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.

ELEVENTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

DECEMBER 8, 2009

ELEVENTH REPORT OF THE MONITOR

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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 May 21, 2009, a Claims Process Order was granted approving the claims process and setting a Claims Bar date of July 31, 2009.

3. Pursuant to an Order of this Honourable Court dated September 16, 2009, (the Plan Sanction Order), the Applicants' Plan of Compromise and Arrangement to their unsecured creditors (the "Liquidation Plan") was approved and the Applicants, with the consent of the Monitor, are permitted to make interim distributions in respect of Distribution Claims in which the Pro Rata Share is less than or equal to $5,000. A further Application shall be made to approve any distributions of a Pro Rata Share in excess of $5,000.

PURPOSE

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

   (a) An update of the Claims Process;

   (b) The Applicants' request for approval by this Honourable Court of an interim distribution to certain Creditors pursuant to the terms of the Plan Sanction Order; and

   (c) The recommendations of the Monitor.

TERMS OF REFERENCE

5. In preparing this Eleventh 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.

6. Capitalized terms not defined in this Eleventh Report are as defined in the Initial or subsequent Orders. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

7. 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 .

FINANCIAL POSITION

8. The remaining assets of the Applicants include:

   (a) Estimated cash of $18,790,681 as at December 2, 2009. This balance includes the proceeds from sale of the apartment in London, England.

   (b) Certain other assets of nominal value, primarily estimated GST receipts of $5,000.

THE LIQUIDATION PLAN

9. The Plan provides that the Creditors will participate in the distribution of the net remaining cash on hand (the "Distribution Pool"), which comprises the current cash on hand, expected realization from remaining tangible assets less costs to complete the Liquidation Plan and other holdback amounts.

10. At the Effective Time each Claim will be compromised, and thereafter each 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 (the "Small Claims Exemption"); and

(b) The amount of its Pro Rata Share.

11. The Pro Rata Share of a Creditor means the amount determined by the following formula:

(a) Pro Rata Share = (A/B) x C

(b) where:

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

(d) B = the sum of all Distribution Claims of all Creditors, excluding Distribution Claims that are subject to the Small Claims Exemption; and

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

UPDATE ON THE PROOF OF CLAIMS PROCESS

12. The Claims Process is proceeding in accordance with the Order of this Honourable Court dated May 21, 2009, with a Claims Bar Date of July 31, 2009.

13. Claims totalling $1,187,868,061 including both primary and guarantee claims, have been received by the Monitor.

14. The Applicants and the Monitor have reviewed the Proofs of Claim submitted to the Monitor and agree with the amounts as submitted, or as agreed to with the Creditor, for 57 creditors representing $34,416,262 of claims.

15. The Applicants and the Monitor continue to review the claims of the following creditors:

    (a) Royal Bank of Scotland on behalf of a syndicate of banks ("RBS"), claims as submitted totaling $392,126,509;

    (b) Diamond Offshore Drilling (UK) Limited"), claim as submitted totaling $441,470,191; and

    (c) Sevan Production UK Limited, claim as submitted totaling $319,855,098.

ACCEPTED CLAIMS

16. In general terms, the claims of the Creditors which have been accepted by the Applicants and the Monitor can be categorized as follows:

    (a) Trade Creditors

    - 12 trade creditors whose claims total $14,243,093.
    - The specific invoices supporting the claims were reviewed by the Applicants to ensure they were either recorded in the records of the company or where otherwise valid charges.

    (b) The Landlord of the Calgary Office

    - HDL Investments Inc (by its agent Tillyard Management Inc, the landlord of the Calgary office), submitted its claim totaling $7,045,086.
    - Upon review by the Applicants and the Monitor, a revised claim in the amount of $1,435,199 was agreed with Tillyard Management Inc.

    (c) Employee Claims (employees with employment contracts)

- 25 employees whose claims total $16,934,469 with respect to severance payments.
- The employee claim was agreed to the terms of the employment contract and to specific payroll information where the salary had changed since the date of the original contract.

(d) Employee Claims (employees without employment contracts)

- 19 employees whose claims total $1,803,501 with respect to severance payments.
- The employee claim was agreed to the terms of an offer letter and to the loss of office calculation determined by the Applicants' human resources department in accordance with industry standards.

LATE FILED CLAIMS

17. The Monitor is in receipt of the following two claims received after the Claims Bar Date, which have been included above:

(a) An employee claim from Jeff Beckett in the amount of $287,154; and

(b) A trade creditor claim from Pitney Bowes Leasing in the amount of $1,656.

