

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.,
WESTERN PETROCHEMICALS CORP.
and 1259882 ALBERTA LTD.**

DOCUMENT

**APPLICATION
(Sale Approval and Vesting Order -
Eagle's Nest Property - Cavalier Energy)**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Norton Rose Canada LLP
3700 Devon Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2
Telephone: 403-267-8222
Fax: 403-264-5973
Attention: Howard A. Gorman/Randal S. Van de Mosselaer
Email: howard.gorman@nortonrose.com
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: Thursday, March 15, 2012
Time: 11:00 a.m.
Where: Calgary Courts Centre, 601 - 5th Street SW, Calgary, Alberta
Before: The Honourable Mr. Justice R. G. Stevens

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;

Clerk's Stamp



2. Granting an Order substantially in the form attached hereto as Schedule "A" approving the Cavalier APSA and vesting the Assets in the Purchaser (as those terms are defined in the attached form of Order);
3. Such further and other relief as this Honourable Court deems appropriate in the circumstances.

Grounds for Making this Application:

4. 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;
5. Oilsands Quest has acted and continues to act in good faith and in cooperation with Ernst & Young Inc., Court appointed Monitor (the "Monitor") with respect to its restructuring efforts in the within CCAA proceedings
6. On February 22, 2012 this Honourable Court approved the sale of the Eagle's Nest Assets to FAMA Capital Ltd. ("FAMA") pursuant to the terms of the FAMA APSA (as that term is defined in the February 22, 2012 Order in the within action);
7. FAMA failed to make payment of the deposit required by the FAMA APSA as and when required by the FAMA APSA, and thereby defaulted under the FAMA APSA;
8. On March 7, 2012 this Honourable Court approved a new bid process pursuant to which interested bidders for the Eagle's Nest Assets would be required to provide bids by not later than 4:00 p.m. Calgary time on March 12, 2012 (the "Bid Deadline");
9. The bid provided by Cavalier Energy Inc. was selected as the best bid which was received by the Bid Deadline;
10. The relief request by Oilsands Quest herein is fair, reasonable and in the best interests of Oilsands Quest, its stakeholders and the within ongoing CCAA restructuring process;
11. The provisions of the CCAA including, but not limited to, Sections 11.02, 11.2 and 36 therein;
12. 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

13. The pleadings and proceedings filed herein including the Affidavits of Garth Wong sworn November 29, 2011, December 14, 2011, February 8th, 2012, March 2, 2012 and March 13, 2012, the Fifth Report of the Monitor (to be filed) 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

14. In person.

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).

SCHEDULE "A"

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1291329 ALBERTA LTD., OILSANDS QUEST
TECHNOLOGY INC., WESTERN
PETROCHEMICALS CORP. and 1259882
ALBERTA LTD.**

DOCUMENT **SALE APPROVAL AND VESTING ORDER
(Eagle's Nest Property - Cavalier Energy)**

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Norton Rose Canada LLP
3700 Devon Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2
Telephone: 403-267-8144
Fax: 403-264-5973
Attention: Howard A. Gorman/Randal S. Van de Mosselaer
Email: howard.gorman@nortonrose.com
File No. 196023

DATE ON WHICH ORDER WAS PRONOUNCED March 15, 2012

NAME OF JUSTICE WHO MADE THIS ORDER The Honourable Mr. Justice R. G. Stevens

UPON THE APPLICATION of counsel to Township Petroleum Corporation ("TPC") being one of the Applicants; **AND UPON HAVING READ** the pleadings, proceedings, orders and other materials filed in this action, including the Affidavit of Garth Wong sworn March 13, 2012, and the Fifth Report of Ernst & Young Inc. in its capacity as Monitor (the "Monitor"), filed (the "Fifth Report"); **AND UPON HEARING** counsel for TPC, counsel to the Monitor and from any other interested persons who may be present, including the Purchaser (as that term is defined below); **AND UPON IT APPEARING** that all interested and affected parties have been served with notice of this application; **AND WHEREAS** all capitalized terms not defined herein shall take the meaning ascribed to them in the Cavalier APSA, as that term is defined below; **AND UPON IT APPEARING** that the sale of the Assets (as that term is defined in the Cavalier APSA) as proposed is just, fair and appropriate in all the circumstances;

THE COURT HEREBY ORDERS AND DECLARES THAT:

SERVICE

1. Service of the notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application, and time for service of this application is abridged to that actually given.

APPROVAL OF TRANSACTIONS

2. The Asset Purchase and Sale Agreement (the "Cavalier APSA") attached as Exhibit "A" to the Affidavit of Garth Wong sworn March 13, 2012 between Cavalier Energy Inc. (the "Purchaser") and TPC, including the sale of the Assets (as that term is described in the Cavalier APSA) is hereby approved and ratified, and it is hereby declared that the Cavalier APSA is commercially reasonable.
3. TPC and the Monitor are authorized and directed to conclude the transactions contemplated by the Cavalier APSA (the "Transactions") and to take all such steps and execute all such deeds, documents and instruments as may reasonably be necessary to consummate the Transactions contemplated therein substantially in accordance with its terms, subject to such amendments as the parties thereto may approve which do not materially and adversely alter the Transactions.

