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 A PLAN OF COMPROMISE OR ARRANGEMENT
OF
OILEXCO INCORPORATED
AND OILEXCO TECHNICAL SERVICES INC.

FIFTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

MAY 25, 2009

FIFTH REPORT OF THE MONITOR

TABLE OF CONTENTS

LISTING OF APPENDICES TO THE THIRD REPORT OF THE MONITOR:

INTRODUCTION

1. On February 5, 2009, Oilexco Incorporated ("Oilexco") and Oilexco Technical Services Inc. ("OTSI") (each an "Applicant" or collectively, "the Applicants") filed for and obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended, (the "CCAA") pursuant to an order of this Honourable Court dated February 5, 2009 (the "Initial Order").

2. Pursuant to an Order of this Honourable Court dated April 28, 2009 (Extension of Stay and Approval of Sale), the Stay Period was extended to May 29, 2009, and Oilexco was authorized to elect the repurchase option with respect to its fractional interest in two aircraft (the "Flexjet Interest").

3. Pursuant to an Order of this Honourable Court dated April 28, 2009, an Approval and Vesting Order was granted with respect to the sale of the shares of ONSL to Premier Oil Group Limited ("Premier").

4. Pursuant to an Order of this Honourable Court dated May 21, 2009, a Claims Process Order was granted approving the claims process and setting a Claims Bar date of July 31, 2009.

PURPOSE

5. The purpose of this fifth report of the Monitor (the "Fifth Report") is to report to this Honourable Court with respect to the following:

   (a) Status of the UK Administration and sale of ONSL;

   (b) A summary of the current financial position of the Applicants;

   (c) Financial performance since the date of the Initial Order;

   (d) Cash flow forecast for the period June 1 to August 31, 2009;

   (e) The Applicants' restructuring activities to date;

(f) The Applicants' motion for approval of their entering into a commitment with respect to a capital expenditure program; and

(g) The Applicants' request for an extension to the Stay Period to August 31, 2009.

TERMS OF REFERENCE

6. In preparing this Fifth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Applicants. The Monitor has not performed an audit, review or other verification of such information.

7. Capitalized terms not defined in this Fifth Report are as defined in the Initial Order. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

8. Information regarding the CCAA proceeding, including the Initial Order and subsequent Orders, supporting affidavits and the Reports of the Monitor have been posted by the Monitor on its website at:

http://www.ey.com/ca/oilexco

UK ADMINISTRATION

9. The Administrators have advised the sale of the shares of ONSL to Premier, the discharge of the administration order and implementation of the Company Voluntary Arrangement (the "CVA") all occurred on Thursday May 21, 2009.

10. The Administrators have further advised they will arrange for final payment with respect to the Success Fee of US$2 million (CAD$2.4 million) under the Service Agreement as soon as possible.

11. The CVA does not compromise, release or otherwise affect any person's right to bring claims against the Applicants pursuant to any Oilexco guarantees or other

guarantee or indemnity arrangement entered into by Oilexco in favour of any person in respect of the liabilities of ONSL.

FINANCIAL POSITION

12. The remaining assets of the Applicants include:

    (a) Estimated cash of CAD$11,056,180 as at May 31, 2009;

    (b) The Flexjet Interest, with an estimated net realizable value of US$8.25 million (CAD$ 9.7 million);

    (c) The apartment in London, England is currently listed for sale. The asking price is £2,200,000 (CAD$4 million).

    (d) Certain other office furniture and equipment expected to be of nominal value.

13. As of the date of the Initial Order, the Applicants had known primary liabilities of approximately CAD$800,000.

14. The Applicants had also provided guarantees of certain debts of ONSL, estimated in the Monitor's Third Report at approximately CAD$1.6 billion. This amount included the unsecured guarantee of the Applicants in favour of the Royal Bank of Scotland ("RBS"), as well as guarantees given in favour of certain trade creditors of ONSL.

15. The Administrators have provided the Monitor with an updated estimate of amounts distributable to RBS, which information has been used to update the table below. The most significant changes from the information provided in the Monitor's Third Report are as follows:

    (a) The Administration Expense Loan, originally estimated at US$131.8 million has been reduced to US$62 million, primarily as a result of the

Administrators not requiring the use of certain contingencies included in the original estimate; and

(b) The elimination of the double counting of the Subordinated PDF loan in the amount of $153 million.

