



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 the 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:	July 3, 2013
Time:	10:00 a.m. on the Commercial List
Where	Calgary Courts Centre, 601 – 5 th Street S.W., Calgary
Before Whom	Madam Justice C.A. Kent

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 July 16, 2013;
 - (b) an Order deleting paragraph 32 of the Initial Order and replacing it with the following:

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, April 23, 2013, May 27, 2013 and June 27, 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 six occasions and now expires on July 3, 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 Sixth Report of the Monitor dated June 28, 2013 (the "**Sixth 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. On May 30, 2013, the board of directors of FairWest resigned and pursuant to the Order of the Honourable Justice B. E. Romaine dated May 28, 2013 (the "**May 28 Order**"), the powers of the Monitor were expanded to allow the Monitor to, among other things, (i) select the successful bid (the "**Successful Bid**") from amongst the bids submitted pursuant to the SISP and (ii) oversee and direct the completion of the transaction contemplated by the Successful Bid.
6. In accordance with the May 28 Order, Marion Mackie, the then Chief Financial Officer of FairWest was appointed as the Chief Restructuring Officer of FairWest (the "**CRO**"). The CRO is authorized to, among other things, supervise and manage the business of FairWest and operate and carry on the business for the purpose of implementing the sales transaction contemplated by the Successful Bid.
7. The Monitor has designated the credit bid submitted by Supreme Group Inc. for a significant portion of the assets of FairWest as the Successful Bid. The Monitor has been in contact with the Energy Resources Conversation Board (the "**ERCB**") to determine whether the ERCB will support the Successful Bid, however, at this stage, the ERCB has advised that it will not do so.
8. 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

9. 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, March 14, 2013, April 23, 2013 and May 27, 2013 provided for borrowings in the maximum amount of \$1,765,000 (the "**Commitment Letter**").
10. The cash-flow projections for the period ending July 16, 2013 indicate that FairWest will require advances in the aggregate amount of \$1,764,149 under the Commitment Letter. The

Commitment Letter currently provides for borrowings in the maximum amount of \$1,765,000 and, as a result, FairWest does not require an increase in the borrowings available under the Commitment Letter in order to continue its operations and meet its post-filing obligations in the ordinary course.

11. On June 27, 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 July 3, 2013 to July 16, 2013; and (ii) replacing the Cash Flow Forecast attached as Schedule "A" to the Commitment Letter with the updated Cash Flows.

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

12. Affidavit of Marion Mackie sworn June 28, 2013.
13. The Sixth Report of the Monitor dated June 28, 2013.
14. Such further and other materials as counsel for FairWest may advise and this Honourable Court may deem necessary.

Applicable Acts and Regulations:

15. The *Alberta Rules of Court*, AR 124/2010.
16. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.
17. Such further and other acts and regulations are 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.