COURT FILE NO.	1601-06131	Clerk's Stamp CLERK OF THE COURT FILED SEP 24 2018 CALGARY, ALBERTA
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	**AFFIDAVIT OF JEFF BEESTON (APPROVAL OF WOOD BUFFALO SETTLEMENT AGREEMENT)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Cassels Brock & Blackwell LLP** Bankers Hall West, 888-3rd Street SW Suite 3810 Calgary, Alberta T2P 5C5 Attn: Ryan Jacobs/Joseph Bellissimo/Natalie E. Levine Tel: 403-351-2920 Fax: 403-648-1151 rjacobs@casselsbrock.com jbellissimo@casselsbrock.com nlevine@casselsbrock.com	

AFFIDAVIT OF JEFF BEESTON
Sworn on September 24, 2018

I, Jeff Beeston, of Calgary, Alberta, **SWEAR AND SAY THAT:**

1. I am the Chief Financial Officer of Connacher Oil and Gas Limited ("**Connacher**"). As such I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

2. I make this Affidavit in support of Connacher's application (the "**Application**") for an order substantially in the form attached as Schedule "A" to the Application (the "**Settlement Approval Order**") approving a Settlement Agreement dated September 24, 2018 (the "**Settlement Agreement**") made between Connacher and the Regional

Municipality of Wood Buffalo ("**Wood Buffalo**") and authorizing Connacher to perform its obligations thereunder.

3. I am advised by the Monitor and do verily believe that the Monitor supports this Application. Further, I am advised by counsel for the First Lien Agent and Consenting First Lien Lenders and do verily believe that the First Lien Agent and Consenting First Lien Lenders support this Application.

4. Where I use capitalized terms in this Affidavit, but do not define them, I intend them to have the meaning given to them in the Settlement Agreement. All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.

I. Background

5. 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, which has most recently been extended by this Honourable Court through and including October 31, 2018.

6. On August 22, 2018, Connacher sought, and this Honourable Court granted, three orders:

   (a) an order, *inter alia*, authorizing Connacher to file an Amended and Restated Plan of Compromise and Arrangement (the "**CCAA Plan**") dated August 13, 2018 (the "**Creditors' Meetings Order**");

   (b) an order, *inter alia*, approving the solicitation of certain claims against Connacher and its directors and officers, including priority secured claims (the "**Supplemental Claims Procedure Order**"); and

   (c) an order, *inter alia*, approving and authorizing Connacher's entry into a Purchase and Sale Agreement dated August 2, 2018 (the "**Purchase Agreement**") between Connacher and East River Oil and Gas Ltd. (the "**Plan Sponsor**") (the "**Approval and Vesting Order**").

7. These orders created a framework for Connacher to implement either (i) a CCAA plan transaction (the "**Plan Transaction**") pursuant to the terms of the Plan Sponsorship Agreement dated August 2, 2018 between Connacher and the Plan Sponsor, as amended (the "**Plan Sponsorship Agreement**") and the CCAA Plan, or (ii) an alternative asset purchase transaction (the "**Purchase Transaction**" and collectively with the Plan Transaction, the "**Plan Sponsor Transactions**"), and in either case transfer its business to the Plan Sponsor.

8. The creditors' meetings are scheduled for October 3, 2018. If the CCAA Plan is approved by the requisite majorities of affected creditors in accordance with the Creditors' Meetings Order, Connacher will seek the Court's sanction of the CCAA Plan on October 4, 2018 (the "**Sanction Order**").

II. Wood Buffalo Claims

9. Wood Buffalo submitted a proof of claim pursuant to the Supplemental Claims Procedure Order asserting a secured claim in respect of municipal property taxes in the amount of $13,957,811.63 in respect of which Wood Buffalo asserts a priority secured claim pursuant to the *Municipal Government Act* (the "**Wood Buffalo Proof of Claim**").

10. The CCAA Plan provides that the Monitor will create a reserve from the plan implementation fund (the "**Priority Secured Claims Reserve**") in the amount of any alleged priority secured claims that remain in dispute, such as the claims alleged by Wood Buffalo. This will ensure that sufficient funds are retained to pay out alleged priority secured claims in full in the event that they are finally resolved or determined to be priority secured claims.

