Affidavit of William H. Smith, Q.C. sworn September 15, 2009.

Action No. 0901-01613

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

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

AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000 c.B-9, AS AMENDED;

AND IN THE MATTER OF OILEXCO INCORPORATED AND OILEXCO TECHNICAL SERVICES INC.

AFFIDAVIT

I, William H. Smith, Q.C., of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY THAT**:

1. I am the Executive Vice-President and General Counsel of Oilexco Incorporated ("Oilexco") and Oilexco Technical Services Inc. ("OTSI"), the Applicants (the "Applicants") herein. I have been extensively involved in all aspects of the within restructuring proceedings and as such I have a personal knowledge of the matters herein and facts hereinafter deposed to, except where stated to be upon information and belief, and where this is indicated in this Affidavit, I verily believe such information to be true.

2. This Affidavit is made in support of an application by the Applicants for an Order sanctioning the Consolidated Plan of Arrangement and Reorganization of the Applicants dated August 25, 2009 (the "Plan"), a copy of which is attached to this Affidavit and marked as Exhibit "A". Capitalized terms used in this Affidavit and not otherwise defined have the meanings given to them in the Plan.

Background

3. The Applicants sought and obtained protection under the *Companies' Creditors Arrangement Act* ("CCAA") on February 5, 2009. Ernst & Young Inc. was appointed monitor of the Applicants (the "Monitor") at that time.

4. Oilexco, through its wholly-owned subsidiary Oilexco North Sea Limited ("ONSL"), was actively engaged in exploring and producing oil from reserves located in the UK North Sea. At the time of commencement of the CCAA proceedings, ONSL was in administration under and pursuant to the provision of the United Kingdom *Insolvency Act,* 1986. During the course of these proceedings, the shares of ONSL have been sold by the administrator to a third party.

The Plan

5. Pursuant to an Order granted in these proceedings on July 16, 2009, the Applicants were authorized and directed to liquidate the remainder of their assets, property and undertakings and to prepare and present a CCAA liquidating plan for a meeting (the "Creditors' Meeting") of their unsecured creditors (no creditors hold security of any value over the assets of the Applicants) (the "Creditors").

6. The Plan treats the creditors of Oilexco and the creditors of OTSI on a consolidated basis. Under this approach, all Creditors participate in the Distribution Fund on a prorated basis. All or substantially all of the assets in the Distribution Fund are the property of Oilexco.

7. Consolidation of Oilexco and OTSI Creditors for participation in the Distribution Fund is appropriate fair treatment of the stakeholders of OTSI. In particular, all of the employees who provided services to both of the Applicants were legally the employees of OTSI.

8. I am advised that claims (primarily employees claims) received by the Monitor with respect to OTSI comprise $4.2 million or 0.3% of total claims of $1.2 billion against the Applicants.

The Creditors' Meeting

9. The Applicants held the Creditors' Meeting on September 15, 2009 at 9:00 a.m. at the office of McCarthy Tétrault LLP, Suite 3300, 421 7th Avenue SW, Calgary, Alberta. The Monitor reported that more than a majority in number of the Creditors representing in excess of 2/3rd of the value of all claims voted in favour of the Plan.

10. Mr. Greg Pollard, Senior Vice President of the Monitor, acting as Chair, called the Meeting of Creditors to order Mr. Pollard advised that a quorum was present and accordingly, the Chair declared the meeting to be properly constituted.

11. The Monitor advised the meeting of the number of Creditors in attendance, in person or by proxy, as summarized below:

(i) The Monitor held 19 proxies totaling $852,468,785 in claims of which 18 proxies representing $852,463,634 instructed the Monitor to vote for the acceptance of the Plan and 1 proxy totaling $5,150 in claims instructed the Monitor to vote against the acceptance of the Plan; and

(ii) 2 Creditors were in attendance, in person representing $1,062,726 in claims.

12. The Monitor reported that the Creditors, voting either in person or by way of proxy, in respect of the resolution to approve the Plan, voted as follows:

Summary of Votes		By dollar voting		By headcount	
		$	%	#	%
For	by proxy	852,463,634	99.9%	18	85.7%
	in person	1,062,726	0.1%	2	9.5%
		853,526,360	100.0%	20	95.2%
Against	by proxy	5,150	0.0%	1	4.8%
	in person	-	0.0%	-	0.0%
		5,150	0.0%	1	4.8%
Total Votes		853,531,511	100.0%	21	100.0%

Sanction of the Plan

13. Since the commencement of these proceedings, the Applicants have complied with the provisions of the CCAA, the Initial Order and all subsequent Orders made in these proceedings and have proceeded in good faith and with due diligence towards developing a plan that would maximize the value to be realized by their creditors in these proceedings.

