COURT FILE NUMBER	1501-00681	Clerk's Stamp CLERK OF THE COURT FILED SEP 19 2016 JUDICIAL CENTRE OF CALGARY
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
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 ENERGY SERVICES US LP, BW SERVICES LUXEMBOURG SARL, BWES SERVICES DE MEXICO, S. DE R.L. DE C.V., PAM AMERICAN DRILLING S. DE R.L. DE C.V., CALMENA ENERGY SERVICES DE MEXICO, S. DE R.L. DE C.V., CALMEAN LUXEMBOURG HOLDING S.A.R.L.	
DOCUMENT	**FOURTH REPORT OF ERNST & YOUNG INC., IN ITS CAPACITY AS COURT-APPOINTED RECEIVER** **September 19, 2016**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER** ERNST & YOUNG INC. 1000, 440 - 2nd Avenue S.W. Calgary, AB T2P 5E9 Neil Narfason / Peter Chisholm Telephone: (403) 206-5067 / (403) 206-5061 Email: neil.narfason@ca.ey.com peter.chisholm@ca.ey.com **COUNSEL** Borden Ladner Gervais LLP Jessica L. Cameron 1900, 520 3rd Ave S.W. Calgary, AB T2P 0R3 Phone: (403) 232-9715 Fax: (403) 266-1395 Email : jcameron@blg.com	

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APPENDICES

INTRODUCTION

1. Ernst & Young Inc. was appointed as Receiver and Manager (the "**Receiver**") of the property, assets and undertakings (the "**Property**") of Calmena Energy Services Inc. ("**CESI**"), Calmena Energy Holdings Ltd. ("**Calmena Holdings**"), Calmena Energy Services Operating Limited Partnership ("**Calmena LP**"), 1414995 Alberta Ltd. ("**141 AB**"), Calmena Energy Services USA Corp. ("**Calmena US Corp**"), Calmena Drilling Services LLC ("**Calmena Drilling Services**"), Calmena Energy Services US LP ("**Calmena US LP**"), BW Services Luxembourg S.A.R.L. ("**BW Luxembourg**"), BWES Services Mexico, S. De R.L. De C.V. ("**BWES Mexico**"), Pan American Drilling S. De R.L. De C.V. ("**PanAm Mexico**"), Calmena Energy Services De Mexico S. De R.L. De C.V. ("**CES Mexico**"), Calmena Luxembourg Holding S.A.R.L. ("**Luxembourg Holding**") (collectively the "**Calmena Group**") pursuant to an Order (the "**Receivership Order**") of this Honourable Court dated January 20, 2015 (the "**Appointment Date**").

2. On February 5, 2015, the Receiver filed a Petition for Recognition for CESI, Calmena Drilling Services, Calmena Drilling Services US LP, and Calmena US Corp under Chapter 15 of the United States Bankruptcy Code in United States Bankruptcy Court for the Southern District of Texas (the "**US Court**") in Case No. 15-30786 (the "**Chapter 15 Proceedings**"). On March 5, 2015, the US Court entered an Order Granting the Receiver's Petition for Recognition as a Foreign Main Proceeding and recognizing the Receiver as the Foreign Representative.

3. The Receivership Order erroneously identified Calmena US LP as being organized under the name "Calmena Energy Services US LP", when in fact the correct entity name is "Calmena Drilling Services US LP", the latter of which was recognized in the Chapter 15 Proceedings. The Receiver obtained an Order from this Honourable Court to correct this error.

4. CES Mexico, BWES Mexico, BW HR Pro. S. De R.L. de C.V. ("**BW HR**") and Pan Am Drilling are collectively referred to herein as "**Calmena Mexico**". BW Luxembourg and Luxembourg Holding are together referred to herein as "**Calmena Luxembourg**".

5. The Receiver has been advised by its local legal counsel in both Mexico and Luxembourg that in both jurisdictions formal insolvency proceedings with respect to both Calmena Mexico and Calmena Luxembourg will be difficult and involve considerable delay and expense. Despite having been unable to take direct control of the assets and operations of the Calmena Mexico and Calmena Luxembourg entities, the Receiver has had the co-operation of the directors of these companies and has been able to effectively control their operations since the Appointment Date.

6. Given the expense of obtaining foreign recognition in Luxembourg and Mexico of the within receivership proceedings, the Receiver concluded that the cost of doing so outweighed any perceived benefits. As a result, the Receiver sought and obtained an order of this Honourable Court on February 9, 2015 amending the Receivership Order by removing Calmena Mexico, with the exception of BW HR as it was never subject to the Receivership Order, and Calmena Luxembourg from the definition of the "Debtors" within the Receivership Order, *nunc pro tunc*. The Calmena Group's senior secured creditor, HSBC Bank Canada ("**HSBC**") consented to this Order.

7. Since taking control of the Property on the Appointment the Receiver has effected an orderly disposition of the business, assets and operations of both Calmena Mexico and Calmena Luxembourg by virtue of its control of the parent company, CESI, and as a result of the co-operation extended by the directors of Calmena Mexico and Calmena Luxembourg.

8. There are certain outstanding issues in both Calmena Mexico and Calmena Luxembourg which are preventing the Receiver from finalizing the administration of the Calmena Group's proceedings. With respect to Calmena Mexico, the Receiver is in the process of collecting outstanding accounts receivable and settling a dispute with the Mexican taxing authority. With respect to Calmena Luxembourg, the Receiver is considering options for the wind-down of Calmena Luxembourg under Luxembourg corporate law. The Receiver continues to work towards finalizing these wind-downs and intends to provide a further report to the Court once these issues have been resolved.

9. The purpose of this fourth report (the "**Fourth Report**") of the Receiver is to provide this Honourable Court with the Receiver's comments and information in respect of the following:

   a) an overview of the amount owed by 1616057 Alberta Ltd. ("**161 AB**") to the Receiver per the final statement of adjustments (the "**FSA**") delivered pursuant to the 161 APA (defined below) for the sale of certain directional drilling equipment from the Receiver to 161 AB; and

   b) the Receiver's request for advice and directions from this Court respecting recovering payment of the amount owed by 161 AB to the Receiver.

TERMS OF REFERENCE

10. Capitalized terms not defined in this Fourth Report are as defined in the Receivership Order.

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

BACKGROUND

12. The Calmena Group is an international oilfield services company with operational entities providing well bore construction services and both conventional and directional drilling.

13. For additional background on Calmena, please refer to the Receiver's website, www.ey.com/ca/calmena.

161 AB SALES TRANSACTION

14. The Receiver entered into an asset purchase agreement (the "**161 APA**") dated May 14, 2015 between the Receiver, Calmena LLC, Calmena US LP, Luxembourg Holding and 161 AB for the sale of certain measurement-while-drilling systems and associated parts (the "**MWD Assets**") owned by Calmena LLC and Luxembourg Holding.

15. The 161 APA was approved by an order of this Honourable Court on May 21, 2015. The Receiver has subsequently collected the sum of $844,659.00 from 161 AB, representing the purchase price payable for the MWD Assets under the 161 APA, subject to certain adjustments provided for therein.

16. In the Receiver's First Report to this Honourable Court dated May 14, 2015 (the "**First Report**"), the Receiver advised that the sale of the MWD Assets resulted from a sales process in the United States to sell the MWD Assets and certain directional drilling motors and associated parts (the "**Motor Assets**", together with the MWD Assets, the "**Directional Assets**") also owned by Calmena LLC and Luxembourg Holdings. The Directional Assets were located in the U.S. states of Oklahoma and Texas. The MWD Assets sold pursuant to the 161 APA were located in Oklahoma and Texas.

17. In both states, personal property owned by a business is subject to annual property taxes. The manner in which such taxes are assessed is that a property value assessment is first sent to a company, followed later by a tax invoice based upon the initial property value assessment. As the effective date of sale of the MWD Assets was July 2, 2015, certain property taxes for the 2015 taxation year were therefore already levied against the MWD Assets (the "**2015 Property Taxes**").

18. Pursuant to Subsection 3.6(a) of the 161 APA (the "**Apportionment Provision**"), all taxes, other than transfer taxes, associated with the ownership and operation of the MWD Assets were to be apportioned on an accrual basis between the Receiver and 161 AB and would be set out in the FSA. For ease of reference, a copy of the 161 APA is attached hereto at **Appendix "A"**.

19. The Apportionment Provision specifically provides that:

"Subject to Section 3.6(c), all Taxes (other than Transfer Taxes) accruing, payable, paid, received or receivable in respect of the Purchased Assets, shall be apportioned on an accrual basis between the Vendor and the Purchaser as of the Effective Time on a per diem basis as of the Effective Time with Taxes (other than Transfer Taxes) accrued to the Effective Time for the Vendor's account and Taxes (other than Transfer Taxes accrued after the Effective Time for the Purchaser's Account."

20. The terms "Tax" and "Taxes" are defined in Section 1.1(uu) of the 161 APA to mean:

"all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Authority under any applicable Tax Legislation, including, Canadian and United States federal, provincial, state, territorial, county, municipal and local, foreign or other income, capital, capital gains, goods and services, sales, use, consumption, excise, value added (including GST and Harmonized Sales Tax), business, real property, personal property, transfer, franchise, withholding, payroll, or employer health taxes, customs, import, anti-dumping or countervailing duties, Canada Pension Plan contributions, employment insurance premiums, and provincial workers' compensation payments, levy, assessment, tariff, impost, imposition, toll and duty, whether computed on a separate, combined, unitary, or consolidated basis or any other manner, including any interest, penalties and fines associated therewith".

21. Notwithstanding the express apportionment of taxes contemplated by the Apportionment Provision, a dispute has materialized between the Receiver and 161 AB with respect to the responsibility for the payment of certain taxes collectible in the jurisdictions where the MWD Assets were located. 161 AB has disputed the accrued amount of the 2015 Property Taxes it is responsible for pursuant to the Apportionment Provision on the basis that a portion of the assessed amount payable by 161 AB was with respect to taxes associated with the Directional Assets that 161 AB did not purchase as part of the MWD Assets.

22. Pursuant to the 161 APA, the date for the completion and delivery of the FSA was August 31, 2015. The Receiver and 161 AB agreed to extend the FSA deadline to November 30, 2015 to allow for the anticipated receipt of the property value assessments and tax invoices from the relevant taxing authorities of the 2015 Property Taxes associated with the MWD Assets. While the property value assessments were issued by the taxing authorities in the Spring of 2015, the Receiver did not receive the invoices until November 2015, as the assessments had been erroneously delivered to closed offices previously operated by members of the Calmena Group. This occurred despite the fact that the Receiver had commenced a claims process in the US specifically with respect to taxing authorities, who therefore should have been aware of the receivership proceedings.

