

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re

Calfrac Well Services Corp., *et al.*,¹

Debtors in a Foreign Proceeding

Chapter 15

Case No. 20-33529 (DRJ)

Joint Administration Requested

**DECLARATION OF RONALD P. MATHISON IN SUPPORT OF
VERIFIED PETITION FOR RECOGNITION AND CHAPTER 15 RELIEF**

I, Ronald P. Mathison, declare as follows:

1. I am the Executive Chairman and a Director at Calfrac Well Services Ltd. ("**Calfrac**") and the authorized foreign representative (the "**Foreign Representative**") for Calfrac and certain of its affiliates (collectively, the "**Chapter 15 Debtors**") in the above-captioned chapter 15 cases (collectively, the "**Chapter 15 Cases**"). I have held this or a similar position since 1999, when I co-founded Calfrac.

2. I submit this Declaration in support of the following motions and other documents submitted by the Chapter 15 Debtors (collectively, the "**First Day Pleadings**"): (a) *Verified Petition for Recognition and Chapter 15 Relief* (the "**Petition**");² (b) *Emergency Motion for Provisional Relief* (the "**Emergency Provisional Relief Motion**"); (c) *Motion for Order, Pursuant to Bankruptcy Rules 1015(b), Directing Joint Administration of Chapter 15 Cases* (the "**Joint Administration Motion**"); and (d) *Motion for an Order Scheduling Hearing and Specifying Form and Manner of Service of Notice* (the "**Notice Procedures Motion**"). I am authorized by the

¹ The Chapter 15 Debtors, along with the last four digits of each U.S. Debtor's federal tax identification number, where applicable, are as follows: Calfrac Well Services Corp. ("**CWSC**") (1738), 12178711 Canada Inc. ("**Arrangeco**"), Calfrac Well Services Ltd. ("**Calfrac**") (3605), Calfrac (Canada) Inc. ("**CCI**"), and Calfrac Holdings LP ("**CHLP**") (0236).

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Petition.

Chapter 15 Debtors to submit this Declaration on their behalf in support of the First Day Pleadings.

3. After over 20 years as Chairman of Calfrac, I have become familiar with the Chapter 15 Debtors' businesses, day-to-day operations, and financial affairs, and I have been closely involved in the Chapter 15 Debtors' refinancing and restructuring efforts to date. I am an individual over the age of 18 and, if called upon, could and would testify to the facts set forth in this Declaration. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, information supplied to me by other members of the Chapter 15 Debtors' management and professionals, learned from my review of relevant documents, or my opinion based upon my experience and knowledge of the Chapter 15 Debtors' industry, operations, and financial condition.

I. The Canadian Proceeding and the Chapter 15 Filings

4. On July 13, 2020, the Chapter 15 Debtors sought relief with respect to a proposed arrangement (the "**Canadian Proceeding**") under Section 192 of the *Canada Business Corporations Act* (the "**CBCA**") before the Court of the Queen's Bench of Alberta (the "**Canadian Court**").

5. The Chapter 15 Debtors commenced the Canadian Proceeding to effect a restructuring transaction described in detail below. As detailed in the *Declaration of Chris Simard in Support of Verified Petition for Recognition and Chapter 15 Relief* (the "**Simard Declaration**"), and based on information from counsel, I believe that: (i) the arrangement provisions of the CBCA allow CBCA corporations to carry out a wide array of novel, complex or unique transactions by way of a plan of arrangement; (ii) CBCA arrangement proceedings have been used as a court-supervised reorganization procedure that enables corporations to restructure and/or compromise certain debt obligations in order to maximize the value of corporate groups (such as Calfrac and all of its direct and indirect subsidiaries (collectively, the "**Calfrac Group**")) as a going concern

for the benefit of creditors and other parties in interest; and iii) the CBCA includes provisions that permit a plan of arrangement that provides for the adjustment of debt under which companies may effect reorganizations. Through the Canadian Proceeding, the Chapter 15 Debtors are proposing to implement the Recapitalization Transaction (as defined and described in more detail below) through a plan of arrangement (the “**Recapitalization Plan**”), which I am advised by counsel and believe is consistent with the requirements of the CBCA. The Recapitalization Plan impacts only the Unsecured Noteholders (defined below) and the Common Shareholders (defined below). The claims of all other creditors, including secured creditors, employees, and trade vendors, are unaffected by the Recapitalization Plan, and Calfrac will continue to pay such creditors in the ordinary course. The object of the Recapitalization Plan is to improve the Chapter 15 Debtors’ financial position by delevering and reducing their interest expense, and reducing their financial risks to allow them to establish a stable foundation and focus on their operational strategy for the upcoming years.

6. Pursuant to the CBCA, on July 13, 2020, the Canadian Court entered a preliminary interim order (the “**Preliminary Interim Order**”) (i) staying the continuation or commencement of certain actions or proceedings against or in respect of the Chapter 15 Debtors or any of the Chapter 15 Debtors’ property and other assets and (ii) authorizing me to act as the Foreign Representative for purposes of applying for recognition of the Canadian Proceeding in a jurisdiction outside of Canada. A true and correct copy of the Preliminary Interim Order is attached hereto as Exhibit A. Accordingly, to the best of my information and belief, I believe that I am a “foreign representative” within the meaning of section 101(24) of chapter 15 of title 11 of the United States Code (the “**Bankruptcy Code**”).

7. As detailed in the Simard Declaration, based on the information from counsel, I believe that: (i) in the Canadian Proceeding the Canadian Court establishes and supervises the

arrangement approval process during the pendency of the Canadian Proceeding; ii) any party-in-interest seeking to object to the Recapitalization Plan may appeal to the Canadian Court; and iii) the Canadian Court, through the Canadian Proceeding, is properly exercising its jurisdiction over the Chapter 15 Debtors, as provided under section 192 of the CBCA. All of the Chapter 15 Debtors are named parties and applicants in the Canadian Proceeding. Pursuant to the CBCA, the Canadian Court declared in the Preliminary Interim Order that the Chapter 15 Debtors are “entities subject to the [CBCA] proceedings,” authorized them to take all steps necessary or desirable to advance the Recapitalization Transaction and granted a stay for the protection of all of the Chapter 15 Debtors and their assets. Preliminary Interim Order ¶¶ 3, 7-8.

8. On the date hereof (the “**Petition Date**”), I, as the Foreign Representative, and through counsel: (i) commenced the Chapter 15 Cases by filing petitions pursuant to sections 1504 and 1515 of the Bankruptcy Code; (ii) contemporaneously herewith, filed the Petition seeking recognition of the Canadian Proceeding as a “foreign main proceeding” as defined in sections 1502(4) and 1517(b)(1) of the Bankruptcy Code or, in the alternative, as a “foreign non-main proceeding” as defined in sections 1502(5) and 1517(b)(2) of the Bankruptcy Code; and iii) commenced the Chapter 15 Cases for the purpose of obtaining the assistance of the United States Bankruptcy Court (the “**Court**”) in giving effect in the United States to the Canadian Proceeding and the Canadian Orders (defined below) and to assist the Canadian Court in connection with the restructuring of the Chapter 15 Debtors. Based on information from counsel, I believe that the Canadian Orders should be recognized and enforced in the United States in order to eliminate the risk of litigation in the United States by certain creditors in contravention of the Interim Order and to permit the orderly implementation of the Canadian Proceeding and, ultimately, any plan of arrangement approved by the Canadian Court. I believe that recognition of the Canadian Proceeding furthers the important objective of protecting and maximizing the Chapter 15 Debtors’

material assets used in the Chapter 15 Debtors' United States ("U.S.") business operations.

