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JUDICIAL CENTRE OF CALGARY

COURT FILE NUMBER	1501-00396
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36, AS AMENDED AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9 AND IN THE MATTER OF GASFRAC ENERGY SERVICES INC., GASFRAC SERVICES GP INC., GASFRAC ENERGY SERVICES (US) INC., GASFRAC US HOLDINGS INC. and GASFRAC INC.
DOCUMENT	EIGHTH REPORT OF THE MONITOR June 22, 2015
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>MONITOR</u> ERNST & YOUNG INC. 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Cassie Riglin Telephone: 403-206-5067 / 403-206-5106 Fax: 403-206-5075 Email: neil.narfason@ca.ey.com cassie.riglin@ca.ey.com <u>COUNSEL</u> Norton Rose Fulbright Canada LLP 3700, 400 – 3rd Avenue SW Calgary, Alberta T2P 4H2 Attention: Howard Gorman Q.C. Phone: 403-267-8144 Fax: 403-264-5973 Email: howard.gorman@nortonrosefulbright.com

TABLE OF CONTENTS

APPENDICES

INTRODUCTION

1. On January 15, 2015 GASFRAC Energy Services Inc. ("GESI"), GASFRAC Services GP Inc. ("GSGP"), GASFRAC Energy Services Limited Partnership ("GES LP"), GASFRAC Energy Services (US) Inc. ("GESI US"), GASFRAC US Holdings Inc. ("Holdings"), and GASFRAC Inc. ("GI") (collectively the "Company" or "GASFRAC") sought and obtained protection pursuant to the *Companies' Creditors Arrangement Act, R.S.C. 1985, C-36*, as amended (the "CCAA") pursuant to an Order (the "Initial Order") of the Alberta Court of Queen's Bench (the "Court").

2. Ernst & Young Inc. was appointed as Monitor (the "Monitor") of the Company pursuant to the terms of the Initial Order.

3. On January 15, 2015, the Monitor filed, on behalf of GASFRAC, Chapter 15 Petitions for Recognition of a Foreign Proceeding with the United States Bankruptcy Court for the Western District of Texas, San Antonio Division ("US Court"), which cases are jointly administered under Case No. 15-50161. On January 16, 2015, GASFRAC sought and obtained a Temporary Restraining Order ("TRO") from the US Court pursuant to which the terms of the Initial Order were given full force and effect in the United States on an interim basis.

4. On January 30, 2015, the Company sought and obtained a foreign recognition order of the Initial Order from the US Court, pursuant to which the terms of the Initial Order were given full force and effect in the United States and recognizing these CCAA proceedings as the foreign main proceedings.

5. On January 23, 2015, the Court approved a sale and investment solicitation process ("SISP") which had a bid deadline of February 24, 2015 (the "Bid Deadline"). The SISP was subsequently approved by the US Court on January 30, 2015.

6. The sale of certain of GASFRAC's assets to STEP Energy Services Ltd. ("STEP") resulting from the SISP (the "STEP Transaction") was approved by the Court on March 16, 2015 and the US Court on March 18, 2015. The STEP Transaction closed on April 2, 2015.

7. On March 26, 2015, the Court approved a restructuring transaction (the "Restructuring Transaction") with Calfrac Well Services, Ltd. ("Calfrac") which is

described further in the sixth report of the Monitor dated March 23, 2015 (the "Sixth Report").

8. The purpose of this eighth report of the Monitor (the "Eighth Report") is to provide the Court with:

   a) an overview of the plan of compromise and arrangement (the "Plan"), including a summary of conditions precedent in the Plan;

   b) the results of the June 22, 2015 Creditors' Meeting;

   c) the subsequent claims procedures;

   d) the Company's forecast to actual cash flow results for the period May 2, 2015 to June 19, 2015 (the "Reporting Period");

   e) the Company's cash flow projection (the "Cash Flow Projection") for the period June 20, 2015 to October 2, 2015 (the "Forecast Period");

   f) the Company's request for an extension of the stay; and

   g) the Monitor's recommendations.

