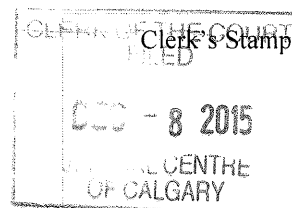


COURT FILE NUMBER      **1501-00681**  
COURT                      COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE        Calgary



**IN THE MATTER OF THE BANKRUPTCY AND  
INSOLVENCY OF CALMENA ENERGY SERVICES  
INC., CALMENA ENERGY HOLDINGS LTD.,  
CALMENA ENERGY SERVICES OPERATING  
LIMITED PARTNERSHIP, 1414995 ALBERTA LTD.,  
CALMENA ENERGY SERVICES USA CORP.,  
CALMENA DRILLING SERVICES LLC, CALMENA  
DRILLING SERVICES US LP, BW SERVICES  
LUXEMBOURG S.A.R.L., BWES SERVICES DE  
MEXICO, S. DE R.L. DE C.V., PAN AMERICAN  
DRILLING S. DE R.L. DE C.V., CALMENA  
ENERGY SERVICES DE MEXICO, S. DE R.L. DE  
C.V., CALMENA LUXEMBOURG HOLDING  
S.A.R.L.**

PLAINTIFF                      **HSBC BANK CANADA**

DEFENDANTS                **CALMENA ENERGY SERVICES INC., CALMENA  
ENERGY HOLDINGS LTD., CALMENA ENERGY  
SERVICES OPERATING LIMITED PARTNERSHIP,  
1414995 ALBERTA LTD., CALMENA ENERGY  
SERVICES USA CORP., CALMENA DRILLING  
SERVICES LLC, CALMENA DRILLING SERVICES  
US LP, BW SERVICES LUXEMBOURG S.A.R.L.,  
BWES SERVICES DE MEXICO, S. DE R.L. DE C.V.,  
PAN AMERICAN DRILLING S. DE R.L. DE C.V.,  
CALMENA LUXEMBOURG HOLDING S.A.R.L.**

**(collectively, the "Calmena Group")**

DOCUMENT

**APPLICATION: Approval of Sale**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT                      Patrick T. McCarthy, Q.C. / Jessica L. Cameron  
Borden Ladner Gervais LLP  
1900, 520 3<sup>rd</sup> Ave. S.W.  
Calgary, AB T2P 0R3  
Telephone: (403) 232-9715  
Facsimile: (403) 266-1395  
Email: [pmccarthy@blg.com](mailto:pmccarthy@blg.com) / [jcameron@blg.com](mailto:jcameron@blg.com)  
File No. 413255/000043

**NOTICE TO RESPONDENTS: See Service List, Schedule “A” to this Application**

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

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

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

|             |                                                                         |
|-------------|-------------------------------------------------------------------------|
| Date        | December 18, 2015                                                       |
| Time        | 11:00 a.m.                                                              |
| Where       | Calgary Courts Centre, 601-5 <sup>th</sup> Street S.W., Calgary Alberta |
| Before Whom | The Honourable C.M. Jones                                               |

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. Ernst & Young Inc., in its capacity as the court-appointed receiver and manager (the “**Receiver**”), of all the current and future property and undertakings of Calmena Energy Services Inc., Calmena Energy Holdings Ltd., Calmena Energy Services Operating Limited Partnership, 1414995 Alberta Ltd., Calmena Energy Services USA Corp., Calmena Drilling Services LLC, Calmena Drilling Services US LP (the “**Debtors**”), seeks an Order in substantially the form attached hereto as **Schedule “B”**, for the following relief:
  - (a) Deeming service of this Application together with all supporting materials to be good and sufficient, and abridging the time for service of said documents, if necessary;
  - (b) Approving the Receiver’s Interim Statements of Receipts and Disbursements for the period from January 20, 2015 to November 27, 2015;
  - (c) Approving an interim distribution from the estate to HSBC Bank Canada (“**HSBC**”), in the amount of \$9.0 million, and
  - (d) Approving such further distributions to HSBC as the Receiver determines reasonable, net of payment of those amounts required to complete the administration of the estate, up to the value of the HSBC Indebtedness (as defined below), without further Order of this Honourable Court.
2. Such further and other relief as counsel may advise and this Honourable Court deem just.

