

COURT FILE NUMBER 1701-02184
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFFS THE BANK OF NOVA SCOTIA and ALBERTA TREASURY BRANCHES
DEFENDANTS VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY CORP.



AND IN THE MATTER OF THE RECEIVERSHIP OF VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.

APPLICANT ALVAREZ & MARSAL CANADA INC. in its capacity as Court-appointed Receiver and Manager of the assets, undertakings and property of VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.

DOCUMENT **APPLICATION
(Approval and Vesting Order,
Restricted Court Access Order, and
Interim Distribution)**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Torys LLP
4600 Eighth Avenue Place East
525 - Eighth Ave SW
Calgary, AB T2P 1G1

Attention: Kyle Kashuba
Telephone: + 1 403.776.3744
Fax: +1 403.776.3800
Email: kkashuba@torys.com
File No. 39108-2002

NOTICE TO RESPONDENT(S):

This Application is made against you. You are a Respondent.

You have the right to state your side of this matter before the Justice.

To do so, you must be in Court when the Application is heard as shown below:

| | |
|--------------|--|
| Date: | Tuesday, March 21, 2017 |
| Time: | 2:00 p.m. |
| Where: | Calgary Courts Centre |
| Before Whom: | Mr. Justice C.M. Jones, of the Commercial List |

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

Remedy claimed or sought:

1. An Order in substantially the same form as that attached as Schedule “A” to this Application, granting the following relief and directions:
 - 1.1 abridging, if necessary, the time for service of this Application and deeming service good and sufficient;
 - 1.2 authorizing, approving and ratifying the sale transaction between Alvarez & Marsal Canada Inc. (“A&M”) in its capacity as the Court-appointed receiver and manager (the “Receiver”) of the assets, undertakings and properties of Virginia Hills Oil Corp. (“Virginia Hills”) and Dolomite Energy Inc. (“Dolomite”, and together with Virginia Hills, the “Debtors”) and the Purchaser (as described and defined in the Confidential Appendices to the First Report), as described in the First Report of the Receiver, filed March 15, 2017 (the “First Report”);
 - 1.3 approving the actions of the Receiver and the Receiver’s receipts and disbursements to date, and in particular, approving the Receiver’s sale process that has been undertaken;
 - 1.4 authorizing and directing the Receiver to take such steps and execute all such deeds, documents and instruments as may be reasonably necessary to consummate the transaction as contemplated with the Purchaser (collectively, the “Transaction”);
 - 1.5 vesting the Debtors’ right, title and interest, in and to the Assets (as described and defined in the First Report) to be sold to the Purchaser, free from all claims and encumbrances;
 - 1.6 authorizing and directing the Receiver to deliver to the Purchaser, at the closing of the Transaction, an instrument of transfer of the Assets, signed by the Receiver, along with the conveyances necessary to convey title of the Assets to the Purchaser or the Purchaser’s nominee;
 - 1.7 authorizing and directing the Receiver to make an interim distribution to The Bank of Nova Scotia (“BNS”) and Alberta Treasury Branches (“ATB”, and together with BNS, the “Lenders”) as a partial repayment of the indebtedness owing by VHO to

BNS and by Dolomite to ATB, in an amount consisting of the net sale proceeds derived from the closing of the PSA, less an amount, to be determined at the Receiver's sole discretion, to be retained to cover potential claims and the future costs of the administration of the receivership estate;

- 1.8 amending paragraph 16 of the Receivership Order to further clarify that the limit of the Receiver's liability will be reduced as Property of the Debtors is realized upon and distributions are made to the creditors of Virginia Hills and Dolomite; and
 - 1.9 granting leave to the Receiver to apply or reapply to this or any court or administrative body in any province of Canada for advice, assistance and directions as may be necessary to carry out the terms of the Order sought.
2. An Order in substantially the form as attached as Schedule "B" to this Application sealing Confidential Appendices B and C to the First Report.
 3. Such further and other relief, advice and directions as counsel may advise and this Honourable Court may deem just and appropriate.