9. All references to dollars are in Canadian currency unless otherwise noted.

10. Capitalized terms not defined herein are as defined in the Initial Order, the Plan or the Subsequent Claims Procedure Order (defined below).

BACKGROUND

11. Background information on GASFRAC and these CCAA proceedings is available on the Monitor's website at www.ey.com/ca/gasfracenergy.

TERMS OF REFERENCE

12. In preparing this Eighth Report, the Monitor has relied upon unaudited financial information, Company records and discussions with management of the Company. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed.

THE PLAN

13. GASFRAC filed its Plan in an Application on May 13, 2105, with the Court.

14. On May 13, 2015, the Court granted an order (the “Creditors’ Meeting Order”) authorizing GASFRAC to convene a creditors’ meeting on June 22, 2015 (the “Creditors’ Meeting”) to consider and vote on the Plan.

Conditions Precedent to Implementation of the Plan

15. The implementation of the Plan is subject to, among others, the following conditions precedent:

    a) the Plan shall have been approved by the Required Majority in each Meeting and by the Court;

    b) the Sanction Order and the Canadian Subsequent Claims Procedure Order shall have been granted by the Court; and

    c) the U.S. Subsequent Claims Procedure Order and Sanction Recognition Order shall have been granted by the U.S. Court.

Mailing of Plan of Arrangement Package and other documents

16. On January 31, 2013, the Monitor sent packages to Creditors (as defined in the Plan) containing the following:

    a) the Notice to Creditors;

    b) the Monitor’s Seventh Report; and

    c) a blank Instrument of Proxy and completion instructions.

CREDITORS’ MEETING

17. The Creditors’ Meeting to vote on the Plan was held Monday, June 22, 2013 at 10:00 a.m. (Calgary time).

18. Mr. Neil Narfason, Senior Vice President of Ernst & Young Inc., acted as Chair of the Creditors’ Meeting. Representatives of the Companies’ legal counsel and the Monitor were available at the Creditors’ Meetings to answer creditor questions, and copies of

the Plan were made available. At the meeting, a quorum was present (at least with respect to four of the seven Creditor Classes) and accordingly, the Chair declared the Creditors' Meeting to be properly constituted.

Voting Parameters

19. For the purpose of voting on the Plan, the Affected Unsecured Claims were divided into classes as set out below:

Affected Unsecured Creditors Class	Affected Unsecured Claims
GESI Class	Affected Unsecured Claims against GESI
GSGP Class	Affected Unsecured Claims against GSGP
GESLP Class...	Affected Unsecured Claims against GESLP
Holdings Class..	Affected Unsecured Claims against Holdings
GI Class	Affected Unsecured Claims against GI
GUS Class	Affected Unsecured Claims against GUS
Subordinated Debentureholder Class	Affected Unsecured Claims by Subordinated Debentureholders

20. For the purposes of calculating the 'majority' component of the Required Majority (as defined in the Plan), each Affected Unsecured Creditor who actually votes (in person or by proxy) is entitled to one vote. For the purposes of calculating the 'value' component of the Required Majority, each voting Creditor holds a voting claim equivalent to the value of its Affected Unsecured Claim (as determined by the Monitor pursuant to the Creditors' Meeting Order).

Results of Vote

21. In respect of the resolution to approve the Plan, the Affected Unsecured Creditors, voting either in person or by way of Proxy, voted as follows:

Vote	Subordinated Debentureholder Class	GES LP Class	GESI Class	GI Class
Yes				
Value	$ 29,230,000.00	$ 3,713,699.99	$ 5,100,870.31	$ 3,025,068.58
% of Value Voting	99.80%	100.00%	100.00%	100.00%
Number of Creditors	854	110	12	37
% of Creditors Voting	99.77%	100.00%	100.00%	100.00%
No				
Value	$ 58,000.00	$ -	$ -	$ -
% of Value Voting	0.20%	0.00%	0.00%	0.00%
Number of Creditors	2	-	-	-
% of Creditors Voting	0.23%	0.00%	0.00%	0.00%
Total				
Total Value	$ 29,288,000.00	$ 3,713,699.99	$ 5,100,870.31	$ 3,025,068.58
Total Number of Creditors	856	110	12	37

22. There are no Affected Unsecured Creditors within the GSGP Class, therefore it is reasonable to remove this class from the Plan (with GSGP remaining, for all purposes, as an Applicant in these proceedings and under the Plan).