**Grounds for making this application:**

**Background**

3. The Receiver was appointed as receiver and manager of the Debtors pursuant to an Order of this Honourable Court dated January 20, 2015 (the “**Appointment Date**”), as amended on February 9, 2015 and May 20, 2015 (the “**Receivership Order**”).

4. On March 5, 2015, the within proceedings and the Receiver's appointment as receiver and manager of Calmena Energy Services USA Corp., Calmena Drilling Services LLC, and Calmena Drilling Services US LP, were formally recognized in the concurrent Chapter 15 Proceedings in the United States Bankruptcy Court for the Southern District of Texas (the "**U.S. Recognition Order**").
5. The Calmena Group's foreign subsidiaries in Mexico, namely: Calmena Mexico, BWES Services de Mexico, S. de R.L. de C.V., and Pan American Drilling, S. de R.L. de C.V. (collectively the "**Mexican Subsidiaries**") and Luxembourg, namely: BW Luxembourg and Calmena Luxembourg Holding S.A.R.L. ("**Calmena Luxembourg**") (together the "**Luxembourg Subsidiaries**"), were removed from the within receivership proceedings by Order of this Honourable Court on February 9, 2015 and are not otherwise in formal insolvency proceedings in those jurisdictions. The Mexican and Luxembourg Subsidiaries were removed from the Receivership Order as a result of the expense and delay associated with pursuing formal insolvency proceedings in those jurisdictions and upon the advice of local counsel in Mexico and Luxembourg respectively.
6. The Calmena Group's first secured creditor, HSBC, consented to the removal of the Mexican and Luxembourg Subsidiaries from the Receivership Order. Further, HSBC provided the Luxembourg Subsidiaries with standstill letters each dated January 29, 2015, confirming that it would not enforce its security against those entities at that time (the "**Standstill Letters**"). The Standstill Letters remain effective.
7. BW HR Pro, S. de R.L. de C.V. ("**BW Pro**") was never a part of the within Receivership proceedings; however, BW Pro is one of the Calmena Group's Mexican Subsidiaries.
8. The Receiver is in the process of effecting an orderly disposition of the business, assets and operations of both the Mexican and Luxembourg Subsidiaries by virtue of its control of Calmena Energy Services Inc., which is either directly or indirectly the parent company of all of the corporate entities comprising the Calmena Group, and with the co-operation of the respective directors of the Mexican and Luxembourg Subsidiaries.

#### **Receipts & Disbursements**

9. On May 21, 2015, the Receiver obtained an Order from the Honourable Justice C.M. Jones approving two separate purchase and sale agreements pursuant to which Turbo Drill Industries, Inc. and 1616057 Alberta Ltd. agreed to purchase substantially all of the Debtors' directional drilling assets located in Texas and Oklahoma, for a combined purchase price of approximately USD \$1.635 million, subject to certain post-closing adjustments (together the "**Turbo Drill & 161 Transaction**").