11. Pursuant to the Plan Sponsor Transactions, Connacher and the Plan Sponsor have also agreed that one-third of the amount of the Municipal Tax Claims (as defined in the CCAA Plan) for the calendar year 2018 (being the portion of the Municipal Tax Claims for the 2018 calendar year attributable to the period from and after 12:01 a.m. on September 1, 2018 (the "**Unaffected Municipal Tax Claims**")) will be an "Unaffected Claim" under the CCAA Plan, an assumed obligation under the Purchase Agreement and a "Permitted Encumbrance" under the Approval and Vesting Order.

III. Settlement Agreement

12. Connacher and Wood Buffalo have engaged in discussions concerning a potential settlement of Wood Buffalo's alleged priority secured claims (other than the Unaffected Municipal Tax Claims). Those discussions have culminated in the Settlement Agreement, which was executed by the parties thereto on September 24, 2018. A copy of the Settlement Agreement is attached as **Exhibit "A"** to this Affidavit.

13. The Settlement Agreement is conditional upon the Court granting the Settlement Approval Order.

14. Pursuant to the Settlement Agreement, Connacher and Wood Buffalo have agreed as follows:

    (a) within five business days following the granting of the Settlement Approval Order, Connacher shall pay to Wood Buffalo the amount of $8,000,000 (the "**Settlement Amount**") in full and final satisfaction of all amounts owing by Connacher to Wood Buffalo, including but not limited to with respect to or on account of property tax, equipment and machinery tax, linear property tax, education tax, and any interest, fees or penalties and the claims asserted in the Wood Buffalo Proof of Claim, other than amounts that constitute an Unaffected Municipal Tax Claim (the "**Settled Municipal Tax Claims**");

    (b) without limiting the terms of the Settlement Agreement, Connacher agrees that Wood Buffalo shall be entitled to apply the Settlement Amount to taxes derived from assessments of land and machinery and equipment and not in respect of linear property;

    (c) upon payment of the Settlement Amount, Wood Buffalo grants Connacher, the Monitor, and their affiliates, directors, officers, advisors, and certain other parties a broad full and final release of all claims arising from or related to the Settled Municipal Tax Claims, Connacher's CCAA proceeding, and the CCAA Plan; and

    (d) the portion of the Wood Buffalo Proof of Claim relating to the Settled Municipal Tax Claims shall be deemed withdrawn and released upon payment of the Settlement Amount.

    (e) subject to and in accordance with the CCAA Plan, the Sanction Order, the Supplemental Claims Procedure Order and any other orders of the Court, Wood

Buffalo shall not be prevented from continuing to assert its Unaffected Municipal Tax Claims against Connacher; or

(f) subject to and in accordance with the Purchase Agreement, the Approval and Vesting Order, the Supplemental Claims Procedure Order and any other orders of the Court, Wood Buffalo shall not be prevented from asserting its Unaffected Municipal Tax Claims against the Purchaser as an assumed obligation under the Purchase Agreement and a "Permitted Encumbrance" under the Approval and Vesting Order in the event that the transactions contemplated by the Purchase Agreement are consummated.

15. Connacher believes that the terms of the Settlement Agreement are fair and reasonable and are in the best interests of Connacher and its stakeholders for the following reasons:

(a) the Settlement Agreement avoids potentially extensive and costly litigation over the Wood Buffalo Proof of Claim;

(b) the Settlement Agreement avoids the need for the Monitor to reserve the funds for Wood Buffalo's alleged priority secured claims in the Priority Secured Claims Reserve, meaning that, in the event that the CCAA Plan is approved and implemented, such funds will be immediately available for distribution to creditors; and

(c) in the event that the Purchase Transaction is implemented, the Settlement Agreement avoids potential delays or the need to create reserves in the distribution of the proceeds of the Purchase Transaction for Wood Buffalo's alleged priority secured claims.

16. The settlement between Connacher and Wood Buffalo has been approved by, and is supported by, the Monitor, the First Lien Agent and the Consenting First Lien Lenders.

17. Connacher believes that the Settlement Agreement is a fair and commercially reasonable compromise in the circumstances and is in the best interests of Connacher and its stakeholders that the terms contemplated thereunder are implemented.

