**Form 7**
[Rule 3.8]

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| COURT FILE NO. | 1601 - 06131 | Clerk's Stamp |
| COURT | COURT OF QUEEN'S BENCH OF ALBERTA | CLERK OF THE COURT FILED MAY 16 2016 JUDICIAL CENTRE OF CALGARY |
| JUDICIAL CENTRE | CALGARY | |
| APPLICANT | **IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**<br><br>**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CONNACHER OIL AND GAS LIMITED** | |
| DOCUMENT | **ORIGINATING APPLICATION** | |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **Cassels Brock & Blackwell LLP**<br>1000 Bankers Hall West<br>888 3rd Street SW<br>Calgary, Alberta T2P 5C5<br><br>Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver<br>Tel: 403-351-2920<br>Fax: 403-648-1151<br>skukulowicz@casselsbrock.com<br>rjacobs@casselsbrock.com<br>joliver@casselsbrock.com | |

**NOTICE TO THE RESPONDENT(S):**

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the application is heard as shown below:

| | |
|---|---|
| Date | May 17, 2016 |
| Time | 11:00 a.m. |
| Where | Calgary Courts Centre<br>601-5th Street SW<br>Calgary, AB |
| Before Whom | The Honourable Madam Justice Dario |

Go to the end of this document to see what you can do and when you must do it.

**Basis for this Claim:**

1. Connacher Oil and Gas Limited (the "**Applicant**") is a company to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**"), applies.

2. The Applicant is insolvent and has debts exceeding $5 million.

3. The Applicant requires a stay of proceedings in order to fairly consider and pursue options to restructure or sell its business and obligations for the benefit of its stakeholders.

4. A plan under the CCAA is in the best interest of the Applicant and its stakeholders.

5. Such other grounds as are set forth in the Affidavit of Merle Johnson sworn May 16, 2016 (the "**Johnson Affidavit**").

6. The provisions of the CCAA and the equitable jurisdiction of this Court.

7. Such further and other grounds as counsel may advise and this Court may permit.

**Remedy Sought**

8. An Order granting an interim stay pursuant to Section 11 of the CCAA on terms substantially as set out in the draft Initial Order attached hereto as **Schedule "A"**, including the following, *inter alia*;

   (a) dispensing with service of notice of this Application on all creditors of the Applicant and deeming service of notice of this Application to be good and sufficient;

   (b) granting leave, if required, to bring this Application on short or no notice;

   (c) declaring that the Applicant is a company to which the CCAA applies;

   (d) staying all claims, proceedings and remedies taken or that might be taken in respect of the Applicant or any of its property, except as otherwise set forth in the Initial Order or otherwise permitted by the CCAA;

   (e) authorizing the Applicant to carry on business in a manner consistent with the preservation of the Applicant, its properties, business and interests;

(f) appointing Ernst & Young Inc. ("**E&Y**") as monitor (the "**Monitor**") of the Applicant in these proceedings;

(g) granting the Administration Charge, the Directors' Charge, the Interim Lender's Charge, and the KERP /LTIP Charge (each as defined in the Johnson Affidavit);

(h) authorizing the Applicant to pay the reasonable fees and disbursements of the Monitor and its counsel as well as the Applicant's professional advisors;

(i) authorizing and approving the KERP and the Amended LTIP as described in the Johnson Affidavit and the exhibits thereto;

(j) approving the proposed sale and investment solicitation process (the "**SISP**") in the form attached to the draft Initial Order, and authorizing the Applicant and the Monitor to perform the obligations thereunder;

(k) approving the Interim Financing Term Sheet (as defined and attached to the Johnson Affidavit) and authorizing the Applicant to enter into and to borrow funds under an interim financing credit agreement in a form consistent with the terms set out in the Interim Financing Term Sheet;

(l) authorizing the Shut Down Restricted Cash and the Employee Restricted Cash, each as defined and described in the proposed Initial Order;

(m) extending the Applicant's obligation to call an annual general meeting of its shareholders until further order of this Court;

(n) sealing on the Court file certain confidential information referred to in the Johnson Affidavit;

(o) requesting the aid, recognition and assistance of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to the Initial Order;

(p) authorizing the Applicant to act as the foreign representative in respect of the within proceedings for the purposes of having these proceedings recognized as foreign main proceedings in such jurisdictions as the Applicant deems necessary, including in the United States pursuant to Chapter 15 of Title 11 of the United States Code; and

(q) granting such further and other relief as this Honourable Court may deem just.

9. Such further and other relief as the circumstances may require and the Court deems appropriate.

**Affidavit or other evidence to be relied on:**

10. The Johnson Affidavit, the consent of E&Y to act as Monitor of the Applicant, the pre-filing report of the proposed Monitor, and such further and other materials or evidence as counsel may advise and this Honourable Court permit.

**Applicable Acts and regulations:**

11. The CCAA.

12. The Alberta *Judicature Act*, RSA 2000 C J-2.

13. Such further other Acts and regulations as counsel may advise and this Honourable Court permit.

**How the application is proposed to be heard or considered:**

14. In person before the Honourable Justice Dario at the Calgary Courts Centre, 601-5th Street, SW, Calgary, Alberta, on May 17, 2016 at 11:00 a.m., or as soon thereafter as counsel may be heard.

**To:**

Bennett Jones LLP, Attn: Kevin Zych and Sean Zweig and Jones Day LLP, Attn: Lewsi Grimm and Pedro Jimenez, solicitors for the First Lien Agent;
Computershare Trust Company of Canada, Attn: Manager, Corporate Trust Services
Wilmington Trust, National Association, Attn: Connacher 12.0% Conv. 2nd Ln Nts due 2018

**AFFIDAVIT EVIDENCE IS REQUIRED IF YOU WISH TO OBJECT**

| **WARNING** |
|---|
| You are named as a respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant and against all persons claiming under the applicant. You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant is entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and the time shown at the beginning of this form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant a reasonable time before the application is to be heard or considered. |

# SCHEDULE "A"

Clerk's stamp:

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| COURT FILE NO. | | Clerk's Stamp |
| 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**<br><br>**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CONNACHER OIL AND GAS LIMITED** | |
| DOCUMENT | **INITIAL ORDER** | |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **Cassels Brock & Blackwell LLP**<br>1000 Bankers Hall West<br>888 3rd Street SW<br>Calgary, Alberta T2P 5C5<br><br>Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver<br>Tel: 403-351-2920<br>Fax: 403-648-1151<br>skukulowicz@casselsbrock.com<br>rjacobs@casselsbrock.com<br>joliver@casselsbrock.com | |