16. The following table summarizes the Monitor's estimate of the largest creditors of the Applicants, including amounts due under the above noted guarantees (net of any payments which may be made by the Administrators). These calculations are based on the amounts submitted for the purposes of voting rights in the CVA, as revised for information received subsequent to that date, and do not in any way prejudice the quantum of any of the unsecured creditors' claims, nor consider the validity of the creditors' claims under their respective guarantees, nor any mitigation the creditors may have undertaken to reduce the amount of their respective claims. The following amounts are in Canadian dollars, therefore do not agree to amounts expressed elsewhere in $US.

	Total Claim (CAD$)	**CVA Payment (CAD$)**	**Net Claim (CAD$)**	**% of Total**
Oilexco Inc. Creditors				
29 creditors, largest $269,000	798,298		798,298	0.1%
ONSL Guarantee Creditors				
Agr Peak Well	639,294	(22,311)	616,983	0.1%
The Royal Bank of Scotland	868,000,000	(563,580,000)	304,420,000	29.6%
Diamond Offshore	405,461,983	(1,476,630)	403,985,352	39.2%
Schlumberger Offshore	13,737,026	(405,858)	13,331,168	1.3%
Sevan Marine	305,948,920	(238,317)	305,710,603	29.7%
CNR International UK	546,795	(12,699)	534,097	0.1%
	1,594,334,019	(565,735,816)	1,028,598,203	99.9%
Total	1,595,132,317	(565,735,816)	1,029,396,501	100.0%

FINANCIAL PERFORMANCE SINCE THE DATE OF THE INITIAL ORDER

17. Attached as Appendix 1 is a summary of the Applicants' actual receipts and disbursements from the date of the Initial Order to May 22, 2009 (the "Reporting Period"). Detailed explanations of the variances are described in the notes to Appendix 1.

18. The cash balance at May 22, 2009 is CAD$11.9 million, versus an original projection of CAD$4.3 million or a favourable variance of CAD$6.4 million.

19. Receipts for the Reporting Period totalled approximately CAD$7.3 million whereas the cash flow forecast filed with the initial application ("Initial Order Projections") forecast CAD$9.3 million or a difference of CAD$2.1 million. The negative variance was primarily due to:

    (a) The Success Fee as per the Service Agreement of CAD$2.4 million has not been received as at May 22 (however is expected to be received by the end of May 2009).

20. Disbursements for the Reporting Period totalled approximately CAD$5.4 million whereas the Initial Order Projections forecast CAD$15.0 million or a variance of CAD$9.5 million. This favourable variance was primarily due to a combination of the following:

    (a) The ERP (retainer bonus) in the projected amount of CAD$4.2 million has not been paid (however the agreed amount of CAD$2.4 million is expected to be paid by the end of May 2009);

    (b) Only CAD$.5 million of the sales/restructuring related professional services, originally forecast at CAD$1.8 million, have been incurred;

    (c) The CAD$1.2 million contingency amount has not been incurred;

    (d) There is a CAD$.6 million favourable variance with respect to the Monitor's estimated costs; and

(e) The difference between the length of the Reporting Period and the Initial Order Projections does not allow for an equal comparison of certain costs. The Applicants estimate an additional CAD$.9 million of May costs will be paid subsequent to May 22 2009, including May month end payroll.

CASH FLOW FORECAST – JUNE 1 TO AUGUST 31, 2009

21. Attached as Appendix 2 to this Fifth Report is a copy of the consolidated cash flow forecast (the "Forecast") of the Applicants for the period of June 1 to August 31, 2009 (the "Forecast Period"). Management has prepared the Forecast based on the most current information available.

22. As summarized in the Forecast, the Applicants are projecting total cash receipts of approximately CAD$9.8 million and cash disbursements of approximately CAD$8.8 million resulting in a net increase in cash of approximately CAD$1.0 million during the Forecast Period.