23. Property taxes were allocated based on the purchase price allocation of the assets included in the APA between 161 and the Receiver. 161 acquired 9% and 54% of the assets located at Conroe, Texas and Oklahoma City, Oklahoma respectively, relative to the other purchaser of the Directional Assets. Property taxes for each respective county were then allocated to 161 based on these percentages. The property taxes were pro-rated for the effective date of the sale, July 2, 2015. The Receiver assumed liability for all property taxes prior to July 2, 2015 and allocated all property taxes after July 2, 2015 to 161, in accordance with 161's aforementioned purchase price allocations.

24. On November 17, 2015, the Receiver provided 161 AB with a draft FSA calculating the pro-rated 2015 Property Taxes owed by 161 AB to the Receiver pursuant to the 161 APA. As the Receiver had not yet received the finalized tax invoices for the 2015 Property Taxes, the Receiver's local legal counsel in the United States contacted all relevant counties and obtained preliminary estimates to be in included in the FSA calculation for 161 AB's review. Per this preliminary calculation provided to 161 AB, its share of the 2015 Property Taxes owed to the Receiver pursuant to the 161 APA was estimated to be USD$59,197.64. Additionally, copies of the county property tax assessments were provided to 161 AB for review concurrently with the draft FSA. A copy of the Receiver's email correspondence to 161 and draft FSA has been attached at **Appendix "B"**.

25. On November 18, 2015, the Receiver received correspondence from 161 AB advising there should be no allocation of 2015 Property Taxes levied against the MWD Assets by the Texas counties of Harris and Midland to 161 AB as the MWD Assets acquired were not located in these counties. The Receiver was in agreement with this and on November 18, 2015, sent a

revised property tax allocation to 161 AB with USD$54,989.74 outstanding to the Receiver. This email correspondence has been attached at **Appendix "C"**.

26. On November 19, 2015, the Receiver received correspondence from 161 AB recommending that the Receiver dispute the assessed property values of the MWD Assets used by the Oklahoma County Treasurer in the determination of the 2015 Property Taxes. Subsequently, the Receiver and 161 AB mutually agreed to defer the deadline to deliver the FSA until the Receiver had investigated its right to appeal the assessed property values utilized by the Oklahoma County Treasurer in determining the 2015 Property Taxes. A copy of this chain of email correspondence between the Receiver and 161 has been attached as **Appendix "D"**.

27. The Receiver, through consultation with its legal counsel in the United States and internal tax specialist, determined that the ability to dispute the amount of the tax invoices was dependent upon successfully disputing the prior property value assessments that were incorrectly delivered by the taxing authorities to the Calmena Group's closed offices located in Conroe, Texas. The Receiver was advised by U.S. counsel that the Receiver had only a 30-day period to dispute the property value assessments. As these assessments were delivered to closed offices, the Receiver was not in possession of these assessments until after the 30-day appeal period had already expired. Through these investigations, and upon the advice of its U.S. counsel, the Receiver concluded that by November 2015, the deadline to appeal the 2015 Property Tax assessment had already expired and that the Receiver therefore had no recourse to dispute the 2015 Property Taxes.

28. The Receiver received the final 2015 Property Taxes invoices in January 2016. The deadline to pay the outstanding property taxes was January 31, 2016. The Receiver paid the 2015 Property Taxes prior to this date to avoid penalties and interest that would have otherwise accrued.

29. On March 2, 2016, the Receiver informed 161 AB that there was no recourse available for the Receiver to challenge the 2015 Property Taxes. The FSA was provided to 161 AB with a net amount owing to the Receiver of USD$54,989.74. A copy of this correspondence has been attached at **Appendix "E"**.

30. On March 10, 2016, the Receiver was advised by 161 AB that it was seeking legal advice in both Canada and the U.S. with respect to the 2015 Property Taxes and that a proposal from 161 AB to the Receiver to settle the amount due under the FSA would be forthcoming. This correspondence has been attached at **Appendix "F"**.

31. On April 27, 2016, the Receiver received correspondence from 161 AB's legal counsel requesting that the Receiver provide evidence that the Receiver disputed the 2015 Property Taxes, failing which 161 AB disputed its obligation to pay its allocated portion of the 2015 Property Taxes as it considered the assessed value of the MWD Assets to be too high. This correspondence has been attached at **Appendix "G"**.

32. The Receiver sent a letter to 161 AB's legal counsel on May 3, 2016 describing the Receiver's investigations to dispute the 2015 Property Taxes and demanding payment of the amount due under the FSA. No reply was received from 161 AB after this correspondence. This correspondence has been attached at **Appendix "H"**.

33. The Receiver followed up with a letter to 161 AB's counsel on May 19, 2016 again demanding payment of the amount due under the FSA. No reply has been received to this correspondence. This correspondence has been attached at **Appendix "I"**.

REQUEST FOR ADVICE & DIRECTIONS

34. The Receiver is seeking advice and directions from this Honourable Court respecting 161's failure to remit to the Receiver the amount of USD$54,989.74, as included in the FSA delivered to 161 on March 2, 2016.

All of which is respectfully submitted this 19th day of September, 2016.

ERNST & YOUNG INC.
in its capacity as Court Appointed
Receiver of the Calmena Group

Neil Narfason, CA, CIRP, CBV
Senior Vice-President

Peter Chisholm, CA, CIRP
Vice-President

A

CALMENA DRILLING SERVICES US LP,

CALMENA DRILLING SERVICES LLC

and

CALMENA LUXEMBOURG HOLDING S.À.R.L.

(collectively, the "Vendor")

and

1616057 ALBERTA LTD.

(the "Purchaser")

ASSET PURCHASE AGREEMENT

May 14, 2015

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ASSET PURCHASE AGREEMENT dated May 14, 2015

BETWEEN:

CALMENA DRILLING SERVICES US LP, a limited partnership subsisting under the laws of Texas,

CALMENA DRILLING SERVICES LLC, a limited partnership subsisting under the laws of Nevada and the general partner of Calmena Drilling Services US LP

- and -

CALMENA LUXEMBOURG HOLDING S.À.R.L., a private limited liability company *(société à responsabilité limitée)* incorporated and existing under the laws of Luxembourg with its registered office at 63, rue de Rollingergrund, L-2440 Luxembourg, with a share capital of USD21.950.217 and registered with the Luxembourg trade and companies register under number B 151919

(collectively, the "**Vendor**")

- and -

1616057 ALBERTA LTD. a corporation subsisting under the laws of Alberta, (the "**Purchaser**")

WHEREAS:

A. Pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), the Alberta Court of Queen's Bench (the "**Alberta Court**") granted a receivership order with respect to all of the current and future property and undertakings of Calmena Energy Services Inc., Calmena Energy Holdings Ltd., 1414995 Alberta Ltd., Calmena Energy Services Operating Limited Partnership, Calmena Energy Services (USA) Corp., Calmena Drilling Services LLC, and Calmena Drilling Services US LP (the "**Debtors**") on January 20, 2015, as amended on February 9, 2015 (the "**Receivership Order**") appointing the Receiver as receiver and manager of the Debtors;

B. The Receivership Order was recognized by the U.S. Court as a foreign main proceeding and the Receiver was recognized as the foreign representative on March 5, 2015, pursuant to Chapter 15 of the United States *Bankruptcy Code*;

C. Calmena Luxembourg Holding S.À.R.L. ("**Calmena Luxembourg**") is a wholly owned subsidiary of Calmena Energy Holdings Ltd., which is in turn a wholly owned subsidiary of the parent company, Calmena Energy Services Inc. Pursuant to the Receivership Order, the Receiver controls the shares of Calmena Luxembourg; and

D. In connection with the Receivership Proceedings and the U.S. Proceedings (each as defined herein), the Vendor, subject to approval by the Court, has agreed to sell, transfer and assign to the Purchaser, all of the right, title and interest of the Vendor to the Purchased Assets, and the Purchaser has agreed to purchase the Purchased Assets from the Vendor, on the terms and conditions set forth herein.

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each Party to the other, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement:

(a) "**Affiliate**" means, with respect to any person, any other person or group of persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such person. The term "control" as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person whether through ownership of more than 50% of the voting securities of such person, through being the general partner or trustee of the other person, or through contract or otherwise;

(b) "**Agreement**" means this asset purchase agreement and all Schedules attached hereto;

(c) "**Alberta Court**" has the meaning ascribed to that term in the recitals;

(d) "**Alberta Court Approval**" means an order of the Alberta Court authorizing the Receiver to take all necessary actions to sell the Purchased Assets and approving the sale of the Purchased Assets by Calmena Drilling Services US LP;

(e) "**Applicable Law**" means, in respect of any person, assets, transaction, event or circumstance:

(i) statutes (including regulations enacted thereunder);

(ii) judgments, decrees and orders of courts of competent jurisdiction;

(iii) regulations, orders, ordinances and directives issued by Government Authorities; and

(iv) the terms and conditions of all permits, licenses, approvals and authorizations;

which are applicable to such person, asset, transaction, event or circumstance;

(f) "**BIA**" has the meaning ascribed to that term in the recitals;

(g) "**Books and Records**" means all of the Vendor's books and records in its possession at the Closing Date relating directly and solely to the Purchased Assets, but not including those relating to the Vendor's business;

(h) "**Business Day**" means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in Calgary, Alberta are not open for the transaction of domestic business during normal banking hours;

(i) "**Claim**" means any right or claim of any person that may be asserted or made in whole or in part against the Vendor or any of its Affiliates and their respective directors, officers, employees, agents or advisors, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, together with any other rights or claims of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) had the Vendor become bankrupt;

(j) "**Closing**" means the completion of the purchase by the Purchaser and sale by the Vendor of the Purchased Assets and the completion of all other transactions contemplated by this Agreement that are to occur contemporaneously with such sale, all subject to and in accordance with the terms and conditions of this Agreement;

(k) "**Closing Date**" means the date that is no later than June 10, 2015 or such other date as may be agreed to by the Vendor and the Purchaser;

(l) "**Court**" means collectively, the Alberta Court and the U.S. Court;

(m) "**Court Approval**" means the approval of the Transaction by the Court, including the Alberta Court Approval and the U.S. Sale Approval;

(n) "**Data Room Information**" means all information made available (by the Receiver or otherwise) for the Purchaser's review in electronic form in relation to the Vendor, its Affiliates and/or the Purchased Assets;

(o) "**Debtors**" has the meaning ascribed to that term in the recitals;

(p) "**Deposit**" has the meaning ascribed to that term in Section 3.2;

(q) "**Effective Time**" means 8:00 a.m. (Calgary time) on the Closing Date;

(r) "**Encumbrances**" means any pledges, liens, security interests, encumbrances, claims, charges, options or interests;

(s) "**Excluded Assets**" means: (i) all right, title and interest in and to any and all claims and causes of action that the Vendor has or may have against any person other than those claims or causes of action directly related to the Purchased Assets; (ii) all Books and Records; (iii) all policies of insurance, assurance, or other Third Party recourse (including claims against insurance and insurance settlements) except in respect of such instruments that are directly in support of the Purchased Assets; (iv) income tax refunds; and (v) cash, marketable securities, deposits and bank accounts;