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|---|---|
| **DATE ON WHICH ORDER WAS PRONOUNCED:** | May 17, 2016 |
| **NAME OF JUDGE WHO MADE THIS ORDER:** | The Honourable Madam Justice Dario |
| **LOCATION OF HEARING:** | Calgary, Alberta |

**UPON** the application of Connacher Oil and Gas Limited (the "Applicant"); **AND UPON** having read the Originating Application, the Affidavit of Merle Johnson sworn on May 16, 2016 (the "Johnson Affidavit"), the Pre-Filing Report of Ernst & Young Inc. ("E&Y"), and the Affidavit of Service of Richard Comstock sworn on May 16, 2016, filed; **AND UPON** reading the consent of E&Y to act as Monitor; **AND UPON** noting that Wilmington Trust, National Association, in its capacity as Administrative Agent (the "First Lien Agent") under that certain First Lien Credit Agreement dated as of May 23, 2014 and in its capacity as Trustee under that certain convertible note Indenture dated as of May 8, 2015 and Computershare Trust Company of Canada in its capacity as Collateral Agent under that certain Collateral Trust and Intercreditor Agreement dated as of December 3, 2017, each of whom are likely to be affected by the charges created herein have been provided notice of this application and either do not oppose or alternatively consent to the charges created herein; **AND UPON** hearing counsel for the Applicant, E&Y, Wilmington Trust, National Association, in its capacity as proposed Administrative Agent (the "Interim Financing Agent") under the Interim Financing Credit Facility (as hereinafter defined) and in its capacity as First Lien Agent; **IT IS HEREBY ORDERED AND DECLARED THAT**:

**SERVICE**

1. The time for service of the notice of application for this order is hereby abridged and deemed good and sufficient and this application is properly returnable today.

**APPLICATION**

2. The Applicant is a company to which the CCAA applies.

**PLAN OF ARRANGEMENT**

3. The Applicant is authorized to engage in discussions with its creditors with respect to a plan of compromise or arrangement (hereinafter referred to as the "Plan") and shall have the authority to file and may, subject to further order of this Court, file with this Court a Plan.

**POSSESSION OF PROPERTY AND OPERATIONS**

4. The Applicant shall:

(a) remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property");

(b) subject to further order of this Court, continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property;

(c) be authorized and empowered to commence or continue any proceedings as applicant or plaintiff as considered advisable by the Applicant, including without limitation an action or application against IDE Technologies Ltd.; and

(d) be authorized and empowered to continue to retain and employ the employees, independent contractors, consultants, agents, experts, accountants, counsel and such other persons (collectively, the "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. To the extent permitted by law, the Applicant shall be entitled but not required to pay the following expenses, incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant, at their standard rates and charges.

6. Except as otherwise provided to the contrary herein, and subject to the Definitive Documents (as hereinafter defined), the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

7. The Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in Right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of:

(i) employment insurance,

(ii) Canada Pension Plan, and

(iii) income taxes,

but only where such statutory deemed trust amounts arise after the date of this Order, or are not required to be remitted until after the date of this Order, unless otherwise ordered by the Court;

(b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

(c) any amount payable to the Crown in Right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

8. With the consent of the Monitor (which consent may only be given after consultation with the financial advisor to the Interim Financing Agent), the Applicant shall be entitled but not required to pay amounts owing for goods and services actually supplied to the Applicant prior to the date of this Order up to a maximum aggregate amount of $750,000 if, in the opinion of the Applicant, the contractor, supplier or vendor that provided such

goods and services is critical to the preservation of the Property or the continuation of the Business following the date of this Order.

9. Until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicant may pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated by the Applicant from time to time for the period commencing from and including the date of this Order ("Rent"), but shall not pay any rent in arrears.

10. Except as specifically permitted in this Order, the Applicant is hereby directed, until further order of this Court:

(a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of the date of this Order;

(b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and

(c) not to grant credit or incur liabilities except in the ordinary course of the Business.

**RESTRUCTURING**

11. The Applicant shall, subject to such requirements and restrictions as are imposed by the CCAA and the Definitive Documents, have the right to:

(a) with the consent of the Monitor, permanently or temporarily cease, downsize or shut down any of its Business or operations or to dispose of redundant or non-material assets not exceeding $100,000 in any one transaction or $500,000 in the aggregate, provided that any sale that is either (i) in excess of the above thresholds, or (ii) in favour of a person related to the Applicant (within the meaning of section 36(5) of the CCAA), shall require authorization by this Court in accordance with section 36 of the CCAA on an application brought on no less than seven (7) days' notice;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate on such terms as may be agreed upon between the Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan; and

(c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business.

12. The Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal. If the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further order of this Court upon application by the Applicant on at least two (2) days' notice to such landlord and any such secured creditors. If the Applicant disclaims or resiliates the lease governing such leased premises in accordance with section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in section 32(5) of the CCAA) and the disclaimer or resiliation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. If a notice of disclaimer or resiliation is delivered pursuant to section 32 of the CCAA in respect of the Applicant's leased premises, then:

(a) during the pendency of the CCAA proceedings the tenancy of any direct sub-tenant of the Applicant shall continue notwithstanding the disclaimer or resiliation on the same terms as its existing sub-lease agreement so long as (i) as of the effective time of the disclaimer or resiliation, the sub-tenant is current in respect all rent payable to the Applicant and (ii) following the effective time of the disclaimer or resiliation, the sub-tenant pays rent (at the same rate paid to the Applicant) directly to the landlord; provided that nothing herein shall prohibit the landlord and the sub-tenant from agreeing to other terms of lease;

(b) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the non-subleased portion of the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice; and

(c) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any non-subleased portion of such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease non-subleased portion of such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

**NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY**

14. Until and including June 16, 2016, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court.

**NO EXERCISE OF RIGHTS OR REMEDIES**

15. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person"), whether judicial or extra-judicial, statutory or non-statutory against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended and shall not be commenced, proceeded with or continued except with leave of this Court, provided that nothing in this Order shall:

(a) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on;

(b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by section 11.1 of the CCAA;

(c) prevent the filing of any registration to preserve or perfect a security interest; or

(d) prevent the registration of a claim for lien.

16. Nothing in this Order shall prevent any party from taking an action against the Applicant where such an action must be taken in order to comply with statutory time limitations in order to preserve their rights at law, provided that no further steps shall be taken by such party except in accordance with the other provisions of this Order, and notice in writing of such action be given to the Monitor at the first available opportunity.

