Form 27
[Rules 6.3 and 10.52(1)]

Clerk's Stamp

CLERK OF THE COURT
FILED
NOV 03 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** **(APPROVAL OF ATB CREDIT FACILITIES)**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**CASSELS BROCK & BLACKWELL LLP** Suite 1250, Millennium Tower 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver Tel: 403-351-2920 Fax: 403-648-1151 skukulowicz@casselsbrock.com 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:	November 10, 2017
Time:	2:00 pm
Where:	Calgary Courts Centre, 601 - 5 Street S.W. Calgary, AB T2P 5P7
Before Whom:	The Honourable Justice Jones

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. Connacher Oil and Gas Limited ("**Connacher**") seeks an order:

   (a) if necessary, abridging the time for service of this Application and supporting materials and declaring service to be good and sufficient;

   (b) approving the Commitment Letter dated November 3, 2017 (the "**ATB Agreement**") as between Connacher and Alberta Treasury Branches, operating as ATB Financial (the "**Lender**") and authorizing Connacher to enter into and obtain access to credit facilities from the Lender as contemplated by the ATB Agreement;

   (c) authorizing Connacher to execute and deliver the Security Documents and the other Loan Documents (each as defined in the ATB Agreement) and authorizing Connacher to pay and perform all of its indebtedness, interest, fees, liabilities, and obligations under and pursuant to the ATB Agreement, the Security Documents and the other Loan Documents as and when the same become due and are to be performed;

   (d) granting the Lender a first-priority charge (the "**ATB Charge**") on and over all of the Cash Deposits (as defined in the ATB Agreement); and

   (e) sealing Confidential Exhibit "1" to the Affidavit of Jeff Beeston sworn on November 3, 2017 (the "**Beeston Affidavit**") on the Court file,

   in substantially the form of the proposed Order attached hereto as Schedule "A" (the "**Approval Order**"); and

2. 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:

3. On May 17, 2016, the Honourable Madam Justice Dario of this Honourable Court granted an Initial Order (the "**Initial Order**") which provided for, among other things, a stay of proceedings up to and including June 16, 2016 pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**") in favour of Connacher, which has most recently been extended by this Honourable Court to January 31, 2018.

4. Pursuant to the terms of the Initial Order, Ernst & Young Inc. (the "**Monitor**") was appointed as monitor in this CCAA proceeding.

5. Working with the Monitor and the Interim Lenders, Connacher is evaluating potential business optimization strategies, exit strategies, and other restructuring strategies in order to maximize value for stakeholders. It is anticipated that Connacher's restructuring will continue into 2018 with the continued strong support from Connacher's Interim Lenders and First Lien Lenders.

6. Connacher continues to operate in the ordinary course of business (subject to the terms of the Initial Order and its interim financing) while it proceeds with its restructuring efforts.

7. However, operating while under CCAA protection has created certain operational and credit challenges for Connacher as it seeks to maintain production, transact with suppliers, and operate in a financially efficient manner.

8. Therefore, with the support of its Interim Lenders and the Monitor, Connacher engaged in discussions with financial institutions in order to identify potential arrangements that would provide Connacher with additional financial and administrative flexibility and efficiencies while it continued to operate under CCAA protection.

9. In particular, Connacher sought to address three critical financial and operational needs:

   (a) obtaining corporate credit cards to facilitate day-to-day purchases in the ordinary course of the operation of its business, without relying on employees and management using personal credit cards for this purpose;

   (b) access to letters of credit to replace the need to provide suppliers with cash deposits or prepayment to secure supply; and

(c) financial credit to support hedging transactions that Connacher may seek to pursue in the operation of its business.

10. While the Interim Lenders support Connacher's ability to have access to such credit facilities and believe that doing so would be beneficial to Connacher's business, the Interim Lenders are not traditional financial institutions that offer such facilities.

11. With the support and approval of the Interim Lenders and the Monitor, the discussions with third party institutions culminated in the ATB Agreement, which is subject to, among other things, approval by this Honourable Court.