14. The Applicants have not done anything in contravention of the provisions of the CCAA.

15. The Plain is fair and reasonable and I am advised that the Monitor supports the Plan.

16. I make this Affidavit in support of an application by the Applicants for an Order sanctioning the Plan.

SWORN BEFORE ME at the City of Calgary, in the Province of Alberta this 15 day of September, 2009.

A Commissioner for Oaths in and for the Province of Alberta

SEAN F. COLLINS
BARRISTER & SOLICITOR

WILLIAM H. SMITH, Q.C.

THIS IS EXHIBIT "A"
referred to in the Affidavit of
William H. Smith
Sworn before me this 15
day of September A.D. 2009
A Commissioner for Oaths
in and for the Province of Alberta
SEAN F. COLLINS
BARRISTER & SOLICITOR

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

AND IN THE MATTER OF A CONSOLIDATED PLAN OF COMPROMISE OR ARRANGEMENT OF OILEXCO INCORPORATED AND OILEXCO TECHNICAL SERVICES INC.

Applicants

CONSOLIDATED PLAN OF ARRANGEMENT AND REORGANIZATION OF OILEXCO INCORPORATED AND OILEXCO TECHNICAL SERVICES INC.

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

(a) "**ABCA**" means the *Business Corporations Act* (Alberta);

(b) "**Administration Costs**" means the reasonable costs of administration of the CCAA Proceedings including, without limitation, the Monitor's fees and disbursements including, without limitation, the fees and disbursements of its counsel, and the fees and disbursements of Applicants' counsel as determined at the Plan Implementation Date;

(c) "**Affected Claim**" means any Claim that is not an Unaffected Claim;

(d) "**Affected Creditor**" means a Creditor with an Affected Claim, in respect of that Affected Claim;

(e) "**Applicant**" means Oilexco or OTSI, as the context requires and "**Applicants**" means both of them;

(f) "**Articles of Reorganization**" means the articles of reorganization in respect of Oilexco, substantially in the form attached hereto as Schedule A, to be filed pursuant to section 192 of the ABCA;

(g) "**Business Day**" means any day except Saturday, Sunday or any day on which banks are generally not open for business in Calgary, Alberta;

(h) "**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada);

(i) "**CCAA Proceedings**" means the proceedings in respect of the Applicants before the Court commenced pursuant to the CCAA;

(j) "**Certificate of Amendment**" means the certificate of amendment to be issued under the ABCA in respect of the Articles of Reorganization;

(k) "**Claim**" means (i) any right or claim of any Person that may be made in whole or in part against the Applicants, or any of them, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind, in existence on, or which is based on, an event, act or omission which occurred in whole or in part prior to the Filing Date, at law or in equity, by reason of the commission of a tort (intentional or unintentional), any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any other reason whatsoever against any property or assets, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts which existed prior to the Filing Date together with any other rights or claims not referred to above that, in whole or part, would have been claims provable in bankruptcy had the Applicants (or either of them) become bankrupt at the Filing Date, together with any other rights or claims, whether or not asserted, made after the Filing Date in any way, directly or indirectly related to any action taken or power exercised prior to the Filing Date; and (ii) a Restructuring Claim;

(l) "**Claims Procedure Order**" means the Order of the Court in the CCAA Proceedings dated May 20, 2009 as the same may be amended or supplemented from time to time which, among other things, established a procedure for the submission of Claims and the barring of Affected Claims not submitted in accordance with, and within the applicable time period established by such Order;

(m) "**Court**" means the Court of Queen's Bench of Alberta, Judicial District of Calgary;

(n) "**Creditor**" means any Person with a Claim and may, where the context requires, include the assignee of a Claim recognized as a Creditor in accordance with the Claims Procedure Order, or a trustee, interim receiver, receiver and manager, liquidator or other Person acting on behalf of such Person;

(o) "**Creditor Meeting**" means the meeting of Affected Creditors called for the purpose of considering, and if deemed appropriate, passing a resolution approving the Plan;

(p) "**Disputed Claim**" means an Affected Claim that at the relevant time is not a Distribution Claim, but in respect of which a proof of claim has been filed in a proper and timely manner in accordance with the Claims Procedure Orders and is not barred pursuant to the Claims Procedure Orders;

(q) "**Distribution Claim**" means the Canadian dollar amount of an Affected Claim as finally determined or settled for distribution purposes in accordance with the provisions of the Claims Procedure Order;

