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.

SIXTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

JULY 6, 2009

ERNST & YOUNG

SIXTH 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. The Monitor has caused a Claims Package to be sent to each Known Creditor of the Applicants, as well as caused a Newspaper Notice to be published in the Globe and Mail (national edition), the Calgary Herald and the Aberdeen Press and Journal.

3. Pursuant to an Order of this Honourable Court dated May 26, 2009 (Extension of Stay), the Stay Period was extended to July 7, 2009.

PURPOSE

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

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

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

   (c) Cash flow forecast for the period June 29 to August 31, 2009;

   (d) The Applicants' restructuring activities to date; and

   (e) The Applicants' request for an extension to the Stay Period to July 14, 2009.

TERMS OF REFERENCE

5. In preparing this Sixth 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 Sixth Report are as defined in the Initial Order. 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 CAD$9,795,279 as at June 29, 2009;

   (b) The Flexjet Interest, with an initial estimated net realizable value of US$8.25 million (CAD$ 9.7 million). Flexjet subsequently provided its final valuation at US$8,032,255 (CAD$ 9.6 million) and have advised the Applicants they have commenced preparation of the final sale documentation.

   (c) The apartment in London, England is currently listed for sale. The asking price is £2,200,000 (CAD$4 million). The London realtor has advised the Applicants they have had 32 viewings (including 3 taking place the third week of June), which does not include 3 second viewings which they have had. From these second viewings two parties have come back asking further questions.

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

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

10. 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.

11. 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%

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. As at the date of this Report, the Monitor is unable to provide any additional commentary with respect to the potential quantum of the above noted individual claims.

FINANCIAL PERFORMANCE SINCE THE DATE OF THE INITIAL ORDER

13. Attached as Appendix 1 is a summary of the Applicants' actual receipts and disbursements from the date of the Initial Order to June 29, 2009 (the "Reporting Period"). Detailed explanations of the variances are described in the notes to Appendix 1.

14. The cash balance at June 29, 2009 is CAD$9.8 million, versus an original projection of CAD$2.7 million or a favourable variance of CAD$7.1 million.

15. Receipts for the Reporting Period totalled approximately CAD$9.7 million whereas the previous cash flow projections forecast CAD$9.4 million or a difference of CAD$.3 million. This favourable variance was primarily due to a combination of the following:

    (a) The Fixed Service Fee from the UK Administrator was reduced by CAD$.7 million to reflect payroll costs paid directly by the Administrator.

    (b) Unbudgeted refunds, including VAT recoveries, totalling CAD$.9 million were received in the period.

16. Disbursements for the Reporting Period totalled approximately CAD$9.9 million whereas the previous cash flow projections forecast CAD$16.7 million or a variance of CAD$6.8 million. This favourable variance was primarily due to a combination of the following:

    (a) Salaries and related London payroll costs in the sum of CAD$.9 million were paid directly by the UK Administrator, a portion of which was withheld from the Service Fee as noted above.

    (b) The ERP retainer bonus, originally forecast at CAD$4.2 million was settled at CAD$2.3 million, for a favourable variance of CAD$1.9 million

    (c) Only CAD$.1 million of the sales/restructuring related professional services, originally forecast at CAD$1.8 million, have been incurred, for a positive variance of CAD$1.7 million;

    (d) The CAD$1.3 million contingency amount has not been incurred; and

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

CASH FLOW FORECAST – JUNE 29 TO AUGUST 31, 2009

17. Attached as Appendix 2 to this Sixth Report is a copy of the consolidated cash flow forecast (the "Forecast") of the Applicants for the period of June 29 to August 31, 2009 (the "Forecast Period"). Management has prepared the Forecast based on the most current information available.

18. As summarized in the Forecast, the Applicants are projecting total cash receipts of approximately CAD$13.7 million and cash disbursements of approximately CAD$2.9 million resulting in a net increase in cash of approximately CAD$10.8 million during the Forecast Period.

19. 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) have been estimated at $1.8 million per month. The June 29 to August 31 forecast with respect to Total Cash Outflow projects an outlay of CAD$2.9 million or CAD$1.45 million per month.

20. 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) Receipt in August of CAD$4.0 million with respect to the sale of the London flat; and,

    (c) 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.

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

(a) Payment in the amount of CAD$ 9.7 million is received with respect to the sale of the Flexjet interest; and

(b) Payment in the amount of CAD$4.0 million is received with respect to the London flat.

RESTRUCTURING EFFORTS TO DATE

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

23. The Applicants have advised the Monitor they have had discussions with the three largest creditors, Royal Bank of Scotland, Diamond Offshore and Sevan Marine to discuss a draft plan of arrangement. 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.

