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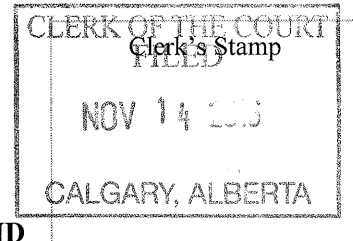
1501-00681

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 BY RECEIVER: Settlement Approval
& Discharge over U.S. Entities**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Jessica L. Cameron
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3
Telephone: (403) 232-9715
Facsimile: (403) 266-1395
Email: 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	November 23, 2016
Time	11:00 a.m.
Where	Calgary Courts Centre, 601-5 th Street S.W., Calgary Alberta
Before Whom	The Honourable Justice C.M. Jones (Commercial Court)

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 (collectively with the foregoing named corporations and partnerships, the “**Debtors**” or the “**Calmena Group**”), seeks an Order from this Honourable Court substantially in the form attached hereto as **Schedule “B”**:
 - (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 settlement agreement between the Receiver and Turbo Drill Industries Inc. (“**Turbo Drill**”), dated September 8, 2016 (the “**Settlement Agreement**”), and as attached as Appendix “A” to the Receiver’s Fifth Report, dated November 14, 2016 (the “**Fifth Report**”);
 - (c) Ratifying and Approving the Receiver’s activities set out in the Fifth Report and in all of its other reports filed herein, together with the Statement of Receipts and Disbursements as attached to the Fifth Report;
 - (d) Approving the accounts of the Receiver’s legal counsel, Norton Rose Fulbright LLP, for their fees and disbursements, as set out in the Fifth Report, without the necessity of a formal passing of its accounts;
 - (e) Discharging the Receiver as the court appointed Receiver of Calmena Energy Services (USA) Corp. (“**USA Corp.**”), Calmena Drilling Services LLC (“**Drilling LLC**”), and

Calmena Drilling Services US LP (“**Drilling LP**” and together with USA Corp. and Drilling LLC the “**Chapter 15 Debtors**”), and authorizing the Receiver to also seek a discharge with respect to the Chapter 15 Proceedings respecting Calmena Energy Services Inc. (“**CESI**”) in CESI’s Chapter 15 Proceedings;

- (f) Declaring that the Receiver has satisfied its obligations with respect to the Chapter 15 Debtors under and pursuant to the terms of the orders granted in the within proceedings, up to and including the date hereof;
 - (g) Authorizing the Receiver to make distribution of the residual funds in the receivership estate of the Chapter 15 Debtors, including CESI’s Chapter 15 Proceedings, to the Calmena Group’s first secured creditor being HSBC Bank Canada (“**HSBC**”); and
 - (h) Declaring that the Receiver is not liable for any act or omission on its part, including, without limitation, any act or omission pertaining to the discharge of its duties in relation to the Chapter 15 Debtors in the within proceedings, save and except the usual exclusions, and declaring that any claims against the Receiver in connection with the performance of its duties in relation to the Chapter 15 Debtors are stayed, extinguished and forever barred.
2. Such further and other relief as counsel may advise and this Honourable Court deem just.

Grounds for making this application:

Receivership 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, as amended on February 9, 2015 and May 20, 2015 (collectively, the “**Receivership Order**”).
- 4. On March 5, 2015, the within proceedings and the Receiver’s appointment as receiver and manager of the Chapter 15 Debtors and CESI were formally recognized in the concurrent proceedings in the United States Bankruptcy Court for the Southern District of Texas (the “**U.S. Recognition Order**”) under Chapter 15 of the United States Bankruptcy Code.
- 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 (“**BW Lux**”) and Calmena Luxembourg Holding S.A.R.L. (“**Calmena Luxembourg**”, together with BW Lux, the “**Luxembourg Subsidiaries**”), were removed from the within receivership proceedings by an

Order of this Honourable Court on February 9, 2015 and are not otherwise in formal insolvency proceedings in those jurisdictions.

6. 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 the Receiver's local counsel in Mexico and Luxembourg, respectively.
7. 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.
8. 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.
9. 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 CESI, 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.
10. The Receiver intends and is working to wind-down the operations of the Mexican and Luxembourg subsidiaries in the ordinary course.

Approval of Settlement Agreement

11. The Receiver effected the sale of the entire operating assets of CESI, Drilling LLC, Drilling LP and Calmena Luxembourg pursuant to two separate asset purchase and sale agreements, one of which was to Turbo Drill pursuant to an Asset Purchase and Sale Agreement dated May 14, 2015 (the "**APA**").
12. On May 21, 2015, the APA was approved by this Honourable Court and the transaction closed on or about June 2, 2015, subject only to delivery of a final statement of adjustments (the "**FSA**").
13. The Receiver delivered the FSA to Turbo Drill on or about March 2, 2016. The FSA dealt with the apportionment of taxes between the parties pursuant to the APA.
14. A dispute arose between Turbo Drill and the Receiver respecting payment by Turbo Drill of the amounts alleged to be owing under the FSA. The dispute emanated partly from issues the Receiver had regarding receipt of the property value assessments and tax invoices.

