Form 27
[Rules 6.3 and 10.52(1)]

Clerk's Stamp

CLERK OF THE COURT
FILED
FEB 20 2018
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** **(ENGAGEMENT OF FINANCIAL ADVISOR)**
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: R. 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:	February 28, 2018
Time:	10:00 a.m.
Where:	Calgary Courts Centre, 601 - 5 Street S.W. Calgary, AB T2P 5P7
Before Whom:	The Honourable Justice Jeffrey

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 substantially in the form attached hereto as Schedule "A" (the "**FA Approval 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 engagement letter dated February 6, 2018 (the "**Houlihan Engagement Letter**") between Connacher and Houlihan Lokey Capital, Inc. ("**Houlihan**") attached at **Confidential Exhibit "1"** of the Affidavit of Jeff Beeston sworn February 20, 2018 (the "**Beeston Affidavit**");

   (c) granting the FA Charge (as defined below); and

   (d) sealing Confidential Exhibit "1" to the Beeston Affidavit, containing an unredacted version of the Houlihan Engagement Letter, on the Court file; 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 granted 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 June 29, 2018 (the "**Stay Period**").

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

5. Connacher seeks approval of the Houlihan Engagement Letter, which sets out the terms of Houlihan's engagement as financial advisor to Connacher to assist in developing and implementing a renewed sale and investment solicitation process (the "**SISP**"), approval of which will be sought by Connacher on a subsequent application to the Court.

6. Working with the Monitor and with the assistance of Houlihan, Connacher has been engaged in detailed discussions with its key lenders on the terms of a renewed SISP that Connacher anticipates will be back-stopped by a stalking horse credit bid from the First Lien Lenders.

7. Subject to approval by this Honourable Court, Connacher has retained Houlihan to provide financial advisory services to Connacher in developing and implementing the SISP.

8. Prior to entering into the Houlihan Engagement Letter, the Connacher management team and the Special Committee of Connacher's Board of Directors, with the input of Connacher's lenders, interviewed several candidates and selected Houlihan as financial advisor.

9. Pursuant to the terms of the Houlihan Engagement Letter, Connacher is required to pay to Houlihan (i) an Engagement Fee and (ii) a Sale Transaction Fee, as confidentially described in detail in the Beeston Affidavit.

10. The Houlihan Engagement Letter also requires that Connacher use reasonable commercial efforts to obtain an order of this Honourable Court, *inter alia*, approving the Houlihan Engagement Letter and granting a charge on Connacher's property to secure the payment of such fees (the "**FA Charge**"), which shall be subordinate to the other Court-ordered charges previously approved.

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

12. Each of the Monitor and the First Lien Agent support the approval of the Houlihan Engagement Letter, the granting of the FA Charge and the sealing of the Houlihan Engagement Letter.

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

15. The Fourteenth Report of the Monitor, to be filed.

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

Applicable rules:

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

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

Applicable Acts and regulations:

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

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" TO APPLICATION

COURT FILE NO.	1601-06131	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** **AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CONNACHER OIL AND GAS LIMITED**	
DOCUMENT	**ORDER (ENGAGEMENT OF FINANCIAL ADVISOR)**	
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: R. 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: February 28, 2018

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice Jeffrey

UPON THE APPLICATION by Connacher Oil and Gas Limited (the "**Applicant**"); **AND UPON HAVING READ** the Affidavit of Jeff Beeston sworn February 20, 2018 (the "**Beeston Affidavit**"), the Fourteenth Report of Ernst & Young Inc. in its capacity as 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 First Lien Agent (each as defined in the Initial Order), with no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service of Benjamin Goodis sworn on February 20, 2018, filed;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE & DEFINITIONS

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served with notice of this application, and time for service of this application is abridged to that actually given.

2. Capitalized terms used in this Order and not otherwise defined shall have the meaning ascribed to them under the Engagement Letter dated February 6, 2018 attached as Confidential Exhibit "1" to the Beeston Affidavit (the "**Houlihan Engagement Letter**") as between the Applicant and Houlihan Lokey Capital, Inc. ("**Houlihan**").

FINANCIAL ADVISOR ENGAGEMENT

3. The engagement of Houlihan as financial advisor to the Applicant pursuant to the Houlihan Engagement Letter is hereby approved. The Applicant is authorized, *nunc pro tunc*, to enter into the Houlihan Engagement Letter and to carry out and perform its obligations thereunder, including payment of amounts due to be paid to Houlihan pursuant to the terms of the Houlihan Engagement Letter.

4. All claims of Houlihan to the Sale Transaction Fee(s) (as defined in the Houlihan Engagement Letter) are claims that may not be compromised pursuant to any plan of arrangement or compromise filed by the Applicant under the *Companies' Creditors Arrangement Act* (the "**CCAA**"), any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* (the "**BIA**"), or any other restructuring and no such plan, proposal or restructuring shall be approved that does not provide for the payment of any Sale Transaction Fee(s) due to Houlihan pursuant to the terms of the Houlihan Engagement Letter.

5. Any claims of the Applicant against Houlihan or the Indemnified Parties (as defined in the Houlihan Engagement Letter) arising out of or related to the Houlihan Engagement Letter or

Houlihan's engagement as financial advisor to the Applicant shall be limited in quantum to the amount of fees paid to Houlihan pursuant to the Houlihan Engagement Letter.

FINANCIAL ADVISOR CHARGE

6. Houlihan is hereby granted a charge (the "**FA Charge**") over the Property (as defined in the Initial Order), which charge shall be security for all fees and costs payable to Houlihan pursuant to the terms of the Houlihan Engagement Letter.

7. Subject to section 34(11) of the CCAA and paragraph 8 of this Order, the FA 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. The Applicant shall not grant any charges in the CCAA proceeding that rank *pari passu* with, or senior to, the FA Charge, without the consent of Houlihan.

8. The FA Charge shall rank subordinate in priority to each of the Administration Charge, the Directors' Charge, and the KERP/LTIP Charge (each as defined in the Initial Order, as amended from time to time) and subordinate to the ATB Charge (as defined in the Order (Approval of ATB Credit Facilities) of this Court dated November 10, 2017).

9. The filing, registration or perfection of the FA Charge shall not be required, and the FA 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 FA Charge coming into existence, notwithstanding any such failure to file, register, record, or perfect.

10. The FA Charge shall not be rendered invalid or unenforceable and the rights and remedies of Houlihan 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 the Applicant, and notwithstanding any provision to the contrary in any Contract:

i. neither the creation of the FA Charge nor the execution, delivery, perfection, registration or performance of the Houlihan Engagement Letter shall create or be deemed to constitute a new breach by the Applicant of any Contract to which it is a party;

ii. Houlihan 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 FA Charge, or the Applicant entering into the Houlihan Engagement Letter or the performance thereof; and

iii. the payments made by the Applicant pursuant to the Houlihan Engagement Letter 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 ORDER

11. Confidential Exhibit "1" to the Beeston Affidavit (the "**Confidential Material**") shall be sealed on the Court file, notwithstanding Division 4 of Part 6 of the *Alberta Rules of Court*. The Confidential Material 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.

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J.C. C.Q.B.A.