Form 27
[~~Rules 6.3 and 10.52(1)~~]

CLERK OF THE COURT
FILED
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JAN 20 2015
CALGARY, ALBERTA

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	**APPLICATION BY GASFRAC GROUP OF COMPANIES**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Josef G.A. Kruger, Q.C./Robyn Gurofsky Borden Ladner Gervais LLP 1900, 520 3rd Ave. S.W. Calgary, AB T2P 0R3 Telephone: (403) 232-9774 Facsimile: (403) 266-1395 Email: JKruger@blg.com/RGurofsky@blg.com File No. 441817-000015

NOTICE TO RESPONDENTS

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the master/judge.

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

Date	January 21, 2015
Time	2:00 o'clock p.m.
Where	Calgary Courts Centre, 601-5th Street S.W., Calgary, AB
Before Whom	The Honourable Justice K.M. Eidsvik

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. The Applicants seeks the following relief from this Honourable Court:

   (a) An Order,

   (i) Deeming service of this Application to be good and sufficient,

   (ii) Extending the stay of proceedings to PNC Bank Canada Branch or its assignee (the "**Secured Lender**") on the terms and conditions set out in a Forbearance Agreement negotiated between the Applicants and the Secured Lender; or

   (iii) Alternatively, if no Forbearance Agreement is negotiated, an order extending the stay of proceedings to the Secured Lender on the terms and conditions set out in the initial order granted in these proceedings on January 15, 2015 (the "**Initial Order**"), as may be amended from time to time and approving the terms of an interim financing arrangement with a third party, together with an interim financing charge ("**Interim Financing Charge**") ranking in priority to the Secured Lender and all other charges created pursuant to the Initial Order, save and except for the Administration Charge;

   (iv) Approving the Sales and Investment Solicitation Process (the "**SISP**") described the Affidavit of Lori McLeod-Hill sworn January 20, 2015 (the "**Jan 20 Affidavit**");

   (v) Approving the Key Employee Retention Program ("**KERP**") and priority KERP charge, the Employee Bonus and the Employee Bonus escrow account, as more particularly described in the Affidavit of Lori McLeod-Hill and the Confidential Affidavit of Lori McLeod-Hill, both sworn and filed in these proceedings on January 13, 2015, and the Confidential Supplemental Report of the Monitor dated January 20, 2015;

   (vi) Increasing the Directors' Charge as defined in the Initial Order from $1,400,000 to $1,850,000 and amending the priority of the Directors' Charge such that it ranks ahead of the Secured Lender;

   (vii) Adding CIBC World Markets Inc. (the "**Financial Advisor**") as a beneficiary to the Administration Charge (as defined in the Initial Order) and increasing the Administration Charge from $500,000 to $1,500,000 to reflect the inclusion of the Financial Advisor's fees incurred pursuant to the Renewed Engagement Letter approved by the Court on January 16, 2015; and

   (viii) Extending the stay of proceedings granted in the Initial Order from February 9, 2015 to March 18, 2015.

2. Such further and other relief Counsel may advise and this Honourable Court permit.

Grounds for making this application:

3. The Applicants sought and obtained the Initial Order pursuant to the CCAA on January 15, 2015.

4. The Applicants have been working diligently and in good faith to negotiate the terms of a forbearance agreement with the Secured Lender that would allow the Applicants time to undertake the proposed SISP and devise a plan of compromise or arrangement for the benefit of the Applicants' stakeholders. It is important that the Secured Lender be included in the stay of proceedings established in the Initial Order, pursuant to the terms of the negotiated forbearance agreement, to facilitate such compromise or arrangement in this restructuring process.

5. If the forbearance agreement is not finalized by the date and time of the within application, the Applicants will ask the Court to apply the stay of proceedings to the Secured Lender and will seek approval of an alternative arrangement for interim financing with a third party, together with the related priority interim financing charge required by the interim lender in advance of financing. As noted from the cash flow projections, interim financing is necessary to carry the Applicants through the forecast period, during which time the Applicants intend to undertake a SISP with the assistance of the Monitor and the Financial Advisor.

6. The Applicants have been working diligently with the Monitor and the Financial Advisor on the terms of the SISP, which are generally set out in the Jan 20 Affidavit and which the Applicants wish to implement to generate a possible sale, restructuring or recapitalization of all or a portion of the Applicants' business and/or assets, which could form the basis for a plan of compromise or arrangement in these proceedings.

7. In order to continue operations thereby allowing the Applicants an opportunity to restructure their business and affairs, it is necessary for the Applicants to implement a plan to induce their key employees critical to the ongoing operations to remain employed throughout the proposed restructuring period. In that regard, the proposed KERP and Employee Bonus are designed to provide that necessary incentive to the employees, with the KERP charge and escrow account for the Employee Bonus intended to protect such payments.

8. Similarly, providing incentive to the Applicants' directors and officers is necessary for the ongoing success of the business. The amount of the Directors' Charge was calculated in the Initial Order on a 30 day basis and must be increased to provide adequate coverage over the CCAA proceedings.

9. The Renewed Engagement Letter setting out the terms of the engagement of the Financial Advisor was approved by the Court pursuant to an order dated January 16, 2015. In order to ensure the SISP is properly implemented, it is fair and reasonable to protect the fees of the Financial Advisor by including them as a beneficiary under the Administration Charge. By adding the Financial Advisor as a beneficiary under the Administration Charge, it is necessary to increase the charge to ensure it properly covers all of the beneficiaries, from $500,000 to $1,000,000 to cover the Financial Advisor's minimum fees approved by the Court in the Renewed Engagement Letter.

10. The Applicants have been acting in good faith and with due diligence in these proceedings. They require an extension of the stay of proceedings from February 9, 2015 to March 18, 2015 to allow the Applicants sufficient time to implement the SISP.

11. Such further and other basis as Counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

12. The Affidavit of Lori McLeod-Hill, sworn January 13, 2015;

13. The Confidential Affidavit of Lori McLeod-Hill, sworn January 13, 2015;

14. The Affidavit of Christopher Hind, sworn January 13, 2015;

15. The Confidential Affidavit of Lori McLeod-Hill, sworn January 14, 2015;

16. The Confidential Affidavit of Rhonda Lastockin sworn January 16, 2015;

17. The Affidavit of Lori McLeod-Hill sworn January 20, 2015;

18. First Report of the Monitor dated January 20, 2015;

19. Confidential Supplement to the First Report of the Monitor; and

20. Such further and other material as counsel may advise and this Honourable Court permit.

Applicable rules:

21. Alberta *Rules of Court*, AR 124/2010.

Applicable Acts and regulations:

22. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

23. *Judicature Act*, R.S.A. 2000, c. J-2.

24. Such further and other acts and regulations as Counsel may advise and this Honourable Court permit.

Any irregularity complained of or objection relied on:

25. None.

How the application is proposed to be heard or considered:

26. In person, before the Honourable Madam Justice K.M. Eidsvik, on affidavit evidence with some or all of the parties present.

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 to be heard or considered.