

Clerk's Stamp

CLERK OF THE COURT
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JAN - 3 2017
JUDICIAL CENTRE
OF CALGARY

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: Thursday, January 12, 2017
Time: 10:00 a.m.
Where: Calgary Courts Centre, 601 - 5 Street S.W.
Calgary, AB T2P 5P7
Before Whom: The Honourable Justice D. B. Nixon

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 June 30, 2017; and
3. 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:

4. 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**").
5. The Stay Period has been extended a number of times, most recently on November 14, 2016, by the Honourable Justice Eidsvik up to and including January 13, 2017.
6. As detailed in the Affidavit No. 7 of Merle Johnson sworn on January 3, 2017 (the "**Johnson Affidavit**"), since the granting of the Initial Order and the last hearing to extend the Stay Period, the applicant, Connacher Oil and Gas Limited ("**Connacher**") has taken, and continues to take, steps to advance the CCAA proceeding, including but not limited to:
 - (a) Cooperating with the Monitor to facilitate its monitoring of Connacher's business and operations;
 - (b) Communicating, in some cases extensively, with various stakeholder groups and their advisors, including the Interim Financing Agent, the Interim Lenders, the First Lien Agent (each as defined in the Initial Order), equipment lessors/financiers, suppliers, trade creditors, employees, contractors and others;
 - (c) Entering into the Second Amendment Agreement (as defined in the Johnson Affidavit) and receiving funding thereunder;

- (d) 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;
- (e) Working with the Monitor and Interim Lenders to evaluate all potential exit strategies that can maximize stakeholder value; and
- (f) Continuing to operate and manage Connacher's business in the ordinary course subject to the terms of the Initial Order.

7. The Initial Order also, among other things, authorized and empowered Connacher to enter into and borrow funds from the Interim Lenders pursuant to the Interim Credit Facility (as defined in the Initial Order) in order to finance Connacher's working capital requirements, the costs of these CCAA proceedings and other general corporate purposes.

8. On October 26, 2016, Connacher and the Interim Lenders entered into the Amendment Agreement (as defined in the Affidavit of Merle Johnson dated November 7, 2016) pursuant to which the Interim Lenders agreed to provide an additional US\$5,021,164.00 of availability.

9. On December 16, 2016, Connacher and the Interim Lenders entered into an approval and modification agreement # 2 (the "**Second Amendment Agreement**") which extends the maturity date under the Interim Financing Credit Agreement from May 17, 2016 to December 31, 2017 and amends certain provisions in order to permit Connacher to better take advantage of existing market opportunities.

10. In order to continue ongoing parallel sale and restructuring efforts and implement certain strategic options as further detailed in the Johnson Affidavit, Connacher believes that a further extension of the Stay Period up to and including June 30, 2017 is necessary and in the best interests of Connacher and its stakeholders.

11. Based on Connacher's current cash on hand and cash flow projections, Connacher will have sufficient liquidity through and including June 30, 2017.

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

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

Material or evidence to be relied on:

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

15. The Johnson Affidavit, filed.

16. The Sixth Report of the Monitor, to be filed.

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

Applicable rules:

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

Applicable Acts and regulations:

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

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

21. 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:

22. None.

How the Application is proposed to be heard or considered:

23. 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'
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**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
CONNACHER OIL AND GAS LIMITED**

DOCUMENT **ORDER (STAY EXTENSION)**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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DATE ON WHICH ORDER WAS PRONOUNCED: Thursday, January 12, 2017

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Justice D. B. Nixon

LOCATION OF HEARING: Calgary, Alberta

UPON the application of Connacher Oil and Gas Limited ("**Connacher**"); **AND UPON** having read the Application, the Affidavit No. 7 of Merle Johnson sworn on January 3, 2017 (the "**Johnson Affidavit**"), the Sixth Report of Ernst & Young Inc., the Court-appointed monitor of Connacher (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 Connacher, 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 June 30, 2017.

Justice of the Court of Queen's Bench of Alberta