COURT FILE NUMBER	1501-00681
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., CALMENA LUXEMBOURG HOLDING S.A.R.L.
DOCUMENT	**SEVENTH REPORT OF ERNST & YOUNG INC., IN ITS CAPACITY AS COURT-APPOINTED RECEIVER** **June 28, 2021**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER** ERNST & YOUNG INC. 2200, 215 – 2nd Street SW Calgary, AB T2P 1M4 Peter Chisholm/Ross Graham Telephone: (403) 206-5061 / (403) 206-5013 Email: peter.chisholm@parthenon.ey.com ross.graham@parthenon.ey.com **COUNSEL** Borden Ladner Gervais LLP Jessica L. Cameron/Myles Fish 1900, 520 3rd Ave S.W. Calgary, AB T2P 0R3 Phone: (403) 232-9715/232-9764 Fax: (403) 266-1395 Email: jcameron@blg.com mfish@blg.com

Clerk's Stamp

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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 Drilling 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**" and the "**Receivership Proceedings**").

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

4. Calmena Mexico, with the exception of BW HR as it was never subject to the Receivership Order, and Calmena Luxembourg were removed from the receivership proceedings *nunc pro tunc* by Order of this Honourable Court dated February 9, 2015. The Calmena Group's senior secured creditor, HSBC Bank Canada ("**HSBC**") consented to this Order. Despite having been unable to take direct control of the assets and operations of Calmena Mexico and Calmena Luxembourg, the Receiver had the co-operation of the directors of these companies and has been able to effectively control their operations since the Appointment Date.

5. The Receiver obtained approval by this Honourable Court to be discharged from Calmena US Corp., Calmena Drilling Services, and Calmena US LP, by an order pronounced on November

23, 2016. A corresponding discharge order pronounced on February 1, 2017, was obtained from the US Court for the Chapter 15 Proceedings.

6. The Receiver was subsequently discharged from Calmena Holdings pursuant to an Order of this Honourable Court dated March 14, 2018.

7. Ernst & Young Inc. continues to act as Receiver of CESI, Calmena LP, and 141 AB (collectively, the "**Remaining Calmena Entities**").

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

   a. the activities since the sixth report of the Receiver dated March 6, 2018 (the "**Sixth Report**"), including a statement of receipts and disbursements for the period from the Appointment Date to February 29, 2019;

   b. the request for approval of the fees of the Receiver and its legal counsel to administer the Receivership Proceedings of the Calmena Group;

   c. the request for the discharge of the Receiver from the Remaining Calmena Entities; and

   d. the Receiver's recommendations with respect to the foregoing.

TERMS OF REFERENCE

9. In preparing this Seventh Report, the Receiver has relied upon financial and other information contained in the Calmena Group's books and records, which were produced and maintained principally by the Calmena Group. The Receiver has not performed an audit, review or other verification of such information. The Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Calmena Group's financial information that would wholly or partially comply with the Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook, and accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CASs in respect of the financial information.

10. Capitalized terms not defined in this Seventh 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.

ACTIVITIES OF THE RECEIVER

14. Since taking control of the Property on the Appointment Date, the Receiver has affected an orderly disposition of the business assets and operations of the Calmena Group's two main divisions, directional drilling in the United States and conventional drilling in Mexico. The majority of the Calmena Group's Property was owned by Calmena Luxembourg, leased to operating entities in the United States and Mexico, and was also located in the United States and Mexico.

15. The monetization efforts undertaken by the Receiver during these proceedings included continuing to operate the Calmena Group in the United States and Mexico in order to preserve accounts receivables, generate positive cash flow in Mexico and enhance recoveries from a going concern sale of the Calmena Group's conventional drilling division in Mexico. The Receiver undertook a sale and investment solicitation process to sell the business and assets of the Calmena Group.

16. The Receiver's sale and investment solicitation process resulted in the following material transactions:

    a. As described in the first report of Receiver, the Receiver entered a sales process to sell the Calmena Group's directional drilling assets in the United States. With the support of HSBC, the Receiver accepted two offers for an aggregate value of CAD$1.6 million (less applicable selling costs and taxes).

    b. The sale of conventional drilling rigs located in Mexico and the United States to Simmons Edeco Ltd. and a conventional drilling rig located in Mexico to GPA Energy, S.A. de C.V. ("**GPA Energy**") for an aggregate sales value of USD$7.0 million (less applicable selling costs and taxes).