23. No creditors from the Holdings Class and GUS Class attended the Creditors' Meeting to vote on the Plan. Because any creditor of the Holdings Class and GUS Class holding Affected Unsecured Claims are anticipated to receive 100% of their Allowed Affected Unsecured Claim, it is fair and reasonable to waive the quorum requirement established pursuant to paragraph 26 of the Meeting Order and sanction the Plan for the benefit of the Subordinated Debentureholders who are anticipated to receive greater recoveries under the Plan than if the Plan is not approved.

24. On the basis of the foregoing, more than a majority in number of Creditors in each affected class (voting in person or by proxy) representing in excess of 66 2/3rd in value, with the above mentioned exception, voted in favour of the Plan.

Plan Implementation

25. It is anticipated that Plan Implementation will occur on July 2, 2015. GASFRAC will transfer the Cash Pool to the Monitor after Plan Implementation.

26. The Monitor will hold $21,574,818.38 as the Disputed Claims Reserve. The Disputed Claims Reserve is expected to be reduced upon the expiration of the disallowance/revision period.

27. In addition, the Monitor will act as 'Residual Trustee', such that if there are any residual assets in the US Debtors, the Monitor will monetize those assets and any proceeds from such monetization will form part of the Cash Pool, in accordance with the provisions of the Trust Agreement appended to and forming part of the Plan.

CANADIAN SUBSEQUENT CLAIMS PROCEDURE

28. The Company's counsel has prepared a subsequent claims procedure order seeking approval of a subsequent claims procedure ("Subsequent Claims Procedure") from the Court (the "Subsequent Claims Procedure Order").

29. The Subsequent Claims Procedure as set out in the Subsequent Claims Procedure Order will establish the claims against GESI, GSGP and GES LP, arising after January 15, 2015 (the "Subsequent Claims").

30. Any claims that were filed or could have been submitted in the Original Claims Process cannot be submitted in the Subsequent Claims Procedure. The Subsequent Claims Procedure is only for the submission of Post-Filing Claims, to the extent those Post-Filing claims were not captured in the Original Claims Process.

Notice to File Proofs of Claim

31. The Monitor shall cause a claims package (a "Claims Package") to be sent to each potential creditor with a Post-Filing Claim by regular prepaid mail, fax, courier or email on or before July 1, 2015.

32. All potential creditors with Post-Filing Claim shall receive a Claims Package that shall include a notice to creditor, substantially in the form of Schedule "B" to the Subsequent Claims Procedure.

33. The Monitor shall cause a newspaper notice to be published in the Calgary Herald on or before July 10, 2015.

34. The Monitor shall cause the Claims Package for the Subsequent Claims Procedure to be posted on the website it has created in these proceedings.

35. The Company shall issue a press release outlining the existence of the Subsequent Claims Procedure directing any creditor with a Post-Filing Claim to the Monitor's website.

36. The Monitor shall cause a copy of the Claims Package in the Subsequent Claims Procedure to be sent to any person requesting such material as soon as practicable.

37. The Company may attempt to consensually resolve the classification and amount of any Post-Filing Claim with the creditor prior to the relevant company accepting, revising or disallowing such Post-Filing Claim with the consent of the Monitor.

38. If the Company, with the consent of the Monitor, accepts the Post-Filing Claim then such Post-Filing Claim shall be a Proven Claim.

Claims Bar Date

39. In the event a Subsequent Creditor wishes to assert a Post-Filing Claim, it must deliver a Proof of Claim setting out its Post-Filing Claim so that it is received by the Monitor and the Applicants no later than 5:00 PM, MDT, July 30, 2015 (the "Subsequent Claims Bar Date").