(t) "**Final Statement of Adjustments**" has the meaning ascribed to that term in Section 3.6;

(u) "**GAAP**" means accounting principles generally accepted in Canada including those recommended or approved by the Canadian Institute of Chartered Accountants at the relevant time including to the extent applicable, international financial reporting standards;

(v) "**Governmental Authority**" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, tribunal, commission, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government, having jurisdiction over a Party, the Purchased Assets or the Transaction;

(w) "**Governmental Order**" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority;

(x) "**GST**" means taxes, interest, penalties and fines imposed under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder; and "**GST Legislation**" means such act and regulations collectively;

(y) "**Income Tax Act**" means, collectively, the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supplement), the *Income Tax Application Rules*, R.S.C. 1985, c.2 (5th Supplement) and the *Income Tax Regulations*, in each case as amended to the date hereof;

(z) "**Interim Statement of Adjustments**" has the meaning ascribed to that term in Section 3.6;

(aa) "**Inventory**" means the inventory listed in Schedule 1.1(aa);

(bb) "**Legal Proceeding**" means any litigation, action, suit, investigation, hearing, claim, complaint, grievance, arbitration proceeding or other proceeding and includes any appeal or review or retrial of any of the foregoing and any application for same;

(cc) "**Losses and Liabilities**" means any and all assessments, charges, costs, damages, debts, expenses, fines, liabilities, losses, obligations and penalties, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable, including those arising under any Applicable Law, Claim by any Governmental Authority or Governmental Order and those arising under any contract, agreement, arrangement, commitment or undertaking and costs and expenses of any Legal Proceeding, assessment, judgment, settlement or compromise relating thereto, and all interest, fines and penalties and reasonable legal fees and expenses incurred in connection therewith (on a full indemnity basis);

(dd) "**Notice Period**" has the meaning ascribed to that term in Section 8.2(b);

(ee) "**Parties**" means, collectively, the Purchaser and the Vendor, and "**Party**" means any one of them;

(ff) "**Permitted Encumbrances**" means:

(i) Encumbrances given as security to a public utility or any Governmental Authority when required in the ordinary course of business but only insofar as they relate to any obligations or amounts not due as at the Closing Date;

(ii) any privilege in favour of any lessor, licensor or permitter for rent to become due or for other obligations or acts, the performance of which is required under contracts of the Vendor so long as the payment or the performance of such other obligation or act is not delinquent and provided that such Encumbrances or privileges do not materially affect the use or the operation of the assets affected thereby; and

(iii) any Encumbrances permitted by an order of the Court;

(gg) "**person**" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;

(hh) "**Prime Rate**" means the rate of interest, expressed as a rate per annum, designated by the main branch in Calgary, Alberta of the Royal Bank of Canada as the reference rate used by it to determine rates of interest charged by it on Canadian dollar commercial loans made in Canada and which is announced by such bank, from time to time, as its prime rate, provided that whenever such bank announces a change in such reference rate then the "Prime Rate" for the purposes of this Agreement shall correspondingly change effective on the date the change in such reference rate is effective;

(ii) "**Purchased Assets**" means the:

(i) Purchased Equipment; and

(ii) Inventory;

but for certainty, does not include the Excluded Assets;

(jj) "**Purchased Equipment**" means the equipment listed in Schedule 1.1(jj);

(kk) "**Purchase Price**" has the meaning ascribed to that term in Section 3.1;

(ll) "**Purchaser's Solicitors**" means the law firm of McLennan Ross LLP or such other firm or firms of solicitors as are appointed by the Purchaser from time to time and notice of which is provided to the Vendor;

(mm) "**Receiver**" means Ernst & Young Inc. in its capacity as the Alberta Court-appointed receiver of the Debtors in the Receivership Proceedings and also as the foreign representative in the U.S. Proceeding and, in each case, not in its personal or corporate capacity;

(nn) "**Receivership Proceedings**" means Alberta Court of Queen's Bench Action No. 1501-00681;

(oo) "**Receivership Order**" has the meaning ascribed to that term in the recitals;

(pp) "**Receiver's Solicitors**" means the law firm of Borden Ladner Gervais LLP (or any successor thereto) or such other firm or firms of solicitors as are appointed by the Vendor from time to time and notice of which is provided to the Purchaser;

(qq) "**Representative**" means, in respect of a person, each director, officer, employee, agent, legal counsel, accountant, professional advisor and other representative of such person and its Affiliates, and with respect to the Vendor, includes the Receiver and their respective Affiliates, directors, officers, employees, agents, legal counsel, accountants, professional advisors and other representatives;

(rr) "**Sales Process**" means the procedures for the sales solicitation process in relation to the Vendor;

(ss) "**Specific Conveyances**" means all conveyances, bills of sale, assignments, transfers, and other documents or instruments that are reasonably required or desirable to convey, assign and transfer the Vendor's Interest in and to the Purchased Assets to the Purchaser including a bill of sale for the Purchased Equipment forming part of the Purchased Assets;

(tt) "**Tax Legislation**" means, collectively, the Income Tax Act and all Canadian and United States federal, provincial, state, territorial, county, municipal and local, foreign, or other statutes, ordinances or regulations imposing a Tax, including all treaties, conventions, rules, regulations, orders, and decrees of any jurisdiction;

(uu) **"Tax"** or **"Taxes"** means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Authority under any applicable Tax Legislation, including, Canadian and United States federal, provincial, state, territorial, county, municipal and local, foreign or other income, capital, capital gains, goods and services, sales, use, consumption, excise, value added (including GST and Harmonized Sales Tax), business, real property, personal property, transfer, franchise, withholding, payroll, or employer health taxes, customs, import, anti-dumping or countervailing duties, Canada Pension Plan contributions, employment insurance premiums, and provincial workers' compensation payments, levy, assessment, tariff, impost, imposition, toll and duty, whether computed on a separate, combined, unitary, or consolidated basis or any other manner, including any interest, penalties and fines associated therewith;

(vv) **"Third Party"** means any person who is not a Party, Affiliate or Representative;

(ww) **"Third Party Claim"** means any Claim by a Third Party asserted against the Vendor for which the Purchaser has indemnified the Vendor or is otherwise responsible for pursuant to this Agreement;

(xx) **"Time of Closing"** means 9:00 am (Calgary, Alberta time) on the Closing Date or such other date and time as the Parties may agree in writing that the Closing shall take place;

(yy) **"Transaction"** means the transaction for the purchase and sale of the Purchased Assets as contemplated in this Agreement;

(zz) **"Transfer Taxes"** means all present and future transfer taxes, sales taxes, use taxes, production taxes, value-added taxes, goods and services taxes, land transfer taxes, registration and recording fees, and any other similar or like taxes and charges imposed by a Governmental Authority in connection with the sale, transfer or registration of the transfer of the Purchased Assets, including GST and Harmonized Sales Tax;

(aaa) **"U.S. Court"** means the United States Bankruptcy Court for the Southern District of Texas, Houston Division;

(bbb) **"U.S. Proceedings"** means United States Bankruptcy Proceedings, Case No. 15-30786;

(ccc) **"U.S. Sale Approval"** means the recognition of the Alberta Court Approval and the vesting of the Purchased Assets sold by Calmena Drilling Services US LP to the Purchaser, by the U.S. Court; and

(ddd) **"Vendor's Interest"** means, when used in relation to any asset, undertaking or property, all the right, title and interest, if any, of the Vendor in such asset, undertaking or property.

1.2 Interpretation

The following rules of construction shall apply to this Agreement unless the context otherwise requires:

(a) All references to monetary amounts, unless indicated to the contrary, are to the lawful currency of Canada.

(b) Words importing the singular include the plural and vice versa, and words importing gender include the masculine, feminine and neuter genders.

(c) The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

(d) The words "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to this Agreement and not to any particular provision of this Agreement.

(e) The headings contained in this Agreement are for convenience of reference only, and shall not affect the meaning or interpretation hereof.

(f) Reference to any Article, Section or Schedule means an Article, Section or Schedule of this Agreement unless otherwise specified.

(g) If any provision of a Schedule hereto conflicts with or is at variance with any provision in the body of this Agreement, the provisions in the body of this Agreement shall prevail to the extent of the conflict.

(h) All documents executed and delivered pursuant to the provisions of this Agreement are subordinate to the provisions hereof and the provisions hereof shall govern and prevail in the event of a conflict.

(i) This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party does not apply to the construction or interpretation of this Agreement.

1.3 Schedules

The following are the Schedules attached to and incorporated in this Agreement by reference and deemed to be a part hereof:

Schedule 1.1(aa)	Inventory
Schedule 1.1(jj)	Purchased Equipment

1.4 Interpretation if Closing Does Not Occur

If Closing does not occur, each provision of this Agreement which presumes that the Purchaser has acquired the Purchased Assets shall be construed as having been contingent upon Closing having occurred.

ARTICLE 2
PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Agreement of Purchase and Sale

Subject to the terms and conditions of this Agreement, the Vendor hereby agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase from the Vendor all of the Vendor's Interest in the Purchased Assets free and clear of all Encumbrances other than Permitted Encumbrances.

2.2 Transfer of Purchased Assets

Provided that Closing occurs and subject to the terms and conditions of this Agreement, possession, risk and beneficial ownership of the Purchased Assets shall transfer from the Vendor to the Purchaser on the Closing Date.

ARTICLE 3
PURCHASE PRICE

3.1 Purchase Price

The purchase price to be paid by the Purchaser to the Vendor for the Purchased Assets shall be CAD $835,000 (the "**Purchase Price**") as adjusted pursuant to Section 3.6.

3.2 Deposit

(a) The Vendor acknowledges receipt of a deposit of CAD $166,000 (the "**Deposit**") from the Purchaser.

(b) The Deposit will be held in trust by the Receiver or the Receiver's Solicitors in an interest-bearing trust account for and on behalf of the Vendor, and shall be releasable in accordance with the terms of this Agreement. If Closing occurs in accordance with the terms and conditions of this Agreement, the Deposit and interest earned thereon shall be credited against the Purchase Price, in partial satisfaction of the Purchaser's obligation to pay the Purchase Price at Closing.

(c) Following acceptance by the Alberta Court and the U.S. Court of this Agreement, if Closing does not occur for any reason (other than in the case of the Purchaser terminating this Agreement in accordance with Section 9.1), the Vendor shall be entitled to retain the Deposit, the full amount of the Deposit shall be forfeited to the Vendor, this Agreement shall thereupon terminate and each Party shall be released from all obligations and liabilities under or in connection with this Agreement. If Closing does not occur because the Purchaser has terminated this Agreement in accordance with Section 9.1, then the Deposit shall be refunded to the Purchaser. The Parties agree that the amount of the Deposit constitutes a genuine pre-estimate of liquidated damages representing the Vendor's Losses and Liabilities as a result of Closing not occurring and agree that the Vendor shall not be entitled to recover from the Purchaser any amounts that are in excess of the Deposit as a result of Closing not occurring. The Purchaser hereby waives any claim or defence that the amount of the Deposit is a penalty or is otherwise not a genuine pre-estimate of the Vendor's damages.