17. Since the Appointment Date, the Receiver has distributed approximately $10.7 million to HSBC. HSBC was owed approximately $16.0 million as at the Appointment Date.

18. The final matters left for the Receiver to complete, as at the date of the Sixth Report, included a resolution of on-going litigation in Mexico to collect on accounts receivable owing from a former customer of Calmena Mexico. Despite the Receiver's best efforts to settle the matter, the counterparty filed a statement of defense intending to pursue the matter with the courts in Mexico.

19. The Receiver, through consultation with its legal counsel in Mexico, determined there was risk the Court would side with the counterparty. Accordingly, the Receiver determined the timing to settlement and continued legal costs did not justify continuing the litigation. With support of HSBC, the Receiver abandoned its litigation and considers this matter complete.

20. On May 14, 2018, the Honourable Court authorized the Receiver to take all necessary action to transfer the shares of Calmena Holdings to 2064365 Alberta Ltd. ("**206**"), described as the Calmena Luxembourg Transaction in the Sixth Report. On January 22, 2019, the Receiver deposited funds for $25,000 relating to the Calmena Luxembourg Transaction and closed the transfer of the shares to 206.

21. There is no further Property remaining to be realized in the within Receivership Proceedings and no further actions of the Receiver to be taken.

22. With the completion of all activities, the Receiver's only remaining action is to obtain its discharge as Receiver of the Remaining Calmena Entities from this Honourable Court.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Consolidated Summary of Receipts and Disbursements

23. The following table is a summary of the Receiver's receipts and disbursements for the Calmena Group on a consolidated basis during the Receivership Proceedings. As at February 28, 2019, the Receiver was holding no functional currency and all accounts were closed as of that date:

Calmena Group Summary of receipts and disbursements January 20, 2015 to February 28, 2019			Table 1.0
	Functional Currency	Exchange Rate[1]	Reporting Currency
Canadian account (CAD)			
Opening cash balance	-		
Total receipts	10,157,366		
Total disbursements	(10,157,366)		
Ending cash balance	-	1.00	-
U.S. account (USD)			
Opening cash balance	-		
Total receipts	11,880,377		
Total disbursements	(11,880,377)		
Ending cash balance	-	1.317	-
Euro account (EUR)			
Opening cash balance	-		
Total receipts	135,391		
Total disbursements	(135,391)		
Ending cash balance	-	1.499	-
Total ending cash at February 28, 2019			-

[1] Rates obtained from Bank of Canada February 28, 2019 (closing)

Canadian Dollar Receivership Account

24. The following table is a statement of the Receiver's receipts and disbursements from its Canadian dollar account during the Receivership Proceedings. As at February 28, 2019, the Receiver was holding no functional currency and all accounts were closed as of that date:

Calmena Group		Table 2.0
Statement of receipts and disbursements - Canadian account		
January 20, 2015 to February 28, 2019		
CAD		
Opening cash balance		-
Receipts	*Notes*	
Net transfers from Receiver's US Dollar Account	*a*	8,167,824
Proceeds from sale of US directional assets	*b*	1,666,922
Intercompany recoveries	*c*	186,446
GST refund	*c*	69,339
Other miscellaneous receipts	*c*	66,836
Total receipts		**10,157,366**
Disbursements		
Distribution to secured creditor	*d*	(7,056,038)
Receivers fees and costs	*e*	(1,042,329)
Professional fees	*f*	(882,017)
Salaries and benefits	*g*	(542,155)
Consulting services	*g*	(167,469)
Insurance	*h*	(128,190)
General and administration	*h*	(115,664)
GST paid	*h*	(96,761)
Rent	*h*	(99,292)
Marketing expenses	*h*	(16,384)
Other miscellaneous disbursements	*h*	(11,068)
Total disbursements		**(10,157,366)**
Ending cash at February 28, 2019 (CAD)		-