Grounds for making this Application:

4. On February 13, 2017, following the Applications of BNS and ATB, A&M was appointed as Receiver over the Property of Debtors, by Order of the Honourable Madam Justice G.A. Campbell (the "**Consent Receivership Order**").
5. A Consent Consolidation Order was also granted on February 13, 2017, which consolidated the Actions relating to the receivership proceedings of Virginia Hills and Dolomite.

i. Sale Approval and Vesting Order

6. Pursuant to the terms of the Consent Receivership Order, and in particular subparagraphs 3(l)(i) and (ii) thereof, the Receiver is entitled to sell, convey, transfer, lease or assign the Debtor's Property, or any part or parts thereof, out of the ordinary course of business without the approval of this Court in respect of any transaction not exceeding \$1,000,000, provided that the aggregate consideration for all such transactions does not exceed \$2,000,000 and, with the approval of this Court in respect of any transaction in which the purchase price exceeds the amounts referenced in this paragraph.
7. The Receiver has duly marketed and arranged for a sale of certain portions of the Debtors' Property, in compliance with the Consent Receivership Order, as set out and described in the First Report.
8. The Receiver has entered into an agreement for sale of the Assets to the Purchaser, which is subject to the approval of this Honourable Court.
9. The sales process and manner in which offers have been received has been fair, with the interests of all parties being considered, and the Receiver has made significant efforts to obtain the best price for the Assets in the circumstances.

10. The sale of the Assets described in the First Report, and the utilization of sale proceeds as proposed, are just, appropriate and in the best interest of the administration of the Debtors' receivership estate and the stakeholders affected thereby.
11. The proposed revision to paragraph 16 of the Receivership Order is appropriate and necessary to further clarify that the limit of the Receiver's potential liability, and is consistent with the terms of the Receivership Order and the Receiver's mandate.
12. The terms as set out in the proposed form of Order attached hereto as Schedule "A" are necessary to effect the sale of the Assets as contemplated by the Receiver and the Purchaser.
13. The Lenders support the proposed sale to the Purchaser.

ii. Restricted Court Access Order

14. The Confidential Appendices B and C to the First Report contain commercially sensitive information, is confidential, and should be sealed to avoid the tainting of any potential future sales process, which may be required should the sale to the proposed Purchaser fail to be completed, and the terms as set out in the proposed form of Order attached hereto as Schedule "B" are necessary to accomplish this.
15. Such further and other grounds as counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

16. All pleadings and proceedings filed in the within action, including the Consent Receivership Order.
17. The First Report of the Receiver, filed.
18. The unfiled Confidential Appendices B and C to the First Report of the Receiver.
19. The proposed forms of Orders attached as Schedules "A" and "B" to this Application.
20. The inherent jurisdiction of this Honourable Court to control its own process.
21. Such further and other material and evidence as counsel may advise and this Honourable Court may permit.

Applicable rules:

22. Rules 6.3(1), 6.47(e) and (f), 6.9(1)(a) and 11.27, and Part 6, Division 4, and in particular, Rule 6.28(b).

Applicable Acts and regulations:

23. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, the *Judicature Act*, RSA 2000, c J-2, as amended, and such other Rules, Acts and Regulations as counsel may advise and that this Honourable Court may permit.

Any irregularity complained of or objection relied on:

24. None.

How the Application is proposed to be heard or considered:

25. Oral submissions by counsel at an Application in Justice Chambers as agreed and scheduled by counsel, before Mr. Justice C.M. Jones of the Commercial List, at the Calgary Courts Centre, 601 - 5th Street SW, at Calgary, Alberta, on Tuesday, March 21, 2017 at 2:00 p.m. or as soon thereafter as counsel may be heard.

AFFIDAVIT EVIDENCE IS REQUIRED IF YOU WISH TO OBJECT.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the Applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this Application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the Application is heard or considered, you must reply by giving reasonable notice of the materials to the Applicant.

SCHEDULE "A"
APPROVAL AND VESTING ORDER

Clerk's Stamp:

| | |
|---|--|
| COURT FILE NUMBER | 1701-02184 |
| COURT | COURT OF QUEEN'S BENCH OF ALBERTA |
| JUDICIAL CENTRE | CALGARY |
| PLAINTIFFS | THE BANK OF NOVA SCOTIA and ALBERTA TREASURY BRANCHES |
| DEFENDANTS | VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC. |
| | AND IN THE MATTER OF THE RECEIVERSHIP OF VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC. |
| APPLICANT | ALVAREZ & MARSAL CANADA INC. in its capacity as Court-appointed Receiver and Manager of the assets, undertakings and properties of VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC. |
| DOCUMENT | APPROVAL AND VESTING ORDER (Sale by Receiver) |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Torys LLP 4600 Eighth Avenue Place East 525 - Eighth Ave SW Calgary, AB T2P 1G1 Attention: Kyle Kashuba Telephone: + 1 403.776.3744 Fax: +1 403.776.3800 Email: kkashuba@torys.com File No. 39108-2002 |

