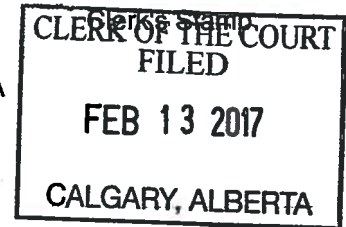


COURT FILE NUMBER 1601-11552  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF NATIONAL BANK OF CANADA IN ITS  
CAPACITY AS ADMINISTRATIVE AGENT  
UNDER THAT CERTAIN AMENDED AND  
RESTATED CREDIT AGREEMENT DATED  
JANUARY 15, 2016, AS AMENDED  
DEFENDANT TWIN BUTTE ENERGY LTD.



IN THE MATTER OF THE RECEIVERSHIP  
OF TWIN BUTTE ENERGY LTD.

APPLICANT FTI CONSULTING CANADA INC. in its  
capacity as Court-appointed Receiver of the  
current and future assets, undertakings and  
properties of TWIN BUTTE ENERGY LTD.

DOCUMENT **APPLICATION**  
**(Termination of Certain Secure Energy**  
**Agreements and Advice and Directions)**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT Norton Rose Fulbright Canada LLP  
400 3rd Avenue SW, Suite 3700  
Calgary, Alberta T2P 4H2

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Attention: Howard A. Gorman, Q.C. / Aditya M. Badami  
File No.: 01020497-0005

### NOTICE TO THE RESPONDENTS

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: February 22, 2017  
Time: 3:00 p.m.  
Where: Calgary Courts Centre  
Before Whom: The Honourable Mr. Justice A. D. Macleod

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. FTI Consulting Canada Inc. in its capacity as Court-appointed Receiver (the **Receiver**) of the current and future assets, undertakings and properties of Twin Butte Energy Inc. (**Twin Butte**) seeks the following relief:
  - a. abridging, if necessary, the time for service of this Application and supporting materials, and declaring service of same to be good and sufficient;
  - b. an Order, substantially in the form attached hereto as **Schedule "A"**, seeking approval of and confirming the termination of a Well Effluent and Water Disposal Agreement (**DPDG Agreement**) and a Non-Competition Agreement (**Non-Compete**), both entered into by Secure Energy Services Inc. (**Secure**) and a predecessor company to Twin Butte on October 1, 2011 (collectively, the **Secure Agreements**); and
  - c. an Order, substantially in the form attached hereto as **Schedule "B"**, seeking restricted Court access in respect of the Confidential Supplement to the Fourth Report of the Receiver filed in support of this Application exhibiting certain agreements between Twin Butte and Secure.

**Grounds for making this application:**

***Receiver's Powers***

2. On September 1, 2016, FTI Consulting Canada Inc. was appointed as Receiver over the current and future assets, undertakings and properties of Twin Butte pursuant to a Receivership Order granted by the Honourable Madam Justice B.E.C. Romaine (**Receivership Order**).
3. Pursuant to paragraph 3(c) of the Receivership Order the Receiver is empowered and authorized to terminate any agreements or cease to perform any contracts of Twin Butte.
4. Pursuant to a Sale Approval and Vesting Order granted by the Honourable Madam Justice G. Campbell dated January 18, 2017, (the **Vesting Order**) this Court approved the sale and vesting of Twin Butte's assets to a purchaser, free and clear of all claims.
5. The Receiver has exercised its business judgment and determined that termination of the Secure Agreements is in the best interests of Twin Butte's stakeholders.

***Secure Agreements***

6. On or about October 1, 2011, Secure and Emerge Oil & Gas Inc. (**Emerge**), a predecessor company to Twin Butte, entered into the Secure Agreements. The Secure Agreements expire on their terms on October 1, 2018.

***Non-Compete***

7. The Non-Compete arose in connection with and pursuant to an Asset Purchase Agreement between Emerge (Twin Butte) and Secure dated September 11, 2011, transferring certain assets from Emerge (Twin Butte) as vendor to Secure as purchaser (**APA**). The assets were associated with or used in connection with clean water terminals, the receipt, treatment, and transportation of oil emulsions and the treatment of slop oil on behalf of oil and gas producers.

8. The Non-Compete was intended to shield Secure from competition from the vendor of the assets so as to permit Secure to receive the full benefit of the APA and assets sold thereunder.
9. The Receiver has determined that it is in the best interests of Twin Butte's stakeholders to terminate the Non-Compete and has determined that the Non-Compete has no commercial value.