25. Notes to the Receiver's receipts and disbursements from its Canadian dollar account:

a. A net transfer of cash in the amount of $8.2 million from the Receiver's US dollar trust (see Table 3.0 of this Seventh Report) to the Receiver's Canadian dollar trust account. Funds were transferred to the Canadian dollar account to fund administrative expenses in Canada and issue distributions to the secured creditor in CAD;

b. Proceeds of approximately $1.6 million received from the sale of the US directional drilling equipment;

c. Intercompany, GST and other miscellaneous recoveries totalling $322,620;

d. Interim distributions to HSBC totalling $7.1 million as approved by an Order of this Court dated December 18, 2015 (the "**Interim Distribution Order**");

e. Receiver's fees and expenses of $1.0 million;

f. Receiver's legal counsels' fees and expenses, including both Canadian and US counsel were $882,000;

g. Salaries and benefits paid to the Canadian Calmena Group employees retained by the Receiver and additional consulting services paid to contractors assisting the Receiver in executing on its mandate, collectively totalling $709,624; and

h. Insurance, rent, taxes, storage and other miscellaneous expenditures associated with the Receivership Proceedings totalled $467,000.

US Dollar Receivership Account

26. The following table is a statement of the Receiver's receipts and disbursements from its US dollar bank account during the Receivership Proceedings. As at February 28, 2019, the Receiver was holding no functional currency and all accounts were closed as of that date:

Calmena Group		**Table 3.0**
Statement of receipts and disbursements - US account		
January 20, 2015 to February 28, 2019		
USD		
Opening cash balance		-
Receipts	*Notes*	
Sale of Mexico rigs	*a*	6,200,524
Receipt of cash from Calmena Mexico	*b*	1,500,000
Initial transfer of debtor bank account	*c*	1,378,910
AR collections	*d*	990,461
Intercompany recoveries	*e*	807,201
Tax refund	*e*	477,339
Insurance refunds	*e*	350,422
Miscellaneous receipts	*e*	175,520
Total receipts		**11,880,377**
Disbursements		
Transfer of cash to CAD bank account	*f*	(6,293,133)
Distribution to secured creditor	*g*	(2,645,688)
Mexico operations salaries and benefits	*h*	(986,263)
Property taxes	*i*	(450,583)
US and Mexico legal fees	*j*	(529,200)
Insurance	*k*	(318,231)
Luxembourg payments	*l*	(273,839)
US directional drilling salaries and benefits	*k*	(146,705)
Rent	*k*	(96,980)
Miscellaneous disbursements	*k*	(77,134)
Luxembourg legal fees	*l*	(37,094)
Utilities	*k*	(25,527)
Total disbursements		**(11,880,377)**
Ending cash at February 28, 2019 (USD)		-

27. Notes to the Receiver's receipts and disbursements from its US dollar account:

a. The sale of conventional drilling rigs located in Mexico and the United States to Simmons Edeco Ltd. and a conventional drilling rig located in Mexico to GPA Energy. The Calmena Group's conventional drilling equipment was owned by Calmena Luxembourg as at the Appointment Date;

b. The repayment of intercompany loans in the amount of USD $1.5 million from Calmena Mexico to CESI. These proceeds were recovered through the collection of accounts receivable owed to Calmena Mexico as at the Appointment Date less the settlement of Calmena Mexico's third-party liabilities;

c. USD $1.37 million transferred from Calmena Drilling Services' operating bank account held with HSBC Bank USA as at the Appointment Date;

d. Approximately USD $990,000 from the collection of outstanding accounts receivable in the United States owed to Calmena Drilling Services;

e. Intercompany recoveries, tax and insurance refunds and other miscellaneous receipts totalled USD $1.8 million;

f. Transfer of cash to the Receiver's Canadian dollar trust account of approximately USD $6.3 million;

g. Interim distributions to HSBC of USD $2.6 million as approved by the Interim Distribution Order, including the USD $900,000 distribution of residual funds of the Chapter 15 Debtors and CESI, approved in accordance with the Settlement Approval and US Entities Discharge Order;

h. Salaries and benefits of USD $986,000 paid to Calmena Drilling Services' employees in the United States. Employees responsibilities included completing a directional drilling contract that was in progress as of the Appointment Date and managing Calmena Mexico's conventional drilling operations;

i. Property taxes of approximately USD $451,000 associated with the directional drilling equipment and a conventional drilling rig located in Texas;

j. Legal fees incurred in Mexico and the United States totalling USD $529,200;

k. Insurance, rent, utilities and other disbursements for expenses incurred in the normal course for USD $664,500; and

l. Payments of $318,000 USD associated with settling Luxembourg in-country third party liabilities, maintaining the Calmena Luxembourg office, filing tax returns and legal fees.

