



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, RSC
 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 BY ERNST & YOUNG AS**
 COURT-APPOINTED MONITOR IN THE
 WITHIN CCAA PROCEEDINGS

ADDRESS FOR SERVICE AND Josef G.A. Kruger, Q.C./R.J. Daniel Gilborn

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 File No. 413255-000037

NOTICE TO RESPONDENT(S)/INTERESTED PARTIES SET OUT IN THE SERVICE LIST:

This application is made against you or affects you. You are a Respondent or an interested party.

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

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

Date Wednesday February 26, 2014

Time 3:00 PM

Where Calgary Courts Center, 601 – 5th Street, Calgary, Alberta

Before Whom The Honourable Madam Justice B.E.C. Romaine (Commercial List)

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

Unless otherwise defined herein, capitalized terms used shall have the meanings ascribed to them in the Plan of Compromise and Arrangement of Oilsands Quest Inc. dated January 22, 2013 (the "Plan"), filed.

Remedy claimed or sought:

1. Ernst & Young Inc., in its capacity as the Monitor (the "Monitor") of the within *Companies' Creditors Arrangement Act* proceedings (the "CCAA"), applies for an Order substantially in the form attached hereto as **Schedule 'A'**, for, *inter alia*, the following relief:

- (a) Validating and deeming good and sufficient service of the within Application and materials in support thereof, abridging (if necessary) the time for notice and service of the Application and materials in support thereof, such that the within Application is properly returnable on the date and time above set out;
- (b) Dismissing Action No. 1303-02116 as against Oilsands Quest Inc. and Oilsands Quest Sask. Inc., being an Affected Claim in the within CCAA proceeding that was brought outside the Claims Process and beyond the Claims Bar Date and therefore being a Claim that is forever barred and extinguished;
- (c) Directing that any Order be filed in both Action No. 1101-16110 and Action No. 1303-02116; and
- (d) Such further or other relief as this Honourable Court may in its discretion allow.

Grounds for making this application:

- 2. On November 29, 2011, Oilsands Quest Inc. ("OQI") and its subsidiary Oilsands Quest Sask. Inc. ("Quest") were granted protection from their creditors by this Honourable Court pursuant to the CCAA (the "Initial Order"). Under the Initial Order, Ernst & Young Inc. ("E&Y" or the "Applicant") was appointed as the Monitor.
- 3. At the time of the Initial Order, OQI was a publicly traded corporation incorporated in Colorado, United States of America, and trading on the New York Stock Exchange under the trading symbol "BQI". Trading in OQI's shares have been suspended by the New York Stock Exchange. OQI is the 100% parent of Quest.
- 4. At the time of the Initial Order, OQI was a development stage company which held certain permits, licenses and leases in Alberta and Saskatchewan allowing it to explore and develop natural resource properties.
- 5. Pursuant to the Claims Procedure Order from this Court granted June 28, 2012 the initial Claims Bar Date of August 2, 2012 was established for all pre-filing Claims. The Claims Procedure Order

provided that any party who did not receive Notice to Creditor but who wished to advance a claim had to do so before the Claims Bar Date. On June 20, 2012, this Court issues the Extension of Claims Bar Date Order which extended the Claims Bar Date to August 31, 2012.

6. OQI and the Monitor complied with all of the requirements of the Claims Procedure Order and the Extension of Claims Bar Date Order.

7. On November 29, 2012, the Court granted the Subsequent Claims Procedure Order which established a Subsequent Claims Bar Date of January 11, 2013.

8. OQI and the Monitor complied with all of the requirements of the Subsequent Claims Procedure Order.

9. Pursuant to the Claims Procedure Order and the Subsequent Claims Procedure Order, the failure by a creditor to bring a Claim by the Claims Bar Date of the Subsequent Claims Bar date (whichever was applicable) has, unless this Court ordered otherwise, forever barred and extinguished the Claim as against OQI and Quest.

10. By Order dated January 30, 2013, the Plan of Arrangement in the within CCAA proceedings was ordered to be presented to the creditors and the date of the Creditors' Meeting was set.

11. Action No. 1303-02116 was filed on February 8, 2013, as against, *inter alia*, OQI and Quest, after the aforesaid Order setting the Creditors' Meeting.

12. The creditors unanimously approved the Plan of Arrangement and on February 25, 2013, this Court granted a Sanction Order which sanctioned the Plan.