40. The Company shall review each Post-Filing proof of claim received by the Subsequent Claims Bar Date and shall revise or disallow the Post-Filing Claim with the overview and approval of the Monitor.

Disputed Claims

41. If the Company, with the consent of the Monitor, determines to revise or disallow a Post-Filing Claim, the Monitor shall send a notice of revision or disallowance to the creditor (a "Notice of Revision or Disallowance").

42. Any Creditor who disputes the classification or amount of its Post-Filing Claim as set forth in a Notice of Revision or Disallowance shall deliver a notice of dispute (a "Notice of Dispute") to the Monitor by 5:00 p.m. (Mountain Time) on the day that is fifteen (15) days after the date of the Notice of Revision or Disallowance (the "Deadline") and follow the process for filing an application with the Court supported by an affidavit as set out in the Notice of Dispute.

43. Any creditor who fails to deliver a Notice of Dispute by the Deadline shall be deemed to accept the classification and the amount of its Post-Filing Claim as set out in the Notice of Revision or Disallowance and such Post-Filing Claim as set out in the Notice of Revision or Disallowance shall constitute a Proven Claim.

44. Upon receipt of a Notice of Dispute, the Company may (i) with the consent of the Monitor, attempt to consensually resolve the classification and amount of the Post-Filing Claim with the Creditor, or (ii) bring an application before the Court if it deems appropriate in the circumstances and if the creditor does not file an application in these CCAA proceedings as required in the Notice of Dispute, to determine the classification and/or amount of the Post-Filing Claim.

45. If the Company and the creditor consensually resolve the classification and amount of the Post-Filing Claim, the Applicant may accept, with the consent of the Monitor, a revised Post-Filing Claim, and such Post-Filing Claim will constitute a Proven Claim.

US SUBSEQUENT CLAIMS PROCEDURE

46. The Company and the Monitor are working with US counsel to prepare a subsequent claims procedure (the "US Subsequent Claims Procedure") that will address post-filing claims in GI, GESI US and Holdings. Approval of this process will be sought from the US Court as soon as practicable.

COMPARISON OF CASH FLOW PROJECTION TO ACTUAL RESULTS

47. Attached as Appendix "A" is a summary of the Company's actual receipts and disbursements for the Reporting Period with an analysis of variances from the cash flow forecast previously provided in the Seventh Report. A summary budget to actual analysis is provided in the table below:

GASFRAC — Table 1
Forecast (Seventh Report) to Actual Results
For the Period of May 2 - June 19, 2015
$000 CAD, unaudited

	Forecast	Actuals	Variance ($)
Opening Net Cash Position	30,268	30,268	
Cash Receipts	10,680	7,089	(3,591)
Cash Disbursements	(2,616)	(2,440)	176
Effect of Foreign Exchange	-	(604)	(604)
Net Cash Flows	8,064	4,045	
Ending Net Cash Position	38,332	34,313	

48. Opening net cash during the forecast period is comprised of the Company's cash balances and cash held by the Monitor and the Monitor's counsel.

49. As set out in the table above, GASFRAC's total receipts for the Reporting Period were approximated $7.1 million, which is $3.6 million lower than forecasted. The variance is primarily as a result of delay in collection of accounts receivable from two major customers.

50. GASFRAC's disbursements were $2.4 million during the Reporting Period compared to forecasted disbursements of $2.6 million. This variance results from lower than forecast administrative expenditures and professional fees.

51. The ending net cash balance as at June 19, 2015, was $34.3 million. The Monitor holds $1.44 million in trust for the Company's secured lender pending the decision from a Court application as to the applicability of the secured lender's claim for an early termination fee. The application was heard April 24, 2014 by this Court and the decision was reserved.

52. The ending cash balance of $34.3 million is comprised of:

a) cash held by the Monitor of $24 million of which $1.44 million is in trust for the secured lender as discussed above;

b) cash held by the Monitor's legal counsel of $2 million in respect of certain potential U.S. tax payment obligations; and

c) cash held by the Company of $8.3 million.