10. Completion of the final statement of adjustments under the Turbo Drill & 161 Transaction was originally scheduled for August 31, 2015 (the “**FSA Deadline**”). The parties mutually agreed to extend the FSA Deadline to November 30, 2015, at which time receipt of certain US property tax assessments (the “**Tax Assessments**”) was expected, such assessments being required to complete the final statement of adjustments pursuant to those agreements.
11. The Receiver received the Tax Assessments on or before November 30, 2015 in the claims process being administered through the Chapter 15 Proceedings in the United States. After a review of the Tax Assessments the Receiver determined that the property values stated therein, and used to calculate the taxes, were substantially greater than the market value for which the assets were sold. As a result, the Receiver determined that those Tax Assessments should be disputed. The parties have therefore agreed to extend the FSA Deadline further, until a final determination is reached regarding the Tax Assessments.
12. On September 30, 2015, the Receiver obtained an Order from the Honourable Justice C.M. Jones (the “**September 30<sup>th</sup> Order**”), approving an Asset Purchase Agreement pursuant to which GPA Energy, S.A. de C.V. agreed to purchase one of the Debtors’ drilling rigs located in Mexico, for a purchase price of approximately USD \$3.01 million, subject to certain post-closing adjustments (the “**GPA Transaction**”).
13. The Receiver has since completed the GPA Transaction, including the post-closing adjustments, and netted approximately USD \$3.0 million.
14. In addition, the September 30<sup>th</sup> Order also approved several asset purchase agreements and vehicle sale agreements pursuant to which Simmons Edeco Inc., or one or more of its affiliates, agreed to purchase the Debtors’ Mexican operations, for a purchase price of approximately USD \$3.5 million, subject to certain post-closing adjustments (the “**Simmons Transaction**”).
15. The Receiver has since completed the Simmons Transaction, including the post-closing adjustments, and netted approximately USD \$2.38 million.
16. In addition to the above transactions, the Receiver has also collected various accounts receivable due to the Debtors.
17. The Receiver has prepared a Statement of Receipts & Disbursements from January 20, 2015 to November 27, 2015, the Canadian dollar receivership account located at paragraph 30 and the U.S. dollar receivership account located at paragraph 33 of the Third Report of the Receiver, providing for total receipts, less disbursements, in the amount of CAD \$333,183 and approximately USD \$7.8 million (collectively the “**Net Receipts**”).

### **Creditor Position & Interim Distribution**

18. The Receiver has obtained an independent security review from Canadian counsel, MacPherson Leslie & Tyerman LLP, as well as from its US counsel, Norton Rose Fulbright LLP (together the “**Security Review**”), indicating that the security granted by the Calmena Group to HSBC constitutes valid and enforceable first charge security over all present and after acquired assets and undertakings of the Calmena Group. As of the Appointment Date, the Calmena Group owed HSBC approximately \$16.0 million (the “**HSBC Indebtedness**”).
19. The Security Review also indicates that Alpine Capital Corp. is the Calmena Group’s second secured creditor, having subordinated its interests to HSBC pursuant to an Inter-Lender Agreement, dated September 24, 2012.
20. Based on the Receiver’s review, it appears there will be insufficient assets in the Receivership to extinguish the debts owed to HSBC. As a result, it is unlikely there will be any funds available to the Calmena Group’s remaining creditors.
21. The Receiver proposes to distribute the amount of \$9.0 million to HSBC. The Interim Distribution will provide a sufficient reserve to fund other priority claims and the remaining administration of the Receivership.
22. Such further and other basis as Counsel may advise and this Honourable Court may permit.

### **Material or evidence to be relied on:**

23. The Receiver’s Third Report, dated December 7, 2015.
24. The pleadings and Receiver’s Reports previously filed in these proceedings.

### **Applicable rules:**

25. *Alberta Rules of Court*, AR 124/2010, and in particular Rules 1.3, 3.75, 6.3, 6.4, 11.27, 11.29 and 13.5.
26. *Bankruptcy and Insolvency General Rules*, and in particular Rules 3, 6 and 11.
27. Such further and other rules as Counsel may advise and this Honourable Court permit.

### **Applicable Acts and regulations:**

28. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, and in particular Part XI thereof.
29. Such further and other acts and regulations as Counsel may advise and this Honourable Court permit.

