COURT FILE NUMBER	1501-00396	Clerk's Stamp
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	**SECOND REPORT OF THE MONITOR** **JANUARY 22, 2015**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** 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 **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 of this Honourable Court (the "Initial Order").

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

3. On January 16, 2015, GASFRAC sought and obtained a Temporary Restraining Order ("TRO") from the United States Bankruptcy Court for the Western District of Texas, San Antonio Division pursuant to which the terms of the Initial Order are given full force and effect in the United States. The TRO allows the Company to seek a foreign recognition order of the Initial Order which hearing is currently scheduled for January 30, 2015.

4. The purpose of this second report of the Monitor (the "Second Report") is to provide this Honourable Court with the Monitor's comments with respect to the following:

   a) the Company's negotiations with its senior secured lender;

   b) the Company's forecast to actual cash flow results for the period January 15, 2015 to January 16, 2015 (the "Reporting Period");

   c) the Company's cash flow projection (the "Cash Flow Projection") for the period January 17, 2015 to March 20, 2015 (the "Forecast Period");

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

   e) the Monitor's recommendations.

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

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

BACKGROUND

7. GASFRAC is an oilfield services company providing both conventional and waterless oil and gas well hydraulic fracturing services to major oil and gas companies in both Canada and the United States.

8. As a result of a combination of continuing negative operating results, limited access at the present time to capital markets for junior issuers such as the Company, reduced industry activity resulting from depressed petroleum and natural gas commodity prices and the inability of the Company to obtain a suitable offer for the purchase of the Corporation or its assets after a strategic alternative process that would satisfy all of the Corporation's existing financial obligations, both secured and unsecured, the Corporation was unable to restructure its affairs in an adequate manner, and after careful consideration of all other available alternatives, the board of directors of the Corporation determined that it was in the best interests of the Corporation and all of its stakeholders to file for an application for creditor protection under the CCAA.

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

TERMS OF REFERENCE

10. In preparing this Second 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. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

NEGOTIATIONS WITH SENIOR SECURED LENDER

11. Under the terms of the Initial Order and the interim forbearance agreement between the company and PNC Bank – Canada Branch ("PNC" or the "Secured Lender"), the Company presently has a credit facility in place with a borrowing limit of $34.5 million (the "Credit Facility").

12. The Monitor understands that the Company and PNC are in ongoing negotiations regarding the terms of a more fulsome forbearance agreement (the "Proposed Forbearance Agreement").

13. The most recent version of the Proposed Forbearance Agreement permits the Company, subject to certain conditions, the opportunity to continue operations and to undertake a sale and investment solicitation process ("SISP") in an effort to maximize value for all stakeholders under these CCAA proceedings. As referenced in the Monitor's First Report (January 20, 2015), it is contemplated that CIBC World Markets will serve as "Financial Advisor" to market the assets of the Company as a going concern.

14. The Monitor understands that, while considerable progress has been made, the Company and PNC remain in ongoing negotiations regarding certain terms of both the Proposed Forbearance Agreement and a SISP.

15. In reviewing the terms of the most recent draft of the proposed SISP, it is the Monitor's view that although the timeline for completion is condensed, the proposed SISP provides reasonable market exposure and will balance the needs of all stakeholders.

16. The Monitor, subject to the ongoing negotiations between the Company, is supportive of a SISP in the circumstances. The Monitor recognizes the importance of implementing a SISP as soon as possible in order to expose the assets to the market and to capitalize on the increased volume of interest as a result of these CCAA proceedings.

PROPOSED FORBEARANCE AGREEMENT AND PROPOSED SISP

17. Under the terms of the Proposed Forbearance Agreement, the borrowing limit of the Credit Facility will be increased to $40 million. That increase coincides with the bid deadline contemplated in the most recent version of the SISP (the "Bid Deadline") and 'Week 7' in the Cash Flow Projection as attached as Appendix "A" to this Second Report.

