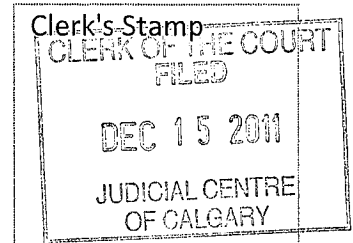


COURT FILE NUMBER 1101-16110
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY



APPLICANTS **IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF OILSANDS
QUEST INC., OILSANDS QUEST SASK
INC., TOWNSHIP PETROLEUM
CORPORATION, STRIPPER ENERGY
SERVICES INC., 1291329 ALBERTA LTD.,
OILSANDS QUEST TECHNOLOGY INC.**

DOCUMENT **APPLICATION
(Stay Extension, Additional Applicants,
Key Employee Retention Plan, Colorado
Litigation Settlement)**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Macleod Dixon LLP
3700 Devon Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2
Telephone: 403-267-8222
Fax: 403-264-5973
Attention: Howard A. Gorman
File No. 196023

NOTICE TO THE RESPONDENT(S)

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the Application is heard as shown below.

Date: Tuesday, December 20, 2011
Time: 9:00 a.m.
Where: Calgary Courts Centre, 601 - 5th Street SW, Calgary, Alberta
Before: The Honourable Madame Justice B.E.C. Romaine

Go to the end of this document to see what you can do and when you must do it.

Remedy Sought:

1. Abridging, if necessary, the time for service of this Application and supporting materials, and declaring service of same to be good and sufficient;
2. Adding Western Petrochemical Corp. ("WPC") and 1259882 Alberta Ltd. ("125") as additional CCAA Applicants herein.
3. Extending the Stay Period which was granted in the November 29, 2011 Initial Order (the "Initial Order") in this action, and extending same until and including February 17, 2012;
4. Authorizing and approving the Key Employee Retention Plan ("KERP") as described in the Affidavit of Garth Wong sworn December 14, 2011 (the "December 2011 Wong Affidavit") including the funding into escrow for 6 months of the potential KERP payments and the inclusion of the remainder of the KERP payments in the administration charge created in the Initial Order;
5. Sealing, pending further Order of this Court, the Confidential Affidavit of Garth Wong sworn December 14, 2011 (the "Confidential Wong Affidavit");
6. To the extent necessary, lifting the stay with respect to Colorado Case No. 10-CV-00408 to allow the Colorado Court approval and instrumentation of the proposed Settlement Agreement, all as described in the December 2011 Wong Affidavit; and
7. Such further and other relief as the Applicants may request and this Honourable Court may provide.

Grounds for Making this Application:

8. The within Applicants ("Oilsands Quest") applied for and obtained an Initial Order under the *Companies' Creditors Arrangement Act* ("CCAA") by Order of this Court dated November 29, 2011;
9. WPC and 125 are affiliates and subsidiaries of Oilsands Quest and should properly be included in the within proceedings.
10. Oilsands Quest require additional time to complete and implement a Plan (the "Plan") which would be for the general benefit of Oilsands Quest creditors and other stakeholders;
11. Circumstances exist that make an extension of the stay period appropriate, and Oilsands Quest has acted, and is acting, in good faith and with due diligence;
12. The KERP is appropriate and necessary to ensure the continued assistance and cooperation of key Oilsands Quest employees to assist in the within restructuring and development and implementation of a Plan;

13. The Confidential Wong Affidavit includes only the individual KERP payments, and individual salaries of the Oilsands Quest employees and is private information. The totals of such payments is disclosed in the December 2011 Wong Affidavit.
14. A settlement of the Colorado litigation has been negotiated, subject to Colorado Court approval, and the implementation of the said settlement is in Oilsands Quest's best interests and in the best interests of the within restructuring as the settlement will be funded by third parties and will result in the resolution of a claim as against Oilsands Quest and its directors, without any contribution by Oilsands Quest;
15. Such further and other grounds as counsel may advise and this Court may permit.

Affidavit or other evidence to be used in support of this Application

16. The Affidavits of Garth Wong sworn November 29, 2011, the December 2011 Wong Affidavit, the Confidential Wong Affidavit, the First Report of Ernst & Young Inc. in its capacity as Court appointed Monitor, and such further and other material as counsel may advise and this Honourable Court may permit.

How the Application is proposed to be heard or considered

17. In person, before the Honourable Madam Justice B.E.C. Romaine at the Calgary Courts Centre, 601 - 5th Street SW, Calgary, Alberta, on Tuesday, December 20, 2011 at 9:00 a.m. or so soon thereafter as counsel may be heard.

AFFIDAVIT EVIDENCE IS REQUIRED IF YOU WISH TO OBJECT.

WARNING

You are named as a respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant(s) is/are entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form. If you intend to rely on an affidavit or other evidence when the originating application is heard or considered, you must reply by giving reasonable notice of that material to the applicant(s).