### **Any irregularity complained of or objection relied on:**

30. None.

**How the application is proposed to be heard or considered:**

31. In person, before the Honourable C.M. Jones, 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.

## Schedule "A"

COURT FILE NUMBER      **1501-00681**

COURT      **COURT OF QUEEN'S BENCH OF ALBERTA**

JUDICIAL CENTRE      **CALGARY**

IN THE MATTER OF THE BANKRUPTCY AND  
INSOLVENCY OF CALMENA ENERGY SERVICES  
INC., *et al.*

PLANTIFF      **HSBC BANK CANADA**

DEFENDANTS      **CALMENA ENERGY SERVICES INC., *et al.***

## SERVICE LIST

| Firm/Company                                                                                                                                             | Email                                                                                                                                          | Phone                            | Counsel For                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------------------|
| Borden Ladner Gervais LLP<br>1900, 520 – 3 <sup>rd</sup> Ave. SW<br>Calgary, AB T2P 0R3<br><b>Patrick T. McCarthy, Q.C.</b><br><b>Jessica L. Cameron</b> | <a href="mailto:pmccarthy@blg.com">pmccarthy@blg.com</a><br><a href="mailto:jcameron@blg.com">jcameron@blg.com</a>                             | (403) 232-9441<br>(403) 232-9715 | <b>Receiver,<br/>Ernst &amp; Young Inc.</b> |
| Ernst & Young Inc.<br>1000, 440 - 2nd Ave. SW<br>Calgary, Alberta T2P 5E9<br><b>Peter Chisholm</b><br><b>Neil Narfason for EY</b>                        | <a href="mailto:peter.chisholm@ca.ey.com">peter.chisholm@ca.ey.com</a><br><a href="mailto:neil.narfason@ca.ey.com">neil.narfason@ca.ey.com</a> | (403) 206-5061                   | <b>Receiver</b>                             |
| Fasken Martineau DuMoulin<br>LLP<br>3400, 350 - 7th Ave. SW<br>Calgary, AB T2P 3N9<br><b>Travis Lysak</b>                                                | <a href="mailto:tlysak@fasken.com">tlysak@fasken.com</a>                                                                                       | (403) 261-5501                   | <b>HSBC Bank Canada</b>                     |
| McCarthy Tétrault LLP<br>4000, 421 – 7th Ave. SW<br>Calgary, AB T2P 4K9<br><b>Sean F. Collins</b>                                                        | <a href="mailto:scollins@mccarthy.ca">scollins@mccarthy.ca</a>                                                                                 | (403) 260-3531                   | <b>Alpine Capital</b>                       |
| Field Law LLP<br>400 – 604 1 <sup>st</sup> Street SW<br>Calgary, AB T2P 1M7<br><b>Craig A. McMahon</b>                                                   | <a href="mailto:cmcmahon@fieldlaw.com">cmcmahon@fieldlaw.com</a>                                                                               | (403) 260-8595                   | <b>Calgary Foreign<br/>Exchange</b>         |

|                                                                                                                                                                                                  |                                                                              |                |                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------|
| <b>Scott W. Caine</b><br>Barrister & Solicitor<br><br>(For Courier Delivery)<br>3234 Parsons Road<br>Edmonton, AB T6H 5Y7<br><br>(For Mailing)<br>PO Box 76009 Southgate<br>Edmonton, AB T6H 5Y7 | <a href="mailto:cainelaw@shaw.ca">cainelaw@shaw.ca</a>                       | (780) 438-4111 | <b>Hi-Quality Machine &amp;<br/>Oilfield Repair Ltd.</b><br><b>(Writ Registered)</b> |
| DLA Piper (Canada) LLP<br>#1000, Livingston Place West<br>250 – 2 <sup>nd</sup> Street SW<br>Calgary, AB T2P 0C1<br><b>G. Brian Davison, Q.C.</b>                                                | * <a href="mailto:brian.davison@dlapiper.com">brian.davison@dlapiper.com</a> | (403) 294-3590 | <b>Counsel for Dyna-drill<br/>Technology LLC</b>                                     |

## **Schedule "B"**

COURT FILE NUMBER **1501-00681**

Clerk's Stamp

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE Calgary

**IN THE MATTER OF THE BANKRUPTCY AND  
INSOLVENCY OF CALMENA ENERGY SERVICES  
INC., CALMENA ENERGY HOLDINGS LTD.,  
CALMENA ENERGY SERVICES OPERATING  
LIMITED PARTNERSHIP, 1414995 ALBERTA LTD.,  
CALMENA ENERGY SERVICES USA CORP.,  
CALMENA DRILLING SERVICES LLC, CALMENA  
DRILLING SERVICES US LP, BW SERVICES  
LUXEMBOURG S.A.R.L., BWES SERVICES DE  
MEXICO, S. DE R.L. DE C.V., PAN AMERICAN  
DRILLING S. DE R.L. DE C.V., CALMENA  
LUXEMBOURG HOLDING S.A.R.L.**