II. Background of the Chapter 15 Debtors

A. The Chapter 15 Debtors' Structure

9. Calfrac is a public company whose common share (the "Common Shares") trade on the Toronto Stock Exchange under the symbol "CFW." Calfrac is a corporation amalgamated under the Alberta *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "ABCA"). As of July 13, 2020, Calfrac has 145,171,194 issued and outstanding Common Shares. Calfrac directly or indirectly controls or owns all other entities in the Calfrac Group. Calfrac is the parent entity and the Canadian operating entity.

10. Calfrac (Canada) Inc. ("CCI") is a corporation incorporated under the ABCA. CCI is 100% owned by Calfrac.

11. Calfrac Holdings LP ("CHLP") is a partnership registered pursuant to the laws of the State of Delaware. CCI is the general partner of CHLP. Calfrac holds 98.9% of the limited partnership units of CHLP and CCI holds the remaining 1.1% of the limited partnership units. CHLP has no material assets or operations except in connection with the issuance of notes.

12. Calfrac Well Services Corp. ("CWSC") is a corporation incorporated pursuant to the laws of the State of Colorado. CWSC is 100% owned by Calfrac. CWSC is the United State operating entity.

13. 1217877 Canada Inc. ("Arrangeco") is a corporation incorporated pursuant to the CBCA. Arrangeco is owned 100% by Calfrac. Arrangeco does not have any operations and has no liabilities. It is anticipated that as part of the Recapitalization Transaction, Arrangeco will amalgamate with some or all of the corporations in the Calfrac Group.

B. The Chapter 15 Debtors' Business and Operations

14. The Calfrac Group provides specialized energy services to oil and natural gas

producers in Canada, the United States, Russia, and Argentina. The Calfrac Group is a leading independent global provider of specialized oilfield services including fracturing, coiled tubing, cementing, and other well stimulation services which are designed to increase the production of hydrocarbons from wells.

15. Fracturing Services. The Calfrac Group's primary service line in all jurisdictions is fracturing. This segment is able to provide fracture stimulation services for both conventional and unconventional (shale) wells and can deploy a wide range of fracturing fluid solutions as required by the client's well completion program. To the best of my knowledge, the Calfrac Group has the eighth largest fracturing services fleet (as measured by hydraulic horsepower capacity) in North America. To the best of my knowledge, Calfrac has the third largest fracturing fleet in Canada by horsepower and was the second largest fracturing operator by revenue in Canada in 2019.

16. Coiled Tubing Services. Calfrac's Coiled Tubing service line operates in Canada, Argentina, and Russia. In Canada, the segment's primary focus is supporting the provision of specialized fracturing services in Western Canada. Additionally, the segment provides some call-out well service work, typically completed after a fracturing operation has been executed. In Argentina and Russia, the segment is more stand-alone, and operates primarily as a well servicing business, working on wells already in production as well as some post-fracturing operations.

17. Cementing Services. The Calfrac Group only operates cementing services in Argentina, although a number of employees with the group have extensive experience in cementing in North America and other jurisdictions. In Argentina, the cementing segment provides both primary cementing services (the process of securing and isolating a new well bore, by pumping cement between the steel casing string and the rock formation around it) and remedial cementing services (a process of conducting cementing operations on an already existing

wellbore).

18. The Calfrac Group's business was established in June 1999 in Calgary, and it began operations with a single coiled tubing unit operating in Medicine Hat, Alberta in August 1999. By December 31, 2001, Calfrac had expanded its fleet of equipment to seven fracturing spreads and six coiled tubing units, and had established additional field stations in Red Deer and Grande Prairie, Alberta.

19. With the commencement of operations in Platteville, Colorado during 2002, Calfrac began a period of significant international expansion in parallel with the continued growth of its Canadian business. This international expansion continued with entries into the well servicing markets of Russia (2005), Mexico (2007), Argentina (2008), Colombia (2011), and the incremental expansion of its footprint in the US through to 2017.

20. Described below are some additional relevant operational milestones to showcase examples of how the Calfrac Group has grown, shifted, and altered its activities in different regions, in response to domestic oil and gas market conditions and the related demand for oilfield services, among other factors:

- in 2005 the Calfrac Group opened a facility in Grand, Junction, Colorado, as well as its fourth Canadian district office in Strathmore, Alberta;
- in 2007, the Calfrac Group opened an operating base in Edson, Alberta, and acquired a Canadian competitor for approximately CAD\$24.9 million;
- in 2009, the Calfrac Group: established operating bases in Dawson Creek, British Columbia and Poza Rica, Mexico; acquired Pure Energy Services Ltd., a U.S. competitor for approximately CAD\$44.5 million; and acquired Century Oilfield Services Inc., a Canadian competitor for approximately CAD\$100 million;

- in 2010, the Calfrac Group established a presence in the Marcellus region in Smithfield, Pennsylvania and the Bakken region in Williston, North Dakota;
- in 2012, the Calfrac Group opened facilities in Smithfield, Pennsylvania and Williston, North Dakota;
- in 2013, the Calfrac Group acquired certain assets of Mission Well Services, LLC, a U.S. competitor, for approximately CAD\$150.5 million, including its Eagle Ford basin operating base in San Antonio, Texas;
- in 2015, the Calfrac Group withdrew from Colombia and established operating bases at Kindersley, Saskatchewan and Comodoro Rivadavia, Argentina;
- in 2016, the Calfrac Group temporarily suspended its activities out of its Medicine Hat, Alberta, and San Antonio, Texas operating facilities;
- in 2017, the Calfrac Group closed all its operations in Mexico and established an operating base in Artesia, New Mexico serving the Permian Basin;
- in 2019, the Calfrac Group acquired equipment and spare parts from an Argentine competitor for approximately \$17.3 million and sold its operating base in Platteville, Colorado in the fourth quarter of 2019; and
- in 2020, the Calfrac Group temporarily reduced personnel in San Antonio, Texas and Artesia, New Mexico to non-operational levels.

21. As noted above, Calfrac's entry into foreign markets was orchestrated by the management team in Calfrac's headquarters and principal executive office (the "**Calgary Head Office**") and strategically executed by deploying key management and/or operational personnel from Canada to the respective foreign countries to oversee the establishment and implementation of the business consistent with Calfrac's financial and operating principles and procedures developed at the Calgary Head Office.

22. As the challenges to the global energy market evolved over recent years, the opportunities for growth in certain markets declined and the Calfrac Group's management team in Calgary took steps to rationalize its global operating footprint by allocating equipment and resources to regions and services with relatively superior field activity and operating margins, as evidenced by: the closure of operations in Colombia in 2015, Mexico in 2017, and Platteville, Colorado in 2019; the temporary reduction of personal in San Antonio, Texas and Artesia, New Mexico to non-operational levels in 2020; the cessation of cementing operations in Canada in 2010 and the United States in 2016; and the cessation of coiled tubing services in the United States in 2016.

23. The Calfrac Group's ability to reallocate equipment and operating personnel to more economically favorable operating areas with relatively low investment is key to its business model. However, the Calfrac Group maintains, and intends to further maintain, its nerve center and corporate decision-making in Canada.