**NO INTERFERENCE WITH RIGHTS**

17. During the Stay Period, no person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

**CONTINUATION OF SERVICES**

18. During the Stay Period, all persons having:

(a) statutory or regulatory mandates for the supply of goods and/or services; or

(b) oral or written agreements or arrangements with the Applicant, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, camp housing, administration, housekeeping and catering services, transportation, trucking, services, utility or other services to the Business or the Applicant

are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Applicant or exercising any other remedy provided under such agreements or arrangements. The Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the usual prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with the payment practices of the Applicant, or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court. Nothing in this Order has the effect of prohibiting a person from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order.

19. No person that is a party to any oral or written contract or agreement with the Applicant may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right or make any demand under or in respect of any such contract or agreement, and no automatic termination or exercise of rights or remedies provided for therein will have any validity of effect, including by reason of any event that occurred on or prior to the date hereof that would entitle such person to enforce those rights and remedies (including, without limitation, the Applicant being or having admitted to being insolvent, or it having commenced the within proceedings, or it having obtained any statutory or judicial relief in the within proceeding).

## NO OBLIGATION TO ADVANCE MONEY OR EXTEND CREDIT

20. Notwithstanding anything else contained in this Order, no creditor of the Applicant shall be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant.

## PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA and paragraph 15 of this Order, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

## DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. The Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors and or officers of the Applicant after the commencement

of the within proceedings except to the extent that, with respect to any officer or director, the obligation was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

23. The directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall initially not exceed an aggregate amount of $1,000,000 (which amount shall be increased to $2,000,000 automatically without further order of this Court upon the first advance being made under the Interim Financing Credit Facility) as security for the indemnity provided in paragraph 22 of this Order. The Directors' Charge shall have the priority set out in paragraphs 41 and 43 herein.

24. Notwithstanding any language in any applicable insurance policy to the contrary:

(a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and

(b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

**APPOINTMENT OF MONITOR**

25. E&Y is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property, Business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

26. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Applicant's receipts and disbursements, Business and dealings with the Property;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein and immediately report to the Court if in the opinion of the Monitor there is a material adverse change in the financial circumstances of the Applicant;

(c) assist the Applicant, to the extent required by the Applicant, in its dissemination to the Interim Financing Agent and its counsel on a weekly basis of financial and other information as agreed to between the Applicant and the Interim Financing Agent which may be used in these proceedings, including reporting on a basis as reasonably required by the Interim Financing Agent;

(d) advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the Interim Financing Agent, which information shall be reviewed with the Monitor and delivered to the Interim Financing Agent and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the Interim Financing Agent;

(e) assist the Applicant with the implementation of the SISP (as hereinafter defined);

(f) advise the Applicant in its development of the Plan and any amendments to the Plan;

(g) advise the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form and other financial documents of the Applicant to the extent that is necessary to adequately assess the Applicant's Property, Business and financial affairs or to perform its duties arising under this Order;

(i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(j) hold funds in trust or in escrow, to the extent required, to facilitate settlements between the Applicant and any other Person;

(k) respond to inquiries of the Interim Financing Agent and/or the First Lien Agent (or their counsel or financial advisor) with respect to the CCAA proceedings, including, without limitation, in connection with each of the sub-paragraphs above, with or without the presence or the consent of the Applicant; however copies of any written reports provided to the Interim Financing Agent and/or the First Lien Agent (or their counsel or financial advisor) by the Monitor shall be concurrently provided to the Applicant or its counsel; and

(l) perform such other duties as are required by this Order or by this Court from time to time.

27. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintain possession or control of the Business or Property, or any part thereof. Nothing in this Order shall require the Monitor to occupy or to take control, care, charge, possession or management of any of the Property that might be environmentally contaminated, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal or waste or other contamination, provided however that this Order does not exempt the Monitor from any duty to report or make disclosure imposed by applicable environmental legislation.

28. The Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this Order. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

29. The Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

30. The Monitor, counsel to the Monitor and Canadian and U.S. counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and Canadian and U.S. counsel for the Applicant on a bi-weekly basis.

31. The Monitor and its legal counsel shall pass their accounts from time to time.

32. The Monitor, counsel to the Monitor, and the Applicant's Canadian and U.S. counsel, as security for the professional fees and disbursements incurred both before and after the granting of this Order, shall be entitled to the benefits of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of $1,500,000 as security for their professional fees and disbursements incurred at the normal rates and charges of the Monitor and such counsel, both before and after the making of this order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 41 and 43 hereof.

**INTERIM FINANCING**

33. The interim financing term sheet (the "Interim Financing Term Sheet") between the Applicant, the Interim Financing Agent and the lenders party thereto (the "Interim Lenders") dated as of May 16, 2016 as attached at Exhibit "F" to the Johnson Affidavit is hereby approved, and the Applicant is authorized and empowered without further order of this Court to enter into and borrow under an interim financing credit agreement (the "Interim Financing Credit Agreement", and the credit facility created thereby being the "Interim Financing Credit Facility") with the Interim Financing Agent and the Interim Lenders on terms materially consistent with the Interim Financing Term Sheet, in order to finance the Applicant's working capital requirements, the costs of these proceedings, and other general corporate purposes and capital expenditures, provided that

borrowings under the Interim Financing Credit Facility shall not exceed the principal amount of US$20,000,000 unless permitted by further order of this Court.

34. The Applicant is hereby authorized and empowered to execute and deliver such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, and together with the Interim Financing Credit Agreement, the "Definitive Documents"), as are contemplated by the Interim Financing Term Sheet and/or the Interim Financing Credit Agreement or as may be reasonably required by the Interim Financing Agent pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations under and pursuant to the Interim Financing Credit Agreement and the other Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. The Interim Financing Agent and the Interim Lenders shall be entitled to the benefits of and are hereby granted a charge (the "Interim Lenders' Charge") on the Property to secure all obligations under the Definitive Documents incurred on or after the date of this Order which charge shall not exceed the aggregate amount advanced on or after the date of this Order under the Definitive Documents. The Interim Lenders' Charge shall have the priority set out in paragraphs 41 and 43 hereof.