18. The Applicants are of the view, and the Monitor concurs, that the above late filed claims represent valid claims, acceptance of these amounts will not unduly prejudice the Plan, and the Creditors submitting these claims should receive their respective share of the Distribution Pool.

EXCLUDED CLAIMS

19. The Monitor advises 38 shareholder claims totaling $550,522 were not proper creditor claims. The Monitor has not included these claims in the distribution of funds from the Distribution Pool.

DISTRIBUTION UNDER THE PLAN

20. The Applicants intend to make two distributions to creditors:

(a) The first distribution, which is the subject of this Report (the "First Distribution") will be based on cash on hand, net of the estimated cost of administration and a contingency reserve, and based on the determination of each Creditor's claim for those Creditors whose claims can be determined at this date; and

(b) A second distribution (the "Second Distribution") will comprise the balance of the funds that are recovered from the liquidation of the assets of the Applicants and will be based on the determination of each Creditor's claim as follows:

- For those Creditors whose claims have been determined at the date of the First Distribution, the payment will be based on the amount set forth in the First Distribution; and

- For all other creditors, the payment will be based on the final determination of each Creditor's claim.

21. The table below provides a summary of the estimated cash currently available for distribution:

Estimated Distribution Pool	Note		
Cash on hand (December 2, 2009)	a	$	18,790,681
Other receipts	b		5,000
Professional costs to complete Plan	c		(250,000)
Estimated operating costs	d		(30,000)
Contingency reserve (5%)	e		(925,784)
Estimated ending cash available for distribution		$	17,589,897
Claims as filed	f	$	1,187,868,061
% on recovery of claim			1.5%

(a) Cash on hand – represents all cash currently held by the Applicants;

(b) Other receipts – estimated GST recovery;

(c) Professional costs to complete Plan – represents estimated costs to be incurred to complete the Plan including that of the Monitor, the Monitor's counsel and the Applicants' counsel;

(d) Estimated operating costs – represents the costs estimated to be incurred up to final distribution of the remaining funds which consists primarily of consulting fees to be paid to former employees of the Applicants;

(e) Contingency reserve – for the purpose of the First Distribution, a reserve has been calculated based on 5% of cash otherwise available for distribution; and

(f) The amount of the estimated distribution based on the claims as received by the Monitor (but which claims are subject to review by the Applicants and the Monitor).

22. The table below provides a summary of the funds to be paid under the proposed Interim Distribution and the funds held by the Applicants to satisfy the potential distribution of the Pro-Rata Share of the Claims as filed for RBS, Diamond and Sevan:

Maximum Pro-Rata Distribution		
Cash on hand (December 2, 2009)	$	18,790,681
Other receipts		5,000
		18,795,681
Interim Distribution		(636,936)
		18,158,745
Potential distribution to RBS, Diamond and Sevan		(16,952,961)
		1,205,784
Professional costs to complete Plan		(250,000)
Estimated operating costs		(30,000)
Contingency reserve (5%)		(925,784)
Estimated ending cash available for distribution	$	-

23. The Monitor is unable at this time to anticipate timing of the Second Distribution.

RECOMMENDATION

24. The Monitor supports the Applicants' application for the payment of funds from the Distribution Pool to the Creditors identified in Appendix 1 in accordance with the Liquidation Plan.

All of which is respectfully submitted this 8th day of December, 2009.