3.3 Payment of the Purchase Price

The Purchaser shall pay to the Receiver or the Receiver's Solicitors (in trust for and on behalf of the Vendor) at Closing, by certified cheque, bank draft or electronic wire transfer, the adjusted Purchase Price as set forth in the Interim Statement of Adjustments, less the Deposit and interest earned thereon, plus any Transfer Taxes.

3.4 Allocation of the Purchase Price

The Purchase Price shall be allocated among the Purchased Assets as mutually agreed by the Parties on the Closing Date.

3.5 Transfer Taxes

The Parties agree that:

(a) the Purchase Price is exclusive of all Transfer Taxes and the Purchaser and Vendor shall each be liable for and shall pay 50% of any Transfer Taxes pertaining to the Purchaser's acquisition of the Purchased Assets or the registration of any Specific Conveyances necessitated hereby;

(b) where the Vendor is required under Applicable Law to collect or pay Transfer Taxes, the Purchaser shall pay the amount of such Transfer Taxes that the Purchaser is obligated to pay pursuant to Section 3.5(a) to the Vendor at Closing;

(c) except where the Vendor is required under Applicable Law to collect or pay such Transfer Taxes, each of the Purchaser and Vendor shall pay the amount of such Transfer Taxes that each of them is obligated to pay pursuant to Section 3.5(a) directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Transfer Taxes when due. Each Party will do and cause to be done such things as are reasonably requested to enable the Purchaser and the Vendor to comply with such obligation in a timely manner. If the Vendor is required under Applicable Law to pay any such Transfer Taxes, the Purchaser shall promptly reimburse the Vendor the full amount of such Transfer Taxes that the Purchaser is obligated to pay pursuant to Section 3.5(a) upon delivery to the Purchaser of copies of receipts showing payment of such Transfer Taxes;

(d) the Purchaser shall indemnify the Vendor for, from and against any Transfer Taxes (including any interest or penalties imposed by a Governmental Authority) that the Vendor may pay or for which the Vendor may become liable as a result of any failure by the Purchaser to pay or remit the Transfer Taxes that the that the Purchaser is obligated to pay pursuant to Section 3.5(a); and

(e) the Vendor shall indemnify the Purchaser for, from and against any Transfer Taxes (including any interest or penalties imposed by a Governmental Authority) that the Purchaser may pay or for which the Purchaser may become liable as a result of any failure by the Vendor to pay or remit the Transfer Taxes that the that the Vendor is obligated to pay pursuant to Section 3.5(a).

3.6 Adjustments for Taxes other than Transfer Taxes

(a) Subject to Section 3.6(c), all Taxes (other than Transfer Taxes) accruing, payable, paid, received or receivable in respect of the Purchased Assets, shall be apportioned on an accrual basis between the Vendor and the Purchaser as of the Effective Time on a per diem basis as of the Effective Time with Taxes (other than Transfer Taxes) accrued to the Effective Time for the Vendor's account and Taxes (other than Transfer Taxes) accrued after the Effective Time for the Purchaser's account.

(b) The Vendor shall carry out an interim accounting and adjustment and prepare and deliver to the Purchaser at least three Business Days prior to the Closing Date a statement setting forth the Vendor's good faith estimate of all adjustments to be made pursuant to this Section 3.6 (the "**Interim Statement of Adjustments**").

(c) The Vendor shall carry out a final accounting and adjustment and prepare and deliver to the Purchaser a statement setting forth all adjustments to be made pursuant to this Section 3.6 no later than August 31, 2015 (the "**Final Statement of Adjustments**"). No Party shall be obligated to make any further adjustments after the Final Statement of Adjustments is finalized unless arising from a specific request in writing made by a Party prior to August 31, 2015 identifying in reasonable detail an adjustment required by this Section 3.6.

(d) All adjustments shall be settled by the prompt payment by any Party obliged to make payment pursuant to this Agreement. Interest at the Prime Rate plus 2% per annum shall be paid on any adjustment which remains unpaid by one Party to another Party 30 days after receipt of the notice that adjustment is to be paid from such 30th day to the date of payment unless such adjustment is subsequently determined not to be owing pursuant to an audit conducted in accordance with Section 3.6(e).

(e) The Purchaser shall have the right at any time during the period following the Closing Date to August 31, 2015, upon five Business Days prior written notice to the Vendor, during the Vendor's normal business hours and at the Purchaser's sole cost, to examine, copy and audit the accounting and financial books, records and accounts of the Vendor relating to the Purchased Assets for the purpose of effecting adjustments pursuant to and within the time provided for in this Section 3.6. The Vendor shall cooperate with the Purchaser so as to facilitate the scheduling of such audit. Any discrepancies disclosed by such audit shall be identified in writing to the Vendor within the period following the Closing Date to August 31, 2015, and the Vendor shall respond in writing to any claims or discrepancies within 30 days of the receipt of such claims.

3.7 **GST/HST**

(a) The Purchase Price contemplated under this Agreement does not include the Goods and Services Tax ("**GST**") or the Harmonized Sales Tax ("**HST**"). The Purchaser shall be liable for and pay to the Vendor the GST/HST payable in connection with the purchase and sale of the Purchased Assets contemplated in this Agreement.

(b) The Purchaser represents and warrants to the Vendor that the Purchaser is acquiring the Purchased Assets for export out of Canada and that the Purchased Assets are not acquired by the Purchaser for consumption, use or supply in Canada before the exportation of the Purchased Assets by the Purchaser.

(c) The Purchaser covenants to the Vendor that:

(i) The Purchaser shall export the Purchased Assets as soon after the Purchased Assets are delivered by the Vendor to the Purchaser as is reasonable having regard to the circumstances surrounding the exportation;

(ii) After the supply of the Purchased Assets is made to the Purchaser and before the Purchaser exports the Purchased Assets, the Purchased Assets shall not be further processed, transformed or altered in Canada except to the extent reasonably necessary or incidental to its transportation;

(iii) The Purchaser shall provide to the Vendor to the extent available at Closing and otherwise as soon as reasonably possible after Closing, evidence satisfactory to the Minister of National Revenue (the "**Minister**") of the exportation of the Purchased Assets by the Purchaser, which may include or more of the following items, provided that such item is satisfactory to the Minister:

(A) shipping or delivery documents in which the Purchased Assets and the Purchaser are identified and match the Purchased Assets and the Purchaser identified on the purchase contract;

(B) a copy of the transportation document that describes the delivery service such as a bill of lading;

(C) customs brokers' or freight forwarders' invoices that relate to the exported Purchased Assets or shipments of such exported Purchased Assets;

(D) import documentation required by the country to which the Purchased Assets are exported;

(E) copies of the registration from the foreign regulatory authority where the Purchased Assets have been licensed;

(F) any other evidence (that is not generated internally by the Purchaser) satisfactory to the Minister that the Purchased Assets have been exported.

(iv) The Purchaser shall take all other commercially reasonable steps to ensure that the supply of the Purchased Assets by the Vendor may be taxed at a rate of zero percent ("**zero-rated**") pursuant to Schedule VI, Part V, section 1 to the *Excise Tax Act* ("**ETA**").

The Purchaser hereby indemnifies and saves harmless the Vendor from any GST/HST, and related penalty, interest and other amounts which may be payable by or assessed against the Vendor under the ETA as a result of or in connection with the subject transaction or the Vendor's failure to collect and remit the GST/HST applicable on the sale of the Purchased Assets to the Purchaser.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Purchaser's Representations and Warranties

The Purchaser hereby represents and warrants to and in favour of the Vendor that:

(a) the Purchaser is a corporation duly incorporated and validly subsisting under the laws of the jurisdiction of its incorporation and has the requisite power and authority to enter into this Agreement and to complete the Transaction;

(b) the Purchaser has taken all necessary corporate action to authorize the entering into and performance by it of this Agreement;

(c) provided that the Court Approval is obtained, execution, delivery and performance of this Agreement by the Purchaser does not and will not require any consent, approval, authorization or other order of, action by, filing with or notification to, any Governmental Authority, except where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent or materially delay the consummation by the Purchaser of the Transaction;

(d) this Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser and is enforceable against the Purchaser in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar Applicable Laws relating to creditors' rights generally and subject to general principles of equity;

(e) the Purchaser is in compliance with all international trade laws and regulations including: (i) export and re-export controls specified in the U.S. Export Administration Regulations, International Traffic in Arms Regulations (ITAR), and the Bureau of the Census Foreign Trade Statistics Regulations (FTSR), or the Canadian Export and Import Permits Act; (ii) prohibitions on transactions with or transfers to the governments of, parties located in or operated from, or nationals of countries subject to U.S. and Canadian economic sanctions, and (iii) prohibitions on transactions with or transfers to entities or individuals identified on the U.S. government's List of Specially Designated Nationals and Blocked Persons (Treasury Department), Denied Persons List and Entity List (Commerce Department), and the Canadian government's lists of Designated Persons under the *United Nations Act*, *Criminal Code*, *Special Economic Measures Act* and *Freezing Assets of Corrupt Foreign Officials Act*. The Purchaser is not owned or controlled, directly or indirectly, by a prohibited person or entity or by an entity owned or controlled by a prohibited person or entity (or agent acting on such person or entity's behalf) as defined by the foregoing lists;

(f) there is no requirement for the Purchaser to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority pursuant to the *Competition Act* (Canada), as a result of, in connection with, or as a condition to the lawful completion of the Transaction; and

(g) the Purchaser is not a non-Canadian person within the meaning of the *Investment Canada Act* nor a non-resident for the purposes of the Income Tax Act.

4.2 No Representations and Warranties by the Vendor

(a) Neither the Vendor nor any of its Representatives makes any representations or warranties, and in particular, and without limiting the generality of the foregoing, the Vendor disclaims and neither the Vendor nor any of its Representatives shall be liable for any representation or warranty which may have been made or alleged to be made in any instrument or document related hereto, or in any statement or information made or communicated to the Purchaser in any manner including any opinion, information, or advice which may have been provided to the Purchaser by the Vendor or any of its Representatives in connection with the Purchased Assets or in relation to the Transaction. For greater certainty, neither the Vendor nor any of its Representatives makes any condition, representation or warranty, express or implied, with respect to:

(i) the Data Room Information or any other data or information supplied by the Vendor or any of its Representatives in connection with the Purchased Assets, including by way of management presentations or otherwise;

(ii) the value of any of the Purchased Assets or the future cash flow therefrom; or

(iii) the quality, condition, description, fitness for purpose, suitability, serviceability or merchantability of the Purchased Equipment.