CASH FLOW PROJECTION

53. The Company, with the assistance of the Monitor, has prepared the Cash Flow Projection for the Forecast Period based on the most current information available. The following is a summary of the Cash Flow Projection:

GASFRAC	Table 2
Consolidated Cash Flow Projection	
For the Period of June 20 - October 2, 2015	
$000 CAD, unaudited	
Opening Net Cash Position	30,268
Cash Receipts	
Canada	3,999
US	978
Total Cash Receipts	4,977
Cash Disbursements	
Canada	(1,384)
US	(1,072)
Total Cash Disbursements	(2,456)
Net Cash Flows	2,521
Ending Net Cash Position	32,789

54. As summarized above, GASFRAC is projecting $5.0 million in cash receipts against cash disbursements of $2.5 million, resulting in a net increase in cash of $2.5 million during the Forecast Period.

55. Significant assumptions made by GASFRAC's management with respect to the Cash Flow Projection are:

   a) Cash receipts forecast reflect collections from customers for work that has been completed plus approximately $3 million in funds from the STEP Transaction which were held back subject to the satisfactory inspection of equipment. The cash receipts do not include the $1.5 million Calfrac Contribution (as defined in the Seventh Report); and

   b) Cash disbursements include head office costs and costs associated with a significantly reduced workforce to manage the administration of the Company through to the completion of the CCAA proceedings. Disbursements also include payment of professional fees related to the ongoing CCAA proceedings. The cash disbursements do not include any distributions contemplated under the Plan.

56. The Monitor has reviewed the assumptions supporting the Cash Flow Projection and believes the assumptions to be reasonable.

THE COMPANY'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

57. Pursuant to the Initial Order, as amended, the Stay Period expires on July 6, 2015. GASFRAC is seeking an extension of the Stay Period up to and including September 30, 2015 (the "Stay Extension").

58. It is the Monitor's view that the Stay Extension is necessary to allow the Company to complete the Implementation of the Plan, the administration of the Original Claims Process, US Claims Process, Canadian Subsequent Claims Procedure and US Subsequent Claims Procedure.

59. As shown in the Cash Flow Projection, the Company will have adequate financial resources to finance its limited operations during the Stay Extension.

60. In the Monitor's view, GASFRAC continues to act in good faith and with due diligence.

RECOMMENDATIONS

61. The Monitor respectfully recommends that the Court approve:

a) GASFRAC's motion for the sanctioning of its Plan on the basis that:

i. Notice of the Creditors' Meeting held to approve the Plan was duly given and the Creditors' Meeting was duly constituted;

ii. The Plan is fair and equitable, as analyzed in the Monitor's Seventh Report;

iii. GASFRAC's Affected Creditors, voting in person or by proxy at the Creditors' Meeting, approved the Plan by a majority in excess of the majority required by the CCAA; and

iv. to the best of the Monitor's knowledge, GASFRAC has complied with all statutory requirements of the CCAA and all previous orders of the Court and has not done or purported to do anything which is not authorized by the CCAA;

b) the Subsequent Claims Procedure;

c) the deletion of the GSGP Class and the waiver of quorum for the Holdings and GESI US Classes; and

d) the Stay Extension.

Dated at Calgary, this 22nd day of June, 2015.

ERNST & YOUNG INC.
in its capacity as Court-Appointed
Monitor of GASFRAC and not in
its personal or corporate capacity

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

Cassie Riglin, CA
Manager

Appendix A

GASFRAC Energy Services Inc.
Forecast to Actual Results
$000 CAD, unaudited

May 2 - June 19, 2015

	Forecast	Actuals	Variance ($)	Variance (%)	Notes
Opening Net Cash Position	30,268	30,268			
Cash Receipts					
Canada	1,708	1,459	(249)	-15%	
US	8,972	5,630	(3,343)	-37%	
Total Cash Receipts	10,680	7,089	(3,591)	-34%	1
Cash Disbursements					
Canada	(1,985)	(1,766)	219	-11%	
US	(631)	(675)	(44)	7%	
Total Cash Disbursements	(2,616)	(2,440)	176	-7%	
Effect of Foreign Exchange		(604)			2
Net Cash Flows	8,064	4,045			
Ending Net Cash Position	38,332	34,313			3

Notes

1 Cash receipts are below forecast by $3.6 million primarily as a result of payments from BBOG and Chesapeake being deferred. Approximately $2.9 million USD of US accounts receivable remain outstanding.