(r) "**Distribution Pool**" means the aggregate of Applicants' cash on hand determined as of the Plan Implementation date net of accrued but unpaid and anticipated Administration Costs. To the extent Oilexco has not then yet received the cash to be received from the sale of its interest in the London Flat, then the Distribution Pool shall notionally include the amount of the anticipated net sale proceeds to be received in respect of the London Flat;

(s) "**Effective Time**" means the first moment on the Plan Implementation Date;

(t) "**Existing Common Shares**" means all issued common shares of Oilexco outstanding immediately prior to the Effective Time;

(u) "**Filing Date**" means February 5, 2009;

(v) "**Governmental Authority**" means the Crown, any government, municipality, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation or agent, court, board, tribunal, dispute settlement panel or body or other law, rule or regulation-making entity:

(i) having or purporting to have jurisdiction on behalf of any nation, province, state or other geographic or political subdivision thereof; or

(ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

(w) "**Initial Order**" means the Order of the Court in the CCAA Proceedings dated February 5, 2009, as amended or supplemented from time to time, granting the Applicants relief pursuant to the CCAA;

(x) **"London Flat"** means the leasehold interest in the apartment owned by Oilexco and located at 15 Eaton Square, London, England;

(y) "**Monitor**" means Ernst & Young Inc., in its capacity as court-appointed monitor of the Applicants;

(z) "**Oilexco**" means Oilexco Incorporated;

(aa) "**Oilexco Common Shares**" means common shares of Oilexco;

(bb) **"OTSI"** means Oilexco Technical Services Inc.;

(cc) "**Order**" means any order of the Court in the CCAA Proceedings;

(dd) "**Person**" means any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, syndicate or other entity, whether or not having legal status;

(ee) "**Plan**" means this joint plan of arrangement and reorganization filed by the Applicants, as such plan may be amended, varied or supplemented from time to time in accordance with its terms;

(ff) "**Plan Implementation Date**" means the date on which the Certificate of Amendment is issued;

(gg) "**Pro Rata Share**" of an Affected Creditor means the amount determined by the following formula:

Pro Rata Share = (A/B) x C

where:

A = the Distribution Claim of the Affected Creditor, if any, greater than the Small Claims Exemption;

B = the sum of all Distribution Claims of all Affected Creditors, excluding Distribution Claims that are subject to the Small Claims Exemption;

C = the Distribution Pool less the aggregate amount to be paid in respect of Distribution Claims that are subject to the Small Claims Exemption;

(hh) "**Reorganization**" means the reorganization of the share capital of Oilexco to be effected by the Articles of Reorganization on the date shown in the Certificate of Amendment;

(ii) "**Restructuring Claim**" means any right of any Person against one or more of the Applicants in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, repudiation or termination after the Filing Date of any indenture, contract, agreement, lease (including any lease of personal, real, movable or immovable property), permit, license or arrangement, whether written or oral, other than Unaffected Claims;

(jj) "**Sanction Order**" means the Order to be made under the CCAA sanctioning this Plan and approving the Articles of Reorganization, as such Order may be amended by any court of competent jurisdiction, in form and content satisfactory to the Applicants;

(kk) "**Small Claims Exemption**" means a Distribution Claim in the amount contemplated by 3.04(1)(a);

(ll) "**Tax**" or "**Taxes**" includes any taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof;

(mm) "**Unaffected Claim**" means:

(i) any Claim for amounts owing by the Applicants on account of goods, property or services actually provided to and received by the Applicants at their request after the Filing Date or for taxes, duties or similar amounts owed or collected in respect of the operations of the Applicants after the Filing Date;

(ii) Claims of any director pursuant to any indemnity from the Applicants which are not otherwise secured by charges created in the Initial Order;

(iii) Claims on account of Administration Costs;and

(iv) Claims referred to in Section 18.2 of the CCAA.

(nn) "**Unaffected Creditor**" means a Creditor with an Unaffected Claim, in respect of that Unaffected Claim.

