Form 49
[Rule 13.19]

CLERK OF THE COURT
FILED
Clerk's Stamp
FEB 03 2012
JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER	1201- 01367
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	Calgary
APPLICANT	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36** **AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9** **AND IN THE MATTER OF COUGAR OIL AND GAS CANADA INC.**
DOCUMENT	**AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Patrick T. McCarthy, Q.C. / Robyn Gurofsky
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File No. 438664-

Borden Ladner Gervais

AFFIDAVIT OF WILLIAM S. TIGHE

Sworn on February 2, 2012

I, William S. Tighe, of the City of Calgary, in the Province of Alberta, businessman , SWEAR/AFFIRM AND SAY THAT:

1. I am the chief executive officer and chairman of the board of directors of the applicant, Cougar Oil and Gas Canada Inc. ("**Cougar**"). I am also a shareholder of Cougar. As such, I have personal knowledge of the matters and facts hereinafter deposed to except where stated to be based on information and belief, and where so stated, I verily believe the same to be true.

INTRODUCTION

2. Cougar is a corporation duly incorporated pursuant to the laws of the Province of Alberta with a head office located in Calgary, Alberta.

3. Cougar is a publicly traded oil and gas exploration and production company focussing on the exploration and development of Canadian based onshore oil and gas properties. The company's primary assets include interests in the Lucy Horn River Basin in northeast British Columbia, several First Nation Joint Ventures projects in Alberta, and majority interests in what is known as the "Trout Property" located in north central Alberta, which Cougar operates. Of these, the Trout Property is the most significant to Cougar, producing approximately 95% of the company's cash flow. Approximately 5% of the company's cash flow is obtained from a non-operated coal bed methane field located in central Alberta and operated by Ember Resources Inc. (the "**Ember Interest**").

4. Cougar has experienced three significant setbacks in the last year which have caused it to experience serious financial difficulties.

5. In mid 2011, following a rupture of the Rainbow pipeline through which Cougar's production from the Trout Property is carried to market, the pipeline was closed for a period of several months, resulting in a severe reduction in Cougar's cash flow.

6. As well, in 2011, Cougar drilled an additional well at the Trout Property at a total cost of more than $3 million. The well was expected to add substantially to the company's cash flow and reserves, but unfortunately was unsuccessful.

7. Most recently, as a result of certain orders ("**Closure Orders**") issued by the Energy Resources and Conservation Board (the "**ERCB**") on January 16, 2012, production from the Trout Property was shut in, and Cougar is facing an immediate financial crisis.

COUGAR OPERATIONS

8. Prior to the ERCB issuing the Closure Orders, Cougar produced approximately 115 bbl/d gross oil production from the Trout Property, and 60 boe/d of gross natural gas production from the Ember Interest. Together these interests produced monthly revenues to Cougar after royalties of approximately $300,000.

9. Cougar employs 12 employees, half of whom work in the field and the other half of whom work at the head office located in Calgary. Further, approximately 15% of Cougar operated wells have joint interest partners who are affected by the Closure Orders.

SECURED CREDITORS

Canadian Western Bank

10. Canadian Western Bank ("**CWB**") has provided Cougar with an operating loan in the initial principal amount of $2.5 million, secured by a floating first charge on all of Cougar's assets (the "**CWB Loan**"). Cougar currently pays interest on the principal amount at CWB's prime rate plus 3.50% per annum.

11. The majority of the CWB Loan was directed towards various property enhancements including work-overs to stimulate old wells and increase production, and enhancements and upgrades to facilities to better handle production.

12. Cougar's outstanding obligation to CWB is currently approximating $2.4 million, with the next payment coming due on March 1, 2012 in the amount of $12,500.

Sword Energy Inc.

13. Cougar purchased the Trout Property from Thunder Energy Partnership, which is operated by its managing partner Sword Energy Inc. (together, "**Sword**") on August 18, 2009.

14. The purchase price for the Trout Property was approximately $6 million, of which $1 million was paid on closing, with the balance to be paid in instalments over a 54 month period.

15. As security for the unpaid balance Cougar granted Sword a charge, subordinated to the security granted to CWB, over certain of its assets including the Trout Property.

16. Cougar is in default under its agreement with Sword, having been unable to make a payment of $100,000 due on February 1, 2012. Approximately $2.81 million remains outstanding to Sword.