36. Notwithstanding any other provision of this Order:

(a) the Interim Financing Agent may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lenders' Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the Interim Lenders' Charge, the Interim Financing Agent, upon three (3) days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Interim Financing Credit Agreement, the other Definitive Documents and the Interim Lenders' Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the Interim Lenders to the Applicant against the obligations of the Applicant to the Interim Lenders under the Interim Financing Credit Agreement, the other Definitive

Documents or the Interim Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and

(c) the foregoing rights and remedies of the Interim Financing Agent shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

37. The Interim Financing Agent and the Interim Lenders shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

**KERP/LTIP AND KERP/LTIP CHARGE**

38. The key employee retention plan (the "KERP") described at paragraphs 92 to 95, Exhibit "G", and Confidential Exhibit "2" of the Johnson Affidavit is hereby authorized and approved and the Applicant (and any other person that may be appointed to act on behalf of the Applicant, including without limitation, any trustee, liquidator, receiver, interim receiver, receiver and manager or other person acting on behalf of any such person) is authorized and directed to perform the obligations under the KERP and to make the payments contemplated by the KERP in accordance with the terms of the KERP.

39. The Applicant (and any other person that may be appointed to act on behalf of the Applicant, including without limitation, any trustee, liquidator, receiver, interim receiver, receiver and manager or other person acting on behalf of any such person) is authorized and directed to perform the obligations under the Applicant's existing employee long term cash incentive plan as described at paragraph 36 and Confidential Exhibit "1" of the Johnson Affidavit subject, to the extent applicable to any individual employee, to the amended payment terms set out in Exhibit "H" and Confidential Exhibit "2" of the Johnson Affidavit (the "Amended LTIP") and to make the payments contemplated thereby.

40. The beneficiaries of the KERP and the Amended LTIP are hereby granted a charge (the "KERP/LTIP Charge") on the Property, which shall not exceed an aggregate amount of

$1,929,000, to secure all obligations under the KERP and the Amended LTIP. The KERP/LTIP Charge shall have the priority set out in paragraphs 41 and 43 hereof.

**VALIDITY AND PRIORITY OF CHARGES**

41. The priorities of the Administration Charge, the Interim Lenders' Charge, the Directors' Charge and the KERP/LTIP Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of $1,500,000);

Second – Interim Lenders' Charge

Third – Directors' Charge (to the maximum amount of $2,000,000 subject to paragraph 23); and

Fourth – KERP/LTIP Charge (to the maximum amount of $1,929,000).

42. The filing, registration or perfection of the Administration Charge, the Interim Lenders' Charge, the Directors' Charge and the KERP/LTIP Charge (collectively, the "Charges") shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

43. Each of the Administration Charge, the Interim Lenders' Charge, the Directors' Charge and the KERP/LTIP Charge (all as constituted and defined herein) shall constitute a charge on the Property and subject always to section 34(11) of the CCAA such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, except for Encumbrances the holders of which did not receive notice of the application for this order. The Applicant and the beneficiaries of the Charges are hereby granted leave to make further application should it deem necessary or advisable to have the Charges rank ahead of such Encumbrances, on notice to the holders thereof.

44. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Administration Charge, the Interim Lenders' Charge, the Directors' Charge and the KERP/LTIP Charge, unless the Applicant also obtains the

prior written consent of the Monitor, the Interim Financing Agent and the beneficiaries of the Administration Charge, the Directors' Charge, or the KERP/LTIP Charge, or further order of this Court.

45. The Administration Charge, the Interim Financing Credit Agreement, the other Definitive Documents, the Interim Lenders' Charge, the Directors' Charge and the KERP/LTIP Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or the Interim Lenders thereunder shall not otherwise be limited or impaired in any way by:

(a) the pendency of these proceedings and the declarations of insolvency made in this Order;

(b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications;

(c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA;

(d) the provisions of any federal or provincial statutes; or

(e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

(i) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof, including the Interim Financing Credit Agreement or the other Definitive Documents, shall create or be deemed to constitute a new breach by the Applicant of any Agreement to which it is a party;

(ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges, or the Applicant entering into the Interim Financing Credit Agreement, or execution, delivery or performance of the Definitive Documents; and

(iii) the payments made by the Applicant pursuant to this order, including the Interim Financing Credit Agreement or the other Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

**ALLOCATION**

46. Any interested Person may apply to this Court on notice to any other party likely to be affected, for an order to allocate one or more of the Administration Charge, the Interim Lenders' Charge, the Directors' Charge and the KERP/LTIP Charge amongst the various assets comprising the Property.

**USE OF RESTRICTED CASH**

47. Notwithstanding anything else contained in this Order, the Interim Financing Credit Agreement or any other Definitive Documents, in the event of any circumstances in which there will be a hibernation or shut down of the Applicant's Business or operations, including a shut in of its producing wells, or otherwise a cessation of the Applicant's Business or operations, the Applicant (and any other person that may be appointed to act on behalf of the Applicant, including without limitation, any trustee, liquidator, receiver, interim receiver, receiver and manager or other person acting on behalf of any such person) is authorized and directed to use the "Shut Down Costs" set out as restricted cash (the "Shut Down Restricted Cash") in the Applicant's cash flow projections attached as Exhibit "I" to the Johnson Affidavit (the "Budget") for such purposes without obtaining a further order of this Court. For greater certainty, the Shut Down Restricted Cash may not be used for any purposes other than the purposes identified in this paragraph unless ordered by this Court on an application brought on no less than three (3) Business Days' notice to any interested parties.

48. Notwithstanding anything else contained in this Order, the Interim Financing Credit Agreement or any other Definitive Documents, until the first advance is made under the Interim Financing Credit Facility, the amount identified as restricted cash for "Employee Liabilities" (the "Employee Restricted Cash") in the Budget shall only be used by the Applicant (and any other person that may be appointed to act on behalf of the Applicant,

including without limitation, any trustee, liquidator, receiver, interim receiver, receiver and manager or other person acting on behalf of any such person) to pay employee wages, benefits and expenses, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, including amounts which are required to be deducted from employees' wages and remitted or paid to the Crown in Right of Canada or of any Province thereof or any other taxation authority, to the extent that such amounts are not paid pursuant to the terms of this Order, unless ordered otherwise by this Court on an application brought on no less than three (3) Business Days' notice to any interested parties. Once the first advance is made under the Interim Financing Credit Facility, this provision shall not apply, and the Employee Restricted Cash shall not be restricted cash, and instead may be used for any purpose.

**SALE AND INVESTMENT SOLICITATION PROCESS**

49. The sale and investment solicitation process (the "SISP") attached as Schedule "A" to this Order be and is hereby approved and the Applicant and the Monitor are authorized and directed to perform each of their obligations thereunder and to do all things reasonably necessary to perform their obligations thereunder.