1.02 Interpretation

(1) For the purposes of this Plan:

(a) any reference in this Plan to a contract, instrument, release, indenture, agreement or other document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;

(b) any reference in this Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified or supplemented;

(c) all references to currency and to "$" or "Cdn $" are to Canadian dollars except as otherwise indicated;

(d) unless otherwise specified, all references in this Plan to Articles, Sections and Schedules are references to Articles, Sections and Schedules of or to this Plan;

(e) the words "herein" and "hereto" refer to this Plan in its entirety rather than to any particular portion of this Plan;

(f) the division of this Plan into Articles, Sections and paragraphs and the insertion of captions and headings to Articles and Sections are for convenience of reference only and are not intended to affect the interpretation of, or to be part of, this Plan;

(g) where the context requires, a word or words importing the singular shall include the plural and vice versa;

(h) the words "includes" and "including" are not limiting;

(i) the word "or" is not exclusive;

(j) references to an "Applicant" are to any applicable Applicant;

(2) In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

1.03 Date for Any Action

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action will be required to be taken on the next succeeding day which is a Business Day.

1.04 Time

All times expressed in this Plan are local time Calgary, Alberta, Canada unless otherwise stipulated.

1.05 Statutory References

Any reference in this Plan to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force, from time to time, or any statute or regulations that supplement or supersede such statute or regulations.

1.06 Conversion

All Affected Claims denominated in a currency other than lawful money of Canada are to be converted to the equivalent thereof in lawful money of Canada at the Bank of Canada spot rate of exchange at the noon rate on the Filing Date.

1.07 Schedules

The following are the Schedules to the Plan:

Schedule A – Articles of Reorganization

ARTICLE 2 - PURPOSE OF THE PLAN

2.01 Purpose of the Plan

The purpose of the Plan is to provide for:

(a) distributions of cash from the Distribution Pool to Affected Creditors in compromise and settlement of their Affected Claims in the expectation that Affected Creditors will derive a greater benefit from the implementation of the Plan than would result from a bankruptcy of the Applicants; and

(b) reorganizing the corporate affairs of Oilexco through the consolidation of all Oilexco Common Shares on the basis of one (1) post-consolidation Oilexco Common Share for every ten (10) pre-consolidation Oilexco Common Share and by changing the name of Oilexco to ScotOil Petroleum Ltd. or such other name as may be determined appropriate by the board of Directors of Oilexco and in compliance with applicable law.

ARTICLE 3 - TREATMENT OF CREDITORS

3.01 Classes of Affected Claims

For the purpose of voting on this Plan, the Affected Claims are divided into one class being all Affected Claims.

3.02 Persons Affected

This Plan will become effective at the Effective Time in accordance with its terms and will be binding on and enure to the benefit of the Applicants, the shareholders of the Applicants, the Affected Creditors, any trustee, agent or other Person acting on behalf of any such Affected Creditor and all other Persons named or referred to in, or subject to, this Plan and their respective heirs, administrators, executors, legal personal representatives, successors and assigns.

3.03 Persons Not Affected

For greater certainty, this Plan does not affect Unaffected Claims. Unaffected Claims will be paid in accordance with the arrangements between the Applicants and the holders of such Claims in effect on the Filing Date or such other arrangements as may be mutually agreed between them following the Filing Date. Nothing in this Plan will affect the Applicants' rights and defences, both legal and equitable, with respect to setoffs or recoupments against Unaffected Claims.

3.04 Distributions to Affected Creditors

(1) At the Effective Time each Affected Claim will be compromised, and thereafter each Affected Creditor will receive, in full satisfaction of its Distribution Claim against the Applicants:

(a) the lesser of (i) the amount of its Distribution Claim in respect of such Applicant, and (ii) $2,500; and

(b) the amount of its Pro Rata Share.

(2) A Creditor with a Disputed Claim will not be entitled to receive a distribution under this Plan in respect thereof unless and until such Disputed Claim becomes a Distribution Claim.

(3) If a Disputed Claim becomes a Distribution Claim in whole or in part after the Plan Implementation Date, the Applicants will distribute to the Affected Creditor cash in each case in the amount to which the Affected Creditor is entitled under Section 3.04(1).

3.05 Certain Crown Claims

Within six months after the date of the Sanction Order, the Applicants will pay in full all amounts owed to Her Majesty in Right of Canada or a province of the kind referred to in Section 18.2 of the CCAA.

3.06 Interest on Claims

Unless otherwise specifically provided for in this Plan or in the Sanction Order, interest will not accrue or be paid on Affected Claims after or in respect of the period following the Filing Date, and no holder of an Affected Claim will be entitled to any interest in respect of such Claim accruing on or after or in respect of the period following the Filing Date.

3.07 Timing of Distributions

(1) Distributions of cash to be made to Affected Creditors in respect of Distribution Claims pursuant 3.04(1) will be made by the Applicants as soon as practicable after the Plan Implementation Date.

