



COURT FILE NUMBER 1201 15737

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, as amended

AND IN THE MATTER OF FAIRWEST
ENERGY CORPORATION.

DOCUMENT **APPLICATION**
(Stay Extension and Amendment to DIP Facility)

Burnet, Duckworth & Palmer LLP
2400, 525 – 8th Avenue S.W.
Calgary, Alberta T2P 1G1

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

Lawyer: Carole J. Hunter
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Email Address: chunter@bdplaw.com

File No.: 71301-1

NOTICE TO RESPONDENT(S)

This application is made against you. You are Respondents.

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 11, 2013
Time:	2:00 p.m. on the Commercial List
Where	Calgary Courts Centre, 601 – 5 th Street S.W., Calgary
Before Whom	Justice K. M. Eidsvik

Go to the end of this document to see what else you can do and when you must do it.

APPLICATION

Remedy sought:

1. The Applicant, FairWest Energy Corporation ("**FairWest**"), respectfully seeks the following relief:
 - (a) an Order, substantially in the form attached hereto as Schedule "A",
 - (i) granting an extension to the stay of proceedings set out in the initial order granted by the Honourable Mr. Justice S. J. LoVecchio dated December 12, 2012 (the "**Initial Order**") granted in these proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**") up to and including March 15, 2013;
 - (ii) deleting paragraphs 31 and 32 of the Initial Order and replacing them with the following:

31. The Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from Supreme Group Inc. (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$800,000 as more specifically set out in the Commitment Letter (as defined below) unless permitted by further order of this Court.

32. Such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of December 10th, 2012, as amended pursuant to amending letters dated January 8, 2013 and February 7, 2013 (the "**Commitment Letter**"), filed.
 - (iii) such further and other relief as may be sought by FairWest and granted by this Honourable Court.

Basis for this claim:

Extension of Stay of Proceedings

2. On December 12, 2012, FairWest sought and obtained protection from its creditors pursuant to the Initial Order granted in these CCAA proceedings. The Initial Order provided for a stay of proceedings up to and including January 11, 2013.

3. Since the Initial Order, FairWest has taken significant steps to stabilize its business, reduce costs and streamline operations. FairWest has worked closely with PricewaterhouseCoopers Inc., in its capacity as monitor (the "**Monitor**") in furtherance of the activities relating to the relief sought herein and as outlined in the First Report of the Monitor dated January 8, 2013 (the "**First Report**").
4. On January 11, 2013, pursuant to the Order of the Honourable Mr. Justice S. J. LoVecchio, the stay of proceedings was extended up to and including February 11, 2013.
5. FairWest is working in good faith and with due diligence in these proceedings and believes it is in the best interests of FairWest and all stakeholders to continue these proceedings.

Amendment to the DIP Facility

6. The Initial Order provided that FairWest was authorized and empowered to obtain and borrow under a credit facility from Supreme Group Inc. (the "**DIP Lender**"). The commitment letter between the DIP Lender and FairWest dated December 10, 2012, as amended pursuant to an amending letter dated January 8, 2013 provided for borrowings in the maximum amount of \$700,000 (the "**Commitment Letter**").
7. The cash-flow projections for the period from February 2, 2013 to March 15, 2013 indicate that FairWest will require advances in the aggregate amount of \$798,003 under the Commitment Letter. The Commitment Letter currently provides for borrowings in the maximum amount of \$700,000 and, as a result, FairWest requires an increase in the borrowings available under the Commitment Letter to \$800,000.
8. On February 7, 2013, FairWest and the DIP Lender amended the Commitment Letter by (i) extending the Maturity Date (as defined in the Commitment Letter) from February 11, 2013 to March 15, 2013; (ii) replacing the Cash Flow Forecast attached as Schedule A to the Commitment Letter with the updated Cash Flows and (iii) increasing the borrowings available to a maximum amount of \$800,000.
9. FairWest requires that the additional funds contemplated under the amended Commitment Letter in order to continue its operations and meet its post-filing obligations in the ordinary course. The additional funds will enhance the prospects of a viable compromise or arrangement being made in respect of FairWest. It is FairWest's position that none of its creditors will be materially

prejudiced as a result of the increase in the amount of the DIP Charge (as defined in the Initial Order) against FairWest's assets.

Affidavit or other evidence to be used in support of this Application:

10. Affidavit of Douglas O. McNichol sworn February 7, 2013.
11. The Second Report of the Monitor dated February 7, 2013.
12. Such further and other materials as counsel for FairWest may advise and this Honourable Court may deem necessary.

Applicable Acts and Regulations:

13. The *Alberta Rules of Court*, AR 124/2010.
14. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.
15. Such further and other acts and regulations as counsel for FairWest may advise and this Honourable Court may deem necessary.

WARNING

You are named as a Respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant and against all persons claiming under the applicant. You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant are entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form. If you intend to rely on an affidavit or other evidence when the Originating Application is heard or considered, you must reply by giving reasonable notice of that material to the applicants.

SCHEDULE "A"

Form 7
[Rule 3.8]

Clerk's Stamp:

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Fax Number: 403-260-0332
Email Address: chunter@bdplaw.com

File No.: 71301-1

DATE ON WHICH ORDER WAS PRONOUNCED: FEBRUARY 11, 2013

NAME OF JUDGE WHO MADE THIS ORDER: JUSTICE K. M. EIDSVIK

UPON the Application of FairWest Energy Corporation (the "**Applicant**"); AND UPON having read the Affidavit of Douglas O. McNichol sworn February 7, 2013 (the "**McNichol Affidavit**"), the Second Report of PricewaterhouseCoopers Inc., in its capacity as monitor (the "**Monitor**") dated February 7, 2013, and such other material in the pleadings and proceedings as are deemed necessary; AND UPON hearing counsel for the Applicant, counsel for the Monitor, and other interested parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. The time for service of notice of this application is abridged to the time actually given and service of the Application and supporting material as described in the Service Affidavit is good and

sufficient, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.

2. All capitalized terms not otherwise defined in this Order shall have the meaning ascribed to them in the Initial Order granted in these proceedings on December 12, 2012 (the "**Initial Order**").

Extension of Stay Period

3. The Stay Period set out in paragraph 13 of the Initial Order is hereby extended up to and including March 15, 2013.

Amendment to the DIP Financing

4. Paragraphs 31 and 32 of the Initial Order are hereby deleted and replaced with the following:

31. The Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from Supreme Group Inc. (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$800,000 as more specifically set out in the Commitment Letter (as defined below) unless permitted by further order of this Court.

32. Such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of December 10th, 2012, as amended pursuant to amending letters dated January 8, 2013 and February 7, 2013 (the "**Commitment Letter**"), filed.

J.C.Q.B.A.

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