(b) The Purchaser acknowledges and confirms that it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets and that it is relying on its own investigations concerning the Purchased Assets and it has not relied on advice from the Vendor or any of its Representatives with respect thereto, including with respect to the matters specifically enumerated in the immediately preceding paragraphs in connection with the purchase of the Purchased Assets pursuant hereto. The Purchaser further acknowledges and agrees that it is acquiring the Purchased Assets on an "as is, where is" basis. The Purchaser acknowledges and agrees that it is familiar with the condition of the Purchased Assets, and that the Vendor has provided the Purchaser with a reasonable opportunity to inspect the Purchased Assets at the sole cost, risk and expense of the Purchaser and that the Purchaser is not relying upon any representation or warranty of the Vendor as to the condition of the Purchased Assets.

(c) Except for its express rights under this Agreement, the Purchaser hereby waives all rights and remedies (whether now existing or hereinafter arising and including all common law, tort, contractual and statutory rights and remedies) against the Vendor and its Representatives in respect of the Purchased Assets or the Transaction or any representations or statements made or information or data furnished to the Purchaser or its Representatives in connection herewith (whether made or furnished orally or by electronic, faxed, written or other means).

ARTICLE 5
COVENANTS

5.1 Third Party Consents

Both before and after Closing, each of the Parties shall use all commercially reasonable efforts to obtain any and all approvals required under Applicable Law and any and all material consents of Third Parties required to permit the Transaction to be completed. The Parties acknowledge that the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of the Purchaser, at the Purchaser's sole cost and expense, to provide any and all financial assurances that may be required by Governmental Authorities or any Third Parties to permit the transfer to the Purchaser of the Purchased Assets or any of them.

5.2 Court Approval

The Vendor shall prepare all materials, and shall promptly apply to the Court for, and use its commercially reasonable efforts to obtain, the Court Approval as soon as reasonably practicable following the date hereof. The Purchaser, at its own expense, shall promptly provide to the Vendor all such information and assistance within the Purchaser's power as the Vendor may reasonably request to obtain the Court Approval, including such information as may be required to reasonably evaluate the Purchaser's financial ability to perform its obligations hereunder. The application for the Court Approval may be adjourned or rescheduled by the Vendor or its Representatives upon notice to the Purchaser.

5.3 Expenses

If the Closing occurs, the Purchaser shall be responsible for and pay as and when required:

(a) any and all costs of dismantling or removing Purchased Assets from their present location and/or transporting them to a new location; and

(b) the cost of repairing any damage caused by dismantling or removal of any of the Purchased Assets from their present location and/or transporting to a new location.

The Purchaser shall repair and be liable for any and all Claims, Losses and Liabilities whatsoever caused by or in any way arising out of any dismantling or removal of any Purchased Assets, or any failure to dismantle or remove any Purchased Assets. Further, the Purchaser shall indemnify and save harmless the Vendor, its Representatives, the Receiver and its and their respective officers, directors, employees or other representatives in respect of and from any and all Claims, Losses and Liabilities that any of them may incur or suffer by reason of any dismantling or removal of any Purchased Assets, or any failure to dismantle or remove any Purchased Assets.

ARTICLE 6
CONDITIONS

6.1 Mutual Conditions

The respective obligations of the Parties to complete the Transaction are subject to the following conditions being fulfilled or performed as at or prior to the Time of Closing:

(a) the Court has granted the Court Approval;

(b) all necessary governmental and regulatory approvals for completion of the Transaction has been obtained; and

(c) no injunction or other order has been issued to enjoin, restrict or prohibit the Transaction; and

(d) the Closing is not otherwise prohibited by Applicable Law.

The foregoing conditions are for the mutual benefit of the Vendor and the Purchaser and may be asserted by the Vendor or the Purchaser regardless of the circumstances and may be waived only with the Agreement of both the Vendor and the Purchaser.

6.2 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following condition being fulfilled or performed as at or prior to the Time of Closing:

(a) the Vendor has complied with and performed, in all material respects, all of its covenants and obligations contained in this Agreement.

The foregoing condition is for the exclusive benefit of the Purchaser and may be waived by it in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Purchaser may have. If the said condition has not been complied with or waived by the Purchaser at or before the Time of Closing, the Purchaser may terminate this Agreement by written notice to the Vendor.

6.3 Conditions for the Benefit of the Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed as at or prior to the Time of Closing:

(a) all representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects as at the Time of Closing with the same force and effect as if made at and as of such time;

(b) the Purchaser has complied with and performed in all material respects all of its covenants and obligations contained in this Agreement; and

(c) no Party comprising the Vendor has lost its ability to convey the Purchased Assets or any of them due to an order of the Court or otherwise pursuant to the Receivership Proceedings or the U.S. Proceedings, provided such order or other action pursuant to the Receivership Proceedings or the U.S. Proceedings is not at the voluntary initiative of the Vendor.

The foregoing conditions are for the exclusive benefit of the Vendor and may be waived by it in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Vendor may have. If any of the said conditions have not been complied with or waived by the Vendor at or before the Time of Closing, the Vendor may terminate this Agreement by written notice to the Purchaser.

6.4 Satisfaction of Conditions

Each of the Parties shall proceed diligently and in good faith and use all commercially reasonable efforts to fulfill and assist in the fulfillment of the conditions set forth in Sections 6.1, 6.2 and 6.3. In addition, each of the Parties agrees not take any action that could reasonably be expected to preclude, delay or have an adverse effect on the Transaction or would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect.

ARTICLE 7
CLOSING

7.1 Closing Date and Place of Closing

Subject to the conditions set out in this Agreement, the Transaction shall close and be completed on the Closing Date. The completion of the Transaction shall take place at the Time of Closing at the offices of the Receiver's Solicitors, or at such other time or such other location as the Parties may agree in writing.

7.2 Deliveries on Closing by the Vendor

The Vendor shall deliver to the Purchaser at the Time of Closing:

(a) a Court certified copy of the Court Approval;

(b) a bill of sale in a form satisfactory to the Parties acting reasonably regarding the conveyance of all of the Purchased Assets, duly executed by the Vendor;

(c) any Specific Conveyances that have been prepared by the Vendor prior to Closing, in a form satisfactory to the Parties, acting reasonably;

(d) copies of the Books and Records; and

(e) such other documents as are required by this Agreement.

7.3 Deliveries on Closing by the Purchaser

The Purchaser shall deliver to the Vendor at the Time of Closing:

(a) the Purchase Price payable in cash to the Vendor in accordance with Section 3.3;

(b) payment or evidence of payment of all Transfer Taxes in accordance with Section 3.5;

(c) a bill of sale in a form satisfactory to the Parties acting reasonably regarding the conveyance of all of the Purchased Assets, duly executed by the Purchaser; and

(d) such other documents as are required by this Agreement.

7.4 Risk and Insurance

The risk of loss of the Purchased Assets shall remain with the Vendor until Closing. Any property, liability and other insurance maintained by the Vendor shall not be transferred as of the Time of Closing, but shall remain the responsibility of the Vendor until the Time of Closing. The Purchaser shall be responsible for placing its own property, liability and other insurance coverage with respect to the Purchased Assets in respect of the period from and after the Time of Closing.

ARTICLE 8
INDEMNITY

8.1 Indemnification Given by Purchaser

If Closing occurs, the Purchaser shall:

(a) be liable to the Vendor for; and

(b) as a separate covenant, indemnify the Vendor and its Representatives from and against;

all Losses and Liabilities suffered, sustained, paid or incurred by any of them to the extent arising or accruing on or after the Effective Time and which relate to the Purchased Assets, including all Losses and Liabilities attributable to the ownership, operation, use, construction or maintenance of the Purchased Assets arising or accruing on or after the Effective Time. The Purchaser's indemnity obligation set forth in this Section 8.1 shall survive the Closing Date indefinitely.

8.2 Third Party Claims

(a) If the Vendor receives notice of the commencement or assertion of any Third Party Claim for which the Purchaser is liable pursuant to this Agreement, the Vendor shall give the Purchaser reasonably prompt notice thereof, but in any event no later than 14 days after receipt of such notice of such Third Party Claim. Such notice to the Purchaser shall describe the Third Party Claim in reasonable detail and shall indicate, if reasonably practicable, the estimated amount (or the method of computation of the amount) of the Loss that has been or may be sustained by the Vendor, and a reference to the provisions of this Agreement upon which such claim is based.

(b) The Purchaser may participate in the defence of any Third Party Claim by giving notice to that effect to the Vendor not later than 14 days after receiving notice of that Third Party Claim (the "**Notice Period**") so long as: (i) the Purchaser first acknowledges to the Vendor, in writing, liability to the Vendor under this Agreement with respect to such Third Party Claim and that the outcome of such Third Party Claim does not alter or diminish the Purchaser's obligation to indemnify the Vendor pursuant to this Agreement, subject to the Purchaser's right to contest in good faith the Third Party Claim; (ii) the Purchaser has the financial resources to defend against the Third Party Claim and fulfill any indemnification obligations and has provided the Vendor with evidence thereof; (iii) the Third Party Claim involves monetary damages; and (iv) the Purchaser participates in the defence of the Third Party Claim actively and diligently. The Purchaser's right to do so shall be subject to the rights of any insurer or other third party who has potential liability in respect of that Third Party Claim. The Purchaser shall pay all of its own expenses of participating in or assuming such defence. The Vendor shall cooperate in good faith in the defence of each Third Party Claim and may participate in such defence assisted by counsel of its own choice at its own expense.

(c) If the Vendor has not received notice within the Notice Period that the Purchaser has elected to participate in the defence of such Third Party Claim, or if the Purchaser has given such notice but thereafter fails or is unable to participate in the defence of such Third Party Claim actively and diligently, the Vendor may, at its option, elect to settle or compromise the Third Party Claim on terms of its choosing, or assume such defence assisted by counsel of its own choosing, and the Purchaser shall be liable for all reasonable costs and expenses paid or incurred in connection therewith and any Loss suffered or incurred by the Vendor with respect to such Third Party Claim.

8.3 Failure to Give Timely Notice

A failure to give timely notice as provided in this Article 8 shall not affect the rights or obligations of any Party except and only to the extent that, as a result of such failure, any Party which was entitled to receive such notice was deprived of its right to recover any payment under any applicable insurance coverage or was otherwise prejudiced as a result of such failure.

8.4 No Merger

There shall not be any merger of any liability or indemnity hereunder in any assignment, conveyance, transfer or document delivered pursuant hereto notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

ARTICLE 9
TERMINATION

9.1 Grounds for Termination

This Agreement may be terminated at any time prior to Closing by either the Vendor or the Purchaser (as applicable) if the conditions for the benefit of the Vendor or Purchaser (as applicable) pursuant to the provisions of Article 6 are not satisfied or waived by or on the Closing Date.

9.2 Effect of Termination

Notwithstanding any termination of this Agreement by the Vendor or the Purchaser as permitted under Section 9.1, the provisions of Sections 10.1, 10.4, 10.5, 10.11 and 10.14 shall remain in full force and effect following any such permitted termination, and the Deposit shall be governed by Section 3.2.