24. The structure of the Calfrac Group, specifically its presence in both Canada and the United States, provides a number of benefits to its stakeholders. Customers benefit from lessons learned and innovations uncovered in basins where they have no presence, and this knowledge transfer can significantly improve the learning curve for the Calfrac Group's customers that in many cases depend on service companies for new ideas. For investors, the ability to cost-efficiently reposition assets to economically favorable operating areas is a valuable one and cannot be replicated by unaffiliated entities at the same cost in aggregate. Additionally, having a presence in multiple basins can be a source of new business as producers expand into new areas. Finally, a number of the processes the Calfrac Group has embraced are only possible due to its overall scale. Implementing the Calfrac Group's scope of Quality, Health, Safety, and Environment ("**QHSE**") processes and procedures and other administrative support systems do not represent a compelling

investment for smaller, basin-specific service companies. The size and breadth of the operations of the Calfrac Group allow it to bring these best-in-class approaches to all of its operating areas, which are generally not actionable by smaller competitors who lack the global experience and scalability of the Calfrac Group.

25. All legal strategy and direction for all of the entities in the Calfrac Group is centralized in the Calgary Head Office. Similarly, supply chain strategy and decisions for the entire Calfrac Group are centralized in the Calgary Head Office.

26. All of the following policies, procedures, operating manuals, and operating practices are developed, updated, and administered in the Calgary Head Office, and are applied across all the Calfrac Group entities:

- Human Resources – including employee policies and procedures, benefits, wellness, confidentiality and privacy policies;
- Corporate Accounting policies;
- Code of Ethics;
- Corporate Standards;
- Information and Telecommunications policies and procedures;
- Engineering and Technology policies and procedures, including lab safety, training and development, and product development; and
- Marketing and Communications policies and procedures.

27. The global QHSE functions for all of the Calfrac Group entities are centralized in Calgary, at the Calgary Head Office. Among other things, the QHSE department of Calfrac is responsible for developing and implementing QHSE policies and procedures to ensure that the Calfrac Group's equipment is maintained and operated in a standardized fashion to ensure consistent, safe, efficient, and effective operations across the Calfrac Group's operating divisions.

28. All technology and information systems are designed and implemented by the information systems management team, who are all located in the Calgary Head Office. Calfrac's information systems team has recently led the implementation of a cloud-based enterprise-resource planning system in the Canadian, United States, and Argentina divisions in order to provide greater transparency, reliability, efficiency, and control over financial and operational data to facilitate the centralized decision-making structure of the Calfrac Group.

29. Research and development is a key business priority for the Calfrac Group, and has been a major contributing factor to our success in the market, and as against our competitors. Calfrac Group's main research and development laboratory facility (the "**Calgary R&D Lab**") is based in Calgary. The Calgary R&D Lab develops and tests technologies and fluid systems for the benefit of all of the entities in the Calfrac Group. Accordingly, the Calfrac Group has developed significant intellectual property related to its business operations, with patents and trademarks held and pending in Canada and the United States. The patents and trademarks are all held by Calfrac. Calfrac authorizes the other entities in the Calfrac Group to utilize this valuable intellectual property. None of the Calfrac Group's patents or trademarks are held by the U.S. entities in the Calfrac Group. The use of this intellectual property is critical to the ongoing business operations of Calfrac and CWSC.

C. The Chapter 15 Debtors' Capital Structure

30. The Credit Facility. Calfrac, as borrower, is party to an Amended and Restated Credit Agreement dated April 30, 2019 (the "**Credit Agreement**"). HSBC Bank Canada ("**HSBC**") is the Lead Arranger, Sole Bookrunner and Administration Agent pursuant to the Credit Agreement (in these capacities, the "**First Lien Agent**"). The lenders (the "**First Lien Lenders**") party to the Credit Agreement are:

- HSBC;

- ATB Financial;
- Royal Bank of Canada;
- Canadian Imperial Bank of Commerce;
- Export Development Canada; and
- The Bank of Nova Scotia.

31. CWSC and CHLP (by its general partner CCI) have guaranteed Calfrac's obligations under the Credit Agreement. The Credit Agreement provides Calfrac with a \$40 million operating credit facility and a \$335 million syndicated credit facility. As a result of the borrowing base calculation under the Credit Agreement, Calfrac's current availability under the Credit Agreement is approximately \$233.8 million and the amount currently outstanding is approximately \$173.5 million. The First Lien Lenders have a first-ranking security interest in all of the assets of Calfrac, CWSC, and CHLP (by its general partner CCI), to secure those parties' respective obligations as borrower and guarantors in connection with the Credit Agreement.

32. It is anticipated that the Canadian Proceedings and the Recapitalization Transaction will not compromise or affect the First Lien Lenders, and that Calfrac will continue to perform all its obligations under the Credit Agreement in the ordinary course of business.

33. The Second Lien Notes. CHLP (by its general partner CCI), as issuer, is party to an Indenture dated February 14, 2020 (the "**Second Lien Note Indenture**"). Pursuant to the Second Lien Note Indenture, CHLP issued 10.875% Second Lien Secured Notes (the "**Second Lien Notes**") due in 2026, in the principal amount of \$120,000,100. Wilmington Trust, National Association, is the trustee and collateral agent in the U.S. pursuant to the Second Lien Note Indenture (the "**Second Lien Note Trustee**"). Computershare Trust Company of Canada is the collateral agent in Canada. Calfrac and CWSC have guaranteed CHLP's obligations under the Second Lien Note Indenture. The Second Lien Note Trustee has a second-ranking security interest

in all of the assets of CHLP (by its general partner CCI), Calfrac, and CWSC, to secure those parties' respective obligations as issuer and guarantors in connection with the Second Lien Note Indenture.

34. The Second Lien Notes were issued by CHLP in connection with an exchange offer whereby CHLP issued \$120,000,100 in principal amount of Second Lien Notes in exchange for \$218,182,000 in principal amount of unsecured notes (the "**Exchange Offer**").

35. Interest payments under the Second Lien Notes are due semi-annually in arrears on March 15 and September 15. CHLP (by its general partner CCI) duly made the March 15, 2020 interest payment, in the amount of approximately \$1,123,750.

36. It is anticipated that the Canadian Proceedings and the Recapitalization Transaction will not compromise or affect the holders of the Second Lien Notes (the "**Second Lien Noteholders**"), and that CHLP (by its general partner CCI) will continue to perform all its obligations under the Second Lien Note Indenture, in the ordinary course of business.

37. The 1L/2L Intercreditor Agreement. Calfrac, CWSC, and CHLP (by its general partner CCI), are parties with the First Lien Agent and the Second Lien Note Trustee, to a February 14, 2020 Intercreditor and Priority Agreement (the "**1L/2L Intercreditor Agreement**"). Pursuant to the 1L/2L Intercreditor Agreement, the parties thereto have agreed, among other things, that: (a) all the security held by the First Lien Agent (the "**First Lien Security**") shall rank senior in priority to all the security held by the Second Lien Note Trustee (the "**Second Lien Security**"); and (b) neither the Second Lien Note Trustee nor any Second Lien Noteholder is entitled to take any enforcement action under the Second Lien Security until at least 180 days after the Second Lien Note Trustee has given the First Lien Agent a notice of the occurrence of an event of default under the Second Lien Note Indenture.

38. The Unsecured Notes. CHLP (by its general partner CCI), as issuer, is party to an

Indenture dated May 30, 2018 (the “**Unsecured Note Indenture**”). Pursuant to the Unsecured Note Indenture, CHLP (by its general partner CCI) issued 8.50% Senior Unsecured Notes (the “**Unsecured Notes**”) due in 2026, in the principal amount of \$650 million. Wells Fargo Bank, National Association, is the trustee pursuant to the Unsecured Note Indenture (the “**Unsecured Note Trustee**”). Calfrac and CWSC have guaranteed the issuer’s obligations under the Unsecured Note Indenture. There are \$431,818,000 in principal amount of Unsecured Notes outstanding, after giving effect to the Exchange Offer.

