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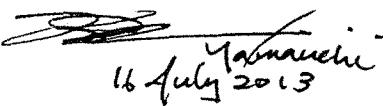
Let this application
be filed, although
filed on the date of the application

Form 7

[Rule 3.8]

COURT FILE NUMBER

1201 15737


16 July 2013

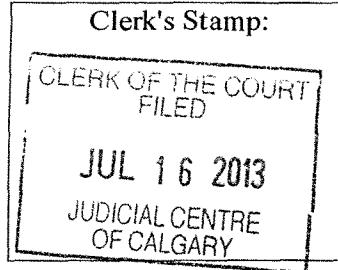
COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

Clerk's Stamp:



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)

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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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 16, 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. Yamauchi

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 September 30, 2013;
 - (b) an Order 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 \$2,325,000 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, April 23, 2013, May 27, 2013, June 27, 2013 and July 15, 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 seven occasions and now expires on July 16, 2013.

3. Since the Initial Order, FairWest has taken significant steps to stabilize its business, reduce costs and streamline operations which have included the shut-in of uneconomic wells and a reduction in its staff. FairWest has worked closely with the Monitor in furtherance of the activities relating to the relief sought herein and as outlined in the Seventh Report of the Monitor dated July 15, 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 and has had a meeting with the Alberta Energy Regulator (formerly Energy Resources Conservation Board) (the "**AER**") to determine whether the AER 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, May 27, 2013 and June 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 September 30, 2013 indicate that FairWest will require advances in the aggregate amount of \$2,322,117 under the Commitment Letter. The Commitment Letter currently provides for borrowings in the maximum amount of \$1,765,000.
11. On July 15, 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 16, 2013 to September 30, 2013; (ii) replacing the Cash Flow Forecast attached as Schedule "A" to the Commitment Letter with the updated Cash Flows; (iii) increasing the borrowings available to a maximum amount of \$2,325,000; and (iv) imposing additional events of default.
12. 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:

13. Affidavit of Marion Mackie sworn June 28, 2013.
14. Affidavit of Marion Mackie sworn July 15, 2013.
15. The Seventh Report of the Monitor dated July 15, 2013.
16. Such further and other materials as counsel for FairWest may advise and this Honourable Court may deem necessary.

Applicable Acts and Regulations:

17. The *Alberta Rules of Court*, AR 124/2010.
18. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.
19. 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.

SCHEDULE "A"

COURT FILE NUMBER 1201 15737

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

Clerk's Stamp:

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
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DOCUMENT ORDER
(Stay Extension and Amendment to DIP Facility)

Burnet, Duckworth & Palmer LLP
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Calgary, Alberta T2P 1G1

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

Lawyer: Carole J. Hunter
Phone Number: 403-260-0368
Fax Number: 403-260-0332
Email Address: chunter@bdplaw.com

File No.: 71301-1

DATE ON WHICH ORDER WAS PRONOUNCED: JULY 16, 2013

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

UPON the Application of FairWest Energy Corporation (the "Applicant"); AND UPON having read the Affidavit of Marion Mackie sworn June 28, 2013, the Affidavit of Marion Mackie sworn July 15, 2013, the Seventh Report of PricewaterhouseCoopers Inc., in its capacity as monitor of the Applicant (the "Monitor") dated July 15, 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 Affidavit of Therese Divel sworn July ---, 2013, 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 September 30, 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 \$2,325,000 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 14, 2013, April 23, 2013, May 27, 2013, June 27, 2013 and July 15, 2013 (the "**Commitment Letter**"), filed.

J.C.Q.B.A.