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	**ELEVENTH REPORT OF THE MONITOR** **December 4, 2019**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** ERNST & YOUNG INC. 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Peter Chisholm Telephone: 403-206-5106 Fax: 403-206-5075 Email: peter.chisholm@ca.ey.com **COUNSEL** 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

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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 March 26, 2015, this Honourable Court approved a restructuring transaction with Calfrac Well Services, Ltd. which is described further in the sixth report of the Monitor dated June 24, 2015. On June 24, 2015, this Honourable Court sanctioned and approved a restructuring plan.

4. The purpose of this eleventh report of the Monitor (the "**Eleventh Report**") is to provide the Court with a recommendation regarding the corporate revival of GSGP.

5. Capitalized terms not defined herein are as defined in the Initial Order.

BACKGROUND

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

TERMS OF REFERENCE

7. In preparing this Eleventh Report, the Monitor been provided with, and has relied upon unaudited financial information, Company records and discussions with management of the Company.

8. Capitalized terms not defined herein are as defined in the Initial Order or the Plan.

CORPORATE REVIVAL

9. As discussed previously in the ninth and tenth reports of the Monitor dated March 8, 2017 and February 12, 2019, respectively, the remaining Canadian claim relates to the BC Minister's entitlement to tax proceeds in respect of Motor Fuel Tax and Provincial

Sales Tax ("PST") arising in connection with GASFRAC's business in British Columbia ("**BC**").

10. The BC Minister assessed GASFRAC on the basis that GASFRAC was required to self-assess and pay motor fuel tax and PST on the fracturing gel that GASFRAC brought into the province of BC in the course of its business.

11. It is GASFRAC's position that it was exempt from paying motor fuel tax and PST on the fracturing gel as GASFRAC brought the liquefied petroleum gas, propane, gellant, nitrogen, and sand/proppant into British Columbia that was then processed, fabricated, manufactured into the fracturing gel that was then sold at a "retail sale" (as that term is defined under the Provincial Sales Tax Act SBC 2012, c 35) to its customers in BC.

12. The dispute between the BC Minister and GASFRAC concerns whether GASFRAC is liable to the BC Minister for motor fuel tax and PST, with interest thereon (the "**Tax Litigation**"). The Tax Litigation is being heard by way of petitions to the BC Supreme Court. Counsel for the BC Minister ("**BC Counsel**") identified a defect to the proceedings, namely that the petitioner's general partner, GSGP, was dissolved prior to the filing of the petitions.

13. Should GASFRAC be ultimately successful in the Tax Litigation, the motor fuel tax and PST assessments will be reduced accordingly and GASFRAC will be entitled to a refund (with interest thereon) of the motor fuel tax and PST that GASFRAC has paid to the BC Minister, and the Cash Pool will be increased accordingly, net of fees, applicable taxes and expenses of tax counsel for the Monitor in pursuing the Tax Litigation.

14. The Monitor will then distribute the remaining funds in the Cash Pool pursuant to the terms of the Plan upon resolution of the Tax Litigation.

RECOMMENDATION

15. The Monitor respectfully recommends that the Court approve the corporate revival of GSGP pursuant to the *Business Corporations Act* (Alberta).

Dated at Calgary, this 4th day of December, 2019.

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

Peter Chisholm, CPA, CA, CIRP, LIT
Senior Vice President