Zentrum Energie Trust AG

17. Zentrum Energie Trust AG ("**Zentrum**") is a Swiss-based investment trust. Zentrum has loaned Cougar approximately $2.75 million through a series of nine convertible debentures dated between February 21, 2011, and January 2, 2012.

18. The funds advanced by Zentrum to Cougar after August 1, 2011, totalling $545,000, were used by Cougar to assist in its outstanding obligations to creditors, principally the monthly payment to Sword.

19. Each debenture issued by Cougar to Zentrum contained a maturity date of 18 months from the closing date, which in most cases was approximately 18 months from the date of execution of the debenture. Upon the maturity date, Cougar is required pursuant to the terms of the debenture to pay the principal sum owing thereunder, together with accrued but unpaid interest at a rate of Bank of Canada Prime plus 3% per annum.

20. As security for the repayment of the debentures, Cougar granted security to Zentrum by way of a third ranking fixed and floating mortgage over all of its assets.

UNSECURED CREDITORS

21. Cougar owes approximately $3.8 million to its unsecured creditors, comprised primarily of trade creditors who provided goods and/or services to Cougar in the normal course of its operations. There are approximately 150 trade creditors, the largest of which is owed approximately $400,000. Certain payments to the unsecured creditors came due on February 1, 2012, but were not made. Other payments to unsecured creditors come due throughout the month of February, 2012.

ISSUES AFFECTING COUGAR'S SHORT TERM VIABILITY

22. As noted above, Cougar has experienced three significant setbacks in the last year which have caused it to experience serious financial difficulties.

Temporary Shutdown of Rainbow Pipeline

23. The Rainbow Pipeline, a critical delivery point for Cougar's Trout oil contracts, was shut down due to a line break in April, 2011. The Rainbow Pipeline recommenced reduced operations at the end of August, 2011, with operations returning to normal levels in October of the same year. As a result of the temporary closure of the pipeline and the subsequent period of reduced capacity, Cougar had no option but to truck its oil to several alternative delivery points, where possible. The oil transported by truck was

further hindered by weather and capacity restraints at the delivery points, resulting in discounts to the contract prices and a significant increase in operational costs to Cougar.

Unsuccessful Well

24. In July of 2011, Cougar drilled a horizontal well at the Trout Property that was expected to add significantly to the company's cash-flow and reserves. Cougar drilled the well, based on seismic reports that identified over 20 light oil targets in the area. Cougar incurred approximately $3 million to evaluate and drill the well. Unfortunately, the well proved to be unsuccessful, in part due to insufficient pumping capability.

ERCB Closure Orders

25. In January, 2011, Cougar acquired a series of oil and gas assets from PetroReal Energy Inc. ("**PetroReal**") in settlement of certain debt obligations owed by Petroreal to Cougar. The assets (the "**PetroReal Properties**") are located at the Trout Property and were to be comprised largely of non-producing wells with significant abandonment liabilities.

26. One of the functions of the ERCB is to ensure that owners of oil and gas assets are able to satisfy their abandonment obligations. It does this by calculating a ratio of the value of producing properties to the estimated future costs of abandonment of all properties for which the property owner holds well licenses, which is called the Liability Management Rating assessment (the "**LMR Rating**"). If the owner's LMR Rating is below a certain level the ECRB requires the owner to post additional cash security for its abandonment obligations.

27. Because of the significant abandonment liabilities associated with the PetroReal Properties, it quickly became apparent that Cougar would either have to dispose of the PetroReal Properties or post a further security deposit with the ERCB. Cougar marketed the PetroReal Properties intensively through 2011 and in September of 2011 received an offer to purchase them, together with certain other assets. The sale was scheduled to close on October 31, 2011 and was accompanied by a deposit of $120,000.

28. By letters dated September 8, 2011 and October 6, 2011, the ERCB notified Cougar that it was non-compliant with the ERCB's abandonment liability management program requirements. The notification letters stated that based on Cougar's LMR Rating, a security deposit of $620,074.93 was required.

29. Cougar has been in communication with the ERCB on this issue since September 30, 2011, and at that time advised the ERCB that it had entered into a binding purchase and sale agreement, primarily for the PetroReal Property, which when completed would bring Cougar's LMR Rating back into good standing.

30. The closing date of the sale of assets was extended due to the prospective purchaser's inability to secure financing, but ultimately the transaction did not close. The sale agreement was terminated and the prospective purchaser's deposit forfeited.