15. The Receiver did not receive the final tax invoices until January 2016, as the taxing authorities erroneously delivered the invoices to closed Calmena facilities. Following receipt of the tax invoices, the Receiver investigated the ability to challenge the tax invoices.
16. Through these investigations the Receiver discovered that the ability to dispute the amount of the tax invoices was dependent upon successfully disputing the prior property value assessments. As with the final Tax Invoices, these property assessments were also sent by the taxing authorities erroneously to Calmena's closed offices in the spring of 2015. The property assessments were not forwarded to the Receiver's attention until the fall of 2015, subsequent to the 30-day appeal period having expired. As a result, the Receiver was advised by its U.S. counsel that there was no basis upon which it could challenge the tax invoices.
17. On April 1, 2016 the Receiver received a letter from Turbo Drill's counsel disputing Turbo Drill's liability to make payment of the amounts outstanding under the FSA, which totalled US \$63,071.81.
18. After considering the costs and delays associated with litigating this dispute, the Receiver determined that it was in the best interests of the Calmena Group's creditors to settle the dispute with Turbo Drill. As such, on September 8, 2016 the Receiver and Turbo Drill entered into the Settlement Agreement, which provided that Turbo Drill was to pay to the Receiver US \$25,000.00 as payment of the amounts outstanding under the FSA.

Discharge Respecting Chapter 15 Debtors

19. 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 and 1616057 Alberta Ltd. ("161") agreed to purchase substantially all of the Chapter 15 Debtors' (which comprised the Debtors') directional drilling assets located in Texas and Oklahoma, for a combined purchase price of approximately US \$1.635 million, subject to certain post-closing adjustments (together the "**Directional Drilling Transactions**").
20. Disputes arose with respect to completing the post-closing adjustments under each of the Directional Drilling Transactions. The Receiver obtained an Order from this Court on September 27, 2016, which directed 161 to make certain payments to the Receiver. Those payments have been remitted and the dispute with 161 is thus resolved. Pending this Honourable Court's approval of the Settlement Agreement between the Receiver and Turbo Drill, that dispute will also be resolved.
21. As a result of the completion of the Directional Drilling Transactions, there is nothing left for the Receiver to administer with respect to the Chapter 15 Debtors or CESI's Chapter 15 proceedings.

22. The Receiver previously obtained this Court's approval with respect to an interim distribution to HSBC, the Calmena Group's first secured creditor, in the amount of \$9.0 million (which funds came from other realizations completed by the Receiver respecting other entities comprising the Calmena Group, and not solely the Chapter 15 Debtors). As of November 2, 2016, HSBC is still owed \$7.0 million by the Calmena Group. The Receiver is seeking to distribute the residual of the estate of the Chapter 15 Debtors and CESI's Chapter 15 proceedings to HSBC, in the amount of US\$900,000.
23. Such further and other basis as Counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

24. The Receiver's Fifth Report, dated November 14, 2016.
25. The pleadings and Receiver's Reports previously filed in these proceedings.

Applicable rules:

26. *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.
27. *Bankruptcy and Insolvency General Rules*, and in particular Rules 3, 6 and 11.
28. Such further and other rules as Counsel may advise and this Honourable Court permit.

Applicable Acts and regulations:

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

Any irregularity complained of or objection relied on:

31. None.

How the application is proposed to be heard or considered:

32. In person, before the Honourable Justice 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., <i>et al.</i>
PLANTIFF	HSBC BANK CANADA
DEFENDANTS	CALMENA ENERGY SERVICES INC., <i>et al.</i>

SERVICE LIST

Firm/Company	Email	Phone	Counsel For
Borden Ladner Gervais LLP 1900, 520 – 3 rd Ave. SW Calgary, AB T2P 0R3 Patrick T. McCarthy, Q.C. Jessica L. Cameron	pmccarthy@blg.com jcameron@blg.com	(403) 232-9441 (403) 232-9715	Receiver, Ernst & Young Inc.
Ernst & Young Inc. 1000, 440 - 2nd Ave. SW Calgary, Alberta T2P 5E9 Peter Chisholm Dylan Murray Neil Narfason	peter.chisholm@ca.ey.com dylan.murray@ca.ey.com neil.narfason@ca.ey.com	(403) 206-5061	Receiver
Fasken Martineau DuMoulin LLP 3400, 350 - 7th Ave. SW Calgary, AB T2P 3N9 Travis Lysak	tlysak@fasken.com	(403) 261-5501	HSBC Bank Canada
McCarthy Tétrault LLP 4000, 421 – 7th Ave. SW Calgary, AB T2P 4K9 Sean F. Collins	scollins@mccarthy.ca	(403) 260-3531	Alpine Capital
Scott W. Caine Barrister & Solicitor (For Courier Delivery) 3234 Parsons Road Edmonton, AB T6H 5Y7 (For Mailing) PO Box 76009 Southgate	cainelaw@shaw.ca	(780) 438-4111	Hi-Quality Machine & Oilfield Repair Ltd. (Writ Registered)