(2) If any delivery or distribution to be made pursuant to Section 3.04 hereof in respect of an Affected Claim is returned as undeliverable, or in the case of a distribution made by cheque, the cheque remains uncashed (each an "Undeliverable Distribution"), no other crediting or delivery will be required unless and until the Monitor and the applicable Applicant are notified of the Affected Creditor's then current address. The Applicants' obligations to the Affected Creditor relating to any Undeliverable Distribution will expire six months following the the date of delivery or mailing of the cheque or other distribution, after which date the Applicants' liability to the Affected Creditor under this Plan will be forever discharged and extinguished.

3.08 Tax Matters

(1) All distributions made by the Applicants pursuant to this Plan will be first in consideration for the outstanding principal amount of the Claims and secondly in consideration for accrued and unpaid interest and penalties, if any, which form part of such Claims. Notwithstanding any provisions of this Plan, each Affected Creditor that is to receive a distribution pursuant to this Plan will have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any Governmental Authority on account of such distribution.

(2) The Applicants will be entitled to deduct and withhold from any distribution or consideration otherwise payable to any Affected Creditor or to any Person on behalf of any Affected Creditor such amounts as the applicable Applicant is (a) required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case as amended or succeeded, or (b) entitled to withhold under section 116 of the *Income Tax Act* (Canada) or any corresponding provisions of provincial law. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes as having been paid to the Affected Creditor in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

ARTICLE 4 - IMPLEMENTATION OF THE PLAN

4.01 Application for Sanction Order

If this Plan is approved by the class of Affected Creditors, the Applicants will apply to the Court for the Sanction Order. Subject to the Sanction Order being granted and the satisfaction of the conditions set out in 4.03, this Plan will be implemented by the Applicants.

4.02 Effect of Sanction Order

In addition to sanctioning this Plan, the Applicants will seek a Sanction Order that will, with effect from and after the Effective Time and without limitation to any other terms that it may contain:

(a) declare that (i) this Plan has been approved by the requisite majorities of Affected Creditors in conformity with the CCAA; (ii) the Applicants have complied with the provisions of the CCAA and the Orders made in these proceedings in all respects; (iii) the Court is satisfied that the Applicants have not done nor purported to do anything that is not authorized by the CCAA; and (iv) this Plan and the transactions contemplated by it are fair and reasonable;

(b) order that the Plan (including the compromises, arrangements, reorganizations, corporate transactions and releases set out therein and the transactions and reorganization contemplated thereby) is sanctioned and approved pursuant to Section 6 of the CCAA and, at the Effective Time, will be effective and will enure to the benefit of and be binding upon the Applicants, the Affected Creditors and all other Persons in the sequence, if any, stipulated in this Plan or in the Sanction Order;

(c) declare that the articles of Oilexco will be amended as set out in the Articles of Reorganization effective as of the Effective Time;

(d) declare that all outstanding warrants, options and agreements to purchase Oilexco Common Shares or any other securities of Oilexco will be of no further force or effect as of the Effective Time;

(e) confirm the releases contemplated in this Plan;

(f) permanently enjoin the commencement or prosecution, whether directly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgments, or other remedy or recovery with respect to any indebtedness, liability, obligation or cause of action released, discharged or terminated pursuant to this Plan;

(g) stay any and all steps or proceedings, including, administrative orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any or all past, present and future directors and officers of the Applicants in respect of all Affected Claims;

(h) declare that the stay of proceedings under the Initial Order continues until the Plan Implementation Date or such other date as the Applicants may request;

(i) order that all Charges (as defined in the Initial Order) will be released and discharged as of the Effective Time, or earlier upon receipt of an acknowledgement of payment in respect of the claims secured thereby or adequate alternate arrangements satisfactory to the parties in whose favour such charges operate other than the Administration Charge in respect of the Distribution Pool;

(j) declare that, subject to the performance by the Applicants of their obligations under the Plan, and except to the extent expressly contemplated by the Plan or the Sanction Order, all obligations (for greater certainty, such obligations do not include obligations of the Applicants under and pursuant to guarantees granted by either of the Applicants) will be and remain in full force and effect, unamended, as at the Effective Time unless terminated or repudiated by the Applicants pursuant to the Initial Order, and no Person who is a party to any such obligation or agreement may on or following the Effective Time accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise repudiate its obligations thereunder or enforce or exercise (or purport to enforce or exercise) any right or remedy (including any right of set-off, dilution, buy-out, divestiture, forced sale, option or other remedy) under or in respect of any such obligation or agreement by reason of:

(i) any event which occurred prior to the Filing Date and is not continuing after the Effective Time or which is or continues to be suspended or waived under the Plan, which would have entitled such Person to enforce those rights or remedies;

(ii) the Applicants having sought or obtained relief under the CCAA;

(iii) any default or event of default arising as a result of the financial condition or insolvency of the Applicants;

(iv) the effect upon the Applicants of the completion of any of the transactions contemplated under this Plan; or

(v) any compromises, settlements, restructurings or reorganizations effected pursuant to this Plan.