18. At the Bid Deadline, based on the offers that are presented at that time, the Company and the Secured Lender will be in a position to assess whether or not a Successful Offer (as defined in the proposed SISP) is sufficient to repay the Secured Lender and any priority charges. At that stage of the process, a decision will also be made as to

whether the Company will continue its operations past 'Week 7' of the Cash Flow Projections while it negotiates a final transaction. The Company and the Financial Advisor have advised the Monitor that they are of the view that the Successful Offer will exceed the Secured Lender's debt and the priority charges created in these CCAA proceedings.

19. As indicated below, as of Week 8 of the Cash Flow Projection, the Company will require further financing ("Additional Financing") over and above the $40 million agreed to under the Proposed Forbearance Agreement to allow the Company to continue to operate and to close a transaction under the proposed SISP.

20. If operations continue past 'Week 7' of the Cash Flow Projection, it is anticipated that any decision to continue operations will be made in conjunction and with the support of the Secured Lender as the SISP will have generated an Successful Offer that justifies the Additional Financing and has an acceptable level of closing risk. An amendment to the Proposed Forbearance Agreement or other measures to secure the Additional Financing would be necessary at that time.

COMPARISON OF CASH FLOW PROJECTION TO ACTUAL RESULTS

21. Attached as Appendix "B" to this Second Report 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 (the "Initial Forecast") previously provided to this Honourable Court in the January 13 McLeod-Hill Affidavit. A summary budget to actual analysis is provided in the table below:

GASFRAC Energy Services Inc. Forecast to Actual Results $000 CAD, unaudited			Table 1
	For the Period:		
	15 Jan 2015 to 16 Jan 2015		
	Forecast	Actual	Variance
Opening Net Cash Position	1,500	(32,393)	
Cash receipts	2,193	1,030	(1,163)
Cash disbursements	(3,134)	-	3,134
Net Cash Flows	(942)	1,030	
Ending Net Cash Position	558	(31,364)	
Forecast Net Cash	(32,942)		
Accounts Receivable	9,889	13,002	3,113

22. Opening cash during the forecast period was assumed to be the cash held at HSBC for security against the Company's credit card facility. For a more complete illustration of the 'Cash' position, the actual opening net cash position has been shown as the balance of the credit facility net of cash on hand less outstanding cheques.

23. As set out in the table above, GASFRAC's total receipts for the Reporting Period were approximated $1.03 million, which is $1.16 million lower than the Initial Forecast. The variance is a result of deferral of payment by one of GASFRAC's customers who has since confirmed its intention to process the payment during the week ending January 23, 2015.

24. GASFRAC made no disbursements during the Reporting Period totalled compared to forecasted disbursements of $3.13 million. The variance results primarily from the timing of the CCAA filing. The majority of critical disbursements were delayed due to timing and have been included in the cash disbursements during the Forecast Period.

25. The ending net cash balance, as described above, as at January 16, 2015 was $(31.364) million (i.e. the amount due to the Secured Lender net of cash held by the Company).

CASH FLOW PROJECTION

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

GASFRAC Energy Services Inc.	Table 2
Revised Consolidated 9 Week Cash Flow	
For the Period January 17 - March 20, 2015	
$000 CAD, unaudited	
Opening Net Cash Position	(31,364)
Cash Receipts	
Canada	7,281
US	11,278
Total Cash Receipts	18,559
Cash Disbursements	
Canada	(10,772)
US	(15,127)
Total Cash Disbursements	(25,899)
Net Cash Flows	(7,340)
Ending Net Cash Position	(38,703)
Opening Net Cash Position	(31,364)
Ending Net Cash Position	(38,703)
Forecast Period Financing Need	**(7,340)**
Accounts Receivable	24,905

27. As summarized above, GASFRAC is projecting $18.6 million in cash receipts against cash disbursements of $25.9, resulting in a net decrease in cash of $7.3 million (which must be financed) during the Forecast Period.

