10,771)	1,674	Note 4
Realized gains (losses) from risk management contract	400	(716)	(1,116)	Note 5
Foreign exchange gains (losses)	-	(19)	(19)	
Regional Municipality of Wood Buffalo taxes	(3,996)	(3,995)	1	
Principal repayments of New Senior Secured Term Facility	(1,123)	-	1,123	Note 6
Interest expense on New Senior Secured Term Facility	-	-	-	
Total Disbursements	**(67,031)**	**(69,213)**	**(2,182)**	
CASH FLOW FROM OPERATIONS	(6,448)	(3,429)	3,019	
Restructuring costs	(1,000)	(1,661)	(661)	Note 7
NET CHANGE IN CASH	(7,448)	(5,090)	2,358	
Opening cash	63,358	63,358	-	
Ending Cash	55,911	58,268	2,358	
RESTRICTED CASH				
Shut-down Costs	7,100	7,100	-	
BCOGC	100	100	-	
Total Restricted Cash	7,200	7,200	-	

Notes

Note 1 - The discrepancy between actual and forecast receipts reflects higher than forecast crude oil price. Actual West Texas Intermediate ("**WTI**") price averaged US$46.29/bbl compared to forecast of US$44.46/bbl.

Note 2 - The variance between actual and forecast other receipts is driven by a $0.9 million payment from the Government of Alberta related to the oil sands innovation fund, which was not contemplated in the forecast.

Note 3 - Higher than forecast diluent/transportation costs are primarily due to higher than projected crude oil price which resulted in an increase in the price of diluent.

Note 4 - Capital expenditures were lower than forecast due to timing differences.

Note 5 - Lower than forecast realized gains from risk management contract result from higher than projected crude oil price.

Note 6 - Principal repayments of the New Senior Secured Term Facility were lower than projected as the forecast assumed the 2019 CCAA Plan was implemented during the week ending June 28, 2019.

Note 7 - Restructuring costs were higher than forecast due to legal and professional fees incurred in connection with the implementation of the 2019 CCAA Plan.

APPENDIX B

REVISED CASH FLOW FORECAST

Connacher Oil and Gas Limited
Appendix B
Consolidated 6 Week Cash Flow Forecast
CAD $ 000's

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	TOTAL
WEEK ENDED	27-Sep-19	04-Oct-19	11-Oct-19	18-Oct-19	25-Oct-19	01-Nov-19	
Receipts							
Crude sales	-	-	-	-	14,696	-	14,696
Other	-	14	-	-	1,094	-	1,108
Total Receipts	**-**	**14**	**-**	**-**	**15,790**	**-**	**15,804**
Disbursements							
Royalties	-	-	-	-	(259)	-	(259)
Oil sands operating expenses	-	(1,192)	(1,192)	(1,192)	(2,426)	(1,192)	(7,194)
Diluent/Transportation expenses	-	(664)	(664)	(664)	(5,240)	(664)	(7,896)
General and administrative costs	-	(156)	(156)	(156)	(156)	(156)	(778)
Capital expenditures	-	(527)	(527)	(527)	(527)	(527)	(2,636)
Plan Implementation Fund	(4,292)	-	-	-	-	-	(4,292)
Total Disbursements	**(4,292)**	**(2,539)**	**(2,539)**	**(2,539)**	**(8,608)**	**(2,539)**	**(23,055)**
CASH FLOW FROM OPERATIONS	(4,292)	(2,525)	(2,539)	(2,539)	7,182	(2,539)	(7,251)
Restructuring costs	-	-	-	-	(400)	-	(400)
NET CHANGE IN CASH	(4,292)	(2,525)	(2,539)	(2,539)	6,782	(2,539)	(7,651)
Opening cash	58,268	53,976	51,451	48,912	46,373	53,155	58,268
Ending Cash (excluding restricted cash)	53,976	51,451	48,912	46,373	53,155	50,617	50,617
RESTRICTED CASH							
Shut-down Costs	7,100	7,100	7,100	7,100	7,100	7,100	7,100
BCOGC	100	100	100	100	100	100	100
Total Restricted Cash	7,200	7,200	7,200	7,200	7,200	7,200	7,200

Notes
Management of Connacher have prepared this forecasted cash flow statement based on probable and hypothetical assumptions detailed in the notes below.

The forecast has been prepared solely for the Company's CCAA filing to determine liquidity requirements. Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Consequently, readers are cautioned that it may not be appropriate for other purposes.