12. Pursuant to the ATB Agreement and subject to the conditions contained therein (as described in the Beeston Affidavit), the Lender has agreed to provide the following credit facilities to Connacher:

(a) Facility No. 1 – Revolving Operating Facility (the "**LC Facility**"): Up to CAD$5,000,000.00 of letters of credit which Connacher will utilize to replace certain of its current requirements to provide suppliers with cash deposits or prepayments. Connacher will be required to pledge 110% of the face amount of each letter of credit issued by the Lender from time to time such that the maximum amount to be pledged to the Lender for all letters of credit outstanding at any time will not exceed CAD$5,500,000.00. For certainty, Connacher will only pledge cash collateral to ATB under this LC Facility as and when letters of credit are issued by the Lender.

(b) Facility No. 2 – Corporate Mastercard (the "**Credit Card Facility**"): A corporate Mastercard facility to a maximum of CAD$50,000.00 for day-to-day business purchases. Connacher will be required to pledge CAD$55,000.00 to the Lender as security for Connacher's obligations under this Credit Card Facility, such amount to be held by the Lender at all times.

(c) Facility No. 3 – Commodity Derivatives (the "**Hedging Facility**"): Connacher may enter into commodity derivatives with the Lender from time to time. For certainty, Connacher's ability to enter into hedge contracts with the Lender is subject to the Lender's discretion. Connacher will be required to pledge

CAD$3,000,000.00 to the Lender as security for Connacher's obligations under this Hedging Facility, such amount to be held by the Lender at all times.

The LC Facility, the Credit Card Facility and the Hedging Facility are collectively referred to herein as the "**Facilities**" and each a "**Facility**".

13. The ATB Agreement contemplates that the Facilities will be fully cash collateralized by Connacher in the form of the Cash Deposits (as defined in the ATB Agreement and summarized above) and, as security for Connacher's obligations to the Lender under the Facilities, Connacher is required to provide the Lender with:

    (a) the Approval Order granting the Lender the ATB Charge with a first priority on and over all of the Cash Deposits; and

    (b) an Assignment of Cash Deposits up to the aggregate principal amount of $8,555,000.00 to secure the Facilities.

14. Connacher believes that the Facilities will be of significant value to its business and operations, and that approval of the ATB Agreement and of the ATB Charge is in the best interests of Connacher and its stakeholders for the reasons set out in the Beeston Affidavit.

15. As required by the ATB Agreement, the proposed ATB Charge will prime existing secured creditors and the beneficiaries of the Administration Charge, Interim Lenders' Charge, Directors' Charge and KERP/LTIP Charge granted by the Court in the Initial Order, but only to the extent of the Cash Deposits.

16. As required by section 11.2 of the CCAA, notice of this Application will be provided to such affected secured creditors.

17. Connacher's creditors will not be materially prejudiced by the approval of the ATB Agreement or the granting of the ATB Charge.

18. Confidential Exhibit "1" to the Beeston Affidavit contains sensitive commercial information, the disclosure of which would be harmful to the Lender's commercial interests. Therefore, Connacher is requesting that Confidential Exhibit "1" to the Beeston Affidavit be sealed on the Court file.

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

Material or evidence to be relied on:

20. The Beeston Affidavit, including Confidential Exhibit "1" attached thereto, filed.

21. The Twelfth Report of the Monitor, to be filed.

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

Applicable rules:

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

24. Such further and other rules as counsel may advise and this Honourable Court may permit

Applicable Acts and regulations:

25. The *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended.

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

27. 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:

28. None.

How the Application is proposed to be heard or considered:

29. 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" TO APPLICATION

Clerk's stamp:

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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** **(APPROVAL OF ATB CREDIT FACILITIES)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Cassels Brock & Blackwell LLP** Suite 1250, Millennium Tower 440 2nd Avenue SW Calgary, AB T2P 5E9 Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver Tel: 403-351-2920 Fax: 403-648-1151 skukulowicz@casselsbrock.com rjacobs@casselsbrock.com joliver@casselsbrock.com	

DATE ON WHICH ORDER WAS PRONOUNCED: November 10, 2017

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Justice Jones

LOCATION OF HEARING: Calgary, Alberta

UPON the application of Connacher Oil and Gas Limited ("**Connacher**"); **AND UPON** having read the Application, the Affidavit of Jeff Beeston sworn on November 3, 2017 (the "**Beeston Affidavit**"), the Twelfth 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.