ARTICLE 10
MISCELLANEOUS

10.1 Public Announcements

If a Party intends to issue a press release or other public disclosure of this Agreement, the terms hereof or the Transaction, the disclosing Party shall provide the other Party with an advance copy of any such press release or public disclosure with sufficient time to enable the other Party to review such press release or other public disclosure and provide any comments. The disclosing Party shall not issue such press release or other public disclosure without the prior written consent of the other Party, such consent not to be unreasonably withheld.

10.2 Specific Conveyances

The Purchaser shall prepare the Specific Conveyances which it wishes to have executed and shall provide same to the Vendor for its review and execution in a timely fashion, none of which shall confer or impose upon a Party any greater right or obligation than contemplated in this Agreement. The Purchaser shall, as applicable, register and/or distribute all Specific Conveyances and shall bear all costs incurred therewith and in preparing and registering and/or distributing any further assurances required in connection with the Transaction. All Specific Conveyances that are prepared after Closing and delivered to the Vendor by the Purchaser from time to time in accordance with the terms hereof shall be executed by the Vendor and returned to the Purchaser at its offices within 15 Business Days of receipt.

10.3 Obligations to Survive

The obligations, covenants, representations and warranties (if any) of the Parties set out in this Agreement shall survive Closing, shall remain in full force and effect, shall not merge as a result of Closing and shall be binding on the Parties thereafter.

10.4 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta, and the federal laws of Canada applicable therein (excluding any conflict of law rule or principle of such laws that might refer such interpretation or enforcement to the laws of another jurisdiction). Each Party irrevocably submits to the exclusive jurisdiction of the Alberta Court with respect to any matter arising hereunder or relating hereto.

10.5 Damages

Under no circumstance shall any of the Parties, their Representatives or their respective directors, officers, employees or agents be liable for any punitive, exemplary, consequential or indirect damages (including for greater certainty, any loss of profits) that may be alleged to result, in connection with, arising out of, or relating to this Agreement or the Transaction.

10.6 Further Assurances

Each of the Parties hereto from and after the date hereof shall, from time to time, and at the request and expense of the Party requesting the same, do all such further acts and things and execute and deliver such further instruments, documents, matters, papers and assurances as may be reasonably requested to complete the Transaction and for more effectually carrying out the true intent and meaning of this Agreement.

10.7 No Assignment by Purchaser

The Purchaser shall not, without the Vendor's prior written consent, assign any right or interest in this Agreement, which consent may be withheld in the Vendor's sole and absolute discretion, except that the Purchaser shall have the right to assign any or all of its rights, interests or obligations hereunder to one or more Affiliates of the Purchaser, provided that such Affiliate agrees to be bound by the terms of this Agreement and provided that the Purchaser shall remain liable hereunder for any breach of the terms of this Agreement by such Affiliate.

10.8 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

10.9 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

10.10 Time of the Essence

Time is of the essence in this Agreement.

10.11 Costs and Expenses

Each Party shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel, bankers, investment bankers, accountants, brokers and other advisors) incurred by it in connection with this Agreement and the Transaction. No Party shall be responsible for the costs and expenses of the other Party.

10.12 Notices

Any notice, demand or other communication required or permitted to be given to any Party shall be given in writing and addressed as follows:

(a) in the case of the Vendor or the Receiver:

Ernst & Young Inc.
1000, 440 2nd Avenue S.W.
Calgary, AB Canada T2P 5E9
Attention: Peter Chisholm
Fax: 403.206.5075
Email: peter.chisholm@ca.ey.com

And with a copy to the Receiver's Solicitors:

Borden Ladner Gervais LLP
1900, 520 – 3rd Ave S W
Calgary, AB, Canada T2P 0R3
Attention: Patrick T. McCarthy Q.C./Jessica L. Duhn
Fax: 403.266.1395
Email: PMcCarthy@blg.com/jduhn@blg.com

(b) In the case of the Purchaser:

1616057 Alberta Ltd.
9211 41 Ave NW, Edmonton
AB T6E 6R5
Attention: Jim Bond

And with a copy to the Purchaser's Solicitors:

McLennan Ross LLP
600 McLennan Ross Building, 12220 Stony Plain Road, Edmonton, AB T5N 3Y
Attention: Dani Fialkov
Fax: 780.733.9722
Email: dfialkov@mross.com

Any such notice, if personally delivered, shall be deemed to have been validly and effectively given and received on the Business Day of such delivery and if sent by facsimile or other electronic communication with confirmation of transmission, shall be deemed to have been validly and effectively given and received on the Business Day next following the day it was received.

10.13 Enurement

This Agreement shall be binding upon, and enure to the benefit of, the Parties and their respective successors and permitted assigns.

10.14 Third Party Beneficiaries

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the Parties and their successors and permitted assigns, and no person, other than the Parties and their successors and permitted assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

10.15 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provision validity or enforceability in any other jurisdiction.

10.16 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and cancel and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof. There are no conditions, covenants, agreements, representations, warranties or other provisions, whether oral or written, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof other than those contained in this Agreement.

10.17 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile or other electronic means of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

IN WITNESS WHEREOF this Agreement has been properly executed by the Parties as of the date first above written.

CALMENA DRILLING SERVICES US LP, by Ernst & Young Inc. in its capacity as the court-appointed receiver and foreign representative and not in its personal or corporate capacity

Per: ________________________

Name: Peter Chisholm

Title: VP

CALMENA DRILLING SERVICES LLC, by Ernst & Young Inc. in its capacity as the court-appointed receiver and foreign representative and not in its personal or corporate capacity

Per: ________________________

Name: Peter Chisholm

Title: VP

CALMENA LUXEMBOURG HOLDING S.À.R.L.

Per: ________________________

Name:

Title: Sole Manager/Authorised Signatory (as the case may be)

1616057 ALBERTA LTD.

Per: ________________________

Name:

Title:

10.17 Counterparts

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IN WITNESS WHEREOF this Agreement has been properly executed by the Parties as of the date first above written.

CALMENA DRILLING SERVICES US LP, by Ernst & Young Inc. in its capacity as the court-appointed receiver and foreign representative and not in its personal or corporate capacity

Per: ____________________________

Name:

Title:

CALMENA DRILLING SERVICES LLC, by Ernst & Young Inc. in its capacity as the court-appointed receiver and foreign representative and not in its personal or corporate capacity

Per: ____________________________

Name:

Title:

CALMENA LUXEMBOURG HOLDING S.À.R.L.

Per: ____________________________

Name: MARJORIE ALLO

Title: Sole Manager/Authorised Signatory (as the case may be)

1616057 ALBERTA LTD.

Per: ____________________________

Name:

Title:

10.17 Counterparts

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CALMENA DRILLING SERVICES US LP, by Ernst & Young Inc. in its capacity as the court-appointed receiver and foreign representative and not in its personal or corporate capacity

Per: ______________________________

Name:

Title:

CALMENA DRILLING SERVICES LLC, by Ernst & Young Inc. in its capacity as the court-appointed receiver and foreign representative and not in its personal or corporate capacity

Per: ______________________________

Name:

Title:

CALMENA LUXEMBOURG HOLDING S.À.R.L.

Per: ______________________________

Name:

Title: Sole Manager/Authorised Signatory (as the case may be)

1616057 ALBERTA LTD.

Per: JBond

Name:

Title: President.

SCHEDULE 1.1(AA)
INVENTORY

See Schedule 1.1(jj)

SCHEDULE 1.1(JJ)
PURCHASED EQUIPMENT

1. All MWD collars regardless of length or size;
2. All MWD subs regardless of length or size, but not limited to;
   a. MWD UBHO subs
   b. MWD Muleshoe subs
   c. MWD collar lift subs
   d. MWD cross over subs;
3. Calmena V3 MWD assets, should some of the items related to these systems be located in FastCap's facilities in either Boston or Calgary they should be consolidated with the majority of the purchased items in Oklahoma;
4. A full technology transfer at closing included but not limited to all drawings and all information related to the Calmena V3 MWD systems;
5. EM MWD assets to include all MWD collars and subs related to the system. Should some of the items related to these systems be located in FastCap's facilities in either Boston or Calgary they should be consolidated with the majority of the purchased items in Oklahoma;
6. All Blue Star MWD systems inclusive;
7. All GeoLink MWD systems inclusive;
8. All MWD inventories new or used;
9. Should some of the inventory items be located in FastCap's facilities in either Boston or Calgary they should be consolidated with the majority of the purchased items in Oklahoma;

As a result, all items located in the Oklahoma facility are related to the MWD assets, all furnishings and fixtures, all miscellaneous shelving, tool racks, inspection racks, hand tools, forklift, shop consumables, shop equipment, lab equipment and tables used in the MWD maintenance process, plotters, all inventories, etc. etc.

To simplify the purchase agreements it would be easier to remove the Drilling Motor assets from the Oklahoma yard, none are located inside the facility. All remaining items either located inside or in the Oklahoma yard would be included in the MWD asset purchase. Additionally any MWD related items or spares would be removed from the Conroe facility.

The following assets located at Calmena's Oklahoma City, Oklahoma location are specifically excluded from the purchase:

COMPLETE MOTORS:

45 - 4 3/4"

21 - 61/2"

1 - 8"

SPARE PARTS:

1 - PALLET STABILIZERS & THREAD PROTECTORS. 4 3/4", 6 1/2", & 8"

NUMEROUS PALLETS OF PICK-UP SUBS

SERVICE SHOP EQUIPMENT

4 - PIPE RACKS

8 - ONE SIDED STAND ALONE V-RACK

ASSETS OWNED BY COLUMBIA ENTITY:

1 – EM KIT

1 – PALLET WITH 2 UP HOLE GAP SUB ASSY

SCHEDULE 1.1(JJ)
PURCHASED EQUIPMENT

1. All MWD collars regardless of length or size;
2. All MWD subs regardless of length or size, but not limited to;
    a. MWD UBHO subs
    b. MWD Muleshoe subs
    c. MWD collar lift subs
    d. MWD cross over subs;
3. Calmena V3 MWD assets, should some of the items related to these systems be located in FastCap's facilities in either Boston or Calgary they should be consolidated with the majority of the purchased items in Oklahoma;
4. A full technology transfer at closing included but not limited to all drawings and all information related to the Calmena V3 MWD systems;
5. EM MWD assets to include all MWD collars and subs related to the system. Should some of the items related to these systems be located in FastCap's facilities in either Boston or Calgary they should be consolidated with the majority of the purchased items in Oklahoma;
6. All Blue Star MWD systems inclusive;
7. All GeoLink MWD systems inclusive;
8. All MWD inventories new or used;
9. Should some of the inventory items be located in FastCap's facilities in either Boston or Calgary they should be consolidated with the majority of the purchased items in Oklahoma;

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4 - PIPE RACKS

8 - ONE SIDED STAND ALONE V-RACK

ASSETS OWNED BY COLUMBIA ENTITY:

1 – EM KIT

1 – PALLET WITH 2 UP HOLE GAP SUB ASSY

B

Dylan Murray

From:	Dylan Murray
Sent:	November-17-15 10:53 AM
To:	jim.bond@hitechseals.com
Subject:	Sale of directional equipment - Final Statement of Adjustments
Attachments:	US Directional equipment - Property Taxes.xlsx

Jim,

I hope you have been well since we last spoke. Please see the attached calculation of the prorated property taxes owed to the Receiver as part of the sale of directional equipment. Pending any comments from each party, this balance is to be included in the Final Statement of Adjustments.