23. Appendix 2 includes for comparative purposes the average monthly general and administrative and Monitor costs for the four months ended April 30, 2009 (prepared on an accrual not a cash basis), such costs having been estimated at $1.8 million per month. The June-August forecast with respect to Total Cash Outflow, excluding participation in well drilling and testing, projects an outlay of CAD$4.3 million or CAD$1.4 million per month.

24. Significant assumptions made by management with respect to the Forecast are:

(a) Receipt in July 2009 of CAD$9.7 million with respect to the sale of the Flexjet interest;

(b) A reduction in employment by approximately 20-25 persons (the final figure is not defined yet) out of 45 persons currently employed in Canada and UK. This will result in savings of approximately $300,000 - $400,000 per month starting from June 2009 (reflected in "Salaries and Related Costs");

(c) The reduction in salary related costs is partially offset by an increase in consulting services as certain of the terminated employees may be needed on a contract, but not a full-time, basis;

(d) A one time charge has of CAD$335,000 has been included in June 2009 with respect to insurance;

(e) The forecast includes a payment of CAD$4.5 million with respect to participation in the drilling and testing of a well;

(a) It is anticipated CAD$2.4 million will be received from the Administrator in May and the ERP in an equal amount will be paid in May; and,

(b) Certain operating costs, including travel and restructuring/sales related professional services have been reduced from the Applicants' original estimates indicated in the Initial Order Projections.

25. The Monitor has reviewed the assumptions supporting the Forecast with the Applicants' Management and believes the assumptions to be reasonable, subject to the following two specific items:

(a) Payment in the amount of CAD$ 9.7 million is received with respect to the sale of the Flexjet interest. Failure to receive this payment would decrease the estimated cash balance at August 31, 2009 to CAD$2.3; and

(b) There is no significant variation from the estimated cost of drilling and testing of the proposed well.

RESTRUCTURING EFFORTS TO DATE

26. As noted herein, there remains a significant shortfall to certain ONSL creditors having claims against the Applicants arising from guarantees given by the Applicants.

27. The Applicants have advised the Monitor they have met with two of the three largest creditors, Royal Bank of Scotland and Sevan Marine to discuss a draft plan of arrangement and have also provided Diamond Offshore with a copy of the draft plan. It is the Monitor's understanding this plan includes amongst other features a reduction in general and administrative costs, certain changes in management of the ongoing entity and a new capital structure.

28. The Claims Process is proceeding in accordance with the Order of this Honourable Court dated May 21, 2009.

29. As noted in the previous section of this report, the Applicants have commenced efforts to reduce general and administrative expenses.

REQUEST FOR APPROVAL OF CAPITAL EXPENDITURE COMMITMENT (THE BRITCANA/BOWMORE OPPORTUNITY)

30. The Applicants were involved in the exploration, development and production of oil and natural gas assets owned by ONSL in the UK North Sea, primarily in the Outer Moray Firth Basin, which Oilexco has been developing and exploring since 2002. From 2004 to early 2009, Oilexco was the most active operator of exploration/appraisal wells in the UK North Sea. These oil and natural gas wells produced approximately 15,000 barrels of oil per day as at January, 2009.

31. The Applicants provided (in its own right and through OSTI) management and the preponderance of the administrative, technical, production and accounting support services to ONSL.

32. The Monitor has reviewed an analysis provided by the Applicants which sets out the general terms of a proposed farm-in and drilling commitment with respect to the Britcana (Bowmore) opportunity in the North Sea. We attach as Appendix 3 a copy of this analysis.

33. Key points of the proposal include:

(a) Currently Britcana Resources Ltd. ("Britcana") is partner to a Joint Operating Agreement ("JOA") in which they have received an Authorization for Expenditure ("AFE") pursuant to the Joint Operating Agreement ("JOA") to drill the 15/24a-J well located on the P.1465 License.

(b) Pursuant to the JOA, Britcana owns a 10% interest in all of License P.1465 and they wish to reduce their obligation by 50%. An appraisal well to the 15/24a-4 Alpha discovery well is being drilled during the first week of June 2009. As noted below, the Applicants have included an initial cash outflow of CAD$3.0 million in their June 2009 cash flow forecast for drilling costs and a further CAD$1.5 million for testing in July 2009.