18. Connacher therefore respectfully requests that this Honourable Court approve the Settlement Agreement and authorize Connacher to perform its obligations thereunder in the form of Settlement Approval Order attached to the Application.

SWORN before me at the City of Calgary, in the Province of Alberta, on September 24, 2018

Commissioner for Oaths/~~Notary Public~~ in and for the Province of Alberta L.R.

Lindsay M. Rydl
Barrister & Solicitor

JEFF BEESTON

THIS IS EXHIBIT "A" Referred to in the Affidavit of Jeff Beeston
Sworn before me this 24th Day of September A.D., 2018
A Commissioner for Oaths in and for Alberta
Lindsay M. Rydl
Barrister & Solicitor

SETTLEMENT AGREEMENT
(the "**Settlement Agreement**")

BETWEEN:

Connacher Oil and Gas Limited
("**Connacher**")

- and -

Regional Municipality of Wood Buffalo
("**Wood Buffalo**")

RECITALS:

Whereas:

(a) On May 17, 2016, Connacher sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") pursuant to an Initial Order granted by the Court of Queen's Bench of Alberta (the "**Court**"), as amended and extended from time to time (the "**Initial Order**");

(b) Pursuant to the Initial Order, Ernst & Young Inc. was appointed as monitor (the "**Monitor**") in Connacher's CCAA proceeding;

(c) On August 22, 2018, the Court granted a Creditors' Meeting Order which, *inter alia*, authorized Connacher to file an Amended and Restated Plan of Compromise and Arrangement dated August 13, 2018 in the form attached thereto at Schedule "B" (the "**CCAA Plan**");

(d) On August 22, 2018, the Court also granted an Approval and Vesting Order (the "**Approval and Vesting Order**") which approved an agreement of purchase and sale dated August 2, 2018 (the "**Purchase Agreement**") between Connacher and East River Oil and Gas Ltd. (the "**Purchaser**");

(e) On August 22, 2018, the Court also granted a Supplemental Claims Procedure Order (the "**Supplemental C.P.O.**") which approved a procedure for the determination and resolution of, *inter alia*, priority claims asserted against Connacher, including alleged priority claims asserted by Wood Buffalo;

(f) Wood Buffalo submitted a Proof of Claim pursuant to the Supplemental C.P.O. asserting a Secured Claim (as defined in the Supplemental C.P.O.) in the amount of $13,957,811.63 in respect of which Wood Buffalo asserts a priority secured claim pursuant to the *Municipal Government Act* (the "**Wood Buffalo Proof of Claim**"); and

(g) The parties hereto have agreed to fully and finally resolve and settle certain claims of Wood Buffalo against Connacher as set forth in this Settlement Agreement.

NOW THEREFORE, FOR THE SUM OF TWO DOLLARS ($2.00) AND SUCH OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED BY THE UNDERSIGNED, THE UNDERSIGNED AGREE AS FOLLOWS:

1. The above noted recitals are true and accurate and form part of this Settlement Agreement. Terms used but not defined in this Settlement Agreement shall have the meaning given to them in the CCAA Plan.

2. This Settlement Agreement is subject to and conditional upon approval of its terms by the Court in an order substantially in the form attached hereto as **Schedule** "**A**" (the "**Settlement Approval Order**").

3. On or about October 4, 2018, Connacher will bring an application before the Court seeking the Settlement Approval Order. Wood Buffalo shall consent to and support such application and shall provide such other assistance as may be reasonably required by Connacher in seeking the Settlement Approval Order.

4. Within five (5) business days following the granting of the Settlement Approval Order, Connacher shall pay to Wood Buffalo the amount of $8,000,000.00 (the "**Settlement Amount**") in full and final satisfaction of all amounts owing by Connacher to Wood Buffalo, including but not limited to with respect to or on account of property tax, equipment and machinery tax, linear property tax, education tax, and any interest, fees or penalties and the claims asserted in the Wood Buffalo Proof of Claim, other than amounts that constitute an "Unaffected Municipal Tax Claim" (the "**Settled Municipal Tax Claims**").

5. Without limiting the terms of this Settlement Agreement (including the releases provided in Section 6 of this Settlement Agreement), Connacher agrees that Wood Buffalo shall be entitled to apply the Settlement Amount to taxes derived from assessments of land and machinery and equipment and not in respect of linear property.