European Receivership Account

28. The following table is a statement of the Receiver's receipts and disbursements from its European bank account during the Receivership Proceedings. As at February 28, 2019, the Receiver was holding no functional currency and all accounts were closed as of that date:

Calmena Group		**Table 4.0**
Statement of receipts and disbursements - Euro account		
January 20, 2015 to February 28, 2019		
EUR		
Opening cash balance		-
Receipts	*Notes*	
Miscellaneous receipts	*a*	135,391
Total receipts		**135,391**
Disbursements		
Management and director fees	*b*	(64,541)
Payroll and benefits	*c*	(18,616)
Corporate taxes	*d*	(12,365)
Transfer of cash to USD bank account	*e*	(38,711)
Miscellaneous fees	*d*	(1,157)
Total disbursements		**(135,391)**
Ending cash at February 28, 2019 (EUR)		-

29. Notes to the Receiver's receipts and disbursements from its European Euro account:

a. Approximately €135,000 in miscellaneous receipts during the Receivership Proceedings relates to funds transferred in from two closed Luxembourg accounts for BW Services Luxembourg SARL and Calmena Luxembourg Holding SARL in September 2016;

b. Management and director fees totalling approximately €65,000 were incurred in connection with the Receivership Proceedings;

c. Payroll and benefits disbursements totalled approximately €18,600;

d. Corporate taxes, bank fees, and miscellaneous computer fees totalled approximately €13,500; and

e. A transfer of cash to the Receiver's US dollar trust account was completed for approximately €38,000.

PROFESSIONAL FEES

30. The Receiver obtained this Honourable Court's approval for the Receiver's US legal counsel's fees pursuant to an order pronounced on November 26, 2016. Therefore, the Receiver is seeking approval from this Honourable Court for its fees and expenses, as well as the fees and expenses incurred by its various legal counsel, billed and unbilled to date. The Receiver's various legal counsel firms were in Canada, Mexico and Luxembourg and were engaged to provide advice on local and cross-border matters.

31. Professional fees incurred by the Receiver and its various legal counsel are described in Appendix A. The Receiver's total fees and expenses are $1,147,637 (plus applicable taxes). The Receiver's Canadian legal counsel's fees and disbursements total $469,740 (plus applicable taxes). The Receiver's Mexican legal counsel's fees and disbursements total CAD $424,987 (including local taxes where applicable). The Receiver's Luxembourg legal counsel's fees and disbursements total CAD $24,684 (including local taxes where applicable).

32. The Receiver and the Receiver's Canadian legal counsel have incurred, or will incur, approximately $2,500 and $4,500, respectively, (the "**Costs to Complete**") associated with this application for its discharge.

33. The administration of the Calmena Group's Receivership Proceedings was complicated for a variety of reasons, including:

a) the complex corporate structure of the Calmena Group, which necessitated formal insolvency proceedings in each of Canada and the United States, while also creating challenges for formal insolvency proceedings respecting Calmena Mexico and Calmena Luxembourg;

b) the diverse geographical locations of the Calmena Group's assets, ranging from Texas to Mexico to the Waha Oilfields in Libya; and

c) the length of time required to complete the administration of the Receivership Proceedings, spanning almost 6 years.

34. In the Receiver's view, its activities have been carried out fairly, efficiently and in a commercially reasonable manner. Further, the professional fees and disbursements of the Receiver and its various legal counsel are fair and reasonable in the circumstances, and commensurate with the work performed to date.

35. Copies of the Receiver's invoices and the Receiver's legal counsel's invoices will be delivered to this Honourable Court prior to the hearing of this Application.