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

Greg Pollard, CA, CIRP
Senior Vice-President

APPENDIX 1

Creditor Payment Analysis

Oilexco Inc
Interim Distribution Calculation

Claim #	Claimant	Accepted claim amount in CDN$ (A)	Small Claims exemption (B)	Distribution claim (A -B)	Pro-rata share (%)	Pro-rata share ($)	Total Distribution	First Distribution Payment
1-001	Solium Capital Inc	7,339.20	2,500.00	4,839.20	0.00	71.08	2,571.08	2,571.08
1-002	Halliwell Consulting Limited	153,849.00	2,500.00	151,349.00	0.01	2,223.17	4,723.17	4,723.17
1-003	Sifton Interlake Construction Ltd.	5,150.25	2,500.00	2,650.25	0.00	38.93	2,538.93	2,538.93
1-004	Canadian Western Trust	875.00	875.00	-	-	-	875.00	875.00
1-005	Schlumberger Offshore Services Ltd and Schlumberger Oilfield UK PLC	13,193,523.21	2,500.00	13,191,023.21	1.11	193,763.57	196,263.57	196,263.57
2-001	Supreme Office Products	1,386.70	1,386.70	-	-	-	1,386.70	1,386.70
2-002	Data Group Limited Partnership / Sundog	409.50	409.50	-	-	-	409.50	409.50
2-003	Hampson Russell Limited Partnership	744.20	744.20	-	-	-	744.20	744.20
1-010	Marketwire LP	1,564.50	1,564.50	-	-	-	1,564.50	1,564.50
1-014	HDL Investments Inc. by its Agent Tillyard Management Inc.	1,435,199.00	2,500.00	1,432,699.00	0.12	21,044.98	23,544.98	23,544.98
1-015	AGR Peak Well Management	874,879.57	2,500.00	872,379.57	0.07	12,814.43	15,314.43	15,314.43
2-004	Hans Springer	284,760.00	2,500.00	282,260.00	0.02	4,146.13	6,646.13	6,646.13
1-028	Yasmin Abdul	287,154.00	2,500.00	284,654.00	0.02	4,181.30	6,681.30	6,681.30
2-005	Claudia Brietzke	64,855.00	2,500.00	62,355.00	0.01	915.94	3,415.94	3,415.94
2-006	Rainer Tonn	432,726.00	2,500.00	430,226.00	0.04	6,319.61	8,819.61	8,819.61
2-007	Kristin Obreiter	275,310.00	2,500.00	272,810.00	0.02	4,007.32	6,507.32	6,507.32
2-008	Michael Scott	504,000.00	2,500.00	501,500.00	0.04	7,366.56	9,866.56	9,866.56
1-029	Michael Lock	525,000.00	2,500.00	522,500.00	0.04	7,675.03	10,175.03	10,175.03
1-030	Vanessa Stephanie Everts	29,400.00	2,500.00	26,900.00	0.00	395.14	2,895.14	2,895.14
1-031	William Cook	388,500.00	2,500.00	386,000.00	0.03	5,669.97	8,169.97	8,169.97
1-032	Kim Mikkelsen	388,500.00	2,500.00	386,000.00	0.03	5,669.97	8,169.97	8,169.97
1-033	Edward Dawson	587,664.00	2,500.00	585,164.00	0.05	8,595.50	11,095.50	11,095.50
1-034	Aymone Schendel	45,780.00	2,500.00	43,280.00	0.00	635.74	3,135.74	3,135.74
1-035	Kim Schwenk	40,068.00	2,500.00	37,568.00	0.00	551.84	3,051.84	3,051.84
1-036	Kim Arlie Galavan	510,048.00	2,500.00	507,548.00	0.04	7,455.40	9,955.40	9,955.40

Oilexco Inc
Interim Distribution Calculation

Claim #	Claimant	Accepted claim amount in CDN$ (A)	Small Claims exemption (B)	Distribution claim (A -B)	Pro-rata share (%)	Pro-rata share ($)	Total Distribution	First Distribution Payment
1-037	Marilyn Glerum	125,568.00	2,500.00	123,068.00	0.01	1,807.75	4,307.75	4,307.75
1-038	Kim V Ketchum	152,000.00	2,500.00	149,500.00	0.01	2,196.01	4,696.01	4,696.01
1-039	Aleksandra Owad	630,000.00	2,500.00	627,500.00	0.05	9,217.38	11,717.38	11,717.38
1-040	Rodney Chrsitensen	656,250.00	2,500.00	653,750.00	0.06	9,602.96	12,102.96	12,102.96
1-041	Ken Halward	559,440.00	2,500.00	556,940.00	0.05	8,180.92	10,680.92	10,680.92
1-042	Robert Chenery	630,000.00	2,500.00	627,500.00	0.05	9,217.38	11,717.38	11,717.38
1-043	Robert Van Wielingen	534,240.00	2,500.00	531,740.00	0.04	7,810.75	10,310.75	10,310.75
1-044	Dean Bilous	287,154.00	2,500.00	284,654.00	0.02	4,181.30	6,681.30	6,681.30
1-045	Robert Elgie	346,500.00	2,500.00	344,000.00	0.03	5,053.03	7,553.03	7,553.03
1-046	Arthur Millholland	5,509,314.00	2,500.00	5,506,814.00	0.46	80,889.85	83,389.85	83,389.85
1-047	Ladine Beever	204,624.00	2,500.00	202,124.00	0.02	2,969.01	5,469.01	5,469.01
1-048	Susan Strang	40,966.00	2,500.00	38,466.00	0.00	565.03	3,065.03	3,065.03
1-049	Lisa Roe	91,233.00	2,500.00	88,733.00	0.01	1,303.40	3,803.40	3,803.40
1-050	William Smith	1,328,250.00	2,500.00	1,325,750.00	0.11	19,474.00	21,974.00	21,974.00
2-009	Natasha Bizina	92,000.00	2,500.00	89,500.00	0.01	1,314.67	3,814.67	3,814.67
2-010	Stephen Molyneux	402,633.00	2,500.00	400,133.00	0.03	5,877.57	8,377.57	8,377.57
2-011	Shauna Lawrence	27,333.00	2,500.00	24,833.00	0.00	364.77	2,864.77	2,864.77
2-012	David Greenwood	382,872.00	2,500.00	380,372.00	0.03	5,587.30	8,087.30	8,087.30
2-013	Hugh Wishart	388,500.00	2,500.00	386,000.00	0.03	5,669.97	8,169.97	8,169.97