(c) The 15/24a-4 Alpha discovery well was drilled by Hamilton Brothers Oil in 1990 and encountered "streaky Upper Jurassic-age sands". These sands were drill-stem tested and yielded gas at a rate of 11.0 MMCF/D and 3,024 barrels of condensate per day. No water was produced on this test. The Alpha discovery well has never been appraised by follow up drilling.

(d) Under the proposal, the Applicants would assume 50% of Britcana's drilling costs (net 5%) to earn a 5% net interest in the P.1465 License including all benefits and obligations. The License currently holds the minimum obligation to drill one Jurassic well and one Palaeocene well. In addition, the License contains two contingent well commitments. The agreement would further obligate the Applicants to pay their earned interest for future committed wells associated with License P. 1465.

(e) The other partners subject to the JOA include Nippon Oil Exploration ("the Operator") (30%), Production U.K. Limited (30%), ETO Energy Ltd. (30%), and Stratic Energy (U.K.) Limited (30%). The project associated with this JOA has been termed the Bowmore Project.

(f) The gross estimated cost as provided by the Operator is £29.5 million (CAD$59 million) or net £1.5 million (CAD$3.0 million) to Oilexco for initial exploration/appraisal of the first well. If further testing occurs, there is additional exposure of CAD$1.5 million, excluding tie-in and production capital costs.

(g) If it is determined the wells are economic to begin production, an additional £145 million (CAD$290 million) is estimated by the Operator for facility requirements.

(h) Pricing scenarios presented to evaluate the opportunity include (1) 50 US$/bbl flat oil price and 50 p/therm (5.00 £/MBTU) and (2) Sproule's 2009 forward price forecasts for both oil and gas.

(i) The economics assume the Alpha field will produce from three production wells. First production is assumed to be 2013 and total capital expenditures for Britcana's 5% share is estimated at £17.2 million (CAD$34.4 million).

(j) If the Applicants enter into the Participation Agreement, they will be issued an option to acquire all of the assets of Britcana or the shares of Britcana, substantially consisting of the remaining 5% interest in P.1465 and an 8.33% equity interest in License P.233 along with the JOA, seismic data and geological and engineering technical data relating to the licenses ("BEL Assets"). Within 60 days of well completion a reserve report for the BEL Assets would be provided to the Applicants and within 60 days of receiving the report the Applicants would have the right to exercise the option. The purchase price for the BEL Assets would be the after-tax PV (10%) proven and probable value assigned in the report for the wells less Britcana's 5% share of the actual costs of the 15/25a-J well. Consideration would be paid in cash and shares of Oilexco.

34. Oilexco has advised the Monitor they have been active in this area for several years and indicate they have developed proficiency and expertise in both the Upper Jurassic and the Paleocene reservoirs. Management of the Applicants have recommended they should pursue this prospect as a fairly low risk, high reward opportunity based on previous testing in the area and seismic data which has been assessed by the Company in the proposed location.

35. Appendix 3 includes the Applicants' view with respect various hydrocarbon reserve scenarios. The Applicants have also assigned a potential economic value based on estimated reserves and production. It is our understanding no third party, independent engineering analysis has been obtained.

36. As the Monitor does not possess the required expertise to evaluate the opportunity from a technical perspective, the Monitor is not able to comment on the economic merits of this proposal.

37. The Monitor has reviewed various of Oilexco's regulatory filings, and note they have previously advised investors of the risks associated with their involvement in the exploration for and production of oil and natural gas. These risks, amongst others, exist in the Applicants' proposal and include, but are not limited to, the following:

(a) Volatility of crude oil and natural gas prices;

(b) Potential exposure to increased costs, particularly in the North Sea environment;

(c) Uncertainty of reserve estimates;

(d) Operating hazards, particularly in an offshore environment;

(e) Government regulation, including with respect to environmental matters;

(f) Potential exposure with respect to uninsured or underinsured coverage; and

(g) Additional funding requirements to develop and produce reserves.

38. If after the Applicants have earned their 5% interest in the License and the Applicants are liquidated as a consequence of its creditors failing to approve the proposed settlement or for any other reason, Britcana may within the following 30 day period acquire the 5% equity interest by paying the amount invested by the Applicants.

