



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)

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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:	April 26, 2013
Time:	11:00 a.m. on the Commercial List
Where	Calgary Courts Centre, 601 – 5 th Street S.W., Calgary
Before Whom	Madam Justice J. Strekaf

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 an Order, substantially in the form attached hereto as Schedule "A",
 - (a) 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 May 31, 2013;
 - (b) 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 \$1,600,000 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, February 7, 2013, March 12, 2013 and April 23, 2013 (the "**Commitment Letter**"), filed.
 - (c) 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. Pursuant to the Initial Order, PricewaterhouseCoopers Inc. was appointed as the monitor of FairWest (the "**Monitor**"). The

Initial Order provided for a stay of proceedings up to and including January 11, 2013. The stay of proceedings has been extended on four occasions and now expires on April 26, 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 the Monitor in furtherance of the activities relating to the relief sought herein and as outlined in the Fourth Report of the Monitor dated April 24, 2013 (the "**Fourth Report**").
4. On March 19, 2013, pursuant to the Order of the Honourable Justice J. Strekaf, a sales and investment solicitation process (the "**SISP**") was approved and PricewaterhouseCoopers Corporate Finance Inc. was appointed as financial advisor of FairWest (the "**Financial Advisor**"). The deadline for bids under the SISP was April 12, 2013 and six bids were received for various portions of the assets of FairWest.
5. The hearing of the applications filed by Royalty Investments Limited Partnership ("**RILP**") on March 18, 2013 and April 3, 2013, wherein RILP is claiming, among other things, a declaration that RILP has a beneficial interest in certain lands which are held in the name of FairWest, are scheduled to be heard on April 23, 2013 (the "**RILP Applications**"). The RILP Applications must be determined prior to FairWest being able to seek the approval of a definitive agreement for the purchase of the assets of FairWest or complete a sales transaction in respect of the assets.
6. 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

7. 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 amending letters dated January 8, 2013, February 7, 2013 and March 14, 2013 provided for borrowings in the maximum amount of \$900,000 (the "**Commitment Letter**").
8. The cash-flow projections for the period ending May 31, 2013 indicate that FairWest will require advances in the aggregate amount of \$1,599,029 under the Commitment Letter. The Commitment Letter currently provides for borrowings in the maximum amount of \$900,000 and, as a result, FairWest requires an increase in the borrowings available under the Commitment Letter to \$1,600,000.

9. On April 23, 2013, FairWest and the DIP Lender amended the Commitment Letter by, among other things, (i) extending the Maturity Date (as defined in the Commitment Letter) from April 26, 2013 to May 31, 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 \$1,600,000.
10. FairWest requires that the additional funds contemplated under the amended Commitment Letter in order to continue its operations, meet its post-filing obligations in the ordinary course and complete a sale transaction in accordance with the SISP. 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:

11. Affidavit of Douglas O. McNichol sworn April 24, 2013.
12. The Fourth Report of the Monitor dated April 24, 2013.
13. Such further and other materials as counsel for FairWest may advise and this Honourable Court may deem necessary.

Applicable Acts and Regulations:

14. The *Alberta Rules of Court*, AR 124/2010.
15. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.
16. 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.