39. Interest payments under the Unsecured Notes are due semi-annually in arrears on June 15 and December 15. CHLP (by its general partner CCI) deferred making the June 15, 2020 interest payment, in the amount of \$18,352,265. Pursuant to the Unsecured Note Indenture, there is a 30-day grace period during which CHLP (by its general partner CCI) can make the interest payment, to avoid committing an event of default under the Unsecured Note Indenture. Non-payment of the interest payment prior to the expiry of the grace period would result in cross-defaults under the Credit Agreement and the Second Lien Note Indenture.

40. Given the pendency of the Canadian Proceedings and the Recapitalization Transaction contemplated thereunder, and to preserve the Calfrac Group’s liquidity, CHLP (by its general partner CCI) has determined not to make the interest payment prior to the expiry of the grace period on July 15, 2020. It is for this reason that the Chapter 15 Debtors have asked the Canadian Court to grant a stay of enforcement proceedings and a direction that the grace period for the payment of the interest payment due on June 15, 2020 under the Unsecured Note Indenture (along with all other grace periods or limitation periods), be deemed to be tolled and extended for the duration of the stay of proceedings, subject to further order of the Canadian Court. For the same reason, the Foreign Representative seeks the relief requested herein. Such relief would preserve the fair and equitable treatment among all the Calfrac Group’s stakeholders, while the

Canadian Proceeding and the Recapitalization Transaction contemplated thereunder are in process.

41. It is anticipated that the Canadian Proceedings and the Recapitalization Transaction contemplated thereunder will compromise or affect the holders of the Unsecured Notes (the “**Unsecured Noteholders**”), and accordingly that the Unsecured Noteholders will be asked to vote to approve the arrangement to be proposed before the Canadian Court in the Canadian Proceedings to effectuate the Recapitalization Transaction (the “**Arrangement**”).

42. **Equity**. The authorized share capital of Calfrac consists of an unlimited number of Common Shares. As of the date hereof, Calfrac has 145,171,194 issued and outstanding Common Shares, 9,858,981 stock options, and 890,770 equity-based performance shares units outstanding.

43. It is anticipated that the Canadian Proceedings and the Recapitalization Transaction contemplated thereunder will compromise or affect the holders of the Common Shares (the “**Common Shareholders**”), and accordingly that the Common Shareholders will be asked to vote to approve the Arrangement.

44. There are multiple large Common Shareholders who are currently engaged with the Calfrac Group regarding the Arrangement and Recapitalization Transaction, all of whom are expected to be supportive of the transactions contemplated thereunder. In the aggregate, those Common Shareholders hold approximately 38.0% of the Common Shares (including the Calfrac board of directors (the “**Board**”) and management, who are supportive and who collectively hold approximately 4%).

D. Market Challenges and Recent Issues

45. Global energy markets have been experiencing numerous industry challenges, including significant downward pressure on commodity prices, in recent years. Very recently, beginning in the first quarter of 2020, global energy markets and commodity prices have suffered precipitous declines due to material oversupply as a result of both a historic and unprecedented

drop in demand as a result of the global COVID-19 crisis, as well as the price war between the OPEC+ countries, including Saudi Arabia and Russia.

46. Severely depressed energy prices have resulted in oil and gas exploration and production companies, who are the Calfrac Group's customers, materially reducing their capital expenditure budgets. These capital expenditure reductions have in turn resulted in a precipitous decline in the demand for oilfield services, and in particular fracturing services, which accounts for greater than 90% of the Calfrac Group's revenues. The combined effects of depressed commodity prices, reduced capital spending by oil and gas producers, and resulting excess well servicing equipment has created an intensely competitive environment within the oilfield services market. These factors have collectively created unsustainable pricing and activity levels in the oilfield services industry that have directly and negatively impacted the revenues and profitability of oilfield service companies like the Calfrac Group and its competitors.

47. These challenges have been particularly amplified in Western Canada, and have had a materially greater negative impact in this market since 2014. While Western Canadian energy producers compete to sell their products in an integrated global market, a number of factors disadvantage them against their global, and particularly their U.S., competitors.

48. Because of a lack of new and expanded pipeline egress capacity from Western Canada, and the resulting limited export market access, Western Canadian oil and natural gas producers have experienced lower pricing relative to other North American and global markets over the past decade. The price differential per barrel for Western Canadian crude versus West Texas Intermediate has been as high as \$47 (in October 2018) in the last few years. Natural gas prices in Alberta and British Columbia have also been very constrained in recent years.

49. This has compromised the ability of Western Canadian energy producers to operate profitably and attract capital for growth, relative to their U.S. peers. The capital budgets of

Western Canadian oil and gas producers have been reduced more severely and negatively relative to other markets, particularly the U.S. This has resulted in greater negative impacts on oilfield services activity in Western Canada.

50. As is described in greater detail below, these market dynamics have required the Calfrac Group to continue executing on its strategy of flexibly allocating its field workforce and equipment to its most active and profitable operating areas. This allocation has resulted in Calfrac moving assets out of a structurally impaired Canadian marketplace and consistently growing its presence in a number of basins in the U.S. This continuous reallocation of assets has allowed the Calfrac Group to maintain acceptable financial performance and a strong market position in Canada, while executing a lower-cost growth strategy in the U.S., focused on gaining scale in specific markets while managing client risk prudently.

51. The various proposals currently in progress to increase Western Canadian oil producers' access to international markets (including the TMX and Keystone XL pipeline expansions) are anticipated to improve Calfrac's Western Canadian customers' relative competitiveness and the returns available to oilfield services companies in Canada, but the timing and magnitude of these developments remain uncertain. Should the demand for pressure pumping services in Western Canada grow materially as a result of improved market access and cash flow for produced commodities, the Calfrac Group in its current configuration retains the ability to redeploy a significant amount of assets to ensure balance in the marketplace, without requiring significant capital outlays.

52. Due to the COVID-19 global pandemic and the ensuing OPEC oil price war, oil prices fell to historic lows, including negative prices in certain markets, and as a result, well completion activity in North America declined by almost 90% and was completely shut-down in Argentina by a mandatory government decree. By way of illustration, the number of active

fracturing fleets in the U.S. fell from 317 as of the first week of March 2020 to a low of 45 active fleets during the weeks of May 15 and May 22. In addition, the total U.S. and Canadian rig counts as of on or around July 3, which are proxies for future demand for the Calfrac Group's services in those markets, were at or near all-times lows of 263 and 18, respectively.

53. For the Calfrac Group, this meant a severe reduction in work was experienced in a matter of a few weeks after the Exchange Offer. In North America, from a high of 18 active fracturing fleets in the first quarter of 2020, only one fracturing fleet was generating revenue at points in the month of May. In Argentina, all of the Calfrac Group's operations were shut-down by a mandatory governmental decree. In Russia, the Calfrac Group was able to manage the COVID-19 restrictions without materially affecting ongoing operations, however, this activity was insufficient to overcome the pricing and activity declines experienced by the rest of the Calfrac Group's operating divisions.

54. For the Calfrac Group, this material degradation of global industry fundamentals has created a challenging liquidity position where the current capital structure is no longer tenable. Prior to these events, the Calfrac Group had been aware of the risks of elevated debt levels and in response had devised a multi-year plan to address this issue, in advance of the 2026 maturities of its debt instruments. In spite of the challenges the industry has faced since late 2014, the Calfrac Group felt it was in a position to reduce its debt level over the medium- to long-term, and would be able to withstand a normal, cyclical downturn during that process. What was not contemplated or foreseeable was the scale of reduction in the business in a matter of weeks as a result of the oil market collapse caused by COVID-19 and the OPEC price war, and the consequent impacts on liquidity.