DATE ON WHICH ORDER WAS PRONOUNCED: March 21, 2017

NAME OF JUSTICE WHO MADE THIS ORDER: Mr. Justice C.M. Jones

LOCATION OF HEARING: Calgary, Alberta

UPON THE APPLICATION by Alvarez & Marsal Canada Inc. in its capacity as the Court-appointed receiver and manager (the “**Receiver**”) of the assets, undertakings and properties of Virginia Hills Oil Corp. (“**Virginia Hills**”) and Dolomite Energy Inc. (“**Dolomite**”, and together with Virginia Hills, the “**Debtors**”) for an order approving the sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale (the “**PSA**”, included and described in Confidential Appendices B and C to the First Report) between the Receiver and the Purchaser (as that term is defined in the PSA), dated February 13, 2017 and appended to the First Report of the Receiver dated and filed March 15, 2017 (the “**First Report**”), and vesting in the Purchaser (or its nominee) the Debtors’ right, title and interest in and to the assets described in the PSA (the “**Assets**”);

AND UPON HAVING READ the Receivership Order dated February 13, 2017 (the “**Receivership Order**”), the First Report and the Affidavit of Service sworn March __, 2017, to be filed (the “**Affidavit of Service**”); **AND UPON HEARING** the submissions of counsel for the Receiver, counsel for The Bank of Nova Scotia (“**BNS**”), counsel for Alberta Treasury Branches (“**ATB**”), counsel to the Purchaser, and from any other interested parties who may be present, with no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this Application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served with notice of this Application, and time for service of this Application is abridged to that actually given.

RECEIVER’S ACTIVITIES

2. The actions, conduct and activities of the Receiver as reported in the First Report, are hereby authorized and approved.
3. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the First Report.

APPROVAL OF TRANSACTIONS

4. The Transaction is hereby approved, and the execution of the PSA by the Receiver is hereby authorized and approved, and is deemed to be commercially reasonable and in the best interests of the receivership estate and the stakeholders affected thereby, with such minor amendments as the Receiver may deem necessary and as may be agreed upon by the Receiver and the Purchaser. The Receiver is hereby authorized and directed, subject to the terms and conditions of this Order and the PSA, to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction or for the conveyance of the Assets to the Purchaser (or its nominee).

VESTING OF PROPERTY

5. Subject only to approval of the transfer of applicable leases, rights of way or easements licenses (including, without limitation, licences of occupation), permits, and approvals by the Alberta Energy Regulator under section 23 of the *Oil and Gas Conservation Act* (Alberta) and section 18 of the *Pipeline Act* (Alberta), effective immediately upon the delivery by the Receiver of a Receiver's certificate to the Purchaser (or its nominee) substantially in the form set out in **Schedule "A"** hereto (the "**Receiver's Certificate**") confirming the closing of the Transaction contemplated by the PSA, all of the Debtors' right, title and interest in and to the Assets described in the PSA attached as Confidential Appendix B to the First Report hereto shall vest absolutely in the name of the Purchaser (or its nominee), free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, caveats, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**", which term shall explicitly not include the Permitted Encumbrances (as defined below)) including, without limiting the generality of the foregoing:
 - (a) any encumbrances or charges created by the Receivership Order or any further orders granted in these proceedings; and

- (b) all charges, security interests or claims evidenced by registration, filing, or publication pursuant to any or all of the following: (a) the *Personal Property Security Act* (Alberta); (b) the *Personal Property Security Act* (British Columbia); (c) the *Land Titles Act* (Alberta); (d) the *Land Title Act* (British Columbia); (e) the *Mines and Minerals Act* (Alberta); or (f) any other personal property, mineral, or real property registry system (collectively, the “**Registries**”);

for greater certainty, this Court orders that all of the Claims, other than the permitted encumbrances described in the PSA and listed on Schedule “B” hereto (the “**Permitted Encumbrances**”), affecting or relating to the Assets are hereby expunged and discharged as against the Assets.

