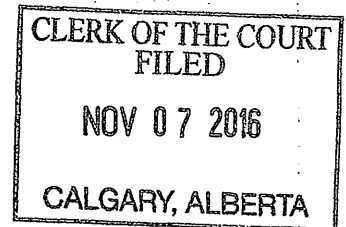


COURT FILE NUMBER 1601-06131

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**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT **CASSELS BROCK & BLACKWELL LLP**
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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: Monday, November 14, 2016
Time: ~~11:00 a.m.~~ 2:00 PM
Where: Calgary Courts Centre, 601 - 5 Street S.W.
Calgary, AB T2P 5P7
Before Whom: The Honourable Justice Eidsvik

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 and including January 13, 2017;
 3. An Order authorizing and approving the Supplemental KERP (as defined below);
 4. An Order that all obligations under the Supplemental KERP shall be secured by the KERP/LTIP Charge (as created and defined in the Initial Order) and that the beneficiaries of the Supplemental KERP be granted all of the rights and benefits of the KERP/LTIP Charge set out in the Initial Order;
 5. An Order sealing on the Court file Confidential Exhibit "1" ("**Confidential Exhibit "1"**") to Affidavit No. 6 of Merle Johnson sworn on November 7, 2016 (the "**Johnson Affidavit**");
- all in substantially the form of the proposed Order attached hereto as Schedule "A"; and
6. 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:

7. On May 17, 2016, the Honourable Madam Justice Dario of this Honourable Court granted the Initial Order which provided for, among other things, a stay of proceedings up to and including June 16, 2016 (the "**Stay Period**").
8. The Initial Order also, among other things, (i) authorized and approved a key employee retention plan (the "**Initial KERP**"), (ii) authorized Connacher to pay certain amounts which would come due to employees under an amended long term cash incentive plan ("**LTIP**"), and (iii) created a charge (the "**KERP/LTIP Charge**") on Connacher's property and assets to secure the payments under the Initial KERP and the LTIP.

9. On June 10, 2016, the Honourable Madam Justice G. A. Campbell granted an extension of the Stay Period until and including August 16, 2016. On August 10, 2016, the Honourable Madam Justice Dario further extended the Stay Period up to and including September 15, 2016. On September 13, 2016, the Honourable Justice MacLeod further extended the Stay Period up to and including November 15, 2016.

10. Since the granting of the Initial Order and the last hearing to extend the Stay Period, the Applicant has taken, and continues to take, 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 Interim Financing Agent, the Interim Lenders (as defined in the Initial Order) and the First Lien Agent), suppliers, trade creditors, employees, contractors and others;
- (c) Entering into the Interim Financing Credit Agreement (as defined in the Initial Order) and most recently the Amendment Agreement (as defined below) with the Interim Lenders, as authorized in the Initial Order, and receiving funding thereunder;
- (d) 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" (the "SISP"), including as detailed further below;
- (e) Preparing and sending disclaimer notices for certain contracts, including in respect of Connacher's head office lease;
- (f) Negotiating lease arrangements for new head office space, which Connacher has moved into;
- (g) Working with the Monitor to administer the Claims Procedure, as set out in the Claims Procedure Order granted by this Honourable Court on August 24, 2016, including reviewing and analyzing claims submitted in the Claims Procedure; and;

- (h) Continuing to operate and manage the Applicant's business in the ordinary course subject to the terms of the Initial Order.

11. The terms of the Initial KERP and the LTIP included several trigger dates for payment of the amounts owing under the KERP and LTIP, including an outside date of September 30, 2016.

12. Accordingly, on September 30, 2016, all amounts owing pursuant to the Initial KERP and LTIP were paid in full.

13. Connacher continues to work in consultation with the Monitor and its key lenders on parallel paths of a potential sale transaction and an alternative restructuring plan for the company. Connacher requires additional time to address and implement a restructuring strategy that will maximize value for stakeholders.

14. To facilitate those efforts, on October 26, 2016, Connacher and the Interim Lenders (as defined in the Initial Order) entered into the Amendment Agreement (as defined in the Johnson Affidavit) pursuant to which the Interim Lenders agreed to provide an additional US\$5,021,164.00 of availability (the "**Additional Availability**") under the Interim Financing Credit Facility (as defined in the Initial Order). The Additional Availability was contemplated in the Interim Financing Credit Facility approved by this Honourable Court in the Initial Order and Connacher's total borrowings will remain within the US\$20 million principal amount cap contained in paragraph 33 of the Initial Order.

15. In light of the extended horizon of ongoing parallel restructuring efforts being undertaken at this time, Connacher's Board of Directors believes that a further key employee retention plan (the "**Supplemental KERP**") is necessary at this time and in the best interests of Connacher and its stakeholders in order to ensure retention of certain key management employees at head office and onsite that are critical to assisting the Applicant in concluding the CCAA proceeding.

16. The proposed Supplemental KERP is described in further detail in the Johnson Affidavit, including Confidential Exhibit "1" thereto.

17. Confidential Exhibit "1" contains sensitive commercial and personal information, the disclosure of which would be very harmful to the Applicant's commercial interests, as well as the personal privacy interests of the employees. Therefore, the Applicant is requesting that Confidential Exhibit "1" be sealed on the Court file.

18. In light of the ongoing restructuring process, Connacher believes that a further extension of the Stay Period up to and including January 13, 2017 is necessary and in the best interests of Connacher and its stakeholders.

19. Based on the Applicant's current cash on hand and cash flow projections, the Applicant will have sufficient liquidity through and including January 13, 2017.

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

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

Material or evidence to be relied on:

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

23. The Johnson Affidavit, filed.

24. The Fifth Report of the Monitor, to be filed.

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

Applicable rules:

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

Applicable Acts and regulations:

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

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

29. 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:

30. None.

How the Application is proposed to be heard or considered:

31. 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

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 **ORDER (STAY EXTENSION AND
SUPPLEMENTAL KERP)**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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DATE ON WHICH ORDER WAS PRONOUNCED: Monday, November 14, 2016
NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Justice Eidsvik
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. 6 of Merle Johnson sworn on November 7, 2016 (the "**Johnson Affidavit**"), the Fifth Report of Ernst & Young Inc., the Court-appointed monitor of the Applicant (the "**Monitor**"), and the pleadings and proceedings herein, including the Initial Order granted on May 17, 2016 (the "**Initial Order**"); **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.

STAY EXTENSION

2. The Stay Period, as ordered and defined in paragraph 14 of the Initial Order, is hereby extended until and including January 13, 2017.

SUPPLEMENTAL KERP

3. The key employee retention plan (the "**Supplemental KERP**") described at paragraphs 23 to 28 of the Johnson Affidavit, Exhibit "B" to the Johnson Affidavit, and Confidential Exhibit "1" to 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 Supplemental KERP and to make the payments contemplated by the Supplemental KERP in accordance with the terms of the Supplemental KERP.

KERP/LTIP CHARGE

4. All obligations under the Supplemental KERP shall be secured by the KERP/LTIP Charge (as created and defined in the Initial Order) and the beneficiaries of the Supplemental KERP are hereby granted all of the rights and benefits of the KERP/LTIP Charge set out in the Initial Order.

SEALING

5. Confidential Exhibit "1" 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.

Justice of the Court of Queen's Bench of Alberta