55. These challenges have resulted in, among other things, a capital structure and liquidity position that is no longer sustainable in light of the Calfrac Group's operating income,

and inadequate financial flexibility for the Calfrac Group to effectively advance its business going forward.

III. The Recapitalization Transaction

56. The Calfrac Group, with the assistance of its financial and legal advisors, proactively undertook a financial structure review process, in consultation with certain of its key stakeholders, with a view to improving the Calfrac Group's capital structure and access to liquidity, addressing the Calfrac Group's leverage, strengthening its financial position and maximizing value for its stakeholders.

57. In early 2020, the Chapter 15 Debtors engaged their legal advisors (Bennett Jones LLP in Canada and Latham & Watkins, LLP in the U.S.) and their financial advisors (RBC Capital Markets and Tudor, Pickering, Holt & Co. in Canada and Perella Weinberg Partners LP in the U.S.) to assist them in developing the Recapitalization Transaction, which has the goals of: (a) right-sizing the Calfrac Group's capital structure, (b) reducing the Calfrac Group's annual interest expenses, and (c) increasing the Calfrac Group's working capital and liquidity.

58. The stakeholders who are proposed to be affected by the Arrangement are the holders of the Unsecured Notes and holders of the Common Shares (collectively hereinafter referred to as the "Affected Securityholders") To advance the Recapitalization Transaction, the Calfrac Group and its advisors have engaged in discussions with the Affected Securityholders, other stakeholders, and their respective representatives. Based on the size and nature of the obligations owed to the Affected Securityholders and the composition of the Affected Securityholders, the Chapter 15 Debtors and their Foreign Representative believe that an arrangement is required to implement the Restructuring Transaction and that a consensual Recapitalization Transaction will provide the best opportunity for the Calfrac Group to achieve a sustainable capital structure, and to preserve and maximize current and future value for all its

stakeholders.

59. While exact details of the Recapitalization Transaction are still subject to discussion with the engaged group of Affected Securityholders, it is contemplated that the Recapitalization Transaction will have the following core elements.

60. It is contemplated that the Recapitalization Transaction will not affect or compromise the following stakeholders:

- the Calfrac Group's secured creditors (the First Lien Lenders and the Second Lien Noteholders, both as defined above);
- the Calfrac Group's customers;
- the Calfrac Group's employees; and
- the Calfrac Group's trade creditors.

61. The Recapitalization Transaction is expected to significantly reduce the Calfrac Group's outstanding indebtedness, to reduce annual cash interest payments and increase liquidity and working capital so that the business can operate sustainably. Specifically, the Recapitalization Transaction, as it is currently contemplated will, among other things, reduce the Calfrac Group's total debt by approximately \$431,818,000 million and reduce its annual cash interest payments by approximately \$36,704,530.

62. Following completion of the Recapitalization Transaction (which is anticipated to include an amalgamation of certain parties to this Action), it is expected that the realizable value of the Calfrac Group's assets will not be less than the aggregate value of their liabilities and stated capital, and that the members of the Calfrac Group will be able to meet their obligations as they become due.

63. Following a consideration of various alternatives in consultation with its financial and legal advisors, the Calfrac Group is of the view that the proposed Recapitalization Transaction

is the best available option in the circumstances and is in the best interests of the Calfrac Group and its stakeholders.

64. The Calfrac Group and its advisors continue to work with its stakeholders to advance and finalize the terms of the Recapitalization Transaction. There has been substantial progress made in discussions with the key stakeholders to date. With the benefit of the Preliminary Interim Order entered by the Canadian Court, the Chapter 15 Debtors and the Foreign Representative believe that the parties will be able to finalize definitive agreements in the short term, after which the Calfrac Group intends to bring an application for an Interim Order under the CBCA, seeking authority to call meetings of its Affected Securityholders to vote on the Arrangement.

65. Importantly, the First Lien Lenders support the current process. In this regard, the First Lien Lenders confirmed on July 10, 2020 that, to the extent that the commencement of the Canadian Proceeding is an event of default under the Credit Agreement, such event of default has been waived.

IV. The Chapter 15 Debtors' Connections to the United States and Canada

66. The Calfrac Group's business is fully integrated, with the "nerve center" for the entire group based in Calgary, Canada. A strong majority of the Chapter 15 Debtors' directors and/or executive officers are all residents of Calgary or the surrounding areas and perform their duties out of the Calgary Head Office. Only six out of the twenty-one Chapter 15 Debtors' directors and/or executive officers are not residents of Calgary and do not typically perform their duties exclusively out of the Calgary Head Office.

67. Furthermore, as stated above, all legal strategy and direction for all of the entities in the Calfrac Group, all supply chain strategy and direction decisions, and most global QHSE functions, technology and information systems, and research and development activity is

centralized at the Calgary Head Office. Additionally, the authority to submit bids or enter into binding agreements with the Calfrac Group's customers and counterparties resides in Calgary.

68. Still, the Calfrac Group's operations in the United States are significant. The Calfrac Group maintains an office in Houston, Texas (out of which the Chief Operating Officer of Calfrac, CCI, CWSC, and CHLP operates in addition to the Calgary Head Office) and, as stated above, conducts extensive operations in the United States.

69. Both in terms of fracturing horsepower count³ and revenue, there have been fluctuations from year to year as between Canada and the U.S., as the Calfrac Group has redeployed equipment to respond to changing markets. 2019 was the year with the highest percentage horsepower deployed in the U.S. as compared to Canada, and 2010 was the lowest. In 2010, Canada represented 51.0% of horsepower, and the U.S. represented 49.0%. The Calfrac Group's current horsepower breakdown as between all countries for the final quarter of 2019 is as follows:

<i>(as measured in Q4)</i>	Canada	USA	Russia	Argentina
Horsepower (2019)	271,950	923,450	77,000	137,750
Percentage	19.29%	65.49%	5.46%	9.76%

70. In comparing revenue for the years 2010 to 2019, 2019 was the year with the highest percentage revenue coming from the U.S. as compared to Canada, and 2010 was the lowest. In 2010 Canada represented 62.7% of revenue as between the U.S. and Canada, and the U.S. only 37.3%. In 2019 Canada represented 29.9% of revenue as between the U.S. and Canada, and the U.S. 70.1%. The current breakdown of gross revenue among all countries for the year ended

³ Horsepower is a leading measurement of an entity's operational size in the fracturing industry. It measures the pumping capacity of a particular company's aggregate fracturing operations.

December 31, 2019 is as follows:

<i>(in thousands of Canadian dollars)</i>	Canada	USA	Russia	Argentina
Revenue (2019)	397,583	930,404	105,807	187,161
Percentage	24.5%	57.4%	6.5%	11.5%

71. Additionally, the charts below, in the order presented, show: (a) the current breakdown of where the Calfrac Group's North American coiled tubing⁴ and cementing equipment units⁵ currently reside as among all countries of operation at the close of 2019, and (b) the numbers of each type of unit in all countries, as measured at the end of the year, from 2010 to 2019.

<i>(as measured in Q4)</i>	Canada	USA	Russia	Argentina
Coiled Tubing (2019)	14	1	7	6
Percentage	50%	3.57%	25%	21.42%
Cementing (2019)	0	5	0	14
Percentage	0%	26.32%	0	73.68%

Coiled Tubing Units	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Canada	22	21	21	21	17	18	13	15	14	14
United States	-	1	-	7	5	5	5	1	2	1
Russia	6	6	7	7	7	7	7	7	7	7
Mexico	-	-	-	-	1	1	1	1	-	-
Argentina	1	1	1	3	6	6	6	6	6	6
Cementing Units	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019

⁴ Coil tubing units are mobile service rigs that assist with fracturing and can also execute a number of stand-alone well servicing operations, including removal of downhole equipment and debris, such as sand, from the wellbore

⁵ Cementing units pump cement slurry downhole which, when dry, provide isolation between the wellbore and the outside rock, particularly to prevent the ingress of unwanted water into the production stream and to isolate fresh water zones from hydrocarbon streams.