36. The Receiver respectfully requests that this Honourable Court approve the Receiver's and all of the Receiver's legal counsel's fees incurred to date and the Costs to Complete, as described above. As all funds have been distributed from the receivership of the Calmena Group to date, the Costs to Complete will be paid for out of the Receiver's general trust bank account. Funds in the Receiver's general trust bank account are made up of bank interest earnings on general funds held by the Receiver and not allocable to specific formal insolvency proceedings or debtors.

DISCHARGE OF THE RECEIVER

37. The Receiver has completed the majority of its administration of the receivership. The Receiver is not aware of it being required for any further purpose herein and is therefore of the view that it should be discharged from its mandate with the Receiver's discharge being effective upon the filing of the Receiver's Certificate in the form contemplated by the proposed form of Order attached to the Receiver's Application.

38. The Receiver respectfully requests that this Honourable Court approve an Order discharging the Receiver on the filing of the Receiver's Certificate from all obligations as Receiver of the Remaining Calmena Entities pursuant to the Receivership Order.

RECOMMENDATIONS

39. The Receiver recommends that this Honourable Court approve the following:

    a. approval of the Receiver's and its Canadian legal counsel's fees billed to date;

    b. the remaining Costs to Complete; and

c. the discharge of the Receiver as Receiver of the Remaining Calmena Entities.

All of which is respectfully submitted this 28th day of June 2021.

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

Peter Chisholm, CA, CPA, CIRP, LIT
Senior Vice-President

Appendix ‘A’

Calmena et al. **Table 5.0**
Schedule of Professional Fees
January 20, 2015 to June 28, 2021
Presented in $CAD

	Subtotal	Excise Taxes	Total $CAD
Receiver Fees:			
Ernst & Young Inc.			
CA0189919059	19,260	963	20,223
CA0189915425	253,593	12,680	266,273
CA0189920472	161,169	8,058	169,227
CA0189929404	108,746	5,437	114,183
CA0189938041	110,221	5,511	115,732
CA0189924353	90,101	4,505	94,606
CA0189954705	25,184	1,259	26,443
CA0189946292	20,000	1,000	21,000
CA0189962291	21,100	1,055	22,155
CA0189976931	28,355	1,418	29,773
CA0189969845	54,785	2,739	57,524
CA0189973422	26,080	1,304	27,384
CA0189984858	32,094	1,605	33,699
CA01C100015588	12,350	617	12,967
CA12C500000274	43,229	2,161	45,390
CA12C500000771	15,155	758	15,913
CA01C100056974	50,825	2,541	53,366
CA12C500001085	27,730	1,387	29,117
CA12C500001418	12,962	648	13,610
CA12C500002150	13,027	651	13,678
CA12C500002425	4,713	236	4,949
CA12C500003514	16,959	848	17,807
Total Receiver fees [1]	**1,147,637**	**57,381**	**1,205,018**
Legal Fees:			
Borden, Ladner & Gervais LLP (Canada)			
697190535	33,978	1,699	35,677
697207901	67,638	3,371	71,009
697247933	161,311	8,062	169,373
697280291	135,962	6,798	142,760
697291326	6,095	302	6,397
697337584	11,192	560	11,752
697366831	13,817	691	14,508
697389907	8,984	447	9,431
697426155	7,151	355	7,506
697448844	9,203	460	9,663
697614693	14,409	718	15,127
	469,740	**23,463**	**493,203**
Allen & Overy (Luxembourg)[2]			
211108230	15,927	-	15,927
2111109666	1,730		1,730
2111110432	3,048	-	3,048
2111112292	3,978	-	3,978
	24,684	**-**	**24,684**
Oscos Abogados (Mexico)[2]			
Retention fee	21,379	-	21,379
Invoice #1	158,740	-	158,740
Invoice #2	140,429	-	140,429
Invoice #3	104,440	-	104,440
	424,987	**-**	**424,987**
Total Legal Fees	**919,412**	**23,463**	**942,874**

[1]Receiver fees include billings for advertising fees connected with sale processes and legal fees.
[2]Invoices converted to CAD using FX rates reported as at June 22, 2021.