13. Pursuant to the Plan and the Sanction Order:

- (a) Proven Claims of Affected Creditors would be paid in full immediately following the Plan Implementation Date;
- (b) Disputed Claims would be resolved by the Monitor or the Court;
- (c) In the case of Disputed Claims which become Proven Claims after the Plan Implementation Date, payment will be made immediately following the date such Disputed Claims become Proven Claims;
- (d) The only interest OQI Shareholders would have in the Plan, would be to receive a pro rata distribution of the balance of the OQI Fund upon final resolution and payment of all Disputed Claims; and

(e) All Affected Claims of any nature were forever compromised, discharged and released.

14. Action No. 1303-02116 is an Affected Claim within the meaning of the Plan of Arrangement and is a Claim pursuant to the Claims Procedure Order. As such, Action No. 1303-02116 has been taken outside the Claims Procedure and beyond the Claims Bar date, and is therefore forever barred and discharged as against OQI and Quest.

15. As it relates to OQI and Quest, Action No. 1303-02116 is a collateral attack on the Claims Procedure Order and the Sanction Order.

16. There is no merit to the claims alleged within Action No. 1303-02116 as against OQI and Quest.

17. The Plaintiff in Action No. 1303-02116 is therefore limited to the other defendants in that Action to obtain any relief he may obtain in that Action.

18. In the result, Action No. 1303-02116 should be struck or dismissed as against OQI and Quest.

Material or evidence to be relied on:

19. The previously filed materials in the within CCAA proceedings consisting of the following:

- (a) The Initial Order, granted November 29, 2011;
- (b) The Seventh Report of the Monitor, filed June 27, 2012;
- (c) The Claims Procedure Order, granted June 28, 2012;
- (d) The Eight Report of the Monitor, filed July 18, 2012;
- (e) The Extension of Claims Bar Date Order, granted July 20, 2012;
- (f) The Twelfth Report of the Monitor, filed November 27, 2012;
- (g) The Subsequent Claims Procedure Order, granted November 29, 2012;
- (h) The Thirteen Report of the Monitor, filed January 23, 2013 (which includes the Plan of Arrangement in the appendices);
- (i) The Creditors' Meeting Order, granted January 29, 2013 (which includes the Plan of Arrangement in the appendices);
- (j) The Fourteenth Report of the Monitor, filed February 22, 2013;
- (k) The Plan Sanction Order, granted February 25, 2013; and
- (l) The 17th Report of the Monitor, (to be filed shortly).

20. The pleadings filed in Action No. 1303-02116 (in particular the Plaintiff's Statement of Claim).
21. The Affidavit(s) of Service.
22. Such further and other materials as counsel may advise and this Honourable Court may allow.

Applicable rules:

23. Rules 1.2, 1.3, 3.68, 3.72(1)(c), 6.11, 7.2 – 7.4, 9.19, 11.21 and 13.5 of the *Rules of Court*.

Applicable Legislation

24. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36.

How the application is proposed to be heard or considered:

25. In person, with some or all of the parties present before the Honourable Madam Justice B.E.C. Romaine (Commercial List).

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.

Schedule 'A'
Proposed Form of Order

COURT FILE NUMBER **1101-16110**

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WESTERN PETROCHEMICALS CORP.
and 1259882 ALBERTA LTD.

DOCUMENT **ORDER**
 (Re: Dismissing Claim)

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DOCUMENT File No. 413255-000037

DATE ON WHICH ORDER WAS PRONOUNCED: February 26, 2014

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Madam Justice B. Romaine

UPON the Application of Ernst & Young Inc. (the "Monitor"), in its capacity as the Monitor of Oilsands Quest Inc. ("OQI") and Oilsands Quest Sask Inc. ("Quest"); UPON having read the Application by the Monitor, the Reports of the Monitor and other pleadings and proceedings previously filed herein; UPON having read the Affidavit(s) of Service; AND UPON hearing counsel for the Monitor, OQI, and counsel for other interested parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of the Application and materials in support thereof is validated and deemed good and sufficient, the time for service of this Application and materials in support thereof is abridged (if necessary) to the time actually provided, so that this Application is properly returnable on the date this Order is granted.
2. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan of Compromise and Arrangement of OQI dated January 22, 2013.
3. Action No. 1303-02116 is partially dismissed, only as against the Defendants OQI and Quest on the basis that the aforesaid Action is an Affected Claim brought outside the Claims Process and past the Claims Bar Date.
4. This Order is of no effect on the proceedings in Action No. 1303-02116 as between the Plaintiff and the Defendants other than OQI and Quest.
5. This Order shall be filed in both Action No. 1101-16110 and Action No. 1303-02116.
6. For greater clarity, this is an Order made pursuant to the Court's jurisdiction under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 and the applicable appeal period and procedure set out pursuant to that Act shall prevail hereto.
7. This Order shall be sufficiently served by serving the same in the same manner and on the same parties as the Application and materials in support thereof.

Justice of the Court of Queen's Bench of Alberta