Canada	6	5	1	-	-	-	-	-	-	-
United States	7	9	12	18	18	18	11	9	10	5
Mexico	3	2	2	2	2	2	1	1	-	-
Argentina	5	5	5	7	8	8	13	13	13	14
Columbia	-	2	6	4	3	3	-	-	-	-

72. As shown, most of the coiled tubing units are currently in Canada, and all of the cementing units, although not active, are currently in the U.S. The distribution and number of units has varied significantly over the years to respond to demand, and is another example of the flexibility the Calfrac Group exercises to optimize profitability.

FIRST DAY PLEADINGS

73. In furtherance of these objectives, I am informed by counsel that the Chapter 15 Debtors have filed contemporaneously herewith a number of First Day Pleadings and proposed orders and respectfully request that the Court consider entering the proposed orders granting such First Day Pleadings. I have reviewed each of the First Day Pleadings and proposed orders, including the exhibits thereto, and the facts set forth therein are true and correct to the best of my knowledge, information, and belief.

I. Joint Administration Motion

74. I, as the Foreign Representative, have through counsel filed a motion to jointly administer the Chapter 15 Cases. Based on information from counsel, I believe joint administration is warranted in these cases. The Chapter 15 Debtors are affiliated entities with closely-related financial affairs and business operations, and based on information from counsel I believe that: (i) the joint administration will ease the administrative burden on the Court and the parties; (ii) the various notices, motions, hearings, orders, and other pleadings in these cases will affect each of the five affiliated Chapter 15 Debtors; (iii) the failure to administer these cases

jointly would result in duplicative pleadings filed for each issue and service of substantially identical pleadings; (iv) such unnecessary duplication would impose avoidable expenses on all parties and unnecessarily burden the Clerk of the Court; and (v) the supervision of the administrative aspect of these cases by the United States Trustee for the Southern District of Texas will be simplified through joint administration.

75. Based on information from counsel, I believe that: (i) joint administration will permit this Court to use a single docket for the jointly-administered cases and combine notices to certain of the Chapter 15 Debtors' creditors and other parties in interest of the Chapter 15 Debtors; (ii) joint administration will protect parties in interest by ensuring that they will be appropriately apprised of all matters before the Court for each of the Chapter 15 Debtors; and (iii) requiring separate administration of the Chapter 15 Cases would subject the Chapter 15 Debtors and potential creditors to substantial administrative burdens, and could distract the Chapter 15 Debtors at a time when obtaining approval of a plan of arrangement under the CBCA is critical. Accordingly, based on information from counsel, I believe entry of an order granting the relief requested in the Joint Administration Motion is in the best interest of the Chapter 15 Debtors and all parties in interest.

II. Petition and Emergency Provisional Relief Motion

76. I, as Foreign Representative, have also filed through counsel concurrently herewith the Petition and the Emergency Provisional Relief Motion seeking emergency provisional relief, final relief, and final recognition of the Canadian Proceeding as a "foreign main proceeding," or in the alternative, as a "foreign non-main proceeding." As noted above, based on information from counsel, I believe that the Chapter 15 Debtors require the protections afforded to foreign Chapter 15 Debtors pursuant to chapter 15 of the Bankruptcy Code in order to ensure the success of the Recapitalization Transaction and protect the Chapter 15 Debtors' assets in the United States.

77. To the best of my information and belief, and based on information from counsel, the Canadian Proceeding is a collective judicial proceeding under Canadian law in which the Chapter 15 Debtors and their securityholders are subject to the supervision of the Canadian Court for the purpose of reorganization. Accordingly, based on information from counsel and to the best of my information and belief, I believe that the Canadian Proceeding is a “foreign proceeding” as defined by section 101(23) of the Bankruptcy Code.⁶

78. To the best of my information and belief, and based on information from counsel, I believe that the Canadian Proceeding is a “foreign main proceeding” within the meaning of section 1502(4) of the Bankruptcy Code, as each of the Chapter 15 Debtors has its COMI in Canada. At minimum, and in the alternative, based on information from counsel, I believe that the Canadian Proceeding is a “foreign non-main proceeding” within the meaning of section 1503(5) of the Bankruptcy Code, as each of the Chapter 15 Debtors has at least an “establishment.” I understand based on information from counsel that the Bankruptcy Code provides that a foreign proceeding is a “foreign main proceeding” if it is pending in the country where the debtor has a “center of main interests,” and a foreign proceeding is a “foreign nonmain proceeding” if it is pending in the country where the debtor has an “establishment,” defined as a place of operations where the debtor “carries out a nontransitory economic activity.” *See* 11 U.S.C. §§ 1517(b)(1)-(b)(2), 1502(2).

79. Here, based on my knowledge of the facts and information from counsel, the Chapter 15 Debtors’ corporate headquarters, the residence of a large majority of their directors’ and/or executive officers, as well as their strategic and operational decision-making authority are all centered in Calgary, Canada, thereby establishing Canada as their COMI. Furthermore, I

⁶ I understand that the Simard Declaration, which has been filed contemporaneously herewith, describes the nature of the Canadian Proceeding and the CBCA in more depth.

believe, based on my knowledge of facts and information from counsel, that each of the Chapter 15 Debtors has an “establishment” in Canada as, among other things: (a) all employees and/or officers of the Chapter 15 Debtors ultimately report directly or indirectly to an officer or manager in Canada; (b) the majority of the Chapter 15 Debtors’ directors and officers reside and work in Canada; and (c) the Calgary Head Office handles the majority of the Chapter 15 Debtors’ core administrative and corporate functions, without which the Chapter 15 Debtors would be unable to operate.

80. The Location of the Chapter 15 Debtors’ Headquarters. The Chapter 15 Debtors’ corporate headquarters is in Calgary, Canada.

81. The Location of Those Persons or Entities Managing the Canadian Chapter 15 Debtors. As stated above, the large majority of the Chapter 15 Debtors’ directors and/or executive officers reside and work in Calgary, Canada. Further, strategic planning and key decision-making for the Chapter 15 Debtors takes place in Canada.

82. The Location of the Chapter 15 Debtors’ Primary Assets. While the Chapter 15 Debtors hold valuable assets in the United States, their assets in Canada are also significant and are key to their businesses. Furthermore, the Chapter 15 Debtors have more employees in Canada than in any other country, including the United States (as of June 2020, the Chapter 15 Debtors had 634 employees in Canada, compared to 399 employees in the United States).

83. The Location of the Majority of the Chapter 15 Debtors’ Creditors Affected By the Canadian Proceeding. Holders of the Unsecured Notes are the only Chapter 15 Debtors’ Creditors affected by the Canadian Proceeding. The Unsecured Note Trustee is located in the United States.

84. The Jurisdiction Whose Law Would Apply To Most Disputes. The Credit Facility is governed by the laws of Canada applicable therein. The Second Lien Notes and the Unsecured Notes are governed by the laws of the State of New York. As for the Recapitalization Transaction,

I expect the relevant agreements, once finalized, to identify Canadian law as governing disputes.