39. In the view of the Monitor:

(a) The nature of the proposed capital expenditure is consistent with the business of the Applicants prior to this CCAA filing; and

(b) While the Monitor cannot and does not offer any opinion on the proposed capital expenditure and the related participation of the Applicants in the Britcana opportunity, the Monitor does recommend that creditors carefully review this proposal, understand the ramifications and related risks of this venture, and make such submissions in these proceedings in respect of their position as they feel are appropriate.

APPLICANTS' REQUEST FOR AN EXTENSION TO THE STAY PERIOD

40. The Initial Order provided for a Stay Period expiring on March 6, 2009, which was extended to May 29, 2009 pursuant to an Order of this Honourable Court dated April 28, 2009.

41. As previously reported to the Court, the Applicants' primary activity during the period to date has been to fulfill its obligations under the Services Agreement, including assisting in the sale of ONSL.

42. As noted above, the Applicants have advised the Monitor they have commenced preparation of a formal plan of arrangement or compromise and have met with two of the three largest creditors to discuss a draft plan of arrangement and have provided the third with a copy of the draft plan.

43. The Monitor understands that the Applicants will be seeking an extension to the Stay Period to allow for sufficient time to allow the Applicants and the various stakeholders sufficient time to evaluate the most appropriate course of action. The Monitor understands that the proposed Stay Period would extend to August 31, 2009.

44. In the view of the Monitor the Applicants have acted and continue to act in good faith and with due diligence during this CCAA proceeding.

RECOMMENDATIONS

45. While the Monitor cannot and does not offer any opinion on the proposed capital expenditure and the related participation of the Applicants in the Britcana opportunity, the Monitor does recommend that creditors carefully review this proposal, understand the ramifications and related risks of this venture, and make such submissions in these proceedings in respect of their position as they feel are appropriate.

46. In the Monitor's view, the Applicants have been acting in good faith and with due diligence during this CCAA proceeding and as such, supports the Applicants' motion for an extension of the Stay Period to August 31, 2009.

All of which is respectfully submitted this 25th day of May, 2009.

ERNST & YOUNG INC.
In its capacity as Court Appointed
Monitor of the Applicants

Greg Pollard, CA, CIRP
Senior Vice-President

APPENDIX 1

Forecast to Actual Cash Flow Analysis

February 5 to May 22, 2009

Oilexco Incorporated and Oilexco Technical Services
(Including London)

Cash Flow Forecast - Variance analysis
As at May 22, 2009

	FORECAST			ACTUAL	VARIANCE	
	Feb - April 09 Original Forecast as at February 4th Adjusted by Monitor costs CAD	May 09 Forecast for Court as at April 19th CAD	Feb - May 09 Total CAD	Feb - May 09 Actual Cash Flow as at May 22nd CAD	Variance as at May 22nd CAD	
Opening Cash In Bank (February 4th)	10,045,669		10,045,669	10,045,669		
Expected Cash Inflows:						
Fixed Service Fee from ONSL in Administration	4,560,000	2,280,000	6,840,000	6,326,325	(513,675)	London payroll was deducted from Service fee
Bonus payment (as per agreement dated January 15, 2009)	2,400,000		2,400,000		(2,400,000)	Payment expected next week
Refunds of some 2008 payments				220,386	220,386	Item not budgeted for
VAT recovery from HMRC in UK				573,670	573,670	Item not budgeted for
GST recovery	132,000	20,000	152,000	128,059	(23,941)	Professional fees lower than budgeted
Other inflow (mainly Interest and other recharged costs)				55,023	55,023	Item not budgeted for
Total Cash Inflow	7,092,000	2,300,000	9,392,000	7,303,463	(2,088,537)	
Expected Cash Outflows:						
Salaries and related costs	3,064,871	827,362	3,892,233	2,915,820	(976,413)	London payroll was deducted from Service fee
Retainer bonus	4,200,000	-	4,200,000	-	(4,200,000)	Will be reduced to 2.4 million and paid next week
Consulting Services	437,862	79,300	517,162	164,118	(353,044)	Paid 2m of Schlumberger maintenance (12m in the budget)
Office Rent, Supplies and related	483,546	148,966	632,512	655,300	22,788	
Professional Services	718,700	160,400	879,100	604,956	(274,144)	Legal less than expected
Sales/Restructuring Related Professional Services	1,584,300	200,000	1,784,300	95,670	(1,688,630)	The costs did not occur as it was expected
Travel	515,400	224,000	739,400	491,951	(247,449)	Still need to pay FlexJet for April and May (240k)
Other Head Office costs	87,349	121,074	208,423	136,981	(71,442)	
Contingency (10% or 5%)	1,109,203	88,055	1,197,258	-	(1,197,258)	
FX differences			-	40,026	40,026	
Monitor estimated costs (E&Y plus Fraser Milner)	660,000	275,000	935,000	365,328	(569,672)	Budgeted per initial Monitor estimation at 50k per week
Total Cash Outflow	12,861,231	2,124,157	14,985,388	5,470,151	(9,515,237)	
Closing Cash In Bank - end of the month/ May 22nd	4,276,438	175,843	4,452,281	11,878,982	7,426,701	
Under budget - Net of Retainer Bonus and Contingency			7,449,539	11,878,982	4,429,443	
					(900,000)	estimated other May costs (excluding ERP as zero effect)
					3,529,443	**Net savings as compared to original forecast**