4.03 Conditions Precedent to the Implementation of the Plan

(1) The implementation of this Plan on the Plan Implementation Date is subject to the satisfaction of the following conditions precedent:

(a) this Plan has been approved pursuant to the CCAA by the class of Affected Creditors;

(b) the Sanction Order has been issued by the Court and has not been stayed;

(c) all applicable appeal periods in respect of the Sanction Order have expired and any appeals therefrom have been finally disposed of by the applicable appellate tribunal; and

(d) all relevant Persons have executed, delivered and filed all documents and other instruments and the Applicants have obtained all consents and approvals that, in the opinion of the Applicants, acting reasonably, are necessary to implement the provisions of the Plan and the Sanction Order.

(2) Each of the conditions set forth in 4.03(1) above, except for the conditions set forth in Sections 4.03(1)(a) and (b), may be waived in whole or in part by the Applicants without any other notice to parties in interest or the Court and without a hearing. The failure to satisfy or waive any condition prior to the Plan Implementation Date may be asserted by the Applicants regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Applicants). The failure of the Applicants to exercise any of the foregoing rights will not be deemed a waiver of any other rights and each such right will be deemed an ongoing right that may be asserted at any time.

4.04 Implementation

As soon as practicable after satisfaction (or waiver, if applicable) of each of the conditions to the implementation of this Plan as set out in Section 4.03, Oilexco will file the

Articles of Reorganization and seek to obtain the Certificate of Amendment. The Plan will become effective at the Effective Time. All the agreements and other instruments that have to be entered into or executed and all other actions that have to be taken in order for the transactions and agreements to be completed and occur or be effective at the Effective Time will be entered into, executed, taken and completed in escrow prior to the Effective Time. At the Effective Time, the Articles of Reorganization will be effective.

4.05 Applicants' Certificate

Upon receipt of the Certificate of Amendment, Oilexco on behalf of the Applicants will deliver to the Monitor, and file with the Court, a copy of a certificate stating that each of the conditions set out in 4.03 has been satisfied or waived, the Articles of Reorganization have been filed and have become effective as of the date set out in the Certificate of Amendment and the transactions set out in 4.04 have been completed and occurred.

4.06 Effect of Plan Generally

At the Effective Time, the treatment of Affected Claims will be final and binding on the Applicants and the Affected Creditors and this Plan will constitute: (a) full, final and absolute settlement of all rights of the Affected Creditors against the Applicants in respect of Affected Claims; (b) an absolute release and discharge of all indebtedness, liabilities and obligations of or in respect of the Affected Claims against the Applicants, including any interest and costs accruing thereon (whether before or after the Filing Date); and (c) a reorganization of the capital of Oilexco in accordance with the provisions of the Articles of Reorganization.

4.07 Cancellation of Certificates

At the Effective Time, all debentures, certificates, agreements, invoices, securities and other instruments evidencing Affected Claims will not entitle any holder thereof to any compensation or participation other than as expressly provided for in this Plan and will be cancelled and null.

4.08 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim which is compromised under this Plan or who has any right in respect of, or to be subrogated to, the rights of any Creditor in respect of a Claim which is compromised under this Plan will be entitled to any greater rights than the Creditor whose Claim is compromised under this Plan. An Affected Creditor who has Claims against more than one of the Applicants in respect of the same underlying debt, liability or obligation will only be entitled to file and assert one Claim in respect of such debt, liability or obligation.

4.09 Priority Clauses

Any terms and conditions of any Affected Claims which purport to deal with the ordering of or grant priority of payment of principal, interest, penalties or other amounts will be deemed to be void and ineffective.

4.10 Set Off

The law of set-off applies to all Affected Claims made against any of the Applicants and to all actions instituted by the Applicants for the recovery of debts due to any of the Applicants in the same manner and to the same extent as if any one of the Applicants was plaintiff or defendant, as the case may be.