#### ***DPDG Agreement***

10. The DPDG Agreement concerns the processing, treatment and disposal of well effluent and water arising in connection with Twin Butte's working interests in certain petroleum substances (**Water and Effluent**). In particular, pursuant to the DPDG Agreement, Water and Effluent generated by Twin Butte's working interest rights would be processed in certain facilities owned by Secure and obtained by Secure from Emerge pursuant to the APA.
11. Among other things, the DPDG Agreement contemplates that:
  - a. Twin Butte deliver certain volumes of Water and Effluent to Secure;
  - b. Secure process the Water and Effluent; and
  - c. Twin Butte pay Secure for certain supervisory and administrative services incurred in respect of the processing of the Water and Effluent.
12. Clause 308 of the DPDG Agreement purports to create a dedication of well effluent and oilfield waste product (**Dedication**). Clause 310 of the DPDG Agreement purports to create a right of first refusal (**ROFR**). Clause 311 of the DPDG Agreement purports to create a gross overriding royalty (**GORR**).
13. The Receiver's view is that neither the Dedication nor the GORR create interests in land; there is no evidence to suggest otherwise.
14. The Receiver believes that the ROFR is likely to create an interest in land, but the ROFR has limited if any commercial value and, accordingly, requests the Court's approval of the termination of the DPDG Agreement despite the ROFR.

#### ***Termination in Best Interests***

15. The Receiver advises that termination of the Secure Agreements is in the best interests of Twin Butte's stakeholders for the following principal reasons:
  - a. in the context of the Court-approved sales and investment solicitation process, all of the final bidders for the assets of Twin Butte identified the Secure Agreements as excluded contracts;
  - b. in the context of the Vesting Order and vesting of the assets of Twin Butte to Henenghaixin Operating Corp (**HOC Transaction**), the Secure Agreements are excluded contracts;
  - c. any damages resulting from the termination of the Secure Agreements may be addressed in the Receiver's planned Court-sanctioned claims process and, accordingly, there is no prejudice to Secure in terminating the Secure Agreements; and
  - d. upon closing of the HOC Transaction Twin Butte will not possess any oil and gas assets will not be operating in contravention of the Non-Compete or otherwise and therefore will be unable to fulfil or breach any obligations under the Secure Agreements and the Secure Agreements will have no value to the estate.

16. The Receiver further requests that if any interests in land are created by the Secure Agreements, such interests be terminated.
17. Such further and other grounds as counsel may advise and this Honourable Court may permit.

**Material or Evidence to be relied on:**

18. The Receivership Order and the Vesting Order;
19. The Fourth Report of the Receiver;
20. The Confidential Supplement to the Fourth Report of the Receiver;
21. The pleadings, orders, and applications filed in the within proceeding;
22. Such further and other materials as counsel may advise and this Honourable Court may permit.

**Applicable Rules:**

23. Rules 6.3(1), 6.9(1), and 6.28 - 6.36 of the Alberta *Rules of Court*.
24. Such further and other Rules as counsel may advise and this Honourable Court may permit.

**Applicable Acts and regulations:**

25. The Alberta *Rules of Court*.
26. Such further and other Acts and regulations as counsel may advise and this Honourable Court may permit.

**Any irregularity complained of or objection relied on:**

27. There are no irregularities complained of or objections relied on.

**How the application is proposed to be heard or considered:**

28. Oral and written submissions by counsel.

**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 give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is heard or considered.

SCHEDULE "A"

COURT FILE NUMBER 1601-11552 Clerk's Stamp

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF NATIONAL BANK OF CANADA IN ITS  
CAPACITY AS ADMINISTRATIVE AGENT  
UNDER THAT CERTAIN AMENDED AND  
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JANUARY 15, 2016, AS AMENDED

DEFENDANT TWIN BUTTE ENERGY LTD.

IN THE MATTER OF THE RECEIVERSHIP  
OF TWIN BUTTE ENERGY LTD.

APPLICANT FTI CONSULTING CANADA INC. in its  
capacity as Court-appointed Receiver of the  
current and future assets, undertakings and  
properties of TWIN BUTTE ENERGY LTD.

