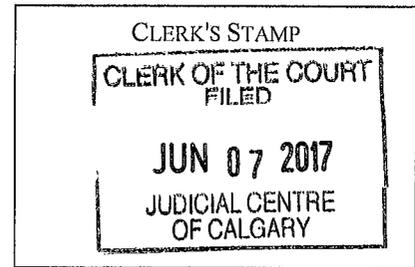


FORM 27



COURT FILE NUMBER 1601-11552
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

APPLICANT NATIONAL BANK OF CANADA, IN ITS CAPACITY AS ADMINISTRATIVE AGENT UNDER THAT CERTAIN AMENDED AND RESTATED CREDIT AGREEMENT DATED JANUARY 15, 2016, AS AMENDED

RESPONDENT TWIN BUTTE ENERGY LTD.

DOCUMENT APPLICATION (Priority of Distributions)

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

BENNETT JONES LLP
Barristers and Solicitors
4500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4K7
Attention: Chris Simard / Alexis Teasdale
Tel No.: 403-298-4485 / 3067
Fax No.: 403-265-7219
Client File No.: 76739-1

NOTICE TO RESPONDENT

This application is made against you. You are a respondent. You have the right to state your side of this matter before the judge.

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

Date: June 30, 2017
Time: 9:00 a.m.
Where: Calgary Courts Centre, 601 – 5th Street SW, Calgary, Alberta
Before Whom: The Honourable Mr. Justice Jeffrey in Commercial Chambers

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. Abridging the time for service, if necessary, and deeming service of notice of this Application to be good and sufficient;
2. An Order substantially in the form attached as Schedule "A" hereto:
 - (a) with respect to the claims against Twin Butte Energy Ltd. ("**Twin Butte**") pursuant to the Twin Butte 6.25% Convertible Unsecured Subordinated Debentures due December 31, 2018 ("**Debenture Claims**"):
 - (i) declaring that the onus of proving that unsecured creditors are entitled to receive distributions from the Receiver in priority to distributions to the holders of the Debenture Claims, rests on such unsecured creditors; and
 - (ii) declaring that no unsecured creditors have discharged that onus.
 - (b) authorizing and directing FTI Consulting Canada Inc. (the "**Receiver**") to make any and all distributions to the holders of unsecured Proven Claims (as defined in the Claims Procedure Order granted herein on April 27, 2017), including but not limited to the holders of Debenture Claims, on a *pari passu* basis, without subordinating or giving priority to any such unsecured Proven Claims as against each other.
 - (c) granting leave to the *Ad Hoc* Committee (as defined in the Funding Order granted herein on April 27, 2017) to make an application to bankrupt Twin Butte, or to request the Receiver to assign Twin Butte into bankruptcy pursuant to paragraph 3(s) of the Receivership Order granted in these proceedings on September 1, 2016, for the purpose of subsequently applying to pursue claims of Twin Butte against third parties, pursuant to Section 38 of the *Bankruptcy and Insolvency Act*.
3. Granting the *Ad Hoc* Committee its costs of this Application.
4. Such further and other relief as this Honourable Court deems appropriate.

Grounds for making this application:

5. Pursuant to Article 5.7 of the Indenture entered into between Twin Butte and Valiant Trust Company ("**Valiant**") with respect to the Debentures, a mechanism was established by which unsecured creditors could enter into specific agreements with Twin Butte and Valiant, to gain the benefit of the subordination provisions in the Indenture, to gain priority for their unsecured claims against Twin Butte, over the Debenture Claims.
6. The Receiver has confirmed that no unsecured creditors entered into such agreements with Twin Butte and Valiant.
7. For this reason, and other reasons, the relief sought is just and equitable.
8. Twin Butte:
 - (a) is insolvent;
 - (b) the debts owed by Twin Butte amount to more than one thousand dollars; and
 - (c) Twin Butte has committed numerous acts of bankruptcy, including ceasing to meet its liabilities generally as they become due.
9. Such further and other grounds as counsel may advise and this Honourable Court may deem just.