6. Effective immediately upon payment by Connacher of the Settlement Amount in accordance with Section 4 of this Settlement Agreement (without the requirement of any person taking any further action), Wood Buffalo hereby forever fully, finally and unconditionally remises, releases, acquits, waives and forever discharges Connacher and Ernst & Young Inc. and each of their respective subsidiaries, affiliated and associated corporations and entities and each of their respective officers, directors, shareholders, employees, servants, agents, advisors, successors and assigns, both present and former (collectively, the "**Connacher Releasees**") of and from any and all actual or potential actions, causes of action, suits, debts, duties, accounts, bonds, dues, covenants, contracts, rights, costs and expenses, judgments, claims, proceedings, obligations and demands whatsoever, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including fees and disbursements of legal counsel, whether known or unknown, howsoever arising of every

nature and kind whatsoever which Wood Buffalo ever had, now have or may hereinafter have against the Connacher Releasees relating to or arising from the Settled Municipal Tax Claims, Connacher's proceeding under the CCAA or the CCAA Plan. Wood Buffalo (i) covenants and agrees not to make any claim or to commence or maintain any action or proceeding against any person, firm, or corporation in which any claims referred to in this paragraph could arise against the Connacher Releasees, and (ii) represents and warrants that it has not assigned to any person, partnership, corporation, or other such entity any of the matters which it releases by this Settlement Agreement or with respect to which it agrees not to make any claim or take any proceedings by this Settlement Agreement.

7. Without limiting the generality of Section 6 of this Settlement Agreement, Wood Buffalo acknowledges and agrees that effective immediately upon payment by Connacher of the Settlement Amount in accordance with Section 4 of this Settlement Agreement (without the requirement of any person taking any further action):

(a) Wood Buffalo shall have no Alleged Priority Secured Claim under the CCAA Plan and the Monitor shall not be required to hold any amounts in escrow pursuant to the Priority Secured Claims Reserve pursuant to Section 3.5(b) of the CCAA Plan on account of Wood Buffalo claims; and

(b) Wood Buffalo shall have no rights, claims or entitlements to (i) payments or distributions under the CCAA Plan, including without limitation payments or distributions on account of Priority Secured Claims or General Creditor Claims, and (ii) distributions to creditors from the proceeds of the Purchase Agreement.

8. For greater certainty, nothing in this Settlement Agreement, including Sections 6 and 7 of this Settlement Agreement, shall:

(a) release Connacher from its obligations under this Settlement Agreement;

(b) subject to and in accordance with the CCAA Plan, the Sanction Order, the Supplemental C.P.O. and any other Orders of the Court, prevent Wood Buffalo from continuing to assert its Unaffected Municipal Tax Claims against Connacher; or

(c) subject to and in accordance with the Purchase Agreement, the Approval and Vesting Order, the Supplemental C.P.O. and any other Orders of the Court, prevent Wood Buffalo from asserting its Unaffected Municipal Tax Claims against the Purchaser as an assumed obligation under the Purchase Agreement and a "Permitted Encumbrance" under the Approval and Vesting Order in the event that the transactions contemplated by the Purchase Agreement are consummated.

9. Effective immediately upon payment by Connacher of the Settlement Amount in accordance with Section 4 of this Settlement Agreement (without the requirement of any person taking any further action), the portion of the Wood Buffalo Proof of Claim relating to the Settled Municipal Tax Claims shall be deemed withdrawn and released in accordance with Section 6 of this Settlement Agreement.

10. Each of the parties acknowledges and declares as follows:

    (a) it has had an adequate opportunity to read and consider this Settlement Agreement and to obtain such advice in regard to it as it considers advisable;

    (b) it fully understands the nature and effect of this Settlement Agreement; and

    (c) this Settlement Agreement has been duly executed voluntarily.

11. Wood Buffalo agrees to keep the existence and terms of this Settlement Agreement strictly confidential, except to the extent publicly disclosed by Connacher or the Monitor in any Court or other filings in connection with Connacher's CCAA proceedings, including in connection with seeking the Settlement Approval Order or the Sanction Order.

12. By entering into this Settlement Agreement, Connacher does not admit any liabilities or obligations whatsoever by any of the Connacher Releasees to Wood Buffalo.

