

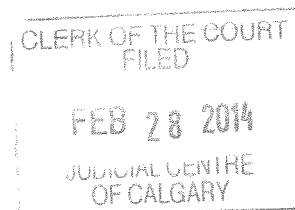
COURT FILE NUMBER

1301-14151

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY



**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, RSC 1985, c C-36, AS AMENDED

AND IN THE MATTER OF THE *BUSINESS*
CORPORATIONS ACT, RSA 2000, c B-9, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF ALSTON ENERGY INC.**

DOCUMENT

APPLICATION

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

DENTONS CANADA LLP
Bankers Court
15th Floor, 850 - 2nd Street S.W.
Calgary, Alberta T2P 0R8
Attention: David LeGeyt / Derek M. Pontin
Ph. (403) 268-3075/6301 Fx. (403) 268-3100
File No.: 549521-6

NOTICE TO RESPONDENTS

This application is made on behalf of Alston Energy Inc. in these proceedings. You are a respondent.

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

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

Date: March 4, 2014

Time: 2:00 p.m.

Where: Calgary Courts Centre,
601 - 5 Street SW,
Calgary, AB T2P 5P7

Before: The Honourable Mr. Justice A.D. Macleod

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

Remedy sought:

1. The Applicant, Alston Energy Inc. ("**Alston**"), respectfully seeks the following relief:
 - (a) an Order, substantially in the form attached hereto as Schedule "A", (i) granting an extension of the stay of proceedings currently in place in these proceedings to and including June 6, 2014, (ii) reducing each of the Administration Charge and Director's Charge (both as defined in the Amended and Restated Initial Order) to \$250,000.00 upon the closing of the Agreement (defined below) and the Monitor confirming arrangements satisfactory to the Monitor as its counsel have been made to secure payment of the Monitor and its counsel's fees, and (iii) relieving Alston of its obligation to hold an annual general meeting of shareholders;
 - (b) an Order, substantially in the form attached here as Schedule "B", (i) approving the Asset Purchase and Sale Agreement dated the 19th day in February, 2014 made between Alston as vendor and Black Powder Energy Inc. (formerly known as 1704260 Alberta Inc.) as purchaser (the "**Agreement**"), (ii) authorizing Alston to take such steps as are necessary to close the transactions contemplated by the Agreement, (iii) vesting the assets subject to the Agreement in the Purchaser free and clear of all claims and encumbrances (other than Permitted Encumbrances as defined in the Agreement) arising by, through or against Alston, and (iv) authorizing Alston to pay \$650,000 from the proceeds of the Agreement to Alberta Treasury Branches ("**ATB**") in reduction of Alston's indebtedness to ATB with the balance to be available to Alston for working capital and restructuring costs;
 - (c) an Order substantially in the form attached hereto as Schedule "C" sealing the Confidential Appendices to the Second Report of Alvarez and Marsal Canada Inc. (the "**Monitor**") dated February 28, 2014 until further order of this Court; and
 - (d) such other relief as may be sought by Alston and granted by this Honourable Court.

Grounds for making this application:

2. Since the granting of the Amended and Restated Initial Order, Alston has stabilized its business and operations, worked closely with Sayer Energy Advisors ("**Sayer**"), the Monitor, and various stakeholders.
3. Alston has taken a number of steps, including:
 - (a) commencing discussions with certain suppliers and service providers, and other stakeholders;
 - (b) meeting with representatives of Sayer and the Monitor, and working toward a strategic alternative, and asset dispositions;

- (c) continuing communications with parties who have previously expressed interest in completing a transaction with Alston;
 - (d) commencing dialogue with proposed interim financing providers;
 - (e) negotiating, finalizing and executing the Agreement, subject to Court approval;
 - (f) meeting and otherwise communicating with Alberta Treasury Branches in respect of the Agreement, and these proceedings generally;
 - (g) implementing a program to rectify various operational and mechanical issues effecting Alston's oil and gas properties, with a view to increasing the production therefrom; and
 - (h) focusing on the continuity and stability of operations to ensure Alston continues to operate in a "business as usual" fashion.
- 4. The purchase price in the Agreement is fair and reasonable in comparison to the value of the assets, and the Agreement follows a reasonable marketing process.
 - 5. The Monitor and Alberta Treasury Branches support the Agreement.
 - 6. The Monitor's legal counsel has provided an opinion that the ATB security interests in the assets to be conveyed by the Agreement are valid and enforceable, and in priority to the other creditors of Alston (other than any claims ranking in priority by virtue of the changes granted in these proceedings or pursuant to a statutory provision that provides priority). The Monitor's review of Alston's books and records do not disclose any statutory claims that rank in priority to ATB.
 - 7. The Confidential Appendix to the Second Report of the Monitor contains commercially sensitive information which should not be disclosed.
 - 8. Alston should not incur the significant cost of holding an annual general meeting of shareholders.
 - 9. Alston is working in good faith and with due diligence in these proceedings and believes it is in the best interests of Alston and all stakeholders to continue in these proceedings.

