Form 27
[Rules 6.3 and 10.52(1)]

Clerk's Stamp
CLERK OF THE COURT
FILED
SEP 28 2015
CALGARY, ALBERTA

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 3rd Ave. S.W. Calgary, AB T2P 0R3 Telephone: (403) 232-9715 Facsimile: (403) 266-1395 Email: pmccarthy@blg.com / 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	September 30, 2015
Time	9:30 a.m.
Where	Calgary Courts Centre, 601-5th 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) Authorizing, approving and ratifying the Receiver to take all steps and execute any and all documents necessary to give effect to the following transactions:

      (i) the sale of drilling rig 737 from BW Services Luxembourg S.A.R.L. ("**BW Luxembourg**") to GPA Energy S.A. de C.V. ("**GPA**"), pursuant to an Asset Purchase Agreement dated August 26, 2015 (the "**GPA APA**"), attached as Schedule "B" to, and forming part of, the Receiver's Second Report, dated September 28, 2015 (the "**Second Report**");

      (ii) the sale of certain drilling rigs from BW Luxembourg to SE Rig Equipment Company, S.A. de C.V. ("**SE Rig**"), pursuant to an Asset Purchase Agreement dated September 25, 2015 (the "**Mexican Drilling Rigs APA**"), attached as Schedule "E" to, and forming part of, the Second Report;

      (iii) the sale of a drilling rig from BW Luxembourg to Simmons Edeco Inc. ("**SEI**"), pursuant to an Asset Purchase Agreement dated September 25, 2015 (the "**Texas Drilling Rig APA**"), attached as Schedule "F" to, and forming part of, the Second Report;

      (iv) the sale of an active drilling contract from Calmena Energy Services de Mexico, S. de R.L. de C.V. ("**Calmena Mexico**") to Simmons Edeco Mexico, S.A. de C.V. ("**Simmons Mexico**"), pursuant to an Asset Purchase Agreement dated September 25, 2015 (the "**Drilling Contract APA**"), attached as Schedule "G" to, and forming part of, the Second Report; and

      (v) the sale of certain vehicles from Calmena Mexico to Simmons Mexico pursuant to a Vehicle Sales Agreement dated September 25, 2015, and the sale of certain vehicles from BW HR Pro, S de R.L. de C.V. ("**BW Pro**") to Simmons Mexico, pursuant to the Vehicle Sales Agreement dated September 25, 2015 (together the "**Vehicle Sales Agreements**"), attached respectively as Schedules "L" and "M" to, and forming part of, the Second Report,

(SE Rig, SEI and Simmons Mexico are sometimes referred to herein collectively as the "**Simmons Purchasers**", and the Mexican Drilling Rigs APA, Texas Drilling Rig APA, Drilling Contract APA, and the Vehicle Sales Agreement are sometimes referred to herein collectively as the "**Simmons APAs**").

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, 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 Bank Canada ("**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.

9. The Receiver intends to wind-down the operations of the Mexican and Luxembourg subsidiaries in the ordinary course.

10. Since the granting of the Receivership Order, the Receiver has been working diligently and in good faith to review the options with respect to liquidating the Calmena Group and maximizing the value for the Calmena Group's creditors.

Sales Process

11. On or about March 13, 2015, the Receiver began an extensive sales and solicitation process ("**SISP**") to market the Calmena Group's Mexican operations as a going concern (the "**Mexican Operations**"). The Mexican Operations primarily included three active drilling contracts (the "**Drilling Contract(s)**") and six conventional drilling rigs (the "**Drilling Rigs**"). The interests in the Drilling Contracts belonged to Calmena Mexico. The Drilling Rigs were owned by BW Luxembourg. Binding letters of intent under the SISP were due by June 1, 2015 (the "**Bid Deadline**").

12. Through the SISP, the Receiver received several bids by the Bid Deadline. The most favourable bids received resulted from a combination of the agreements now being put forward by the Receiver for authorization and ratification by the Court.