4.11 Plan Releases

(1) As of the Effective Time, the Applicants will be deemed forever to release, waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the right of the Applicants to enforce this Plan and the contracts, instruments, releases, indentures and other agreements and documents delivered thereunder or pursuant thereto) whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place prior to the Plan Implementation Date in any way relating to the Applicants, the CCAA Proceedings or this Plan, and that could have been asserted by or on behalf of the Applicants against present or former directors and officers of the Applicants, as of the Filing Date or that have become (or ceased to be) officers and/or directors thereafter, but prior to the Plan Implementation Date (other than for indebtedness for borrowed money owed by any such directors and officers to the Applicants) and the Applicants' agents, legal counsel and other professionals engaged in connection with the CCAA Proceedings or this Plan (including the Monitor, its counsel and its current officers and directors as well as the legal counsel to the directors of the Applicants); provided, however, that nothing herein will release or discharge a released party of or from any claims in respect of fraud or wilful misconduct by the released party or, in the case of directors and officers, in respect of any claim referred to in Section 5.1(2) of the CCAA.

(2) As of the Effective Time, each and every one of the Creditors, in respect of its Affected Claim, in consideration of the distribution made under the Plan will be deemed to forever release, waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (including any remedies to challenge transfers which may fall within the scope of any bulk sales, fraudulent conveyance or similar statute), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole on in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Plan Implementation Date in any way relating to the Applicants, the CCAA Proceedings or this Plan against (i) the Applicants; (ii) the directors, officers and employees of the Applicants as of the Plan Implementation Date; (iii) the former directors, officers and employees of the Applicants; (iv) any Person who may claim contribution or indemnification against or from any of the Applicants; or (v) the respective current and former legal counsel and other professional advisors of the entities and other Persons referred to in any of subclauses (i) - (iii) thereof (including the Monitor, its legal counsel and its current officers and directors, and the current and former officers, directors, employees, shareholders and professionals of the released parties), acting in such capacity, provided that nothing herein will release or discharge a released party of or from any claims in respect of fraud, wilful misconduct

or gross negligence by the released party or, in the case of directors and officers, in respect of any claim referred to in Section 5.1(2) of the CCAA.

4.12 Waiver of Defaults

From and after the Effective Time, all Persons will be deemed to have waived any and all defaults of any of the Applicants then existing or previously committed by any of the Applicants or caused by any of the Applicants, any of the provisions hereof or steps contemplated hereby, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and any of the Applicants, any and all notices of default and demands for payment under any instrument, including any guarantee, will be deemed to have been rescinded.

ARTICLE 5 - REORGANIZATION AND OTHER CORPORATE MATTERS

5.01 Articles of Reorganization

At the Effective Time, the articles of Oilexco will be amended pursuant to the Articles of Reorganization.

5.02 Oilexco Name Change

At the Effective Time, pursuant to the terms of this Plan and the Articles of Reorganization, Oilexco's name be changed to "ScotOil Petroleum Ltd." or such other name as may be determined appropriate by the board of Directors of Oilexco and in compliance with applicable law.

5.03 Directors

At the Effective Time, the term of office of those individuals who are directors of Oilexco immediately prior to the Effective Time will terminate. The Sanction Order will set out the names of the individuals to be appointed as directors of Oilexco effective as of the Effective Time.

ARTICLE 6 - MISCELLANEOUS

6.01 Paramountcy

From and after the Effective Time, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any guarantee, contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-law of the Applicants, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and the Applicants as at the Effective Time will be deemed to be governed by the terms, conditions and provisions of this Plan and the Sanction Order, which shall take precedence and priority. For greater certainty, all Affected Creditors will be deemed irrevocably for all purposes to consent to all transactions contemplated in and by this Plan.

6.02 Amendments to the Plan

The Applicants reserve the right to file any modification of, or amendment or supplement to this Plan by way of a supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof) filed with the Court at any time or from time to time prior to or at the Creditor Meeting, in which case any such supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof) shall, for all purposes, be and be deemed to be a part of and incorporated into this Plan. The Applicants shall give notice to Creditors of the details of such modification, amendment or supplement at the Creditor Meeting prior to the vote being taken to approve this Plan. The Applicants may give notice of a proposed modification, amendment or supplement to this Plan at or before the Creditor Meeting by notice in writing which shall be sufficient if given to those Creditors present at such meeting in person or by proxy. After the Creditor Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Applicants may at any time and from time to time vary, amend, modify or supplement this Plan without the need for obtaining an order of the Court or providing notice to the Creditors if the Applicants determine that such variation, amendment or supplement would not be materially prejudicial to the interests of the Creditors under this Plan or the Sanction Order and is necessary in order to give effect to the substance of this Plan or the Sanction Order.