Material or evidence to be relied on:

- 10. Affidavit #3 of Don Umbach, sworn February 28, 2014.
- 11. The Second Report of the Monitor, dated February 28, 2014.
- 12. The previous Affidavits, pleadings, and Monitor's Reports filed in these proceedings.
- 13. Such further and other material as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

14. *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended, and the regulations thereunder, particularly s. 36 thereof.
15. *Business Corporations Act*, RSA 2000, c B-9, as amended, and the regulations thereunder, particularly s. 132(2) thereof.
16. Such further and other acts and regulations as counsel may advise and this Honourable Court may permit.

How the application is proposed to be heard or considered:

17. In person before the Honourable Mr. Justice A.D. Macleod in 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 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

1301-14151

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, RSC 1985, c C-36, AS AMENDED**

**AND IN THE MATTER OF THE *BUSINESS*
CORPORATIONS ACT, RSA 2000, c B-9, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF ALSTON ENERGY INC.**

DOCUMENT

ORDER

(Stay Extension and Reduction of Charges)

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

DENTONS CANADA LLP

Bankers Court

15th Floor, 850 - 2nd Street S.W.

Calgary, Alberta T2P 0R8

Attention: David LeGeyt / Derek M. Pontin

Ph. (403) 268-3075/6301 Fx. (403) 268-3100

File No.: 549521-6

**DATE ON WHICH ORDER WAS
PRONOUNCED:**

March 4, 2014

**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 Alston Energy Inc. ("**Alston**"); AND UPON having read the Affidavit #3 of Don Umbach, dated February 28, 2014 (the "**Umbach Affidavit**"), the Second Report of Alvarez and Marsal Canada Inc., (the "**Monitor**"), dated February 28, 2014 (the "**Second Report**"), and the Affidavit of Gail Wheatley, dated February __, 2014 (the "**Service Affidavit**"), and such other material in the pleadings and proceedings as are deemed necessary; **AND UPON** hearing counsel to Alston, counsel to the Monitor, counsel to Alberta Treasury Branches, and other interested parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. The manner of service of the within Application and the materials in support thereof is sufficient and is hereby validated and approved, the time for service and notice thereof is abridged to the time actually given (if necessary), the within Application is properly returnable today and further service of the Application and materials in support thereof, on any party other than those listed and in any other manner other than as set out in the Service Affidavit, is hereby dispensed with.
2. All capitalized terms not otherwise defined in this Order shall have the meaning ascribed to them in the Amended and Restated Initial Order granted by Madam Justice B.E.C. Romaine in this Action, dated December 9, 2013.

Extension of Stay and Reduction of Charges

3. The Stay Period currently in place in these CCAA proceedings is hereby confirmed and extended up to and including June 6, 2014.
4. The Director's Charge is hereby reduced to \$250,000.00.
5. Upon the Monitor filing the Monitor's Certificate (as defined in the Vesting Order granted in these proceedings on March 4, 2014) and confirming to counsel to Alston and counsel to Alberta Treasury Branches that arrangements satisfactory to the Monitor and its legal counsel have been made to secure payment of their fees, the amount of the Administration Charge is reduced to \$250,000.00.

Miscellaneous

6. The time within which Alston shall hold its next annual general meeting is extended indefinitely, or until further Order of this Honourable Court.
7. The Applicants shall serve, by courier, facsimile transmission, e-mail transmission, or ordinary post, a copy of this Order on all parties present at this application and on all parties who received notice of this application or who are presently on the service list established in these proceedings, and service on any or all other parties is hereby dispensed with. Service effected as aforesaid shall be good and sufficient service.

Justice of the Court of Queen's Bench of Alberta

SCHEDULE "B"

COURT FILE NUMBER	1301-14151
COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY
APPLICANTS	IN THE MATTER OF THE <i>COMPANIES' CREDITORS ARRANGEMENT ACT</i>, RSC 1985, c C-36, AS AMENDED AND IN THE MATTER OF THE <i>BUSINESS CORPORATIONS ACT</i>, RSA 2000, c B-9, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ALSTON ENERGY INC.
DOCUMENT	<u>ORDER</u> (Vesting Order)
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	DENTONS CANADA LLP Bankers Court 15 th Floor, 850 - 2 nd Street S.W. Calgary, Alberta T2P 0R8 Attention: David LeGeyt / Derek M. Pontin Ph. (403) 268-3075/6301 Fx. (403) 268-3100 File No.: 549521-6
DATE ON WHICH ORDER WAS PRONOUNCED:	March 4, 2014
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 Alston Energy Inc. ("**Alston**") for an Order approving an Asset Purchase and Sale Agreement dated February 19, 2014 ("**Agreement**") made between Alston as vendor and Black Powder Energy Inc. (formerly known as 1704260 Alberta Ltd.) as purchaser ("**Purchaser**"); AND UPON having read Affidavit #3 of Don Umbach dated February 28, 2014, and the Second Report of the Monitor dated February 28, 2014, including the Confidential Appendix thereto, and the Affidavit of Service of Gail Wheatley sworn February __, 2014 (the "**Service Affidavit**");