- 6. Upon the delivery of the Receiver’s Certificate, and upon the filing of a certified copy of this Order, together with any applicable registration fees, the Registrar or Registrars under the *Land Titles Act* (Alberta), the *Land Title Act* (British Columbia), the British Columbia Ministry of Natural Gas Development, Upstream Development Division, Tenure and Geoscience Branch, the British Columbia Ministry of Agriculture and Lands, FrontCounterBC, the British Columbia Oil and Gas Commission, the Department of Energy and the Minister of Energy Alberta, the Registries, and all other government ministries and authorities in Alberta and British Columbia, respectively, exercising jurisdiction with respect to or over the Assets (collectively, the “**Governmental Authorities**”), as applicable, are hereby authorized, requested and directed to (in each case as applicable):

- (a) enter the Purchaser as the owner, lessee, and/or licensee of the Assets;
- (b) cancel the existing Certificates of Title to the Assets and issue new Certificates of Title for the Assets, in the name of the Purchaser (or its nominee);
- (c) cancel, delete or expunge from the existing title documents concerning the Assets all applicable Claims, including all Encumbrances other than the Permitted Encumbrances; and

- (d) register such transfers, discharge statements, or conveyances, as may be required to convey clear title to the Assets to the Purchaser, subject only to the Permitted Encumbrances.
7. This Order shall be registered and the steps set out in paragraph 6 shall be carried out by the applicable Registrar and/or Governmental Authorities notwithstanding the requirements of section 191(1) of the *Land Titles Act* (Alberta) and the requirements of the *Land Title Act* (British Columbia) and notwithstanding that the appeal period in respect of this Order has not elapsed, which appeal period is expressly waived.
8. The Receiver is authorized to discharge from the Registries any claim or encumbrance registered against any of the personal property being purchased by the Purchaser, to the extent the security interest is registered against the interest of the Debtors.
9. The sale of the Assets to the Purchaser does not trigger any rights of first refusal and no Person may object or subsequently challenge the sale of the Assets to the Purchaser on the basis that it has a right of first refusal.

CLOSING OF THE SALE TRANSACTION

10. The closing of the transaction shall be effected in accordance with the terms of the PSA and such amendments to the PSA as may be agreed to in writing between the Purchaser and the Receiver.
11. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Assets shall stand in the place and stead of the Assets, and shall be allocated to the separate accounts of each of Virginia Hills and Dolomite in accordance with the terms of the PSA, and from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Assets, as against Virginia Hills and Dolomite as the case may be, with the same priority as they had with respect to the Assets immediately prior to the sale, as if the Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

12. The Purchaser (and its nominee, if any) shall, by virtue of the completion of the Transaction, have no liability of any kind whatsoever in respect of any Claims against the Debtors.
13. The Debtors and all persons who claim by, through or under the Debtors in respect of the Assets, save and except for the persons entitled to the benefit of the Permitted Encumbrances, shall stand absolutely barred and foreclosed from all estate, right, title, interest, royalty, rental and equity of redemption of the Assets and, to the extent that any such persons remains in possession or control of any of the Assets, they shall forthwith deliver possession thereof to the Purchaser (or its nominee).
14. The Purchaser (or its nominee) shall be entitled to enter into and upon, hold and enjoy the Assets for its own use and benefit without any interference of or by the Debtors, or any person claiming by or through or against the Debtors.
15. Immediately after the closing of the Transaction, the holders of the Permitted Encumbrances shall have no claim whatsoever against the Receiver or the Debtors.
16. The Receiver is to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof to the Purchaser (or its nominee).
17. Pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act* and section 20(e) of the *Alberta Personal Information Protection Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Debtors' records pertaining to the Debtors' past and current employees, including personal information of those employees listed in the PSA. The Purchaser (or its nominee) shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtors.
18. Notwithstanding:
 - (a) The pendency of these proceedings;

(b) Any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtors and any bankruptcy order issued pursuant to any such applications; and

(c) Any assignment in bankruptcy made in respect of the Debtors

the vesting of the Assets in the Purchaser (or its nominee) pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtors and shall not be void or voidable by creditors of the Debtors, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

19. The Receiver, the Purchaser (or its nominee) and any other interested party, shall be at liberty to apply for further advice, assistance and directions as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.
20. The Receiver's statement of receipts and disbursements, as attached to the First Report, is hereby approved.