6.03 Notices

Any notices or communications to be made or given hereunder must be in writing and must refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid mail or by telecopier addressed to the respective parties as follows:

(a) If to the Applicants:

Oilexco Incorporated and
Oilexco Technical Services Inc.
Suite 3200, 715 5th Avenue SW
Calgary, Alberta, Canada T2P 2X6
Attention: Executive Vice President and General Counsel
Facsimile: 403.263.3251

with a copy to:

McCarthy Tétrault LLP
3300, 421 – 7th Avenue S.W.
Calgary, AB T2P 4K9
Attention: Sean F. Collins
Facsimile: 403.260.3501

(b) If to a Creditor:

(i) to its address as listed in its proof of claim in respect of its Claim, or

(ii) at the address set forth in any written notice of address change delivered to the Monitor.

(c) If to the Monitor:

Ernst & Young Inc.
Ernst & Young Tower
1000, 440 2nd Avenue S.W.
Calgary, Alberta, Canada T2P 5E9
Attention: Greg Pollard
Facsimile: 403.290.4265

or to such other address as any party may from time to time notify the others in accordance with this 6.03. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the communication of such interruption, unless actually received, will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. The unintentional failure by the Applicants to give any notice contemplated hereunder to any particular Creditor will not invalidate this Plan or any action taken by any Person pursuant to this Plan.

6.04 Severability of Plan Provisions

If any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Applicants, will have the power to alter and interpret such term or provision to make in valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

6.05 Revocation or Non-Consummation; Exclusion from the Plan

(1) The Applicants reserve the right to revoke or withdraw this Plan at any time prior to the Plan Implementation Date and to file subsequent plans of reorganization, compromise or arrangement. If the Applicants revoke or withdraw this Plan, or if the Sanction Order is not issued:

(a) this Plan shall be null and void in all respects,

(b) any Claim, any settlement or compromise embodied in this Plan (including the fixing or limiting of any Claim to an amount certain), assumption, termination, repudiation of executory contracts or leases effected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and

(c) nothing contained in this Plan, and no act taken in preparation for consummation of this Plan shall,

  (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Applicants or any other Person;

  (ii) prejudice in any manner the rights of the Applicants or any Person in any further proceedings involving the Applicants; or

  (iii) constitute an admission of any sort by the Applicants or any other Person.

6.06 Further Assurances

At the request of the Applicants, each of the Persons named or referred to in, or subject to, this Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Plan and to give effect to the transactions contemplated herein, notwithstanding any provision of this Plan that deems any transaction or event to occur without further formality.

6.07 Governing Law

This Plan will be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions will be subject to the exclusive jurisdiction of the Court.

DATED at Calgary, Alberta this 25 day of August, 2009.

SCHEDULE A

Articles Of Reorganization

Business Corporations Act
Section 192

1. Name of Corporation	2. Corporate Access Number
Oilexco Incorporated	206234882

3. In accordance with the Order for Reorganization, the Articles of Incorporation are amended as follows:

Article 1, the name of the Corporation, is changed from "Oilexco Incorporated" to "ScotOil Petroleum Limited".

Article 3, the classes of shares, and any maximum number of shares that the Corporation is authorized to issue, is amended by consolidating the issued and outstanding common shares on the basis of one post–consolidation common share for every ten pre-consolidation common shares.

William H. Smith, Q.C.

Name of Person Authorizing *(please print)*

Signature

Executive Vice President & General Counsel

Title *(please print)*

•, 2009

Date

This information is being collected for the purposes of corporate registry records in accordance with the Business Corporations Act. Questions about the collection of this information can be directed to the Freedom of Information and Protection of Privacy Coordinator for Alberta Registries, Research and Program Support, 3rd Floor, Commerce Place, 10155 – 102 Street, Edmonton, Alberta T5J 4L4, (780) 422-7330

REG 3040 (99/01)

Affidavit of William H. Smith, Q.C.
sworn September 15, 2009.

No. 0901-01613 A.D. 2009

IN THE COURT OF QUEEN'S BENCH
OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

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

AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000 c.B-9, AS AMENDED;

AND IN THE MATTER OF OILEXCO INCORPORATED AND OILEXCO TECHNICAL SERVICES INC.

AFFIDAVIT OF
WILLIAM H. SMITH, Q.C.

McCARTHY TÉTRAULT LLP
Barristers & Solicitors
Suite 3300, 421 – 7 Avenue S.W.
Calgary, Alberta
T2P 4K9

Sean F. Collins
Phone: 403 260 3531
Fax: 403 260 3501

File No.: 137410-411322

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