85. As such, it is my belief, based on my knowledge of the facts and information from counsel, that Canada is the Chapter 15 Debtors' center of main interests, and, accordingly, the Canada Proceeding should be recognized by the Court as a foreign main proceeding. However, even if Canada were not the COMI of the Chapter 15 Debtors, based on the above description, I believe, based on my knowledge of the facts and information from counsel, that the Chapter 15 Debtors clearly have an "establishment" in Canada within the meaning of section 1502(2) of the Bankruptcy Code as I understand it, as the Chapter 15 Debtors maintain nontransitory operational, managerial, and financing and other economic activities in Canada.

86. By the Emergency Provisional Relief Motion, I, as the Foreign Representative, through counsel have requested the application of section 362 of the Bankruptcy Code on an interim basis until the hearing on recognition takes place. As explained more fully in the Emergency Provisional Relief Motion, I believe based on information from counsel that absent such preliminary relief pending the Court's determination with respect to recognition of the Canadian Proceeding as a "foreign main proceeding," the Chapter 15 Debtors could face immediate and irreparable harm resulting the Debtors' stakeholders commencing actions in the United States that are more properly the subject of the Canadian Proceeding. In particular, I as the Foreign Representative am concerned, based on information from counsel, that (i) creditors may try to take advantage of the Chapter 15 Debtors' connections to the United States to take actions in the United States to interfere with the Canadian Court's ability to adjudicate the Canadian Proceeding, which would hinder the orderly administration of the Chapter 15 Debtors' affairs; and (ii) any disruption in the Canadian Proceeding could cause significant harm to the Chapter 15 Debtors, their stakeholders, and other parties in interest, potentially deplete these estates to the detriment of all stakeholders, and irreparably jeopardize the Chapter 15 Debtors' ongoing efforts

to restructure.

87. Accordingly, based on the foregoing, I urge the Court to grant the relief requested in the Petition and Emergency Provisional Relief Motion, as I believe such relief to be vital to a successful restructuring of the Chapter 15 Debtors, and in the best interests of the Chapter 15 Debtors and their creditors generally.

III. Notice Procedures Motion

88. I, as the Foreign Representative, have filed through counsel the Notice Procedures Motion seeking an order (a) setting a hearing for a date and time to be determined by the Court (the “**Recognition Hearing Date**”) for the hearing on the relief sought in the Petition; (b) setting the date seven (7) days before the Recognition Hearing Date as the deadline by which any responses or objections to the Petition must be received; (c) approving the form of notice of the Recognition Hearing Date (the “**Notice**”) that is attached thereto as Exhibit B; and (d) approving the manner and service of the Notice described therein.

89. Under the facts and circumstances of the Canadian Proceeding and Chapter 15 Cases, it is my belief based on information from counsel that: (i) service of the Notice in the manner proposed in the Notice Procedures Motion will provide the Debtors’ various parties in interest due and sufficient notice and service of such matters and any associated objection deadline and hearing dates; (ii) the proposed form and manner of service of notice outlined in the Notice Procedures Motion is an efficient and effective way to provide notice to key parties, and will not burden me, the Chapter 15 Debtors or their estates; and (iii) accordingly, I believe entry of an order granting the relief requested in the Notice Procedures Motion is in the best interests of the Chapter 15 Debtors and all parties in interest.

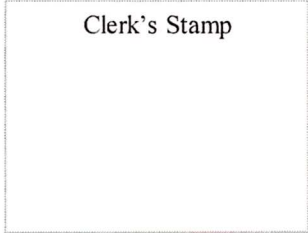
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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: July 13, 2020
Calgary, Alberta, Canada

/s/ Ronald P. Mathison
Ronald P. Mathison
Foreign Representative

COURT FILE NUMBER 2001 -
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY



MATTER IN THE MATTER OF SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT OF 12178711 CANADA INC., CALFRAC WELL SERVICES LTD., CALFRAC (CANADA) INC., CALFRAC WELL SERVICES CORP. and CALFRAC HOLDINGS LP, by its General Partner CALFRAC (CANADA) INC.

APPLICANTS 12178711 CANADA INC., CALFRAC WELL SERVICES LTD., CALFRAC (CANADA) INC., CALFRAC WELL SERVICES CORP. and CALFRAC HOLDINGS LP, by its General Partner CALFRAC (CANADA) INC.

RESPONDENT Not Applicable

DOCUMENT **PRELIMINARY INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **BENNETT JONES LLP**
Barristers and Solicitors
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Calgary, Alberta T2P 4K7

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zychk@bennettjones.com / shakram@bennettjones.com

File Number: 044609-00111

DATE ON WHICH ORDER WAS PRONOUNCED: July 13, 2020

NAME OF JUDGE WHO MADE THIS ORDER: JUSTICE D. B. NIXON

LOCATION OF HEARING: CALGARY, ALBERTA

UPON the Originating Application (the "**Application**") of 12178711 Canada Inc. ("**Calfrac Arrangeco**") Calfrac Well Services Ltd. ("**Calfrac**"), Calfrac (Canada) Inc. ("**CCI**"), Calfrac Well Services Corp. ("**CWSC**") and Calfrac Holdings LP ("**CHLP**"), by its general partner CCI. (collectively, the "**Calfrac Entities**" or the "**Applicants**") for a preliminary Interim Order (the "**Preliminary Interim Order**") pursuant to Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**") in connection with an arrangement (the "**Arrangement**") involving the Calfrac Entities;

AND UPON reading the Application and the affidavit of Ronald P. Mathison, Co-founder and Executive Chairman of Calfrac, sworn on July 13, 2020 (the "**Mathison Affidavit**");

AND UPON HEARING counsel for the Applicants, counsel for an *ad hoc* committee of Senior Unsecured Noteholders (the "**Ad Hoc Committee of Senior Unsecured Noteholders**"), and counsel for the Agent;

FOR THE PURPOSES OF THIS ORDER:

1. Capitalized terms used herein but not defined have the meanings set forth in Schedule A.

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

2. Service of Notice of this Application in respect of the Preliminary Interim Order is hereby deemed to be good and sufficient and this Application is properly returnable today.

Entities Subject to These Proceedings

3. The Applicants are all entities subject to these proceedings, and are authorized to take all steps necessary or desirable to advance the Arrangement and the Recapitalization Transaction.

Record Dates

4. Subject to further Order of this Court, provided that the date of any meeting of Senior Unsecured Noteholders to consider any Plan of Arrangement which may be proposed in these proceedings occurs on or before 60 days from the date of this Order, the record date (the "**Senior Unsecured Noteholder Record Date**") for determination of the Senior Unsecured Noteholders entitled to notice of, and to vote at, such meeting, shall be 5:00 p.m. (Calgary time) on July 13, 2020.
5. Subject to further Order of this Court, provided that the date of any meeting of Common Shareholders to consider any Plan of Arrangement which may be proposed in these proceedings occurs on or before 60 days from the date of this Order, the record date (the "**Shareholder Record Date**") for determination of the Common Shareholders entitled to notice of, and to vote at, such meeting, shall be 5:00 p.m. (Calgary time) on July 13, 2020.
6. The requirement to provide notice of the Senior Unsecured Noteholder Record Date or the Common Shareholder Record Date (collectively, the "**Record Dates**") by way of newspaper advertisement pursuant subsection 133(4)(a) of the ABCA and/or subsection 134(3)(a) of the CBCA (collectively, the "**Record Date Notice Provisions**") is waived and the Applicants shall be deemed to have complied with the Record Date Notice Provisions by complying with all other applicable notice requirements in respect of the Record Dates pursuant to the ABCA, the CBCA or otherwise.