Our legal counsel contacted all counties and asked for their tax assessment which has been included in the attached. Please note, some of the balances are preliminary and were received as estimates via phone call. The final balances are expected to be received this week. As a preliminary allocation of the property taxes, we apportioned them based on the respective purchase price allocations included in each purchase and sale agreement.

I am in the office all week and available for a call if you would like to discuss the attached.

Thanks,

Dylan

Dylan Murray, CA | Transaction Advisory Services
Ernst & Young Inc.
1000, 440 2nd Avenue S.W., Calgary, Alberta T2P 5E9, Canada
Office: +1 403 206 5646 | Fax: +1 403 206 5075 | dylan.murray@ca.ey.com
Website: http://www.ey.com/ca

Purchase Price Allocation Summary

Conroe Assets	
TurboDrill %	91%
'161%	9%
OKC Assets	
TurboDrill %	46%
'161%	54%
Boston Assets	
'161%	100%

						Conroe Assets		OKC
Entity	Claimant	Description	2015	2015 Balance	Statement Month	TurboDrill Total	161 Total	TurboDrill Total
Calmena Drilling Services LLC	Harris County	Ad Valorem	$3,807.70	$3,807.70	October	$3,461.55	$346.15	
Calmena Drilling Services LLC	Aldine ISD	Ad Valorem	$5,201.59	$5,201.59	October	$4,728.72	$472.87	
Calmena Drilling Services LLC	Montgomery County	Ad Valorem	$22,063.24	$22,063.24	October			
Calmena LLC	Montgomery County	Ad Valorem	$798.71	$798.71	October			
Calmena Drilling Services	Midland County	Ad Valorem	$44.12	$44.12	October	$40.11	$4.01	
Calmena Drilling Services	Midland County	Ad Valorem	$11,696.89	$11,696.89	October	$10,633.54	$1,063.35	
Calmena Drilling Services	Midland County	Ad Valorem	$84.12	$84.12	October	$76.47	$7.65	
	Texas Comptroller	Sales and Use Direct Pay-Permit (Admin Expense) 02/2015-03/2015	$2,053.70	$2,053.70	N/A	$1,867.00	$186.70	
Calmena Drilling Services US LP	Texas Comptroller	Sales and Use Direct Pay-Permit	$1,178.65	$1,178.65	N/A	$1,071.50	$107.15	
Calmena Drilling Services US LP	Texas Comptroller	Sales and Use Tax-Non-Permit Unsecured	$15,878.09	$15,878.09	N/A	$14,434.63	$1,443.46	
Calmena Drilling Services US LP	Texas Comptroller	Sales and Use Tax Non-Permitted Unsecured (Admin Expense)	$22,026.97	$22,026.97	N/A	$20,024.52	$2,002.45	
Calmena Drilling Services US LP	Texas Comptroller	Franchise Tax	$28,111.19	$28,119.19	N/A	$25,562.90	$2,556.29	
Calmena Drilling Services LLC	Oklahoma County Treasurer	Ad Valorem	$162,280.00	$162,280.00	November			$74,61
Calmena Drilling Services US LP	Oklahoma Tax Commission	Sales Tax	N/A	N/A	N/A			
	IRS	Internal Revenue Taxes	N/A	N/A	N/A			
						$81,900.93	$8,190.09	$74,61

Property Tax Summary:

	TurboDrill	161 AB
Total Taxes	$156,512.42	$118,720.55
Closing date	05-Jun-15	02-Jul-15
Days	209	182
	$89,619.44	$59,197.64

C

Dylan Murray

From:	Dylan Murray
Sent:	November-18-15 5:41 PM
To:	'Jim Bond'
Cc:	'Dani Fialkov'; Bill Beattie
Subject:	RE: Sale of directional equipment - Final Statement of Adjustments
Attachments:	Montgomery County Tax.pdf; Oklahoma County Tax.pdf; US Directional equipment - Property Taxes V2.xlsx

Jim,

See the revised. Changes to this version include the following:

- Removal of Harris County
- Removal of Aldine ISD
- Removal of Midland County
- Removal of Texas Comptroller (this was confirmed as sales tax)
- Increase in OKC property taxes per finalized assessment

Based on the revised, 161's property taxes to be included on the Final Statement of Adjustments is $54,989.74. I have attached the tax notices. Let me know if you have any comments or would like to discuss.

Thanks,

Dylan

Dylan Murray, CA | Transaction Advisory Services
Ernst & Young Inc.
1000, 440 2nd Avenue S.W., Calgary, Alberta T2P 5E9, Canada
Office: +1 403 206 5646 | Fax: +1 403 206 5075 | dylan.murray@ca.ey.com
Website: http://www.ey.com/ca

From: Jim Bond [mailto:jim.bond@hitechseals.com]
Sent: Wednesday, November 18, 2015 9:27 AM
To: Dylan Murray
Cc: 'Dani Fialkov'; Bill Beattie
Subject: RE: Sale of directional equipment - Final Statement of Adjustments

This is incorrect.

There were no assets in Harris County or in Midland County Texas.
The assets were in Oklahoma City (Oklahoma County) and in Montgomery County, Texas.

Montgomery County is outside Conroe Texas

From: Dylan Murray [mailto:dylan.murray@ca.ey.com]
Sent: November-17-15 10:53 AM
To: Jim Bond <jim.bond@hitechseals.com>
Subject: Sale of directional equipment - Final Statement of Adjustments

Jim,

I hope you have been well since we last spoke. Please see the attached calculation of the prorated property taxes owed to the Receiver as part of the sale of directional equipment. Pending any comments from each party, this balance is to be included in the Final Statement of Adjustments.

Our legal counsel contacted all counties and asked for their tax assessment which has been included in the attached. Please note, some of the balances are preliminary and were received as estimates via phone call. The final balances are expected to be received this week. As a preliminary allocation of the property taxes, we apportioned them based on the respective purchase price allocations included in each purchase and sale agreement.

I am in the office all week and available for a call if you would like to discuss the attached.

Thanks,

Dylan

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Purchase Price Allocation Summary

Conroe Assets

TurboDrill %	91%
'161%	9%

OKC Assets

TurboDrill %	46%
'161%	54%

Entity	Claimant	Description	2015	2015 Balance	Statement Month	Conroe Assets TurboDrill Total	Conroe Assets 161 Total	Turbc
Calmena Drilling Services LLC	Montgomery County	Ad Valorem	$22,063.24	$22,063.24	October	$20,057.49	$2,005.75	
Calmena LLC	Montgomery County	Ad Valorem	$798.71	$798.71	October	$726.10	$72.61	
Calmena Drilling Services LLC	Oklahoma County Treasurer	Ad Valorem	$200,291.13	$200,291.13	November			
						$20,783.59	207836%	

Property Tax Summary:

	TurboDrill	161 AB
Total Taxes	$112,871.47	$110,281.61
Closing date	05-Jun-15	02-Jul-15
Days	209	182
Property taxes owing by each party	$64,630.51	$54,989.74

D

Dylan Murray

From: Jim Bond <jim.bond@hitechseals.com>
Sent: November-23-15 4:17 PM
To: Dylan Murray; Bill Beattie
Cc: 'Dani Fialkov'
Subject: RE: Sale of directional equipment - Final Statement of Adjustments

No objection.

From: Dylan Murray [mailto:dylan.murray@ca.ey.com]
Sent: November-23-15 2:54 PM
To: Bill Beattie <beattiecdn@yahoo.com>; Jim Bond <jim.bond@hitechseals.com>
Cc: 'Dani Fialkov' <dfialkov@mross.com>
Subject: RE: Sale of directional equipment - Final Statement of Adjustments

Bill,

E&Y will consult with its US legal counsel and internal tax group to determine if we have any recourse regarding the Oklahoma assessment.
Does anyone have any objection to postponing the Final Statement of Adjustments until we receive more clarity on the matter at hand?

Thanks,

Dylan

Dylan Murray, CA | Transaction Advisory Services
Ernst & Young Inc.
1000, 440 2nd Avenue S.W., Calgary, Alberta T2P 5E9, Canada
Office: +1 403 206 5646 | Fax: +1 403 206 5075 | dylan.murray@ca.ey.com
Website: http://www.ey.com/ca

From: Bill Beattie [mailto:beattiecdn@yahoo.com]
Sent: Thursday, November 19, 2015 3:31 PM
To: 'Jim Bond'; Dylan Murray
Cc: 'Dani Fialkov'
Subject: RE: Sale of directional equipment - Final Statement of Adjustments

Gentlemen,

The Oklahoma assessment is 1.6 million dollars and the assets in that facility were sold for (as per our allocation 235K and turbo drill 200K) so how can the assessment be 4 times?
Looks to me like E&Y should be disputing the assessment? Why would we pay tax on anything more than the purchase price?
Additionally the Calmena LLC tax assessment should be 100% turbo drill, it represents the office furniture etc. that was at the Spring Office and consolidated in Conroe.

Thanks,
Bill Beattie
713-824-7210

From: Dylan Murray [mailto:dylan.murray@ca.ey.com]
Sent: Wednesday, November 18, 2015 6:41 PM
To: Jim Bond
Cc: 'Dani Fialkov'; Bill Beattie
Subject: RE: Sale of directional equipment - Final Statement of Adjustments

Jim,

See the revised. Changes to this version include the following:

- Removal of Harris County
- Removal of Aldine ISD
- Removal of Midland County
- Removal of Texas Comptroller (this was confirmed as sales tax)
- Increase in OKC property taxes per finalized assessment

Based on the revised, 161's property taxes to be included on the Final Statement of Adjustments is $54,989.74. I have attached the tax notices. Let me know if you have any comments or would like to discuss.