PLAINTIFF **HSBC BANK CANADA**

DEFENDANTS **CALMENA ENERGY SERVICES INC., CALMENA  
ENERGY HOLDINGS LTD., CALMENA ENERGY  
SERVICES OPERATING LIMITED PARTNERSHIP,  
1414995 ALBERTA LTD., CALMENA ENERGY  
SERVICES USA CORP., CALMENA DRILLING  
SERVICES LLC, CALMENA DRILLING SERVICES  
US LP, BW SERVICES LUXEMBOURG S.A.R.L.,  
BWES SERVICES DE MEXICO, S. DE R.L. DE C.V.,  
PAN AMERICAN DRILLING S. DE R.L. DE C.V.,  
CALMENA LUXEMBOURG HOLDING S.A.R.L.**

**(collectively, the "Calmena Group")**

DOCUMENT **INTERIM DISTRIBUTION ORDER**

ADDRESS FOR SERVICE Patrick T. McCarthy, Q.C. / Jessica L. Cameron  
AND Borden Ladner Gervais LLP  
CONTACT INFORMATION 1900, 520 3<sup>rd</sup> Ave. S.W.  
OF Calgary, AB T2P 0R3  
PARTY FILING THIS Telephone: (403) 232-9715  
DOCUMENT Facsimile: (403) 266-1395  
Email: [pmccarthy@blg.com](mailto:pmccarthy@blg.com) / [jcameron@blg.com](mailto:jcameron@blg.com)  
File No. 413255/000043

**DATE ON WHICH ORDER WAS PRONOUNCED: December 18, 2015**

**LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta**

**NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice C.M. Jones**

**UPON** the Application of Ernst & Young Inc., in its capacity as the court-appointed receiver and manager, and not in its personal or corporate capacity (the “**Receiver**”), of all of the current and future property and undertakings of Calmena Energy Services Inc., Calmena Energy Holdings Ltd., Calmena Energy Services Operating Limited Partnership, 1414995 Alberta Ltd., Calmena Energy Services USA Corp., Calmena Drilling Services LLC, Calmena Drilling Services US LP (the “**Debtors**”), for an order approving interim distributions to be made from the within Receivership Estate; **AND UPON** having read the Application, the Receiver’s Third Report, dated December 7, 2015 (the “**Third Report**”), the Affidavit of Service of Debbie Gordon, filed (the “**Service Affidavit**”), and the pleadings and proceedings filed herein, including the receivership order granted on January 22, 2015, as amended on February 9, 2015 and May 20, 2015 (the “**Receivership Order**”); **AND UPON** hearing from counsel for the Receiver and any other interested party appearing at the Application;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. The time for service of notice of this Application is abridged to the time actually given and service of the Application and supporting material as described in the Service Affidavit is good and sufficient, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.
2. The Receiver’s Statement of Receipts and disbursements for the period January 20, 2015 to NTD, as more particularly set out at paragraph/Appendix NTD of the Third Report, is approved.
3. The Receiver is authorized to make an interim distribution to HSBC Bank Canada (“**HSBC**”) in the amount of \$9.0 million, and any further amounts that the Receiver determines may reasonably be distributed to HSBC, net of payment of any hold back amounts or those amounts required to complete the administration of the estate as more particularly outlined in the Third Report, up to the total amounts owing by the Calmena Group to HSBC (the “**Distribution**”).
4. The Receiver is further authorized and directed to take any act and execute any document that may be, in the opinion of the Receiver or its counsel acting reasonably, necessary to effect the Distribution.
5. The Receiver shall hold an amount sufficient to settle claims in priority to HSBC and to satisfy payments associated with the administration of the Debtors’ estate.

**Miscellaneous Matters**

6. This Court hereby requests the aid and recognition 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 or the legislature of any province or any court or any judicial, regulatory or administrative body of any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

7. Service of this Order shall be deemed good and sufficient by serving the same on:
  - (a) The persons listed on the Service List (as found at Schedule “A” to the Application); and
  - (b) By posting a copy of this Order on the Receiver’s website at: [www.ey.com/ca/calmena](http://www.ey.com/ca/calmena).
8. No other Persons are entitled to be served with a copy of this Order.
9. Service of this Order shall be deemed good and sufficient regardless of whether service is effected by PDF copy attached to an email, facsimile, courier, personal delivery or ordinary mail.

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Justice of the Court of Queen’s Bench of Alberta