2. The Commitment Letter dated November 3, 2017 (the "**Agreement**") as between Connacher and Alberta Treasury Branches, operating as ATB Financial (the "**Lender**") as attached as Confidential Exhibit "1" to the Beeston Affidavit is hereby approved and Connacher is authorized and empowered without further order of this Court to enter into and gain access to credit facilities from the Lender pursuant to the Agreement on terms consist with the Agreement in all respects.

3. Connacher is hereby authorized and empowered to execute and deliver such security documents (the "**Security Documents**") and other loan documents (the "**Loan Documents**") as are contemplated by the Agreement or as may be reasonably required by the Lender pursuant to the terms thereof, and Connacher is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities, and obligations under and pursuant to the Agreement, the Security Documents and the other Loan Documents as and when the same become due and are to be performed.

4. The Lender shall be entitled to the benefits of and is hereby granted a charge (the "**ATB Charge**") on the Cash Deposits (as defined in the Agreement) in an amount not to exceed $8,555,000 to secure all obligations under the Agreement, the Security Documents and the other Loan Documents incurred on or after the date of this Order which charge shall not exceed the aggregate amount becoming owing on or after the date of this Order.

5. Notwithstanding any other provision of this Order, the Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the ATB Charge or any of the Security Documents.

6. The filing, registration or perfection of the ATB Charge shall not be required, and the ATB charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the ATB Charge coming into existence, notwithstanding any such failure to file, register, record, or perfect.

7. Notwithstanding any other provision of this Order or the Initial Order:

(a) the Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the ATB Charge or any of the Agreement, the Security Documents or the other Loan Documents;

(b) upon demand being made by the Lender pursuant to the Agreement and upon three (3) days' notice to Connacher and the Monitor, the Lender may exercise any and all of its rights and remedies against Connacher or the Cash Deposits under or pursuant to the Agreement, the Security Documents, the other Loan Documents and the ATB Charge; and

(c) the foregoing rights and remedies of the Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of Connacher.

8. The Lender shall be treated as unaffected in any plan of arrangement or compromise filed by Connacher under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("**CCAA**"), or any proposal filed by Connacher under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("**BIA**"), with respect to any borrowings by Connacher under the Agreement.

9. The ATB Charge shall constitute a charge on the Cash Deposits and, subject always to section 34(11) of the CCAA the ATB Charge 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, including without

limitation the Charges (as defined in the Initial Order). For greater certainty, the ATB Charge shall only apply to the Cash Deposits and shall only rank in priority over the Charges in respect of the Cash Deposits, and the priority of each of the Charges as against the other Property (as defined in the Initial Order) shall be unaffected by this Order.

10. Except as otherwise expressly provided for herein, or as may be approved by this Court, Connacher shall not grant any Encumbrances over the Cash Deposits that rank in priority to, or *pari passu* with, the ATB Charge, unless Connacher also obtains the prior written consent of the Lender or further order of this Court.

11. The ATB Charge shall not be rendered invalid or unenforceable and the rights and remedies of the Lender thereunder shall not otherwise be limited or impaired in any way by:

(a) the pendency of these proceedings;

(b) any application(s) for bankruptcy order(s) issued pursuant to the 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, a "**Contract**") which binds Connacher, and notwithstanding any provision to the contrary in any Contract:

(i) neither the creation of the ATB Charge nor the execution, delivery, perfection, registration or performance of any documents in respect thereof, including the Security Documents, shall create or be deemed to constitute a new breach by Connacher of any Contract to which it is a party;

(ii) the Lender shall not have any liability to any person whatsoever as a result of any breach of any Contract caused by or resulting from the creation of the ATB Charge, or Connacher entering into the Agreement or the Security Documents or the performance thereof; and

(iii) the payments made by Connacher pursuant to this Order do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

SEALING

12. Confidential Exhibit "1" to the Beeston 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.

GENERAL

13. 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 Connacher and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders as to provide such assistance to Connacher, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist Connacher and its agents in carrying out the terms of this Order.

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Justice of the Court of Queen's Bench of Alberta