31. On November 10, 2011, Cougar received notification from the ERCB that a low risk enforcement action was being issued against Cougar as a result of its deficient LMR Rating. The ERCB set a deadline of December 2, 2011 for Cougar to put its LMR Rating back into good standing. Cougar advised the ERCB that the purchase and sale had not closed as scheduled, and requested more time to arrange for a transaction that would address the deficient LMR Rating.

32. The ERCB extended the deadline for Cougar to bring its LMR Rating back into good standing, to December 25, 2011, by which date Cougar was required to pay the $620,074.93 security deposit to the ERCB and submit a plan to address its ongoing ratio issues. Cougar provided an outline of a proposed action plan, which included refinancing or selling some of the non-performing assets, however, it was not able to pay the security deposit required.

33. On January 16, 2012, the ERCB issued the Closure Orders requiring the immediate suspension of production from all properties for which Cougar held well and facility licences, including the Trout Property.

NEED FOR RESTRUCTURING

34. Due to the issuance of the Closure Orders and the suspension of the well licenses, Cougar needs to recapitalize and restructure its affairs to bring its LMR Rating back into good standing and to put the wells capable of production back into operation. Currently, Cougar is in the process of pursuing a number of options to achieve this, which include but are not limited to:

(a) obtaining financing sufficient to satisfy the ERCB security deposit;

(b) applying to reverse the Closure Orders; and

(c) identifying opportunities to sell or otherwise dispose of assets which the ERCB has identified as deemed liabilities.

35. The Closure Orders are a very serious threat to the financial viability of Cougar. The Closure Orders effectively cut off most of the cash flow available to Cougar to fund its day-to-day obligations, including the costs of operations, field maintenance and obligations to employees and creditors.

36. As of February 4, 2012, Cougar projects that the security deposit required to be posted with the ERCB to revoke the suspension of the well licenses will increase to approximately $700,000. Further, I understand that the regulatory process governing the Closure Orders requires the issuance of Abandonment Orders 30 days after the Closure Orders are issued, which Abandonment Orders would affect wells capable of production. This is an extremely serious issue for Cougar as the Trout Property is a mature field which, if shut in for a protracted period, might never return to its current levels of production.

37. As a result, this application is urgent. Cougar holds assets which are capable of production in quantities sufficient to ensure its ongoing viability in the long term. If it is not afforded the protection of a stay from its creditors, and the opportunity to obtain financing in the process, wells which are capable of economic production will likely be subject to Abandonment Orders, and existing production could be diminished or curtailed, which is not in the public interest. In that circumstance, Cougar would no longer be a viable entity, negatively impacting its employees and creditors.

INSOLVENCY

38. As noted above, Cougar has payments coming due throughout the month of February, 2012, both to its secured and unsecured creditors. It has already defaulted under its February 1, 2012 payment to Sword. Further, many of the unsecured creditors have entered into agreements with Cougar establishing payment plans to pay down outstanding indebtedness. Cougar will be unable to meet those obligations as a result of the ERCB Closure Orders and lack of cash flow. Accordingly, Cougar is insolvent.

DEBTOR IN POSSESSION FINANCING, CASH FLOWS AND D&O INSURANCE

39. Ernst & Young Inc. ("E&Y") has consented to act as Monitor of Cougar in these proceedings. Attached hereto and marked as **Exhibit "A"** is a form of a Consent to Act as Monitor, a signed copy of which will be provided to the Court at the application.

40. Although Cougar has sufficient cash on hand to fund operations over the course of the next 30 days, Cougar is urgently working to try to negotiate interim financing ("DIP financing") which will allow it, if necessary, to make the security deposit demanded by the ERCB in order to put its operated properties back on production as soon a possible. As well, because Cougar's cash flow will be interrupted by the period the wells are shut in, Cougar will require financing to assist with items such as payroll and general operations as well as professional fees associated with these proceedings.

41. Attached as **Exhibit "B"** are cash flows covering the period February 3, 2012 to March 2, 2012, prepared by Cougar in consultation with the proposed Monitor, E&Y.

42. Cougar is currently in negotiations with Zentrum to provide the requisite DIP facility. If those negotiations are successful Cougar will make an application within the initial stay period, if granted, to seek Court approval for a DIP facility.

43. Cougar's directors' and officers' indemnity insurance ("D&O Insurance") is currently scheduled to expire mid-February. Cougar is currently in discussions with the Monitor as to whether it is economically feasible in the circumstances to renew the D&O Insurance at a cost of approximately $28,000 per year.