Stay of Proceedings

7. From 12:01 a.m. (Calgary time) on the date of this Preliminary Interim Order and until further order of the Court (the "**Stay Period**"), no right, remedy or proceeding, including, without limitation, any right to terminate, demand, accelerate, set off, amend, declare in default or take any other action under or in connection with any loan, note, commitment, contract or other agreement, at law or under contract, may be exercised, commenced or proceeded with by: (i) the Second Lien Noteholders; (ii) the Senior Unsecured Noteholders; (iii) any administrative agent, collateral agent, sub-agent, indenture trustee or similar person in respect of or in connection with amounts

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owing to the Second Lien Noteholders or the Senior Unsecured Noteholders; or (iv) any person (other than HSBC in its capacity as Agent under, and the lenders party to, the Credit Agreement, who are expressly not subject to the stay of proceedings herein) that is party to or a beneficiary of any other loan, note, commitment, contract or other agreement with one or more of the Calfrac Entities, against or in respect of any of the Calfrac Entities, or any of the present or future property, assets, rights or undertakings of any of the Calfrac Entities, of any nature in any location, whether held directly or indirectly by any of the Calfrac Entities, by reason or as a result of:

- (a) the Applicants having made an application to this Court pursuant to Section 192 of the CBCA;
- (b) any of the Calfrac Entities being a party to or involved in these proceedings or the Arrangement;
- (c) any of the Calfrac Entities taking any step contemplated by or related to these proceedings or the Arrangement, including but not limited to the commencement or prosecution of any foreign proceedings for the recognition of these proceedings or the Arrangement;
- (d) the non-payment of principal, interest and any other amounts due and payable in respect of any of the Senior Unsecured Notes or any related documents, or the expiry of any applicable grace periods thereunder; or
- (e) any default or cross-default under or in connection with any of the Second Lien Notes, the Senior Unsecured Notes or any related documents,

in each case except with the prior consent of the Applicants or leave of this Court.

8. To the extent that any limitation or cure period under, in respect of or in connection with the Second Lien Notes, the Senior Unsecured Notes or any related documents (a "**Limitation or Cure Period**") expires on or after the date of this Preliminary Interim Order (the "**Effective Date**"), such limitation or cure period shall be tolled and extended for the duration of the Stay Period, such that it ceases to continue running and shall be deemed not

to have expired during the period between the Effective Date and the termination of the Stay Period.

Notice of Proceedings

9. Subject to further order of this Court, the only persons entitled to notice of and to appear and be heard at subsequent motions within these proceedings shall be:
- (a) the Calfrac Entities and their counsel;
 - (b) counsel to the Agent, the Second Lien Note Trustee, the Senior Unsecured Note Trustee or any of the Second Lien Noteholders or Senior Unsecured Noteholders;
 - (c) counsel to the Ad Hoc Committee of Senior Unsecured Noteholders;
 - (d) the CBCA Director; and
 - (e) any other interested person who has served a Notice of Appearance in accordance with this Preliminary Interim Order.
10. Any Notice of Appearance served in these proceedings shall be served on the counsel for the Calfrac Entities as soon as reasonably practicable at the following address:

Bennett Jones LLP
4500 Bankers Hall East
855 2 Street SW
Calgary, AB T2P 4K7

Solicitor: Kevin Zych / Chris Simard
Telephone: 416-777-5738 / 403-298-4485
Facsimile: 416-862-6666 / 403-265-7219
Email: zychk@bennettjones.com / simardc@bennettjones.com

Comeback Hearing

11. Any interested party that wishes to amend or vary this Preliminary Interim Order shall be entitled bring an application before this Court on seven business days' notice to the

Calfrac Entities and any other party or parties likely to be affected by the order to be sought by such interested party.

Notices and Distribution

12. The Applicants are at liberty to serve or distribute this Preliminary Interim Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or, electronic mail or e-mail, to interested parties at their respective addresses, electronic mail or email addresses as last shown on the records of the Calfrac Entities and that any such service or distribution by courier, personal delivery, facsimile, electronic mail or e-mail transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.
13. Service or distribution in accordance with this Preliminary Interim Order shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 8100-2-175 (SOR/DORS).

Foreign Proceeding

14. A senior officer of the Applicants is hereby authorized, as necessary, to act as the representative or foreign representative (the "**Foreign Representative**") of the Applicants in connection with these proceedings and with carrying out the terms of this Preliminary Interim Order for, among other things, the purpose of having these proceedings recognized or approved in any other jurisdiction whether in or outside of Canada, as necessary.
15. The Foreign Representative is hereby authorized to apply for foreign recognition and approval of these proceedings, as necessary, in any jurisdiction outside of Canada, including in the United States pursuant to chapter 15 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532.

Extra-Territorial Assistance

16. This Preliminary Interim Order shall have full force and effect in all other Provinces and Territories of Canada and shall be enforced in the courts of each of the Provinces and Territories of Canada in the same manner in all respects as if this Preliminary Interim Order had been made by the Court enforcing it.

17. This Court requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province in Canada and any judicial, regulatory or administrative tribunal or body or other court constituted pursuant to the Parliament of Canada, the legislature of any province and any court or any judicial, regulatory or administrative body of the United States, any state thereof or any other country in the aid of and to assist this Court in carrying out the terms of this Preliminary Interim Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants as may be necessary or desirable to give effect to this Preliminary Interim Order or to assist the Calfrac Entities and their respective agents in carrying out the terms of this Preliminary Interim Order.



**Justice of the Court of Queen's
Bench of Alberta**

Schedule A
Defined Terms

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended;

"**Agent**" means HSBC, in its capacity as Lead Arranger, Sole Bookrunner and Administration Agent under the Credit Agreement;

"**Common Shareholders**" means the holders of common shares of Calfrac, in such capacity;

"**Credit Agreement**" means the Amended and Restated Credit Agreement dated April 30, 2019 between Calfrac, as borrower, HSBC Bank Canada ("**HSBC**") and each of the other financial institutions party thereto, as lenders, and HSBC, as Agent (as amended, restated or supplemented from time to time);

"**Recapitalization Transaction**" means the proposed recapitalization transaction to be carried out by the Calfrac Entities, as described in paragraph 24 of the Mathison Affidavit;

"**Second Lien Note Indenture**" the indenture dated February 14, 2020 among Calfrac Holdings LP, as issuer of the Second Lien Notes, Calfrac and Calfrac Well Services Corp., as initial guarantors, and Wilmington Trust, National Association, as trustee;

"**Second Lien Note Trustee**" means Wilmington Trust, National Association, in its capacity as trustee and collateral agent pursuant to the Second Lien Note Indenture;

"**Second Lien Noteholders**" means a holder or holders of the Second Lien Notes, in their capacity as such;

"**Second Lien Notes**" means the 10.875% second lien secured notes of Calfrac Holdings LP in the maximum aggregate amount of USD\$120,000,100 due 2026 and issued and outstanding pursuant to the Second Lien Note Indenture;

"**Senior Unsecured Note Indenture**" means the indenture dated May 30, 2018 among Calfrac Holdings LP, as issuer of the Senior Unsecured Notes, Calfrac and Calfrac Well Services Corp.,

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as initial guarantors, and Wells Fargo Bank, National Association, as the Senior Unsecured Note Trustee;

"Senior Unsecured Note Trustee" means Wells Fargo Bank, National Association, in its capacity as trustee under the Senior Unsecured Note Indenture;

"Senior Unsecured Note holders" means a holder or holders of the Senior Unsecured Notes; and

"Senior Unsecured Notes" means the 8.50% senior unsecured notes of Calfrac Holdings LP in the maximum aggregate amount of USD\$650,000,000 due 2026 and issued and outstanding pursuant to the Senior Unsecured Note Indenture.

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