DOCUMENT **ORDER**  
**(Terminating Secure Agreements)**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT **Norton Rose Fulbright Canada LLP**  
400 3rd Avenue SW, Suite 3700  
Calgary, Alberta T2P 4H2

Phone: +1 403.267.8222  
Fax: +1 403.264.5973  
Email: howard.gorman@nortonrosefulbright.com /  
aditya.badami@nortonrosefulbright.com

Attention: Howard A. Gorman, Q.C. / Aditya M. Badami  
File No.: 01020497-0005

**DATE ON WHICH ORDER WAS PRONOUNCED:** February 22, 2017

**LOCATION WHERE ORDER WAS PRONOUNCED:** Calgary, Alberta

**NAME OF JUSTICE WHO MADE THIS ORDER:** The Honourable Mr. Justice A. D. Macleod

**UPON THE APPLICATION** of FTI Consulting Canada Inc. in its capacity as Court-appointed receiver and manager (**Receiver**) of the current and future assets, undertakings and properties of Twin Butte Energy Ltd. (**Twin Butte**) for an order terminating a Well Effluent and Water Disposal Agreement dated October 1, 2011 (**DPDG Agreement**), and appended as Confidential Appendix A to the Fourth Report of the Receiver dated February 13, 2017 (**Fourth Report**); and for an order terminating a Non-

Competition Agreement dated October 1, 2011 (**Non-Compete**), and appended as Confidential Appendix B to the Fourth Report;

**AND UPON HAVING READ** the Receivership Order; **AND UPON HAVING READ** the Fourth Report of the Receiver dated February 13, 2017; the DPDG Agreement; and the Non-Compete; **AND UPON HAVING READ** the Receiver's Bench Brief filed February 13, 2017; **AND UPON** hearing counsel for the Receiver and any other interested parties that may be present; **AND UPON IT APPEARING** that all interested and affected parties have been served with notice of this Application; **AND UPON** having read the pleadings, proceedings, orders and other materials filed in this action;

**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.

**TERMINATION OF AGREEMENTS**

2. The DPDG Agreement is terminated.
3. The Non-Compete is terminated.

**MISCELLANEOUS MATTERS**

4. 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.
5. Service of this Order on any party not attending this application is hereby dispensed with.

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J.C.Q.B.A.

**SCHEDULE "B"**

COURT FILE NUMBER 1601-11552 Clerk's Stamp

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

DEFENDANT TWIN BUTTE ENERGY LTD.

IN THE MATTER OF THE RECEIVERSHIP  
OF TWIN BUTTE ENERGY LTD.

APPLICANT FTI CONSULTING CANADA INC. in its  
capacity as Court-appointed Receiver of the  
current and future assets, undertakings and  
properties of TWIN BUTTE ENERGY LTD.

DOCUMENT **ORDER**  
**(Restricted Court Access Order)**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT **Norton Rose Fulbright Canada LLP**  
400 3rd Avenue SW, Suite 3700  
Calgary, Alberta T2P 4H2

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Fax: +1 403.264.5973  
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aditya.badami@nortonrosefulbright.com

Attention: Howard A. Gorman, Q.C. / Aditya M. Badami  
File No.: 01020497-0005

**DATE ON WHICH ORDER WAS PRONOUNCED:** February 22, 2017

**LOCATION WHERE ORDER WAS PRONOUNCED:** Calgary, Alberta

**NAME OF JUSTICE WHO MADE THIS ORDER:** The Honourable Mr. Justice A. D. Macleod

**UPON THE APPLICATION** of FTI Consulting Canada Inc. in its capacity as Court-appointed Receiver (**Receiver**) of the current and future assets, undertakings and properties of Twin Butte Energy Ltd. (**Twin Butte**); **AND UPON** reading the Application, the Fourth Report of the Receiver filed February 13, 2017; **AND UPON** reading the Confidential Supplement to the Fourth Report of the Receiver dated February 13, 2017; **AND UPON** hearing counsel for the Receiver and any other interested parties that may be present; **AND UPON IT APPEARING** that all interested and affected parties have been served with notice of this Application; **AND UPON** having read the pleadings, proceedings, orders and other materials filed in this action; **AND UPON** it appearing that the relief requested is just, fair and appropriate in all the circumstances;

**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 Supplement to the Fourth 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 "SEALED PURSUANT TO COURT ORDER - NOT TO BE OPENED WITHOUT PRIOR AUTHORITY FROM THE HONOURABLE MR. JUSTICE MACLEOD OR ANY OTHER JUSTICE OF THE COURT OF QUEEN'S BENCH".
3. 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.

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Justice of the Court of Queen's Bench of Alberta