FINANCIAL STATEMENTS

44. Cougar prepares financial statements every quarter, the most recent of which were prepared for the period ending September 30, 2011. Copies of these most recent financial statements, which are also filed on SEDAR and EDGAR, are attached hereto as **Exhibit "C"**.

RELIEF REQUESTED

45. I make this Affidavit in support of an Order pursuant to the *Companies' Creditors Arrangement Act*, including a stay of proceedings, for the purposes of allowing Cougar an opportunity to restructure its affairs and develop a plan of arrangement for the benefit of its creditors.

SWORN BEFORE ME at Calgary, Alberta, this 2 day of February, 2012. Commissioner for Oaths in and for the Province of Alberta	)))))))	**WILLIAM S. TIGHE**

Allan Nielsen
Barrister & Solicitor

February 2, 2012

COURT FILE NUMBER	________	Clerk's Stamp
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 COUGAR OIL AND GAS CANADA INC.**	
DOCUMENT	**CONSENT OF THE MONITOR** **(Initial CCAA Order and Filing of Plan)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Ernst & Young 1000 – 440, 2nd Ave SW Calgary, Alberta T2P 4H2 Phone: 403-206-5067 Fax: 403-206-5075 Attention: Neil Narfason	

This is Exhibit " A "
referred to in the Affidavit of
William S Tighe
Sworn before me this 2
day of Feby A.D. 2012

A Commissioner for Oaths in and for the Province of Alberta

Allan Nielsen
Barrister & Solicitor

Ernst & Young Inc. does hereby consent to act as Monitor for Cougar Oil and Gas Canada Inc. in these proceedings if so appointed by this Honourable Court.

DATED at the City of Calgary, in the Province of Alberta, this 2nd day of February, 2012.

____

Name: H. Neil Narfason
Title: Senior Vice President

1731270v2

Cougar Oil and Gas Canada, Inc.

Cash Flow Forecast for the period of February 3, 2012 to March 2, 2012
CDN $

	Notes	Feb. 3/12 to Mar 2/12
Receipts		
Petroleum and natural gas revenue	2	125,709
Non-operated joint venture revenue		5,330
GST Received		6,285
Overhead recovery		4,195
Joint Venture Receipts		35,000
Total Receipts		176,519
Disbursements		
Operating expenses		74,500
General & administrative expenses		109,100
Capital expenditures	3	20,000
Mineral and Surface lease rentals & Acquisitions		23,243
Joint Venture payments		74,392
GST Paid		12,730
CCAA professional fees		60,000
Total Disbursements		373,965
Net Cash Flow		(197,445)
Opening Cash		200,000
Ending Cash		2,555

This is Exhibit " B "
referred to in the Affidavit of
William Tighe
Sworn before me this 2
day of Feb A.D. 2012

A Commissioner for Oaths in and for the Province of Alberta

Allan Nielsen
Barrister & Solicitor

Notes:

Management of Cougar Oil and Gas Canada, Inc. have prepared this Projected Cash Flow Statement based on the probable and hypothetical assumptions detailed in Notes 1 - 4. Consequently, actual results will likely vary from performance projected and such variations may be material.

1. Receipts and disbursements are based upon historical results and forecasted production levels.

2. Petroleum and Natural Gas Revenues are received on the 25th of the month following production.

3. Estimated Capital Expenditures are considered necessary for the general preservation and maintenance of the capital assets.

4. The Company anticipates applying for a $1.2 million Debtor-in-possession financing facility to be used for the ERCB deposit shortfall and to fund ongoing operations.

William S. Tighe
Chief Executive Officer

February 02/2012
Date

COUGAR OIL AND GAS CANADA, INC.

This is Exhibit " C "
referred to in the Affidavit of
William Tighe
Sworn before me this 2
day of Jan, A.D. 2012

A Commissioner for Oaths in and for the Province of Alberta

Allan Nielsen
Barrister & Solicitor

Interim Financial Statements

3RD QUARTER

September 30, 2011 and 2010

(Unaudited – Prepared by Management)

Notice of No Auditor Review of Interim Financial Statements
In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the three and ninemonths ended SEPTEMBER 30, 2011 and 2010.