13. Time is of the essence in the performance of the parties' respective obligations under this Settlement Agreement.

14. This Settlement Agreement shall be binding upon the parties hereto and their respective successors and assigns and enure to the benefit of each of Connacher, Wood Buffalo and the Connacher Releasees and their respective heirs, executors, estate trustees, administrators, personal representatives and assigns. Neither Connacher nor Wood Buffalo shall be permitted to assign any of its rights or obligations hereunder.

15. The parties agree that this Settlement Agreement shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein, excluding any rule or principle of conflicts of law that may provide otherwise. The parties irrevocably attorn to the jurisdiction of the Province of Alberta and agree that any dispute in connection with the subject matter of this Settlement Agreement shall be decided by the Court in Connacher's CCAA proceeding.

16. All amounts in this Settlement Agreement are stated in Canadian dollars.

17. This Settlement Agreement shall not be amended, modified or terminated except by written agreement between the parties.

18. This Settlement Agreement may be executed in counterparts, and each executed counterpart shall have the same force and effect as the original instrument as if both of the parties had signed the same instrument. The exchange of copies of this Settlement Agreement and of the signature pages by facsimile transmission, by electronic mail in portable document format (.PDF), or by any other means shall constitute effective execution and delivery of this Settlement Agreement to the parties and may be used in lieu of the original document for all purposes.

Dated: September 24, 2018

CONNACHER OIL AND GAS LIMITED

Per: ______________________________

Name:
Title:
I have the authority to bind the corporation

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Per: ______________________________

Name: Annette Antoniak
Title: CAO
I have the authority to bind the corporation

Dated: September 24, 2018

CONNACHER OIL AND GAS LIMITED

Per: ______________________________

Name: Jeff Beeston
Title: CFO
I have the authority to bind the corporation

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Per: ______________________________

Name:
Title:
I have the authority to bind the corporation

Schedule "A" – Settlement Approval Order

Clerk's stamp:

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 (WOOD BUFFALO SETTLEMENT APPROVAL)**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Cassels Brock & Blackwell LLP** Bankers Hall West, 888-3rd Street SW Suite 3810 Calgary, Alberta T2P 5C5 Attn: Ryan Jacobs/Joseph Bellissimo/Natalie E. Levine Tel: 403-351-2920 Fax: 403-648-1151 rjacobs@casselsbrock.com jbellissimo@casselsbrock.com nlevine@casselsbrock.com

DATE ON WHICH ORDER WAS PRONOUNCED:	●, 2018
NAME OF JUDGE WHO MADE THIS ORDER:	The Honourable Justice ●
LOCATION OF HEARING:	Calgary, Alberta

UPON the application of Connacher Oil and Gas Limited (the "**Applicant**"); **AND UPON** having read the Affidavit of Jeff Beeston sworn ●, 2018 (the "**Beeston Affidavit**"); the ● Report of Ernst & Young Inc., the Court-appointed monitor of the Applicant (the "**Monitor**") filed ●, 2018 (the "**●th Report**"); and the pleadings and proceedings herein; **AND UPON** hearing counsel for the Applicant, the Monitor, the Regional Municipality of Wood Buffalo ("**Wood Buffalo**"), the First Lien Agent and Consenting First Lien Lenders and from any other affected parties that may be present and no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service of ● sworn ●, 2018, filed;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of this Application and supporting documents is hereby deemed to be good and sufficient, the time for notice is hereby abridged to the time provided, and no other person is required to have been served with notice of this Application.

SETTLEMENT AGREEMENT

2. The Settlement Agreement dated September ●, 2018 (the "**Settlement Agreement**") between the Applicant and Wood Buffalo, as attached at Exhibit "●" to the Beeston Affidavit, is hereby approved, and the Applicant is hereby authorized and directed to perform its obligations under the Settlement Agreement.

3. Any disputes in connection with the Settlement Agreement shall be determined by this Court on application, on not less than 7 days' notice, by either the Applicant or Wood Buffalo.

MISCELLANEOUS

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

5. This Order must be served only upon those interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents.

6. Service of this Order on any party not attending this application is hereby dispensed with.

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Justice of the Court of Queen's Bench of Alberta