DISTRIBUTION

21. The Receiver is hereby authorized and directed to make the following distribution of funds to BNS and ATB:
- (a) the net sale proceeds derived from the closing of the PSA, less an amount to be determined at the Receiver's sole discretion, to be retained to cover any Claims as described in paragraph 9 of this Order, the Receiver's professional fees and those of its counsel, future Receiver's professional fees and those of its counsel, and other costs related to the administration of the estate of the Debtors

AMENDMENT TO THE RECEIVERSHIP ORDER

22. Paragraph 16 of the Receivership Order is hereby deleted and replaced with the following:

“Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property in the Receiver’s possession or control at the time a claim is made. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.”

MISCELLANEOUS MATTERS

23. 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, and in particular in the Province of British Columbia, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals regulatory and administrative bodies are hereby respectfully requested to make such orders as to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
24. 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.
25. Service of this Order on any party not attending this Application is hereby dispensed with.

Justice of the Court of Queen’s Bench of Alberta

Schedule "A"

Form of Receiver's Certificate

| | |
|-------------------|--|
| COURT FILE NUMBER | 1701-02184 |
| COURT | COURT OF QUEEN'S BENCH OF ALBERTA |
| JUDICIAL CENTRE | CALGARY |
| PLAINTIFFS | THE BANK OF NOVA SCOTIA and ALBERTA TREASURY BRANCHES |
| DEFENDANTS | VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC. |

Clerk's Stamp

AND IN THE MATTER OF THE
RECEIVERSHIP OF VIRGINIA HILLS OIL
CORP. and DOLOMITE ENERGY INC.

DOCUMENT RECEIVER'S CERTIFICATE

| | |
|--|--|
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Torys LLP 4600 Eighth Avenue Place East 525 - Eighth Ave SW Calgary, AB T2P 1G1 |
|--|--|

Attention: Kyle Kashuba
Telephone: + 1 403.776.3744
Fax: +1 403.776.3800
Email: kkashuba@torys.com
File No. 39108-2002

RECITALS

- A. Pursuant to an Order of the Honourable Justice C.M. Jones of the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "**Court**") dated March 13, 2017, Alvarez & Marsal Canada Inc. was appointed as the receiver (the "**Receiver**") of the assets, undertakings and properties of Virginia Hills Oil Corp. ("**Virginia Hills**") and Dolomite Energy Inc. ("**Dolomite**" and together with Virginia Hills, the "**Debtors**").

- B. Pursuant to an Order of the Court dated March 21, 2017, the Court approved the agreement of purchase and sale made as of February 13, 2017 (the “**PSA**”) between the Receiver and the Purchaser (the “**Purchaser**”, as that term is described and defined in the PSA and Confidential Appendices B and C to the First Report) and provided for the vesting in the Purchaser of the Debtors’ right, title and interest in and to the Assets, which vesting is to be effective with respect to the Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Assets; (ii) that the conditions to Closing as set out in Article 3 of the PSA have been satisfied or waived by the Receiver and the Purchaser, as applicable; and (iii) the Transaction has been completed to the satisfaction of the Receiver.
- C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the PSA.

THE RECEIVER CERTIFIES the following:

1. The Purchaser (or its nominee) has paid and the Receiver has received the Purchase Price for the Assets payable on the Closing Date pursuant to the PSA;
2. The conditions to Closing as set out in Article 3 of the PSA have been satisfied or waived by the Receiver and the Purchaser (or its nominee), as applicable; and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at [Time] on [Date].

Alvarez & Marsal Canada Inc., in its capacity as Receiver of the undertaking, property and assets of Virginia Hills Oil Corp. and Dolomite Energy Inc., and not in its personal capacity.

Per: _____

Name:

Title:

Schedule "B"

Permitted Encumbrances

"Permitted Encumbrances" means:

- (i) all encumbrances, overriding royalties, net profits interests and other burdens identified in Schedule "A";
- (ii) any Right of First Refusal or any similar restriction applicable to any of the Assets;
- (iii) the terms and conditions of the Title Documents, including, without limitation, the requirement to pay any rentals or royalties to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents; provided that royalties, net profit interests and net carried interests and similar burdens will only constitute "Permitted Encumbrances" to the extent they are referenced in a schedule hereto or are available through a public search;