COUGAR OIL AND GAS CANADA, INC.
INTERIM BALANCE SHEETS
(UNAUDITED - REPORTED IN CANADIAN DOLLARS)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,975	$ 1,678
Accounts receivable	564,420	467,359
Accounts receivable, other	92,808	51,165
Prepaid expenses and deposits (note 2)	108,239	59,038
Total current assets	797,442	579,240
Oil and natural gas properties, full cost accounting (note 3)		
Proved properties	13,467,369	9,212,427
Less: accumulated depreciation, depletion and amortization	(5,526,829)	(3,466,639)
Net	7,940,540	5,745,788
Undeveloped properties excluded from amortization (note 3)	5,496,934	3,936,797
Furniture and fixtures, net	5,066	5,363
	13,442,540	9,687,948
Total assets	$ 14,239,982	$ 10,267,188
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses (note 4)	$ 4,370,572	$ 1,889,266
Operating line of credit (note 5)	2,275,000	2,025,000
Current maturities of long term debt (note 6)	1,780,765	818,906
Intercompany note (note 7)	890,156	-
Short term notes payable (note 6)	17,053	15,623
Related party obligations (note 11)	338,504	458,008
Total current liabilities	9,672,050	5,206,803
Long term debt (note 6)	2,918,217	2,707,186
Asset retirement obligations (note 8)	1,769,899	1,332,747
Total liabilities	14,360,166	9,246,736
Commitments and contingencies (note 12)		
Stockholders' equity (notes 9 & 10)		
Common stock, no par value; unlimited authorized; 67,887,612 and 64,047,111 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively	6,472,872	5,207,027
Additional paid in capital	3,487,455	622,174
Deficit	(9,896,876)	(4,810,977)
Other comprehensive income (loss)	(183,635)	2,228
Total stockholders' equity (deficiency)	(120,184)	1,020,452
Total liabilities and stockholders' equity	$ 14,239,982	$ 10,267,188

The accompanying notes are an integral part of these unauditedinterim financial statements

COUGAR OIL AND GAS CANADA, INC.
INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED - REPORTED IN CANADIAN DOLLARS)

	3 Months Ended September 30, 2011	3 Months Ended September 30, 2010	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010
REVENUE:				
Oil & Gas sales, net of royalties	$ 689,362	$ 801,736	$ 1,932,014	$ 2,525,329
EXPENSES:				
Operating	386,720	364,435	1,422,938	1,159,482
General and administrative	675,685	467,486	1,958,652	1,343,615
Impairment of oil and gas properties	-	-	1,317,310	101,912
Depletion, depreciation and amortization	290,724	393,032	833,101	939,076
Total expenses	1,353,129	1,224,953	5,532,001	3,544,085
Net loss from operations	(663,766)	(423,218)	(3,599,987)	(1,018,756)
OTHER INCOME (EXPENSE):				
Gain on asset retirement	-	933	-	78,283
Interest income	-	240	-	240
Interest expense	(1,043,987)	(88,570)	(1,485,912)	(254,675)
Net loss before income taxes	(1,707,753)	(510,615)	(5,085,899)	(1,194,908)
Provision for income taxes (benefit) (note 13)	-	-	-	-
NET LOSS	$ (1,707,753)	$ (510,615)	$ (5,085,899)	$ (1,194,908)
Loss per common stock, basic and fully diluted	$ (0.03)	$ (0.01)	$ (0.08)	$ (0.02)
Weighted average number of outstanding shares, basic and fully diluted	67,887,612	61,863,703	67,403,915	60,335,654
Comprehensive loss:				
Net loss	$ (1,707,753)	$ (510,615)	$ (5,085,899)	$ (1,194,908)
Foreign currency translation gain (loss)	(3,808)	299	(185,863)	(609)
Comprehensive loss:	$ (1,711,561)	$ (510,316)	$ (5,271,762)	$ (1,195,517)

The accompanying notes are an integral part of these unaudited interim financial statements

COUGAR OIL AND GAS CANADA, INC.
STATEMENT OF SHAREHOLDERS' EQUITY
FROM JANUARY 1, 2010 THROUGH SEPTEMBER 30, 2011
(UNAUDITED - REPORTED IN CANADIAN DOLLARS)