Edmonton, AB T6H 5Y7			
DLA Piper (Canada) LLP #1000, Livingston Place West 250 – 2 nd Street SW Calgary, AB T2P 0C1 G. Brian Davison, Q.C.	brian.davison@dlapiper.com	(403) 294-3590	Counsel for Dyna-drill Technology LLC
1616057 Alberta Ltd. 600, 12220 Stony Plain Road Edmonton AB, T5N 3Y4 James Bond	jim.bond@hitechseals.com		Registered Office
Zeidman Spencer Beverly & Holt, LLP 9 Greenway Plaza, Suite 500 Houston, Texas 77046 Kenneth H. Holt	kholt@zeidmanspencer.com	(713) 403-4200	Turbo Drill

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 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 **Order: Settlement Approval & Discharge over
U.S. Entities**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT **Jessica L. Cameron
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3
Telephone: (403) 232-9715**

Facsimile: (403) 266-1395
Email: jcameron@blg.com
File No. 413255/000043

DATE ON WHICH ORDER WAS PRONOUNCED: November 23, 2016

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 court appointed receiver (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 (collectively with the foregoing named corporations and partnerships, the “**Debtors**” or the “**Calmena Group**”), and not in its personal capacity; **AND UPON** having read the Fifth Report of the Receiver dated November 14, 2016, filed (the “**Fifth Report**”); **AND UPON** having read the Application and the Fifth Report, and the Receiver’s reports previously filed in these proceedings; **AND UPON** hearing from counsel for the Receiver and counsel for any other interested parties appearing at the hearing of this application;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with notice of this application.
2. The settlement agreement between the Receiver and Turbo Drill Industries Inc., dated September 8, 2016 and attached to the Fifth Report as Appendix “A”, is hereby approved and ratified.
3. The Receiver’s activities as set out in the Fifth Report and in all of its other reports filed herein, and the Statement of Receipts and Disbursements as set out therein, are hereby ratified and approved.
4. The accounts of the Receiver’s legal counsel, Norton Rose Fulbright LLP, for their fees and disbursements as set out in the Fifth Report are hereby approved without the necessity of a formal assessment of their accounts.
5. The Receiver is hereby discharged as Receiver of Calmena Energy Services (USA) Corp. (“**USA Corp.**”), Calmena Drilling Services LLC (“**Drilling LLC**”), and Calmena Drilling Services US LP (“**Drilling LP**” and together with USA Corp. and Drilling LLC the “**Chapter 15 Debtors**”). The Receiver shall, however, remain Receiver of the

Chapter 15 Debtors for the performance of such incidental duties as may be required to complete the administration of the receivership of the Chapter 15 Debtors and the Receiver shall continue to have the benefit of the provisions of all orders made in these proceedings, including all approvals, protections and stays of proceedings in favour of the Receiver, in its capacity as Receiver of the Chapter 15 Debtors to the extent necessary to complete the administration of the receivership of the Chapter 15 Debtors.

6. The Receiver is hereby authorized and directed to make an application in the United States Bankruptcy Court for the Southern District of Texas, Case No. 15-30786 (the “**Chapter 15 Proceedings**”) seeking its discharge in those proceedings over Calmena Energy Services Inc. (“**CESI**”).
7. The Receiver is hereby authorized and directed to distribute any residual funds of the Chapter 15 Debtors and CESI in the Chapter 15 Proceedings to HSBC Bank Canada.
8. On the evidence before the Court, the Receiver has satisfied its obligations under and pursuant to the terms of the orders granted in the within proceedings in relation to the Chapter 15 Debtors, up to and including the date hereof and the Receiver shall not be liable for any act or omission on its part respecting the Chapter 15 Debtors including, without limitation, any act or omission pertaining to the discharge of its duties in the within proceedings respecting the Chapter 15 Debtors, save and except for any liability arising out of any claim in fraud, gross negligence or wilful misconduct on the part of the Receiver, unless leave of the Court is obtained. Subject to the foregoing any claims against the Receiver in connection with the performance of its duties respecting the Chapter 15 Debtors are hereby stayed, extinguished and forever barred.
9. No action or other proceedings shall be commenced against the Receiver in any way arising from or related to its capacity or conduct as Receiver of the Chapter 15 Debtors, except with prior leave of this Court on Notice to the Receiver and upon such terms as this Court may direct.
10. 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 complimentary to this Court in carrying out the terms of this Order.
11. This order shall be served on the Service List and any interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents. Service of this order on any other party is hereby dispensed with.