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Dylan

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Website: http://www.ey.com/ca

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Sent: Wednesday, November 18, 2015 9:27 AM
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Cc: 'Dani Fialkov'; Bill Beattie
Subject: RE: Sale of directional equipment - Final Statement of Adjustments

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Montgomery County is outside Conroe Texas

From: Dylan Murray [mailto:dylan.murray@ca.ey.com]
Sent: November-17-15 10:53 AM
To: Jim Bond <jim.bond@hitechseals.com>
Subject: Sale of directional equipment - Final Statement of Adjustments

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E

Dylan Murray

From:	Dylan Murray
Sent:	March-02-16 10:39 AM
To:	'Bill Beattie'; 'jim.bond@hitechseals.com'
Cc:	Peter Chisholm; 'Dani Fialkov'
Subject:	Calmena Energy Services - Final Statement of Adjustments
Attachments:	Final Statement of Adjustments - 161.xlsx; US Directional equipment - Property Taxes V2.xlsx; Montgomery County Tax.pdf; Oklahoma County Tax.pdf

Jim and Bill,

With respect to the US property tax assessments, the Receiver has consulted its internal tax group and independent US legal counsel and unfortunately there is no recourse available for the Receiver to challenge the assessment. In summary, there is a limited period of availability in which the property tax assessment can be challenged and this period has passed. In fact, this period was already passed when the assessments were forwarded to the Receiver. The Receiver also considered and obtained advice as to whether it could utilize provisions of the United States Bankruptcy Code within the Receivership proceedings to challenge the assessments. Unfortunately, the bankruptcy court may not determine the amount or legality of any amount arising in connection with an ad valorem tax on real or personal property of the estate, if the applicable period for contesting or re-determining that amount under applicable non-bankruptcy law has expired. Based on this, the Receiver is not aware of any recourse available to it to challenge the property taxes levied against the bankrupt entity. We recommend you seek legal advice from independent counsel confirming the Receiver's information.

The deadline for payment of the property taxes was January 31, 2016. The Receiver paid the property taxes in order to avoid penalties and interest that would otherwise accrue.

The property taxes included in the attached are outstanding on the directional drilling equipment. We have also included a copy of the final statement of adjustments, setting forth the balance owing by 161 to the Receiver, for payment of the property taxes, pursuant to the terms of the Asset Purchase Agreement. We look forward to payment of the amounts set forth in the final statement of adjustments shortly.

Let me know if you have any comments concerning the attached or would like to discuss.

Thanks,

Dylan

Dylan Murray, CA | Transaction Advisory Services
Ernst & Young Inc.
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F

Dylan Murray

From: Jim Bond <jim.bond@hitechseals.com>
Sent: March-10-16 9:27 AM
To: Dylan Murray
Cc: 'Dani Fialkov'; Bill Beattie ; Peter Chisholm
Subject: Final Statement -Calmena

We are seeking legal advice in both Canada and U.S. and expect to be have a purposal for your pursual by late next week.

Thanks

G

BRICKELL & ASSOCIATES, P.C.
Bradley D. Brickell
1014 24th Avenue N.W., Suite 100
Norman, OK 73069
(405) 360-0400
Fax: (405) 360-9990
bbrickell@bradbrickell.com

April 27, 2016

via first class mail and electronic mail

dylan.murray@ca.ey.com
peter.chisholm@ca.ey.com

Ernst & Young, Inc.
1000, 440 2nd Avenue S.W.
Calgary, Alberta T2P 5E9
Attn: Dylan Murray & Peter Chisholm

Re: Calmena Drilling and Services USLP Asset Portion Agreement June 14, 2015

Dear Mr. Murray,

You have recently invoiced my client, 1616057 Alberta Ltd., for an allocated share of personal property taxes which were apparently paid by Ernst & Young in their capacity as receiver of Calmena to the Oklahoma County Treasurer's Office in the amount of $200,291.13. This amount of tax was based upon a valuation in excess of 1.6 million dollars, which you sent with a final statement of adjustments in November, 2015. You had previously agreed in the APA161 purchase price allocation that the total value of the Oklahoma facility equipment was $235,000 as a prorated portion of the purchase price. The total price also included Conroe, Boston and Calgary, as well.

The Oklahoma City assets were divided as follows: 161 - 54%, turbo drill - 46%. This is a large discrepancy, between the counties' assessed value and the agreed arm's length sale value, i.e. 1.6 million dollars versus $235,000. Bill Beattie personally pointed it out to you by email dated November 19, 2015, "Looks to me that E&Y should be disputing the assessment". Earlier in 2015, the interim statement of adjustments showed that E&Y estimates the Oklahoma transfer tax on the entire amount to be $9,841 at a 50/50 split. However, instead, the Oklahoma County taxes assessed were over $200,000 on the final statement of adjustments, with 161's share being almost $55,000.

Unless you possess clear evidence that the Oklahoma County Treasurer's assessment of 1.6 million dollars was accurate, please provide evidence that you attempted by every means possible to protest this assessment and despite your arduous protest, the Oklahoma County Treasurer's Office prevailed. Clearly Mr. Beattie's email in November, 2015 put you on notice in plenty of time to mount a protest. If, however, after receiving the notice of assessment from Oklahoma County, you saw no reason to protest this grossly erroneous assessment because you could pass those costs along to the buyer (161), that is a clear breach of your duty of good faith in performing on the contract.

Please furnish the evidence requested above or revise your billing to reflect 161's portion of taxes to be proportionately reduced to reflect an assessed value of $235,000, rather than your current invoice.

Thank you for your prompt attention to this matter.

Yours truly,

Brad Brickell

cc: Jim Bond
Dani Fialkov
Jessica Cameron
Patrick T. McCarthy
Jessica L. Duhn

H

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Borden Ladner Gervais

File No. 413255/000043

May 3, 2016

Delivered by Email (bbrickell@bradbrickell.com)

Bradley D. Brickell
Brickell & Associates, P.C.
1014-24th Avenue N.W., Suite 100
Norman, OK 73069

Dear Mr. Brickell:

Re: **Final Statement of Adjustments pursuant to the Asset Purchase Agreement between Calmena Drilling Services US LP, Calmena Drilling Services LLC, and Calmena Luxembourg Holding S.À.R.L. (collectively "Calmena") and 1616057 Alberta Ltd. ("161"), dated May 14, 2015, as amended (the "APA")**

We are counsel to Ernst & Young Inc. in its capacity as the court-appointed receiver of Calmena (the "**Receiver**"). We are writing in regards to your letter sent to the Receiver on April 27, 2016, wherein you requested evidence from the Receiver that it disputed certain tax assessments on behalf of Calmena, without which you dispute 161's liability to pay the amounts owing pursuant to the Final Statement of Adjustments ("**FSA**") delivered to it by the Receiver on March 2, 2016.

As you are no doubt aware, pursuant to the APA the FSA was originally to be delivered to 161 in August 2015. The Receiver requested and obtained an extension to this date from 161 in order to receive the final tax invoices from the taxing authorities. While the final tax invoices were issued in or around October or November 2015, they were not received by the Receiver until January 2016, as the taxing authorities erroneously delivered the invoices to closed Calmena facilities. As a result, in November 2015 when preparing a draft of the final statement of adjustments, the Receiver was operating from tax estimates obtained by its U.S. counsel.

These estimates were provided to your client at that time. In particular, with respect to the property tax estimates owing by 161, the Receiver advised 161 on November 17, 2015, that this figure was $59,197.64 USD, and again on November 18, 2015, that this figure was $54,989.74 USD. The amount owing by 161 under the FSA, namely $54,989.74 USD, corresponds to the previous estimates of the property taxes payable provided to 161 by the Receiver.

It was as a result of the estimates communicated to 161 in November 2015 that the parties agreed to the further late delivery of the FSA. In discussions with the Receiver, Mr. Bond agreed that the Receiver would investigate the ability to challenge the tax invoices with the Receiver's U.S. counsel.

Through these investigations the Receiver discovered that the ability to dispute the amount of the tax invoices was actually dependent upon successfully disputing the prior property value assessments. As with the final invoices, these property assessments were also sent by the taxing authorities to Calmena's closed offices in the spring of 2015. They 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 that there was no basis upon which it could challenge the tax invoices.

You requested evidence of the Receiver's "arduous protest" of the Oklahoma County Treasurer's tax assessments; the evidence of the Receiver's investigations into the ability to dispute these amounts consists of correspondence between the Receiver and its U.S. legal counsel. It is therefore subject to solicitor-client privilege and has not been enclosed.

In your letter you reference the fact that the amount for the transfer taxes on the interim statement of adjustments was $9,841.00, which the parties agreed to apportion payment on a 50/50 basis. This appears to form part of the basis for 161's dispute regarding payment of the property taxes. The apportionment of the transfer taxes is unrelated to the property taxes now owing by 161. The $9,841.00 was payable as a transfer tax, which we understand to be akin to a sales tax in Alberta. The amount payable by 161 under the FSA is payable as a result of property taxes. These two taxes are separate and distinct.

In addition, you also indicate that the purchase price allocation under the APA is a further basis for 161's dispute of payment of the FSA. The unfortunate reality is that 161 purchased assets through a receivership sale. The purchase price paid by 161, and the purchase price allocation thereunder, is therefore not reflective of the fair market value utilized for taxing purposes, but rather the *liquidation value*. Moreover, the Receiver had no input into the purchase price allocation, and this was a figure provided by 161.

Pursuant to the APA, 161 is contractually responsible for payment of the property taxes on the assets it purchased. The Receiver was under no obligation to dispute the property taxes; despite this fact, the Receiver proceeded in good faith to investigate its ability to do so as a result of its discussions with 161.

For the reasons set forth above, the Receiver hereby demands that 161 make payment in full of the amounts outstanding under the FSA, namely the amount of $54,989.74 USD. Should payment in full not be received by the Receiver by 4:00 pm (MST) on May 16th, 2016, the Receiver will consider all of its legal rights and remedies available to it, including bringing a Court application in Alberta for payment of the amounts owed by 161.

We trust you will find the foregoing to be in order and look forward to immediate payment of the outstanding amounts owing under the FSA.

Yours truly,

Borden Ladner Gervais LLP

Jessica L. Cameron (Formerly Duhn)

cc: Dylan Murray & Peter Chisholm (via email)
Ernst & Young Inc., Receiver

Dani Fialkov (via email)

I

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Borden Ladner Gervais

File No. 413255/000043

May 19, 2016

Delivered by Email (bbrickell@bradbrickell.com)

Bradley D. Brickell
Brickell & Associates, P.C.
1014-24th Avenue N.W., Suite 100
Norman, OK 73069

Dear Mr. Brickell:

Re: **Final Statement of Adjustments pursuant to the Asset Purchase Agreement between Calmena Drilling Services US LP, Calmena Drilling Services LLC, and Calmena Luxembourg Holding S.À.R.L. (collectively "Calmena") and 1616057 Alberta Ltd. ("161"), dated May 14, 2015, as amended (the "APA")**

Further to our letter to you dated May 9, 2016, wherein the Receiver demanded that 161 make payment in full of the amounts outstanding under the FSA, namely the amount of $54,989.74 USD, by May 16th, 2016, we write to advise that, since we have neither received payment nor a response to our correspondence, we will provide 161 with a further five (5) days within which to furnish payment of the outstanding amounts owing under the FSA. If the Receiver has not received payment of such amounts by May 24, 2016, the Receiver will consider all of its legal rights and remedies available to it, including bringing a Court application in Alberta for payment of the amounts owed by 161.

We trust you will find the foregoing to be in order and look forward to immediate payment of the outstanding amounts owing under the FSA.

Yours truly,

Borden Ladner Gervais LLP

Jessica L. Cameron (Formerly Duhn)

cc: Dylan Murray & Peter Chisholm (via email)
Ernst & Young Inc., Receiver

Dani Fialkov (via email)