13. The SISP has been ratified by corporate resolution by each of Calmena Mexico and BW Luxembourg.

Purchase & Sale Agreements

14. The GPA APA was executed by BW Luxembourg and GPA on August 26, 2015, with a closing date of August 31, 2015. The material terms of the GPA APA are as follows:

    (a) GPA paid a purchase price of USD $3,018,103.45 for the Drilling Rig known as "Rig 737"; and

    (b) the sale of Rig 737 was on an "as is, where is" basis.

15. Upon agreement of BW Luxembourg and GPA, the closing date of the GPA APA was extended to September 3, 2015.

16. The Receiver has received the sale proceeds from the GPA APA and is currently holding them in the Receivership Account.

17. The Simmons APAs were executed by BW Luxembourg, Calmena Mexico, BW Pro, and the Simmons Purchasers, respectively, with an execution date of September 25, 2015 and a closing date of September 30, 2015. The Simmons APAs effectively result in the sale of the Mexican Operations (the "**Simmons Transaction**"). The material terms of the Simmons Transaction are as follows:

(a) a combined purchase price of USD $3.5 million for the remaining Drilling Rigs, (excluding Rig 737), the one remaining active Drilling Contract, approximately 12 light vehicles, and miscellaneous equipment;

(b) the Receiver holds a deposit of USD $1,000,000, which shall be applied against the purchase price under the Texas Drilling Rig APA;

(c) with respect to the Mexican Drilling Rigs APA, there shall be a holdback of USD $300,000 for a period of 6 months following the closing to address claims by SE Rig arising under the Mexican Drilling Rigs APA, including as a result of claims on the Drilling Rigs located in Mexico by the Mexican taxing authority;

(d) with respect to the Drilling Contract APA,

(i) Simmons Mexico has agreed to indemnify Calmena Mexico for certain losses and liabilities arising during its conduct of the drilling operations under the Drilling Contract from September 1, 2015 to closing, which indemnity shall survive for a period of 6 months following closing; and

(ii) closing of the Drilling Contract APA is conditional upon execution of an Assignment Agreement by Calmena Mexico, Simmons Mexico, and Petrohuasteca Oil Services, S.A.P.I. de C.V., assigning Calmena Mexico's interest in the Drilling Contract to Simmons Mexico pursuant to Mexican law;

and,

(e) the completion of the Simmons Transaction is conditional upon execution of each of the three Simmons APAs, such that if one Simmons APA does not close, the remaining Simmons APAs will not close.

18. The Receiver believes that the transactions contemplated by the GPA APA and the Simmons Transaction are in the best interests of the Calmena Group, its creditors and other stakeholders, and that these agreements will maximize the recovery available to the Calmena Group's creditors.

19. The GPA APA and the Simmons Transaction have been duly authorized by corporate resolution by each of Calmena Mexico, BW Luxembourg, and BW Pro respectively.

Creditor Position

20. HSBC is the Calmena Group's first secured creditor, who the Receiver understands the Calmena Group is indebted to in the approximate amount of $16,000,000.

21. Alpine Capital Corp. ("**Alpine**") is the Calmena Group's second secured creditor. Pursuant to an Inter-Lender Agreement dated September 24, 2012, Alpine agreed to subordinate its interests to HSBC.

22. The Receiver does not anticipate making any distributions to unsecured creditors of those entities of the Calmena Group which are in receivership; namely, the Debtors.

23. HSBC is supportive of both the GPA APA and the Simmons Transaction.

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

Material or evidence to be relied on:

25. The Receiver's Second Report, dated September 28, 2015.

26. The pleadings and Receiver's Reports previously filed in these proceedings.

Applicable rules:

27. 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.

28. *Bankruptcy and Insolvency General Rules*, and in particular Rules 3, 6 and 11.

29. Such further and other rules as Counsel may advise and this Honourable Court permit.

Applicable Acts and regulations:

30. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, and in particular Part XI thereof.

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

Any irregularity complained of or objection relied on:

32. None.

How the application is proposed to be heard or considered:

33. 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.