50. The Monitor and its respective affiliates, partners, directors, employees and agents shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of the SISP, except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Monitor in performing its obligations under the SISP (as determined by this Court).

51. In connection with the SISP and pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada), the Applicant and the Monitor are authorized and permitted to disclose personal information of identifiable individuals to prospective purchasers or bidders and to their advisers, but only to the extent desirable or required to negotiate and attempt to complete one or more transactions (each, a "Transaction"). Each prospective purchaser or bidder to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction and if it does not complete the Transaction, shall: (i) return all such information to the Applicant; (ii) destroy all such

information; or (iii) in the case of such information that is at electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in any manner which is in all respects identical to the prior use of such information by the Applicant, and shall return all other personal information to the Applicant or ensure that all other personal information is destroyed.

**EXTENSION OF TIME FOR ANNUAL GENERAL MEETING**

52. The time for the Applicant to call an annual general meeting of its shareholders is extended until further order of this Court.

**SEALING**

53. Confidential Exhibits "1" and "2" to the Johnson Affidavit (the "Confidential Materials") shall be sealed on the Court file, notwithstanding Division 4 of Part 6 of the *Alberta Rules of Court*. The Confidential Materials 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.

**SERVICE AND NOTICE**

54. The Monitor shall (i) without delay, publish in the *Calgary Herald* and the *Daily Oil Bulletin* a notice containing the information prescribed under the CCAA; (ii) within five (5) days after the date of this Order (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than $1,000 and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder.

55. The Applicant and the Monitor shall be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or e-mail to the Applicant's creditors or other interested Persons at their respective addresses as last shown on the records of the Applicant and that any such

service or notice by courier, personal delivery, facsimile transmission or e-mail shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing. The Monitor shall establish and maintain a website in respect of these proceedings at www.ey.com/ca/connacheroilandgas and shall post there as soon as practicable:

(a) all materials prescribed by statue or regulation to be made publically available; and

(b) all applications, reports, affidavits, orders or other materials filed in these proceedings by or behalf of the Monitor, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

**GENERAL**

56. The Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

57. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Monitor will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence.

58. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

59. 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 Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

60. Each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

61. The Applicant is hereby authorized, as the foreign representative of itself and of the within proceedings, to apply for foreign recognition of the within proceedings, as necessary, in any jurisdiction outside of Canada, including the United States pursuant to Chapter 15 of the U.S. Bankruptcy Code, and to take such actions necessary or appropriate in furtherance of the recognition of these proceedings in such jurisdiction.

62. Any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

63. This Order and all of its provisions are effective as of 12:01 a.m. Mountain Standard Time on the date of this Order.

Justice of the Court of Queen's Bench of Alberta

# SCHEDULE "A"

## Procedures for the Sale and Investment Solicitation Process

1. On May 17, 2016, Connacher Oil and Gas Limited ("**Connacher**" or the "**Company**") obtained an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* ("**CCAA**") from the Alberta Court of Queen's Bench (the "**Court**") which, among other things, approved the Sale and Investment Solicitation Process ("**SISP**") set forth herein.

2. The purpose of the SISP is to identify one or more purchasers of and/or investors in the Company's Business and/or Property (each as defined herein).

3. Set forth below are the procedures (the "**SISP Procedures**") to be followed with respect to the SISP and, if there is a Successful Bid (as defined herein), to complete the transactions contemplated by the Successful Bid.

### Defined Terms

4. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Initial Order. In addition, capitalized terms used but not otherwise defined in these SISP Procedures shall have the following meaning:

"**Certain Convertible Noteholders**" means that certain group of unaffiliated Convertible Noteholders.

"**Business Day**" means a day, other than a Saturday, Sunday, or a day on which banks in Calgary, Alberta are authorized or obligated by applicable law to close or otherwise are generally closed.

"**Consultation Parties**" means, as applicable in the circumstances, (a) the Monitor, (b) the Interim Financing Agent, (c) the First Lien Agent, and (d) Certain Convertible Noteholders, provided that (other than in the case of the Monitor) such parties are subject to confidentiality arrangements with the Company that are satisfactory to the Company and the Monitor.

"**Convertible Notes Claim Amount**" means the aggregate of all amounts owing to the holders of the 12% convertible second lien notes due 2018 (the "**Convertible Noteholders**") under an indenture dated May 8, 2015 between Connacher and Wilmington Trust, National Association, as trustee (the "**Convertible Note Trustee**").

"**Credit Bid**" means a bid for the purchase of some or all of the Property and/or an investment in the Company and its Business, pursuant to which the consideration offered includes an exchange for, and in full and final satisfaction of, all or a portion of a secured claim against the Company.

"**Interim Financing Agent**" means Wilmington Trust, National Association, as administrative agent for those certain lenders (the "**Interim Lenders**") under the Interim Financing Credit Agreement.

"**Interim Financing Claim Amount**" means the aggregate of all amounts owing under Interim Financing Credit Agreement.

"**Interim Financing Credit Agreement**" means the interim financing credit agreement between Connacher, the Interim Financing Agent and the Interim Lenders.

"**First Lien Claim Amount**" means the aggregate of all amounts owing under the first lien credit agreement dated May 23, 2014 between, among others, Connacher, the lenders party thereto (the "**First Lien Lenders**"), and Wilmington Trust National Association, as successor administrative agent for the lenders (the "**First Lien Agent**"), as amended by amendment no. 1 dated as of May 8, 2015, and all related loan documents.

"**Monitor**" means Ernst & Young Inc., in its capacity as Court-appointed monitor pursuant to the Initial Order, and not in its personal or corporate capacity.

**Solicitation Process and Timeline**

5. The SISP Procedures set forth herein describe the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Company, its business and operations (the "**Business**") and its assets, undertakings and properties (collectively, the "**Property**"), the manner in which a bid becomes a Qualified Phase I Bid or a Qualified Phase II Bid (each as defined herein), the receipt and negotiation of bids received, the ultimate selection of a Successful Bid, if any, and the approval thereof by the Court.

6. The Company shall implement these SISP Procedures with the assistance and supervision of the Monitor. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have jurisdiction to hear and resolve any such dispute.

