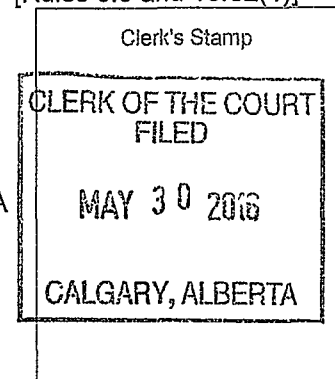


COURT FILE NUMBER 1601-06131

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY



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

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

DOCUMENT APPLICATION (STAY EXTENSION AND AMENDING ORDER)

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT **CASSELS BROCK & BLACKWELL LLP**
1000 Bankers Hall West
888 3rd Street SW
Calgary, Alberta T2P 5C5

Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver
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rjacobs@casselsbrock.com
joliver@casselsbrock.com

NOTICE TO 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 Master/Judge.

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

Date: Friday, June 10, 2016
Time: 3:30 p.m.
Where: Calgary Courts Centre, 601 - 5 Street S.W.
Calgary, AB T2P 5P7
Before Whom: The Honourable Madam Justice G.A. Campbell

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

Remedy claimed or sought:

1. If necessary, an Order abridging the time for service of this Application and supporting materials and declaring service to be good and sufficient.
2. An Order extending the stay of proceedings, as ordered and defined in paragraph 14 of the Initial Order granted herein on May 17, 2016 (the "Initial Order") to August 16, 2016;
3. An Order amending the Initial Order to provide that the Charges (as defined in the Initial Order) granted in the Initial Order shall have priority over all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, in favour of any Person over the Property (as defined in the Initial Order), including the Encumbrances (as defined in the Initial Order);

all in substantially the form of the proposed Order attached hereto as Schedule "A"; and

4. Such further and other relief, advice and directions as counsel may request and this Honourable Court may deem appropriate in the circumstances.

Grounds for making this Application:

5. On May 17, 2016, the Honourable Madam Justice Dario of this Honourable Court granted the Initial Order in this Action which provides for, among other things, a stay of proceedings until and including June 16, 2016 (the "Stay Period").
6. Since the granting of the Initial Order, the Applicant has taken significant steps to advance the restructuring, including but not limited to:

- (a) Cooperating with the Monitor to facilitate its monitoring of the Applicant's business and operations;
- (b) Communicating, in some cases extensively, with various stakeholder groups and their advisors (including the Interim Lenders and the First Lien Agent (each as defined in the Initial Order)), suppliers, trade creditors, employees, contractors and others;

- (c) Working with the Monitor to pursue the sale and investment solicitation process which was approved by this Honourable Court on May 17, 2016, a copy of which is attached to the Initial Order as Schedule "A" (including negotiating confidentiality agreements with potential interested parties and providing information to such parties);
- (d) Entering into the Interim Financing Credit Agreement (as defined in the Initial Order) with the Interim Lenders, as authorized in the Initial Order, and receiving initial funding;
- (e) Preparing and sending disclaimer notices for certain contracts, while continuing to review additional contracts to determine whether further disclaimer notices may be appropriate; and
- (f) Continuing to operate and manage the Applicant's business in the ordinary course subject to the terms of the Initial Order.

7. The Applicant is working in good faith and with due diligence in these proceedings and it is in the best interests of the Applicant and all of its stakeholders that the Stay Period be extended, and it is appropriate in the circumstances to so order.

8. Pursuant to the Initial Order, the Applicant was granted leave to seek a further Order to obtain priority for the Charges over the existing Encumbrances, the holders of which were not served with notice of the Originating Application.

9. The Interim Financing Credit Agreement requires that the Interim Lenders obtain priority over all Encumbrances (except as otherwise provided in the Interim Financing Credit Agreement) pursuant to a Court order granted no later than June 16, 2016. Failure to obtain such priority would result in an event of default under the Interim Financing Credit Agreement. The beneficiaries of the other Charges have also requested priority over the existing Encumbrances.

10. In the circumstances, the Applicant, in consultation with the Monitor and the Interim Financing Agent, has determined that an Order providing priority for the Charges over the existing Encumbrances is necessary and appropriate at this time. The Applicant intends to serve the materials in connection with this Application on all parties with registrations in the Alberta personal property registry and under the *Mines and Minerals Act* (Alberta).

11. The Monitor, the Interim Financing Agent and First Lien Agent support all of the relief being sought in this Application.

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

Material or evidence to be relied on:

13. The pleadings and proceedings filed in the within Action.

14. The First Report of the Monitor, to be filed.

15. The Affidavit No. 1 of Merle Johnson, sworn on May 16, 2016, filed.

16. The Affidavit No. 2 of Merle Johnson, sworn on May 30, 2016, filed.

17. The Brief of the Applicant, filed May 16, 2016.

18. The Brief of the Applicant, to be filed.

19. Such further and other material as counsel may advise and this Honourable Court may permit.

Applicable rules:

20. *Alberta Rules of Court*, AR 124/2010.

Applicable Acts and regulations:

21. The *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended (the "CCAA").

22. *Judicature Act*, R.S.A. 2000, c. J-2

23. Such further and other acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

24. None.

How the Application is proposed to be heard or considered:

25. In person.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and time shown at the beginning of the 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(s) a reasonable time before the application is to be heard or considered.

SCHEDULE "A"

Clerk's stamp:

COURT FILE NO. 1601-06131

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

Clerk's Stamp

APPLICANT **IN THE MATTER OF THE *COMPANIES'*
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**AND IN THE MATTER OF A PLAN OF
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DOCUMENT **STAY EXTENSION AND AMENDING
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Cassels Brock & Blackwell LLP
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888 3rd Street SW
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Tel: 403-351-2920
Fax: 403-648-1151
skukulowicz@casselsbrock.com
rjacobs@casselsbrock.com
joliver@casselsbrock.com

DATE ON WHICH ORDER WAS PRONOUNCED: June 10, 2016

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

LOCATION OF HEARING: Calgary, Alberta

UPON the application of Connacher Oil and Gas Limited (the "Applicant"); **AND UPON** having read the Application, the Affidavit No. 1 of Merle Johnson sworn on May 16, 2016, the Affidavit No. 2 of Merle Johnson sworn on May 30, 2016, the First Report of the Ernst & Young Inc., the Court-appointed Monitor of the Applicant (the "Monitor") dated May [●], 2016, the Bench Brief of the Applicant filed May 16, 2016, the Bench Brief of the Applicant dated May 30, 2016, and the pleadings and proceedings herein, including the Initial Order granted on May 17, 2016 (the "Initial Order"); **AND UPON** noting that the secured creditors who are likely to be affected by the Charges (as defined in the Initial Order) have been provided notice of this application and either do not oppose or alternatively consent to the Charges; **AND UPON** hearing counsel for the Applicant, the Monitor and the Interim Financing Agent and First Lien Agent (as each defined in the Initial Order), and counsel for the other interested parties appearing;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of the notice of application for this order is hereby abridged and deemed good and sufficient, no other person is required to have been served with notice of this application and this application is properly returnable today.
2. Notwithstanding anything to the contrary in paragraph 43 of the Initial Order, effective as of May 17, 2016, the Charges (as defined in the Initial Order) rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise in favour of any Person over the Property (as defined in Initial Order), including the Encumbrances (as defined in the Initial Order).
3. The Stay Period as ordered and defined in paragraph 14 of the Initial Order, is hereby extended until and including August 16, 2016.

Justice of the Court of Queen's Bench of Alberta