AND UPON hearing from counsel to Alston, counsel to Alvarez and Marsal Canada Inc. (the "**Monitor**"), counsel to the Purchaser, counsel to Alberta Treasury Branches ("**ATB**"), and other interested parties;

AND UPON it appearing that all interested and affected parties have been served with notice of this Application;

IT IS HEREBY ORDERED AND DECLARIED THAT:

1. All capitalized terms used herein and not otherwise defined shall have the same meaning given to them in the Agreement.

Service

2. The manner of service of the within Application and the materials in support thereof is good and sufficient and is hereby validated and approved, the time for service and notice thereof is abridged to the time actually given (if necessary), the within Application is properly returnable today and further service of the Application and materials in support thereof, on any party other than those listed and in any other manner other than as set out in the Service Affidavit, is hereby dispensed with.

Approval of Sale and Vesting of the Assets

3. The sale and conveyance of the Assets to the Purchaser, in accordance with the terms and conditions of the Agreement, be and is hereby authorized and approved.
4. Alston and the Monitor are hereby authorized and directed to execute all deeds, documents and agreements, and to do all things reasonably necessary to complete the sale and conveyance of the Assets, close the Agreement and the transactions contemplated therein, and carry out the terms of the Agreement and this Order.
5. Upon the Monitor filing with this Honorable Court a certificate in the form attached hereto as Schedule "A" (the "**Monitor's Certificate**") certifying that the sale of the Assets has closed substantially in accordance with the terms of the Agreement and all purchase monies due and owing in respect of such sale have been tendered to Alston, then:
 - (a) the Assets shall be vested in the name of the Purchaser free of all estate, right, title, interest, royalty, rental, claim, and equity of redemption of Alston and all persons who

claim by, through or under Alston in respect of the Assets, subject only to the Permitted Encumbrances;

- (b) Alston and all persons who claim by, through or under Alston in respect of the Assets, save and except the Permitted Encumbrances, shall stand absolutely barred and foreclosed from all estate, right, title, interest, royalty, rental, claim, and equity of redemption of the Assets and, to the extent that any such person remains in possession or control of any of the Assets, they shall forthwith deliver possession of same to the Purchaser or its nominee; and
 - (c) the Purchaser 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 Alston, or any person claiming by or through or against Alston.
- 6. Alston is authorized and empowered, in respect of the Assets and the Agreement, to execute and deliver: (a) such additional, related and ancillary documents and assurances governing or giving effect to the conveyance of the Assets, which, in Alston's discretion are reasonably necessary or advisable to conclude the transactions contemplated in or in furtherance of the transfer of the Assets and/or this Order; and (b) any and all instruments and documents in respect of the Assets as may be required by the Registrar of the Land Titles Office of Alberta, any other government department or agency, or deemed necessary by Alston, and the Registrar of the Land Titles Office of Alberta and all other government departments or agencies are hereby directed, notwithstanding any restrictions in the Land Titles Act (Alberta), to effect registration of any such instrument or document so executed by Alston.
- 7. Upon the filing of the Monitor's Certificate, Alston may discharge, or authorize the discharge of, any security registration or registrations in the Personal Property Registry of the Province where the Assets is located as may be required to properly convey clear title of the Assets to the Purchaser.
- 8. This Court hereby requests the aid and recognition (including assistance pursuant to Section 17 of the CCAA, as applicable) of any court or any judicial, regulatory or administrative body in any province or territory of Canada and any judicial, regulatory or administrative tribunal or other

court constituted pursuant to the Parliament of Canada in carrying out the terms of this Order and the Agreement.

