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JUDICIAL CENTRE	EDMONTON
PLAINTIFF	ATB FINANCIAL
DEFENDANT	D.L.M. OILFIELD ENTERPRISES LTD.
DOCUMENT	**RECEIVER'S SECOND REPORT** **OCTOBER 22, 2019**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER** ERNST & YOUNG INC. EPCOR Tower 10423 - 101 Street, Suite 1400 PO Box 44 Edmonton, Alberta T5H 0E7 Attention: Matt McCulloch / Dan McCulloch Telephone: 780-638-6642 / 780-441-4695 Fax: 780-428-8977 Email: matt.mcculloch@ca.ey.com dan.mcculloch@ca.ey.com **COUNSEL** MLT AIKINS LLP Dana M. Nowak / Catrina Webster 2200, 10235 - 101 Street Edmonton, AB T5J 3G1 Telephone: 780-969-3506 / 403-693-4347 Fax: 780-969-3549 Email: dnowak@mltaikins.com cwebster@mltaikins.com

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INTRODUCTION AND PURPOSE OF THE REPORT

1. On February 8, 2019, pursuant to an application made by ATB, Ernst & Young Inc. ("**EY**") was appointed as Receiver and Manager by virtue of the Receivership Order granted by the Court over the properties, assets and undertakings of D.L.M. Oilfield Enterprises Ltd. ("**DLM**").

2. On June 27, 2019, pursuant to an application made by the Receiver, the Court granted an order (the "**Auction Order**") approving the Receiver's recommendation to finalize and enter into an auction proposal agreement with Maynards (the "**Auction Agreement**") to sell the rolling stock and other physical assets of DLM (the "**Maynards Sale**").

3. The purpose of this report (the "**Receiver's Second Report**") is to advise the Court and other stakeholders of several issues arising from the Maynards Sale and to act as support for the Receiver's request for an order that:

   (a) approves several amendments to the Auction Agreement (the "**Amended Auction Agreement**"); and

   (b) seals the confidential supplement to the Receiver's Second Report (the "**Second Confidential Supplement**") until the administration of the receivership proceedings is complete, and the Receiver is discharged.

DISCLAIMER

4. In preparing the Receiver's Second Report, the Receiver has relied upon DLM's unaudited financial information, DLM's books and records, certain financial information prepared by DLM, and discussions with Management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided. Accordingly, the Receiver expresses no opinion or other form of assurance on the information contained in this report or relied upon in its preparation.

5. This report should be read in conjunction with any other materials filed before the date of the upcoming application to Court which has currently been set for October 29, 2019. All reports and Orders, save for items directed to be sealed for confidentiality purposes, are available on the Receiver's website established for these proceedings that is located at www.ey.com/ca/dlm.

6. Unless otherwise stated, all references to monetary amounts contained herein are expressed in Canadian currency. Capitalized terms used herein, not otherwise defined, are as defined in the Receiver's First Report.

BASIC FACTS & TIMELINES IN RESPECT OF THE MAYNARDS SALE

7. Following the Court's granting of the Auction Order, the Receiver and Maynards executed the Auction Agreement effective July 22, 2019. The Maynards Sale took place on September 5, 2019 as scheduled with assets on site at both of DLM's Bonnyville and Elk Point, Alberta locations.

8. Shortly after the conclusion of the Maynards Sale, Maynards provided the Receiver with an accounting of the results derived therefrom. The Receiver advises that the overall results of the Maynards Sale were lower than anticipated and many of the DLM assets did not sell.

9. Consistent with the Receiver's First Report, it is the position of the Receiver that the specific information pertaining to the Maynards Sale and the related Auction Agreement is sensitive in nature and should be sealed and kept confidential until the administration of the receivership proceedings are completed, and the Receiver is discharged. Further, the Receiver is concerned that efforts to re-market any of the affected assets could be impaired by disclosure of the relevant details to the public at this time. Given this concern, the Receiver has prepared the Second Confidential Supplement which will be provided to the Court (and certain of DLM's stakeholders as deemed appropriate by the Receiver subject to the receipt of an appropriate confidentiality undertaking) separately from this report. The Second Confidential Supplement will outline, among other things, the details of the Maynards Sale (as further discussed below).

10. After a review of the results of the Maynards Sale by both the Receiver and representatives of Maynards, Maynards initiated a number of direct, without prejudice discussions with the Receiver in an attempt to address the outcome of the Maynards Sale in light of the Auction Agreement and to determine next steps. Thereafter, the advice and assistance of respective counsel by both Maynards and the Receiver was sought to formalize a commercially reasonable go-forward strategy and related agreement for presentation to the Court on notice to stakeholders.

11. For the purposes of this Receiver's Second Report, the Receiver advises that Maynards requested the Receiver's authorization to run a second sale, tentatively scheduled for October 23, 2019, and additional time to pay the balance of the NMG.

12. Given the circumstances and results outlined in the Second Confidential Supplement, it is the Receiver's view that working with Maynards to maximize the recovery for the estate while minimizing costs and professional fees is in the best interests of DLM's insolvent estate.

13. As a result of the above, on or about October 16, 2019 and after a series of negotiations, counsel for Maynards presented a proposal to the Receiver (the "**Maynards Proposal**"), the details of which are summarized in the Second Confidential Supplement.

14. In order to accommodate the Maynards Proposal, counsel for the Receiver advised that amendments to the Auction Agreement require Court approval because some of the proposed amendments constitute more than minor modifications thereto. Counsel for the Receiver and Maynards have drafted an Amended Auction Agreement, a copy of which is attached to the Second Confidential Supplement.

15. It is the position of the Receiver that proceeding with the Maynards Proposal and the approval by the Court of the resulting Amended Auction Agreement is commercially reasonable and practically addresses certain issues that have arisen under the Auction Agreement, while also mitigating potential professional fees and other costs that could arise absent a collaborative approach to resolving such issues.

CONCLUSION

16. Based on the matters outlined in this report, the Receiver respectfully requests that this Honourable Court grant an Order that:

(a) approves the Amended Auction Agreement; and

(b) seals the Second Confidential Supplement until the administration of the receivership proceedings is complete and the Receiver is discharged.

Respectfully submitted this 22nd day of October 2019.

Ernst & Young Inc.
In its capacity as Receiver of
D.L.M. Oilfield Enterprises Ltd.
and not in its Personal Capacity

Per:

Matt McCulloch, CA, CPA, CIRP, LIT,
Senior Vice President