7. The following table sets out the key milestones under this SISP, subject to extension by the Company pursuant to and in accordance with these SISP Procedures:

| Milestone | Deadline |
|---|---|
| Phase I Bid Deadline | June 30, 2016 |
| Phase II Bid Deadline | July 27, 2016 |
| Court Approval of Successful Bid(s) | August 8, 2016 |
| Closing of Transaction(s) | August 31, 2016 |

**Solicitation of Interest**

8. As soon as practicable following the issuance of the Initial Order, the Monitor shall cause a notice of the SISP, substantially in the form attached at **Appendix "A"** hereto, to be published in the *Calgary Herald* and the *Daily Oil Bulletin*. At the same time, the Company shall issue a press release setting out relevant information from the notice with Canada Newswire designating dissemination in Canada and major financial centres in the United States.

9. A non-confidential teaser letter prepared by the Company ("**Teaser**") describing the opportunity to acquire or invest in Connacher or to acquire some, all or substantially all of the Property will be made available by the Monitor to prospective purchasers or prospective

strategic or financial investors and will be posted on the Monitor's website as soon as practicable following the issuance of the Initial Order.

10. In order to participate in the SISP, each person (a "**Potential Bidder**") must deliver to the Company and the Monitor at the addresses specified in **Appendix "B"** hereto (including by email or fax transmission), and prior to granting of access to the electronic data room containing confidential information concerning the Company, the Business and the Property (the "**Data Room**") and the distribution of any such confidential information by the Company or the Monitor to a Potential Bidder, an executed confidentiality agreement in form and substance satisfactory to the Company and the Monitor, which shall inure to the benefit of any Successful Bidder that is a purchaser of the Property or an investor in the Company.

**Phase I**

11. All Potential Bidders that are parties to a confidentiality agreement with the Company in accordance with these SISP Procedures shall be deemed to be a qualified phase I bidder (a "**Qualified Phase I Bidder**") and will be promptly notified of such classification by the Monitor.

12. Qualified Phase I Bidders shall be provided with access to the Data Room and, if requested by the Qualified Phase I Bidder and deemed appropriate by the Company and the Monitor, a management presentation, together with such further information as the Company and the Monitor may deem appropriate. The Company and the Monitor make no representation or warranty as to the accuracy and completeness of the information contained in the Teaser or in the Data Room, except to the extent expressly provided in any definitive sale or investment agreement with a Successful Bidder executed and delivered by the Company (a "**Definitive Agreement**").

13. If requested by a Qualified Phase I Bidder, the Company shall arrange for a site visit by such Qualified Phase I Bidder, subject to compliance with health, safety and security measures reasonably required by the Company.

14. A Qualified Phase I Bidder, if it wishes to submit a bid, must deliver written copies of a non-binding letter of intent (a "**Phase I Bid**") to the Company and the Monitor at the addresses specified in **Appendix "B"** hereto (including by email or fax transmission) so as to be received by them no later than 12:00 p.m. (Mountain Time) on June 30, 2016, or such other date or time as may be agreed by the Company and the Interim Financing Agent, in consultation with the other Consultation Parties (the "**Phase I Bid Deadline**").

15. A Phase I Bid will be deemed to be a "**Qualified Phase I Bid**" only if the Phase I Bid complies with all of the following:

(a) it includes:

(i) in the case of an offer to purchase the Business or any or all of the Property, a term sheet describing the terms and conditions of the proposed transaction, including identification of the Business or the Property (including any liabilities to be assumed) proposed to be acquired, the purchase price for the Business or Property proposed to be acquired expressed in Canadian dollars (the "**Purchase Price**"), and the structure and financing of the proposed transaction; or

(ii) in the case of an offer to make an investment in the Company, a term sheet describing the terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction, the direct or indirect investment target and the aggregate amount of equity and debt investment (including the sources of such capital, the underlying assumptions regarding the pro forma capital structure, as well as anticipated tranches of debt, debt service fees, interest and amortization) to be made in the Company, the debt, equity or other securities, if any, proposed to be allocated to any secured or unsecured creditors of the Company, and whether and what portion, if any, of the Interim Financing Claim Amount, the First Lien Claim Amount and the Convertible Notes Claim Amount is proposed to be paid on closing of the proposed transaction;

(b) it includes written evidence of the financial ability to consummate the proposed transaction that will allow the Company, in consultation with the Consultation Parties, to make a reasonable determination as to the Qualified Phase I Bidder's financial and other capabilities to consummate the transaction contemplated by the Phase I Bid;

(c) it contains a description of the conditions and approvals required for a final and binding offer, including any anticipated corporate, security holder, internal or regulatory approvals required to close the transaction, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;

(d) it contains an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;

(e) it fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid and the complete terms of any such participation;

(f) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;

(g) it contains such other information as may reasonably be requested by the Company, the Monitor, or the Interim Financing Agent, in consultation with the other Consultation Parties; and

(h) it is received by the Phase I Bid Deadline.

16. Following the Phase I Bid Deadline, the Company shall distribute copies of the Phase I Bids received to the Consultation Parties. The Company, in consultation with the Consultation Parties, will assess the Phase I Bids received by the Phase I Bid Deadline and determine whether such bids constitute Qualified Phase I Bids. The Company, in consultation with the Consultation Parties, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Phase I Bids.

17. The Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties, may reject any Phase I Bid if it is determined that such bid does not constitute a Qualified Phase I Bid, is otherwise inadequate or insufficient, or is otherwise contrary to the best interests of the Company and its creditors and other stakeholders.

18. If it is determined by the Company, with the consent of the Interim Financing Agent (unless one or more Qualified Phase I Bids are sufficient to repay all obligations under the Interim Financing Credit Agreement in full in cash) and in consultation with the Consultation Parties, that a party that has submitted a Qualified Phase I Bid (including where compliance with the bid requirements had been waived) has a bona fide interest in completing a transaction pursuant to these SISP Procedures and such bid has not been rejected pursuant to Section 17, then such party shall be deemed to be a "**Phase II Bidder**".

19. The Company or the Monitor shall notify (a) each party that submits a Phase I Bid in writing (including by email or fax transmission) as to whether such party has been determined to be a Phase II Bidder and therefore shall be permitted to proceed to Phase II, and (b) the other Consultation Parties of the list of Phase II Bidders, each within five (5) Business Days after the Phase I Bid Deadline.