Oilexco Inc
Interim Distribution Calculation

Claim #	Claimant	Accepted claim amount in CDN$ (A)	Small Claims exemption (B)	Distribution claim (A -B)	Pro-rata share (%)	Pro-rata share ($)	Total Distribution	First Distribution Payment
2-014	Iti Misra	69,000.00	2,500.00	66,500.00	0.01	976.82	3,476.82	3,476.82
2-015	Mary Mollerson	19,200.00	2,500.00	16,700.00	0.00	245.31	2,745.31	2,745.31
2-016	Peter Aldrich	420,000.00	2,500.00	417,500.00	0.04	6,132.68	8,632.68	8,632.68
1-069	Frederick J Ketter	388,500.00	2,500.00	386,000.00	0.03	5,669.97	8,169.97	8,169.97
1-070	Allan Gunn	266,800.00	2,500.00	264,300.00	0.02	3,882.32	6,382.32	6,382.32
2-017	Constance Bertram	30,000.00	2,500.00	27,500.00	0.00	403.95	2,903.95	2,903.95
2-018	Olga Konstantinova	94,095.00	2,500.00	91,595.00	0.01	1,345.44	3,845.44	3,845.44
2-019	Ryan Kliciak	106,250.00	2,500.00	103,750.00	0.01	1,523.99	4,023.99	4,023.99
2-020	Daniel Barson	280,329.00	2,500.00	277,829.00	0.02	4,081.04	6,581.04	6,581.04
1-074	TAQA North Ltd	1,716.25	1,716.25	-	-	-	1,716.25	1,716.25
2-021	Cynthia Macarthur	24,000.00	2,500.00	21,500.00	0.00	315.81	2,815.81	2,815.81
1-076 LATE	Pitney Bowes Leasing	1,656.00	1,656.00	-	-	-	1,656.00	1,656.00
2-022 LATE	Jeffrey Beckett	287,154.00	2,500.00	284,654.00	0.02	4,181.30	6,681.30	6,681.30
							636,935.45	**636,935.45**

Oilexco Inc
Interim Distribution Calculation

Claim #	Claimant	Accepted claim amount in CDN$ (A)	Small Claims exemption (B)	Distribution claim (A -B)	Pro-rata share (%)	Pro-rata share ($)	Total Distribution	First Distribution Payment
CLAIMS NOT YET DETERMINED/ACCEPTED		Claim as filed in CDN$ (A)	Small Claims exemption (B)	Distribution Claim (A -B)	share (%)	Pro-rata share ($)	Total Potential Distribution	
1-027	Royal Bank of Scotland plc	213,752,420.17	2,500.00	213,749,920.17	18.00	3,139,782.75	3,142,282.75	0
1-027	Royal Bank of Scotland plc	178,374,089.20	2,500.00	178,371,589.20	15.02	2,620,108.77	2,622,608.77	0
1-072	Sevan Production UK Limited	319,855,098.40	2,500.00	319,852,598.40	26.93	4,698,330.05	4,700,830.05	0
1-073	Diamond Offshore Drilling (UK) Limited	441,470,190.90	2,500.00	441,467,690.90	37.17	6,484,739.93	6,487,239.93	0
							16,952,961.50	
	Claims as filed excluding shareholders	**1,187,868,061.04**	**143,352.15**	**1,187,724,708.89**	**100.00**	**17,446,544.80**	**17,589,896.95**	**636,935.45**
	Total claims as above	**1,187,868,061.04**						
	RBS	(213,752,420.17)						
	RBS	(178,374,089.20)						
		(392,126,509.37)						
	Sevan	(319,855,098.40)						
	Diamond	(441,470,190.90)						
		34,416,262.38						

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