28. The Monitor notes that although the financing requirement shown above is $7.3 million, the Company will require up to $12.3 million of financing during the Forecast Period as shown in Appendix A, Week 9.

29. The Monitor notes that the net decrease in cash is the result of expenditures required to continue operations and complete the work committed to by the Company's customers. By completing this work over the Forecast Period, the Company anticipates a build of accounts receivable and considerable margin over the costs to be incurred. It is forecasted that accounts receivable will be $24.9 million at the end of the Forecast Period.

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

    a) Cash receipts forecasted are consistent with the Initial Forecast with the only adjustments being for timing of such receipts; and

    b) Cash disbursements are higher than presented in the in the Initial Forecast as a result of additional professional fees resulting from the ongoing negotiations with the Senior Lender with respect to a forbearance agreement and the SISP.

31. As discussed above, the weekly Cash Flow Projection in Appendix A indicates that GASFRAC will require financing over and above the $40 million negotiated under the Forbearance Agreement if operations continue past 'Week 7' of the Cash Flow Projection.

32. 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

33. Pursuant to the Initial Order, as amended, the Stay Period expires on February 9, 2015. GASFRAC is seeking an extension of the Stay Period up to and including March 18, 2015 (the "Stay Extension").

34. It is the Monitor's view that the Stay Extension is necessary to allow the Company to execute a Forbearance Agreement and SISP as described above. The Monitor recognizes that Additional Financing will likely be required during the period covered under the Stay Extension and understands the Company will seek the necessary approval of this Honourable Court surrounding the Additional Financing, if required.

35. In the Monitor's view, GASFRAC is acting in good faith and with due diligence.

RECOMMENDATIONS

36. The Monitor respectfully recommends that this Honourable Court approve:

a) the SISP; and

b) the Stay Extension.

Dated at Calgary, this 22nd day of January, 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.
Revised Consolidated 9 Week Cash Flow
$000 CAD, unaudited

	Notes	Week 2 23-Jan-15	Week 3 30-Jan-15	Week 4 6-Feb-15	Week 5 13-Feb-15	Week 6 20-Feb-15	Week 7 27-Feb-15	Week 8 6-Mar-15	Week 9 13-Mar-15	Week 10 20-Mar-15	Total
Opening Net Cash Position	1	(31,364)	(33,128)	(33,731)	(33,453)	(35,764)	(37,741)	(39,288)	(41,997)	(43,618)	(31,364)
Cash Receipts	2										
Canada		780	490	804	-	-	500	-	-	4,707	7,281
US		2,057	3,403	2,764	-	-	-	696	-	2,357	11,278
Total Cash Receipts		2,838	3,893	3,568	-	-	500	696	-	7,064	18,559
Cash Disbursements	3										
Canada		(2,473)	(1,026)	(941)	(1,118)	(608)	(859)	(1,531)	(1,258)	(957)	(10,772)
US		(2,129)	(3,469)	(2,348)	(1,194)	(1,369)	(1,188)	(1,874)	(363)	(1,193)	(15,127)
Total Cash Disbursements		(4,602)	(4,496)	(3,290)	(2,312)	(1,977)	(2,047)	(3,405)	(1,621)	(2,150)	(25,899)
Net Cash Flows		(1,764)	(603)	278	(2,312)	(1,977)	(1,547)	(2,709)	(1,621)	4,914	(7,340)
Ending Net Cash Position	4	(33,128)	(33,731)	(33,453)	(35,764)	(37,741)	(39,288)	(41,997)	(43,618)	(38,703)	(38,703)
Cumulative Net Financing Needs	5	(1,764)	(2,367)	(2,089)	(4,401)	(6,378)	(7,925)	(10,633)	(12,254)	(7,340)	(7,340)
Projected credit facility limit		34,500	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Available credit (required additional financing)		1,372	6,269	6,547	4,236	2,259	712	(1,997)	(3,618)	1,297	1,297
Accounts Receivable	6	11,358	14,588	13,992	17,414	22,656	22,656	24,049	28,697	22,507	

Notes

1 Estimated FX rates for the forecast period is 1.1608.

2 Cash receipts have only been changed to reflect timing differences.

3 Cash disbursements have been revised to reflect timing differences, additional COD cartage fees, additional professional fees and US property taxes have been readded.