20. The First Lien Agent, the Convertible Note Trustee, and each First Lien Lender and Convertible Noteholder shall notify the Company and the Monitor, in writing at the addresses specified in **Appendix "B"** hereto (including by email or fax transmission) so as to be received by them no later than 12:00 p.m. (Mountain Time) on the date that is three (3) Business Days after receipt by such parties of the list of Phase II Bidders pursuant to Section 19, if such party intends to participate in Phase II of the SISP, including in connection with a potential Credit Bid. Failure to provide such notice shall render such party ineligible of participating in Phase II of the SISP, including in connection with a potential Credit Bid. Notwithstanding anything to the contrary in these SISP Procedures, if any of the First Lien Agent, the Convertible Note Trustee or any of the First Lien Lenders or Convertible Noteholders notifies the Company or the Monitor of its intention to participate in Phase II of the SISP, including in connection with a potential Credit Bid (such party, a "**Notifying Party**"), such Notifying Party and their legal and financial advisors shall not receive any further information concerning Phase II of the SISP, including any Phase II Bids (as defined herein), and shall not be entitled to any further consultation rights pursuant to these SISP Procedures.

**<u>Phase II</u>**

21. The Company, in consultation with the Consultation Parties, shall allow each Phase II Bidder such further access to due diligence materials and information, management presentations and site visits as the Company deems appropriate in its reasonable business judgement and subject to competitive and other business considerations.

22. A Phase II Bidder that wishes to make a formal offer to purchase or make an investment in the Company or its Property and Business shall submit a binding offer (a "**Phase II Bid**") to the Company and the Monitor at the addresses specified in **Appendix "B"** hereto (including by email or fax transmission) so as to be received by them no later than 12:00 p.m. (Mountain Time) on July 27, 2016, or such other date or time as may be agreed by the Company and the Interim Financing Agent, in consultation with the other Consultation Parties (the "**Phase II Bid Deadline**"). Such Phase II Bid shall be a "**Qualified Phase II Bid**" (and such Phase II Bidder shall be a "**Qualified Phase II Bidder**") only if the Phase II Bid meets all of the following criteria:

(a) it complies with all of the requirements in respect of Qualified Phase I Bids, other than the requirements set out in Sections 15(c), 15(d) and 15(h);

(b) it includes a letter stating that the offer is irrevocable until the earlier of (i) the approval of a Successful Bid (as defined herein) by the Court in accordance with these SISP Procedures and (ii) thirty (30) calendar days following the Phase II Bid Deadline, provided that if such bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;

(c) it includes written evidence of a firm commitment for all required financing, or other evidence of the financial ability to consummate the proposed transaction, that will allow the Company, in consultation with the Consultation Parties, to make a reasonable determination as to the Qualified Phase II Bidder's financial and other capabilities to consummate the transaction contemplated by the bid;

(d) it is not conditioned on (i) the outcome of unperformed due diligence and/or (ii) obtaining financing;

(e) it includes an acknowledgement and representation that the Phase II Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Property to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a Definitive Agreement;

(f) it includes evidence, in form and substance reasonably satisfactory to the Company and the Monitor, of authorization and approval from the Phase II Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the bid, and identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;

(g) except in the case of a Credit Bid, it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Monitor), or such other form acceptable to the Company and the Monitor, payable to the order of the Monitor, in trust, (i) if the total consideration is quantifiable, in an amount equal to 10% of that total consideration in the Phase II Bid; or (ii) if the total consideration is unquantifiable, in an amount to be determined by the Company, in consultation with the Consultation Parties, which Deposit is to be held and dealt with in accordance with these SISP Procedures;

(h) the bid is in the form of duly authorized and executed transaction agreements, and in the case of:

(i) a purchase proposal, the bid includes an executed Definitive Agreement, including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Company), together with a blackline against the draft form of Definitive Agreement which shall be prepared by the Company and posted in the Data Room; and

(ii) an investment proposal, the bid includes the draft transaction documents contemplated to effect the investment proposal, including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Company);

(i) it contains such other information as may reasonably be requested by the Company, the Monitor, or the Interim Financing Agent, in consultation with the other Consultation Parties; and

(j) it is received by the Phase II Bid Deadline.

**Selection of Successful Bid(s)**

23. Following the Phase II Bid Deadline, the Company shall distribute copies of the Phase II Bids received to the Consultation Parties, subject to the terms of Section **Error! Reference source not found.**. The Company, in consultation with the Consultation Parties, will assess the Phase II Bids received by the Phase II Bid Deadline and determine whether such bids constitute Qualified Phase II Bids. The Company, in consultation with the Consultation Parties, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Phase II Bids. The Company, in consultation with the Consultation Parties, also reserves the right to (i) request that certain Qualified Phase II Bidders who have submitted Qualified Phase II Bids revisit their proposals in the event that multiple Qualified Phase II Bids are competitive, or (ii) commence an auction process with respect to multiple Qualified Phase II Bids, pursuant to procedures approved by the Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties, that shall be distributed to Qualified Phase II Bidders selected by the Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties, to participate in such auction at least five (5) Business Days in advance of the proposed start time for the auction.

24. The Company, with the consent of the Interim Financing Agent (unless one or more Qualified Phase II Bids are sufficient to repay all obligations under the Interim Financing Credit Agreement in full in cash) and in consultation with the Consultation Parties, shall determine the most favourable of the Qualified Phase II Bids (the "**Successful Bid**"). The Company, with the consent of the Interim Financing Agent (unless one or more Qualified Phase II Bids are sufficient to repay all obligations under the Interim Financing Credit Agreement in full in cash) and in consultation with the Consultation Parties, shall then proceed to negotiate and settle the terms and conditions of a Definitive Agreement in respect of a Successful Bid, all of which shall be conditional upon Court approval and also conditional on the Successful Bid closing within thirty (30) calendar days after the Bid Phase II Deadline, or such longer period as shall be agreed to by the Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties. For greater certainty, the Company, with the consent of the Interim Financing Agent (unless any Successful Bid is sufficient to repay all obligations under

the Interim Financing Credit Agreement in full in cash) and in consultation with the Consultation Parties, may select more than one Qualified Phase II Bid as a Successful Bid to the extent possible based on the nature of such Qualified Phase II Bids.

25. Once a Definitive Agreement has been negotiated and settled in respect of a Successful Bid, with the approval of the Interim Financing Agent (not to be unreasonably delayed or withheld), the person(s) who made the Successful Bid shall be the "**Successful Bidder**" hereunder.

26. The Company shall be under no obligation to accept the highest or best offer or any offer and the selection of a Successful Bidder pursuant to this SISP shall, subject to the terms hereof, otherwise be entirely in the discretion of the Company, after consultation with the Consultation Parties.