	Common stock		Additional Paid in		Other Comprehensive	
	Shares	Amount	Capital	Deficit	Income (loss)	Total
Balance, December 31, 2009	44,997,979	$ 4,219,164	$ 128,210	$ (2,825,399)	$ (37)	$ 1,521,938
Common stock issued in exchange for related party note receivable	648,444	1,357,714	-	-	-	1,357,714
Effect of merger with Cougar Oil and Gas Canada, Inc. (formerly Ore-More Resources, Inc.)	16,200,000	(1,446,838)	-	-	-	(1,446,838)
Common stock issued in exchange for exercise of warrants	6,930	3,999	-	-	-	3,999
Fair value of issued options	-	-	192,653	-	-	192,653
Foreign currency translation loss	-	-	-	-	(243)	(243)
Net loss	-	-	-	(858,224)	-	(858,224)
Balance, July 31, 2010	61,853,353	$ 4,134,039	$ 320,863	$ (3,683,623)	$ (280)	$ 770,999
Common stock issued in exchange for exercise of warrants	2,007,918	590,220	-	-	-	590,220
Common stock issued for debt repayment	185,840	482,768		-	-	482,768
Fair value of issued options	-	-	301,311	-	-	301,311
Foreign currency translation gain	-	-	-	-	2,508	2,508
Net loss	-	-	-	(1,127,354)	-	(1,127,354)
Balance, December 31, 2010	64,047,111	$ 5,207,027	$ 622,174	$ (4,810,977)	$ 2,228	$ 1,020,452
Common stock issued in exchange for exercise of warrants	3,840,501	1,265,845	-	-	-	1,265,845
Fair value of beneficial conversion feature on debt	-	-	1,914,728			1,914,728
Fair value of issued options	-	-	950,553	-	-	950,553
Foreign currency translation gain	-	-	-	-	(185,863)	(185,863)
Net loss	-	-	-	(5,085,899)	-	(5,085,899)
Balance, September 30, 2011	67,887,612	$ 6,472,872	$ 3,487,455	$ (9,896,876)	$ (183,635)	$ (120,184)

The accompanying notes are an integral part of these unaudited interim financial statements

COUGAR OIL AND GAS CANADA, INC.
INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED - REPORTED IN CANADIAN DOLLARS)

	3 Months Ended September 30, 2011	3 Months Ended September 30, 2010	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (1,707,753)	$ (510,615)	$ (5,085,899)	$ (1,194,908)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation, accretion and depletion	290,724	393,032	833,101	939,076
Impairment loss on oil and gas properties	-	-	1,317,310	101,912
Gain on asset retirement	-	(933)	-	(78,283)
Fair value of vested options for services rendered	343,527	147,480	950,553	293,373
Amortization of debt discount	901,994	-	1,104,003	-
Interest expense charged to notes payable	103,057	-	276,231	-
Changes in:				
Accounts receivable	(44,010)	(14,449)	(138,704)	(252,017)
Prepaid and other	10,466	23,249	(49,201)	(1,691)
Accounts payable and accrued expenses	295,484	622,845	2,482,739	1,480,847
Net cash provided by operating activities	193,489	660,609	1,690,133	1,288,309
CASH FLOWS FROM INVESTING ACTIVITES:				
Property acquisition and development	(73,444)	(562,154)	(5,181,075)	(1,798,571)
Purchase of equipment	(59,198)	(1,118)	(369,208)	(7,976)
Net cash used in investing activities	(132,642)	(563,272)	(5,550,283)	(1,806,547)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from sale of common stock, net of costs	-	-	-	(89,124)
Proceeds from exercise of warrants	-	9,989	1,265,845	13,988
Proceeds from operating line of credit	50,000	285,000	250,000	1,485,000
Proceeds from (repayments of) short term borrowing	-	(361)	-	18,319
Proceeds from (repayments of) related party loans	(20,418)	304,711	780,496	(508,525)
Proceeds from (repayments of) long-term debt	(85,000)	(702,218)	1,600,588	(400,811)
Net cash provided by financing activities	(55,418)	(102,879)	3,896,929	518,847
Effect on foreign currency rate change on cash	(1,123)	299	(6,481)	(609)
Net increase (decrease) in cash and cash equivalents	4,306	(5,243)	30,297	-
Cash and cash equivalents-beginning of period	27,669	5,243	1,678	-
Cash and cash equivalents-end of period	$ 31,975	$-	$ 31,975	$ -
Supplemental disclosures of cash flow information:				
Income taxes paid	$ -	$ -	$ -	$ -
Interest paid	$ 89,033	$ 88,385	$ 268,929	$ 244,323

The accompanying notes are an integral part of these unaudited interim financial statements