Material or evidence to be relied on:

10. The pleadings and proceedings filed in this Action, including but not limited to the Reports filed by the Receiver.
11. Such further and other material or evidence as counsel may advise and this Honourable Court may permit.

Applicable rules:

12. Part 6 of the Alberta *Rules of Court*.

Applicable Acts and regulations:

13. The *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended, and the regulations thereto as amended.
14. The *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended.

Any irregularity complained of or objection relied on:

15. Not applicable.

How the application is proposed to be heard or considered:

16. In person, with counsel for the Applicants and counsel for other interested parties present before the Honourable Mr. Justice Jeffrey in Commercial List Chambers.

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 material to the applicant.

SCHEDULE "A"

COURT FILE NUMBER 1601-11552

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

**NATIONAL BANK OF CANADA, IN ITS
CAPACITY AS ADMINISTRATIVE AGENT
UNDER THAT CERTAIN AMENDED AND
RESTATED CREDIT AGREEMENT DATED
JANUARY 15, 2016, AS AMENDED**

TWIN BUTTE ENERGY LTD.

DOCUMENT **ORDER (Priority of Distributions)**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT **BENNETT JONES LLP**
Barristers and Solicitors
4500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4K7
Attention: Chris Simard / Alexis Teasdale
Tel No.: 403-298-4485 / -3067
Fax No.: 403-265-7219
Client File No.: 76739-1

DATE ON WHICH ORDER WAS June 30, 2017
PRONOUNCED:

LOCATION WHERE ORDER WAS Calgary, Alberta
PRONOUNCED:

NAME OF JUSTICE WHO MADE The Honourable Mr. Justice P.R. Jeffrey
THIS ORDER:

UPON the application of the *Ad Hoc* Committee (as defined in the April 27, 2017 Funding Order granted by the Honourable Madam Justice K.M. Horner); **AND UPON** having read the Eighth Report of FTI Consulting Canada Inc., in its capacity as the Receiver (the "**Receiver**") of Twin Butte Energy Ltd. ("**Twin Butte**"), filed; **AND UPON** hearing from counsel for the *Ad Hoc* Committee and counsel for other interested parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of notice of this application and supporting materials is hereby abridged, if necessary, and service of such notice is deemed good and sufficient.

PRIORITY OF DISTRIBUTIONS

2. With respect to the claims against Twin Butte pursuant to the Twin Butte 6.25% Convertible Unsecured Subordinated Debentures due December 31, 2018 ("**Debenture Claims**"):
 - (a) it is hereby declared that the onus of proving that unsecured creditors are entitled to receive distributions from the Receiver in priority to distributions to the holders of the Debenture Claims, rests on such unsecured creditors; and
 - (b) it is hereby declared that no unsecured creditor has discharged that onus.
3. The Receiver is hereby authorized and directed to make any and all distributions to the holders of unsecured Proven Claims (as defined in the Claims Procedure Order granted herein on April 27, 2017), including but not limited to the holders of Debenture Claims, on a *pari passu* basis, without subordinating or giving priority to any such unsecured Proven Claims as against each other.

BANKRUPTCY

4. The *Ad Hoc* Committee (as defined in the Funding Order granted herein on April 27, 2017) is hereby given leave to make an application to bankrupt Twin Butte, or to request the Receiver to assign Twin Butte into bankruptcy pursuant to paragraph 3(s) of the Receivership Order granted in these proceedings on September 1, 2016, for the purpose of subsequently applying to pursue claims of Twin Butte against third parties, pursuant to section 38 of the *Bankruptcy and Insolvency Act*.

MISCELLANEOUS

5. This Order need only be served on those parties in attendance at the hearing of this application, and this Order may be served by regular mail, facsimile, or as an attachment

to an email transmission. The Receiver shall post this Order on the website it is maintaining with respect to these proceedings.

J.C.Q.B.A.