## Court Approval

27. The Company shall apply to the Court (the "**Approval Motion**") for an order approving a Successful Bid and authorizing the Company to enter into a Definitive Agreement with the Successful Bidder and any and all necessary further instruments and agreements with respect to the Successful Bid, as well as an order, if applicable, vesting title to purchased property in the name of the Successful Bidder. The Approval Motion will be held on or about August 8, 2016 upon application by the Company and may be adjourned or rescheduled by the Company without further notice.

28. All Qualified Phase II Bids (other than a Successful Bid) shall be deemed rejected on and as of the date of approval of the Successful Bid by the Court.

## Deposits

29. All Deposits shall be retained by the Monitor and deposited in a trust account. If there is a Successful Bid, the Deposit paid by the Successful Bidder whose bid is approved at the Approval Motion shall be applied to the Purchase Price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits of Qualified Phase II Bidders not selected as a Successful Bidder shall be returned to such bidders within five (5) Business Days of the date upon which the Successful Bid is approved by the Court. If there are no Successful Bids, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which the SISP is terminated in accordance with these SISP Procedures.

## Approvals

30. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA, or any other statute or as otherwise required at law in order to implement or complete a Successful Bid.

## No Amendment

31. There shall be no amendments to this SISP, including for greater certainty the process and procedures set out herein, without the consent of the Company, the Interim Financing Agent and the Monitor, in consultation with the other Consultation Parties.

## "As Is, Where Is"

32. Any sale of Property or any investment in the Company will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Company or the Monitor or any of their employees, agents or estates, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Company. Neither the Company nor the Monitor make any representation or warranty as to the accuracy or completeness of the information contained in the Teaser or in the Data Room, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Company.

## Free Of Any And All Claims And Interests

33. In the event of a sale of Property, to the extent permitted by law, all of the rights, title and interests of the Company 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 on or against the Property (collectively, the "**Claims and Interests**") pursuant to a Court order made under section 36(6) of the CCAA, 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), except to the extent otherwise set forth in a Definitive Agreement with a Successful Bidder.

34. An investment in the Company may include one or more of the following: a restructuring, refinancing, recapitalization or other form of reorganization of the business and affairs of the Company as a going concern, a sale of all or some of the Property to a newly formed entity on terms contemplated in the above paragraph or a plan of compromise or arrangement pursuant to the CCAA or any applicable corporate legislation which compromises the Claims and Interests as set out therein.

## No Obligation to Conclude a Transaction

35. The Company has no obligation to agree to conclude a sale or investment arising out of the SISP, and it reserves the right and unfettered discretion to reject any offer or other proposal made in connection with the SISP. In addition, at any time during these SISP Procedures, the Company, with the consent of the Interim Financing Agent and in consultation with the other Consultation Parties, may determine to terminate these SISP Procedures, and shall provide notice of such a decision to any Qualified Phase I Bidders or Qualified Phase II Bidders, as applicable.

## Further Orders

36. At any time during the SISP, the Monitor may, following consultation with the Company and the other Consultation Parties, apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

## Appendix "A"
## Form of SISP Notice

**Connacher Oil and Gas Limited**

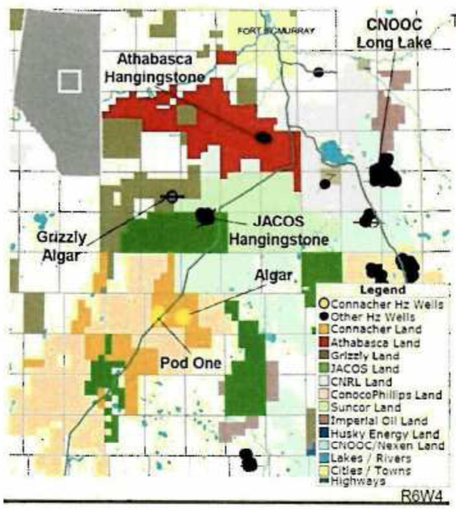
*Oil Sands Assets for Sale*

Connacher
OIL AND GAS LIMITED

On May [], 2016, Connacher Oil and Gas Limited ("Connacher") obtained court protection under the *Companies' Creditors Arrangement Act* ("CCAA") pursuant to an initial order granted by the Alberta Court of Queen's Bench. Ernst & Young Inc. was appointed as the Monitor (the "Monitor") of Connacher for the CCAA proceedings. Connacher and the Monitor are seeking parties interested in acquiring or investing in the business or the assets of Connacher.

Connacher's primary assets include a 100% working interest in 87,000 net acres of oil sands leases located southwest of Fort McMurray, Alberta, with estimated gross 2P reserves of 435,000 Mbbl. Connacher has two producing SAGD projects at Great Divide, Pod One and Algar, currently producing 8,000 bbl/d, with the opportunity for medium term development to increase capacity to 20,000 bbl/d. Pod One and Algar have been producing since 2008 and 2010, respectively.

- 41 SAGD well pairs (23 at Pod One, 18 at Algar), and 13 infill wells (Pod One);
- 435,000 Mbbl of 2P reserves (gross);
- 87,000 net acres of oil sands leases;
- Adjacent to Highway 63 and key infrastructure corridors; and
- ~40 year reserve life at current production rates.


The deadline for delivery of initial non-binding letters of intent is 12:00 p.m. (Mountain Time) on June 30, 2016

Interested parties are invited to contact the Monitor by phone or email or to go to the Monitor's website at www.ey.com/ca/connacheroilandgas for further information on Connacher's sale and investment solicitation process.

**Ernst & Young Inc., in its capacity as Court-appointed Monitor of Connacher Oil and Gas Limited**
2200, 215 2nd Street SW, Calgary, Alberta T2P 1M4
+1 403 206 5600
connacher.salesprocess@ca.ey.com

## Appendix "B"
## Addresses for Notices

**If to the Company:**

Connacher Oil and Gas Limited
Suite 900, 332 – 6 Avenue SW
Calgary, Alberta, Canada
T2P 0B2
Attention: Suzanne Loov
Email: SLoov@Connacheroil.com

With a copy to:

Cassels Brock & Blackwell LLP
1000 Bankers Hall West
888 3rd Street SW
Calgary, Alberta, Canada
T2P 5C5
Attention: Ryan Jacobs and Jeffrey Oliver
Email: rjacobs@casselsbrock.com and joliver@casselsbrock.com

**If to the Monitor:**

Ernst & Young Inc.
Suite 2200, 215 2Nd Street SW
Calgary, Alberta, Canada
T2P 1M4
Attention: Christopher Hibberd
Email: christopher.hibberd@ca.ey.com