VESTING OF PROPERTY

4. Upon the Monitor delivering a certificate (the "Monitor's Certificate") in a form set out as Schedule "A" to this Order certifying that the sale of the Assets has closed substantially in accordance with the terms of the Cavalier APSA and all purchase monies due and owing in respect of such sale have been tendered to TPC then:
 - (a) the Assets shall be vested in the name of the Purchaser, Cavalier Energy Inc., free of all estate, right, title, interest, royalty, rental, and equity of redemption of the Applicants and all persons who claim by, through or under the Applicants in respect of the Assets subject only to the Permitted Encumbrances (as that term is defined in the Cavalier APSA);
 - (b) the Applicants and all persons who claim by, through or under the Applicants in respect of the Assets, save and except the Permitted Encumbrances, shall stand absolutely barred and foreclosed from all estate, right, title, interest, royalty, rental and equity of redemption of the Assets and, to the extent that any such person remains in possession or control of any of the Assets, they shall forthwith deliver possession of same to the Purchaser or its nominee;
 - (c) the Purchaser shall be entitled to enter into and upon, hold and enjoy the Assets for its own use and benefit without any interference of or by the Applicants, or any person claiming by or through or under the Applicants.

5. Upon closing of the Transactions, subject only to the Permitted Encumbrances all of TPC's interests in the Assets shall vest in the Purchaser free and clear from all security interests, claims, estate, security, right, title, interest, and liens, including but not limited to, claims, hypothecs, mortgages, charges, liens (whether contractual, statutory or otherwise), security interests, assignments, actions, levies, taxes, judgments, writs of execution, trusts or deemed trusts (whether contractual, statutory or otherwise), options, agreements, disputes, debts, encumbrances or other rights, limitations or restrictions of any nature whatsoever, against TPC or any Applicant including without limitation any rights or interests of any of the stakeholders or creditors of the Applicants, whether or not they have attached or been perfected, registered or filed, whether secured or unsecured or otherwise, whether liquidated, unliquidated or contingent (all of the foregoing being collectively referred to hereinafter as the "Claims"), whether such Claims against the Applicants came into existence prior to, subsequent to or as a result of any previous Order of this Court, by or of all persons or entities of a kind whatsoever, including, without limitation, all individuals, firms, corporations, partnerships, joint ventures, trusts, unincorporated organizations, governmental and administrative bodies, agencies, authorities or tribunals and all other natural persons or corporations, whether acting in their capacity as principals or agents, trustees, executives, administrators or other legal representatives (collectively, the "Claimants"), including for greater certainty and without limiting the generality of the foregoing: (i) any Claims held by or in favour of the individuals and entities served (either directly or through their solicitors) with this application; and (ii) the beneficiary of any Claims created or provided for pursuant to any previous Order in these proceedings, are extinguished, released and forever discharged.
6. For greater certainty, subject to the Claimants under the Permitted Encumbrances, the Purchaser shall, by virtue of the completion of the Transactions, have no liability of any kind whatsoever to any Claimants to the Assets or against the Applicants, or any of them.
7. The proceeds from the sale of the Assets may be used by the Applicants for their general corporate purposes.
8. The Transactions shall not be void or voidable at the instance of Claimants and shall not constitute nor shall be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other challengeable or reviewable transaction under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended or any other applicable federal or provincial legislation, and the Transactions, or any actions taken in connection therewith, shall not constitute conduct meriting an oppression remedy.
9. Upon the filing of a certified copy of this Order, together with any applicable registration fees, the appropriate government authorities are hereby requested and directed to register such transfers, discharges, discharge statements or conveyances, as may be required to register title to the Assets to the Purchaser or the Purchaser's Nominee subject only to the Permitted Encumbrances.

10. This Honourable Court hereby requests the aid and recognition of any court or administrative body in any province of Canada, the Federal Court of Canada, any administrative tribunal or other court constituted pursuant to the Parliament of Canada or any of its provinces or territories and any federal or state court or administrative body or any other foreign courts to act in aid of and to be complimentary to this Court in carrying out the terms of this Order.
11. This Order must be served only upon those interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal delivery or courier and, if served by facsimile or courier, service is deemed to be effected the next business day following the transmission or delivery of such documents.
12. Service of this Order on any party not attending this application is hereby dispensed with.
13. TPC and the Monitor are at liberty to reapply for further advice, assistance and direction as may be necessary to give full force and effect to the terms of this Order.

J.C.Q.B.A.

Schedule "A"

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TECHNOLOGY INC., WESTERN
PETROCHEMICALS CORP. and 1259882
ALBERTA LTD.**

DOCUMENT

MONITOR'S CERTIFICATE

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR

1000, 440 - 2nd Avenue SW
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jkruger@blg.com

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Sale Approval and Vesting Order of the Honourable Mr. Justice R. G. Stevens made in these proceedings on the 15th day of March, 2012 (the "Cavalier Order").

Ernst & Young Inc. (the "Monitor") in its capacity as Court-appointed Monitor of Oilsands Quest delivers and files with the Court this certificate and hereby certifies that Closing (as defined in the Cavalier APSA) has occurred.

DATED at the City of Calgary, in the Province of Alberta, this _____ day of March, 2012.

Ernst & Young Inc. in its capacity as Court-appointed
Monitor of the within Applicants

Per: _____
Authorized Signatory