9. Any conveyance or transfer of Assets made pursuant to the provisions of this Order shall be valid and enforceable and not be rendered invalid or unenforceable and the rights and remedies of the parties thereto shall not otherwise be limited or impaired in any way by: (i) the pendency of these proceedings and the declaration of insolvency made herein; (ii) any Bankruptcy Order sought or issued pursuant to the Bankruptcy and Insolvency Act (Canada) ("**BIA**") in respect of Alston; or (iii) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of encumbrances, contained in any existing agreement, lease, sub-lease, offer to lease or other arrangement which binds Alston (a "**Third Party Agreement**"), and notwithstanding any provision to the contrary in any Third Party Agreement:
 - (a) the transaction contemplated hereby shall not create or be deemed to constitute a breach by Alston of any Third Party Agreement to which Alston is party; and
 - (b) the Purchaser shall not have liability to any person whatsoever as a result of any breach of any Third Party Agreement cause by or resulting from the creation, execution, delivery or performance of any transaction contemplated hereby.
10. Notwithstanding (i) the pendency of these proceedings and the declaration of insolvency made herein, (ii) any Bankruptcy Order sought or issued pursuant to the BIA in respect of any of Alston, and (iii) the provisions of the BIA, or any other applicable federal or provincial legislation or common law, the Agreement and transaction contemplated thereby shall constitute legal, valid and binding obligations of Alston enforceable against Alston in accordance with the terms thereof, and no transaction contemplated therein will be void or voidable at the instance of creditors and claimants and do not constitute nor shall they be deemed to constitute settlements, fraudulent preferences, assignments, fraudulent conveyances, oppressive conduct, or other reviewable transactions under the BIA, or any other applicable federal or provincial legislation or common law.

Application of Proceeds

11. The net proceeds from the Agreement shall be applied by Alston as follows:

- (a) \$650,000 to ATB in permanent reduction of the amounts owing by Alston to ATB; and
- (b) the balance to Alston's general working capital requirements and restructuring costs, including the payment of retainers to the Monitor and legal counsel to Alston.

Miscellaneous

- 12. Alston, the Monitor, the Purchaser, or any interested party may apply to this Court for advice and direction on notice to any party likely to be affected by the Order sought or on such notice as this Court directs.
- 13. Alston shall serve, by courier, facsimile transmission, e-mail transmission, or ordinary post, a copy of this Order on all parties present at this application and on all parties who received notice of this application or who are presently on the service list established in these proceedings, and service on any or all other parties is hereby dispensed with. Service affected as aforesaid shall be good and sufficient service.

Justice of the Court of Queen's Bench of Alberta

SCHEDULE "A"

COURT FILE NUMBER	1301-14151
COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY
APPLICANTS	IN THE MATTER OF THE <i>COMPANIES' CREDITORS ARRANGEMENT ACT</i>, RSC 1985, c C-36, AS AMENDED AND IN THE MATTER OF THE <i>BUSINESS CORPORATIONS ACT</i>, RSA 2000, c B-9, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ALSTON ENERGY INC.
DOCUMENT	<u>MONITOR'S CERTIFICATE</u>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	DENTONS CANADA LLP Bankers Court 15 th Floor, 850 - 2 nd Street S.W. Calgary, Alberta T2P 0R8 Attention: David LeGeyt Ph. (403) 268-3075 Fx. (403) 268-3100 Email: david.legeyt@dentons.com File No.: 549521-6

Alvarez and Marsal Canada Inc. (the "**Monitor**"), the Monitor in these proceedings, hereby certifies that the Asset Purchase and Sale Agreement dated February 19, 2014 between Alston and Black Powder Energy Inc. (formerly known as 1704260 Alberta Ltd.) has closed this ____ day of _____, 2014, and all purchase monies due and owing have been tendered to Alston.

ALVAREZ AND MARSAL CANADA INC., in its capacity as Court-appointed Monitor in these proceedings, and not in its personal capacity.

Per:

SCHEDULE "C"

COURT FILE NUMBER

Action No. 1301-14151

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, RSC 1985, c C-36, AS AMENDED

AND IN THE MATTER OF THE *BUSINESS
CORPORATIONS ACT*, RSA 2000, c B-9, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF ALSTON ENERGY INC.**

DOCUMENT

ORDER
(Sealing Confidential Appendices)

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

DENTONS CANADA LLP
Bankers Court
15th Floor, 850 - 2nd Street S.W.
Calgary, Alberta T2P 0R8
Attention: David LeGeyt / Derek M. Pontin
Ph. (403) 268-3075/6301 Fx. (403) 268-3100
File No.: 549521-6

DATE ON WHICH ORDER WAS
PRONOUNCED:

March 4, 2014

LOCATION WHERE ORDER WAS
PRONOUNCED:

Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS
ORDER:

The Honourable Mr. Justice J. Macleod

UPON the application of Alston Energy Inc. ("**Alston**"); **AND UPON** having read Affidavit #3 of Don Umbach dated February 28, 2014, and the Second Report of Alvarez and Marsal Canada Inc. (the "**Monitor**"), dated February 28, 2014, including the Confidential Appendix thereto; **AND UPON** hearing from counsel to Alston, counsel to the Monitor, counsel to Alberta Treasury Branches, and other interested parties; **IT IS HEREBY ORDERED AND DECLARED THAT:**

1. The Confidential Appendices to the Second Report of the Monitor, dated February 28, 2014 shall be sealed on the Court file, notwithstanding Division 4 of Part 6 of the *Alberta Rules of Court*, until further Order of this Honourable Court.

Justice of the Court of Queen's Bench of Alberta