2 The cash flows have been impacted by changes in foreign exchange rates as a result of the fluctuation in the CAD to USD exchange rate.

3 The ending net cash balance reflects the full repayment of the Company's secured lender on April 2, 2015. The ending cash balance is comprised of:

Cash held in trust by the Monitor	23,967
Cash held in trust by the Monitor's counsel	2,000
Cash held by the Company	8,346
Total	34,313

Approximately $3.4 million of the amounts held in trust are held pending the resolution of disputed payments.

Appendix B

GASFRAC Energy Services Inc.
Consolidated Weekly Cash Flow
$000 CAD, unaudited

	Notes	26-Jun-15	3-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15	7-Aug-15	14-Aug-15	21-Aug-15	28-Aug-15	4-Sep-15	11-Sep-15	18-Sep-15	25-Sep-15	2-Oct-15	Total
Opening Net Cash Position	1,2	30,268	33,428	33,535	34,085	34,083	33,758	33,745	33,743	33,507	33,505	33,279	33,264	33,029	33,027	32,791	30,268
Cash Receipts																	
Canada	3	3,551	388	60	-	-	-	-	-	-	-	-	-	-	-	-	3,999
US	4	-	-	978	-	-	-	-	-	-	-	-	-	-	-	-	978
Total Cash Receipts		3,551	388	1,038	-	-	-	-	-	-	-	-	-	-	-	-	4,977
Cash Disbursements	5																
Canada		(187)	(150)	(365)	(3)	(203)	(13)	(3)	(113)	(3)	(103)	(15)	(113)	(3)	(113)	(3)	(1,384)
US		(204)	(131)	(123)	-	(123)	-	-	(123)	-	(123)	-	(123)	-	(123)	-	(1,072)
Total Cash Disbursements		(391)	(281)	(488)	(3)	(325)	(13)	(3)	(235)	(3)	(225)	(15)	(235)	(3)	(235)	(3)	(2,456)
Net Cash Flows	6	3,160	107	550	(3)	(325)	(13)	(3)	(235)	(3)	(225)	(15)	(235)	(3)	(235)	(3)	2,521
Ending Net Cash Position	7	33,428	33,535	34,085	34,083	33,758	33,745	33,743	33,507	33,505	33,279	33,264	33,029	33,027	32,791	32,789	32,789
Accounts Receivable		3,631	3,631	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	

Notes

1 The opening cash balance is comprised of:

Cash held in trust by the Monitor	23,967
Cash held in trust by the Monitor's counsel	2,000
Cash held by the Company	8,346
Total	34,313

Approximately $3.4 million of the amounts held in trust are held pending the resolution of disputed payments.

2 The estimated FX rate for the forecast period is 1.22 which reflects the current Canadian dollar exchange rate.

3 Canadian cash receipts include collection of a deposit of approximately $500,000 with HSBC for credit cards which were cancelled, collection of the amount held in trust by the Company's legal counsel for employee bonus payments which the company has made and the receipt of approximately $3 million from STEP which was held back from the sale transaction pending satisfactory review of the remaining equipment comprising the transaction. The Company anticipates the payment from STEP may be higher.

4 US cash receipts are comprised of the collection of approximately $0.8 million USD in receivables from work completed for Chesapeake Energy Corp. Collection of the remaining balance owed by BBOG of approximately $2.1 million USD is not included in the above but to uncertainty of timing.

5 Cash disbursements are comprised primarily of professional fees.

6 Net cash flows in the Forecast show a positive net cash flow of approximately $2.6 million as a result of primarily incurring lower administration costs while collecting receivables.

7 This cash flow shows that there are no additional financing needs expected to close GASFRAC's corporate transaction.