4 The increased need for financing over the Forecast Period is driven by the assumption that there is a going concern sale as a result of the SISP. The cash injection needed during the Forecast Period is driven by a working capital build as evidenced by the building AR throughout the Forecast Period.

6 The Cumulative Net Financing Needs amount represents the total financing the Company will require above and beyond its Opening Net Cash Position

5 Fees associated with any forbearance agreement including forbearance fees, interest payments and professional fees are NOT included in this cash flow forecast.

7 In addition to the 'Ending Net Cash Position' as shown above the following proposed charges are NOT captured within the Forecast Period and would be payable as a backstop if the expenses were incurred and not funded during the Forecast Period:

Administration	1,500,000	- note this amount includes CIBC
Critical Suppliers	1,100,000	
D&O	1,850,000	- note this is the company's estimate of the maximum exposure at any given time during the Forecast Period
	$4,450,000	

Note: The KERP amount of $825k and the Employee Bonus of $1m has been fully funded during the Forecast Period, therefore not shown in this analysis.

APPENDIX B

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

	For the Period: 15 Jan 2015 to 16 Jan 2015			
	Forecast	**Actual**	**Variance**	**Note**
Opening Net Cash Position	1,500	(32,393)		2
Cash Receipts				
Canada	581	703	122	3
US	1,612	327	(1,285)	4
Total Cash Receipts	2,193	1,030	(1,163)	
Cash Disbursements				
Canada	(2,381)	-	2,381	5
US	(754)	-	754	5
Total Cash Disbursements	(3,134)	-	3,134	
Net Cash Flows	(942)	1,030		
Ending Net Cash Position	558	(31,364)		
Forecast Net Cash	(32,942)			6
Accounts Receivable	9,889	13,002	3,113	

Notes to the cash flow Forecast to Actual on the following page.

Notes

1 Estimated FX rates for the forecast period is 1.1608.

2 Opening cash during the forecast period was assumed to be the cash held at HSBC for security against the Company's credit card facility. As a result of the uncertaintly of the availability of funds under the credit facility, it was assumed the Company would be forced to cancel the credit cards and have HSBC to return these funds in order to fund immediate COD vendor payments. As an interim arrangement was reached with PNC, this step was not necessary and the Company maintains the use of its credit cards in its operations, primarily to aid in the payment of vendors with COD terms to continue operations in a timely mannner. For a more accurate illustration of the 'Cash' position, the actual opening cash balance has been shown as the balance of the credit facility net of cash on hand less outstanding cheques.

3 Canadian cash receipts had a positive variance of $122k as a result of the collection of AR from Longhorn of $565k that was not anticipated in the Reporting Period, partially offset by AR from Corridor of $443k that was not received as anticipated during the Reporting Period, but is forecasted to be received in the Forcast Period.

4 US cash receipts had a negative variance of $1.28m CAD as a result AR from BBOG of $1.39m USD that was not received as anticipated during the Reporting Period, partially offset by the collection of AR from Fidelity of $282k USD that was not anticipated in the Reporting Period. The Company notes that subsequent to the Reporting Period, BBOG paid the majority of this AR balance.

5 No cash disbursments were made in the Reporting Period; these timing differences have been captured in the Revised Forecast Period.

6 The ending net Forecast Net Cash Position assumes that the Company's credit facility was drawn to $33.5 million on its filing date and adds the net cash flows and the $1.5 million referenced in note 2 to that amount for comparison to the Ending Net Cash Position.