- (iv) the right reserved to or vested in any grantor, Governmental Authority or other public authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
- (v) easements, right of way, servitudes or other similar rights in land, including, without in any way limiting the generality of the foregoing, rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;
- (vi) taxes on Petroleum Substances or the income or revenue therefrom;
- (vii) governmental restrictions on production rates from the Wells or on operations being conducted on the Lands or otherwise affecting the value of any of the Assets;
- (viii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than thirty (30) days' notice (without an early termination penalty or other cost);
- (ix) any obligation of VHO and Dolomite or either of them or Vendor to hold any portion of its interest in and to any of the Assets in trust for Third Parties;
- (x) the right reserved to or vested in any municipality, Governmental Authority or other public authority to control or regulate any of the Assets in any manner, including any directives or notices received from any municipality, Governmental Authority or other public authority pertaining to the Assets;
- (xi) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Vendor's or VHO's or Dolomite's share of the costs and expenses thereof;
- (xii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
- (xiii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
- (xiv) agreements respecting the operation of Wells by contract field operators;
- (xv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
- (xvi) liens granted in the ordinary course of business to a public utility, municipality or Governmental Authority with respect to operations pertaining to any of the Assets.

SCHEDULE "B"
RESTRICTED COURT ACCESS ORDER

Clerk's Stamp:

COURT FILE NUMBER 1701-02184

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFFS THE BANK OF NOVA SCOTIA and ALBERTA TREASURY BRANCHES

DEFENDANTS VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.

APPLICANT ALVAREZ & MARSAL CANADA INC. in its capacity as Court-appointed Receiver and Manager of the assets, undertakings and property of VIRGINIA HILLS OIL CORP. and DOLOMITE ENERGY INC.

DOCUMENT **RESTRICTED COURT ACCESS ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Torys LLP
4600 Eighth Avenue Place East
525 - Eighth Ave SW
Calgary, AB T2P 1G1

Attention: Kyle Kashuba
Telephone: + 1 403.776.3744
Fax: +1 403.776.3800
Email: kkashuba@torys.com
File No. 39108-2002

DATE ON WHICH ORDER WAS PRONOUNCED: March 21, 2017

NAME OF JUSTICE WHO MADE THIS ORDER: Mr. Justice C.M. Jones

LOCATION OF HEARING: Calgary, Alberta

UPON THE APPLICATION by Alvarez & Marsal Canada Inc. in its capacity as the Court-appointed receiver and manager (the “Receiver”) of the assets, undertakings and properties of Virginia Hills Oil Corp. (“Virginia Hills”) and Dolomite Energy Inc. (“Dolomite”, and together with Virginia Hills, the “Debtors”) for a restricted court access order as described and discussed in the First Report of the Receiver filed March 15, 2017 (the “First Report”); AND UPON HAVING READ the Receivership Order dated February 13, 2017), the First Report and the Affidavit of Service; AND UPON HEARING the submissions of counsel for the Receiver, counsel for The Bank of Nova Scotia, counsel for Alberta Treasury Branches, counsel to the Purchaser (as described and defined in the Confidential Appendices to the First Report), and from any other interested parties who may be present, with no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service, filed;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of the Application materials in support of the Application for the restricted court access order in this matter (this “Order”) is hereby dispensed with, and specifically, the service, notice and formal requirements of Part 6, Division 4 of the *Alberta Rules of Court*, Alta Reg 124/2010 shall not apply to this Order and are hereby dispensed with.
2. The Confidential Appendices B and C to the First Report of the Receiver shall be treated as confidential, sealed and not form part of the public record, and shall be inserted in a sealed envelope which shall be clearly marked “THIS ENVELOPE CONTAINS CONFIDENTIAL APPENDICES B AND C TO THE FIRST REPORT OF ALVAREZ & MARSAL CANADA INC., IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER OF VIRGINIA HILLS OIL CORP. AND DOLOMITE ENERGY INC., WHICH ARE SEALED PURSUANT TO COURT ORDER, ARE NOT TO BE OPENED, AND ARE NOT TO BE PLACED ON THE PUBLIC RECORD OR MADE PUBLICALLY ACCESSIBLE WITHOUT PRIOR AUTHORITY FROM THE HONOURABLE MR. JUSTICE C.M. JONES OR ANY OTHER JUSTICE OF THE COURT OF QUEEN’S BENCH”.
3. The Confidential Appendices B and C to the First Report of the Receiver, shall be filed with the Court within 90 days following the closing of the pending sale to the Purchaser.

4. The Receiver is at liberty to reapply for further advice, assistance and direction as may be necessary to give full force and effect to the terms of this Order.

Justice of the Court of Queen's Bench of Alberta