Notes:

FX rates used: 1.20 CAD/USD
2.00 CAD/GBP

APPENDIX 2

Cash Flow Forecast

June 1 to August 31, 2009

Oilexco Incorporated and Oilexco Technical Services
(Including London)

Cash Flow Forecast for Restructuring Plan
As at May 22, 2009

	Average monthly costs based on 4m 2009	May 09 expected Cash Flow	June - August Cash Flow Forecast			
			June 09	July 09	Aug 09	June - August 2009
	CAD	CAD	CAD	CAD	CAD	CAD
Opening Cash in Bank - beginning of the month		**12,844,180**	**11,056,180**	**6,315,200**	**13,091,200**	**11,056,180**
Expected Cash Inflows:						
Bonus payment (as per agreement with Administrator of ONSL)		2,400,000	-	-	-	-
Expected sales of interest in FlexJet		-	-	9,720,000	-	9,720,000
Other inflow (mainly estimated GST recovery)		144,000	15,000	10,000	10,000	35,000
Total Cash Inflow		**2,544,000**	**15,000**	**9,730,000**	**10,000**	**9,755,000**
Expected Cash Outflows:						
General & Admin:						
Salaries and related costs	906,576	910,000	425,000	625,000	425,000	1,475,000
Consulting Services	129,163	82,000	115,000	115,000	115,000	345,000
Office Rent, Supplies and related	175,336	160,000	272,600	120,000	120,000	512,600
Insurance	36,295	-	335,000	-	-	335,000
Professional Services	103,269	240,000	100,000	100,000	100,000	300,000
Sales/Restructuring Related Costs	41,526	50,000	50,000	50,000	50,000	150,000
Travel	203,569	200,000	200,000	200,000	80,000	480,000
Other Head Office costs	134,925	120,000	70,000	70,000	70,000	210,000
Total G&A	1,730,659	1,762,000	1,567,600	1,280,000	960,000	3,807,600
Retainer Bonus		2,400,000	-	-	-	-
5% Contingency on G&A		-	78,380	64,000	48,000	190,380
Monitor estimated costs (E&Y plus Fraser Milner)	114,410	170,000	110,000	110,000	110,000	330,000
Participation in well drilling & testing		-	3,000,000	1,500,000	-	4,500,000
Total Cash Outflow	**1,845,069**	**4,332,000**	**4,755,980**	**2,954,000**	**1,118,000**	**8,827,980**
Closing Cash In Bank - end of the month		**11,056,180**	**6,315,200**	**13,091,200**	**11,983,200**	**11,983,200**

Notes:

FX rates use 1.20 CAD/USD
2.00 CAD/GBP

APPENDIX 3

Summary of the Britcana/Bowmore Opportunity

Appendix 3

Sealed pursuant to an Order of the Court of Queen's Bench dated May 26, 2009