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

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

APPLICANTS' REQUEST FOR AN EXTENSION TO THE STAY PERIOD

26. The Initial Order provided for a Stay Period expiring on March 6, 2009. Pursuant to an Order of this Honourable Court dated May 26, 2009 (Extension of Stay), the Stay Period was extended to July 7, 2009.

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

28. As noted above, the Applicants have advised the Monitor they have commenced preparation of a formal plan of arrangement or compromise and have had discussions with the three largest creditors to discuss a draft plan of arrangement.

29. 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 July 14, 2009.

RECOMMENDATIONS

30. 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 July 14, 2009.

All of which is respectfully submitted this 6th day of July, 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 June 29, 2009

Oilexco Incorporated and Oilexco Technical Services
(Including London)

Cash Flow Forecast - Variance analysis
As at June 29, 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	June 09 Forecast for Court as at May 22nd CAD	Feb - June 09 Total CAD	Feb - June 09 Actual Cash Flow as at June 29th CAD	Variance as at June 29th CAD	
Opening Cash in Bank (February 4th)	10,045,669	4,276,438	4,452,281	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
Retainer Bonus payment	2,400,000	-	-	2,400,000	2,220,326	(179,674)	Bonus payment was reduced by 2009 benefits re London
Refunds of some 2008 payments	-	-	-	-	314,932	314,932	Item not budgeted for
VAT recovery from HMRC in UK				-	573,670	573,670	Item not budgeted for
GST recovery	132,000	20,000	15,000	167,000	173,044	6,044	
Other inflow (mainly interest and other recharged costs)	-	-	-	-	63,534	63,534	Item not budgeted for
Total Cash Inflow	7,092,000	2,300,000	15,000	9,407,000	9,671,831	264,831	
Expected Cash Outflows:							
Salaries and related costs	3,064,871	827,362	425,000	4,317,233	3,436,750	(880,483)	London payroll was deducted from Service fee
Retainer bonus	4,200,000	-	-	4,200,000	2,309,652	(1,890,348)	Actual payment was calculated at USD 2 million at 1.15
Consulting Services	437,862	79,300	115,000	632,162	245,824	(386,338)	Paid 2m of Schlumberger maintenance (12m in the budget)
Office Rent, Supplies and related	483,546	148,966	272,600	905,112	933,421	28,309	
Insurance	-	-	335,000	335,000	344,750	9,750	
Professional Services	718,700	160,400	100,000	979,100	970,548	(8,552)	
Sales/Restructuring Related Professional Services	1,584,300	200,000	50,000	1,834,300	152,290	(1,682,010)	The costs did not occur as it was expected
Travel	515,400	224,000	200,000	939,400	832,190	(107,210)	
Other Head Office costs	87,349	121,074	70,000	278,423	231,969	(46,454)	
Contingency (10% or 5%)	1,109,203	88,055	78,380	1,275,638	-	(1,275,638)	
FX differences	-	-	-	-	30,456	30,456	
Monitor estimated costs (E&Y plus Fraser Milner)	660,000	275,000	110,000	1,045,000	434,371	(610,629)	Budgeted per initial Monitor estimation at 50k per week
Total Cash Outflow	12,861,231	2,124,157	1,755,980	16,741,368	9,922,221	(6,819,147)	
Closing Cash in Bank - end of the month/ June 29th	4,276,438	4,452,281	2,711,301	2,711,301	9,795,279	7,083,978	
Under Budget - Net of Retainer Bonus and Contingency				5,786,939	9,884,605	4,097,666	
						(150,000)	Estimated other June costs
						3,947,666	**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 29 to August 31, 2009

Oilexco Incorporated and Oilexco Technical Services
(Including London)

Cash Flow Forecast
As at June 29, 2009

	June CAD	July CAD	August CAD	June - August 2009 CAD
Opening Cash in Bank - June 29	9,795,279	9,645,279	17,832,029	9,795,279
Expected Cash Inflows:				
Sales of interest in Flex Jet - confirmed	-	9,636,000		9,636,000
Sales of London Flat - expected at GBP 2 million	-	-	4,000,000	4,000,000
Other inflow (mainly estimated GST/VAT recovery)	-	10,000	10,000	20,000
Total Cash Inflow	-	9,646,000	4,010,000	13,656,000
Expected Cash Outflows:				
Salaries and related costs	-	625,000	425,000	1,050,000
Consulting Services	10,000	115,000	115,000	240,000
Office Rent, Supplies and related	20,000	150,000	120,000	290,000
Insurance	-	-	-	-
Professional Services		100,000	100,000	200,000
Restructuring Related Professional Services		25,000	50,000	75,000
Travel	50,000	200,000	200,000	450,000
Other Head Office costs	-	70,000	70,000	140,000
5% Contingency	-	64,250	54,000	118,250
				-
Monitor estimated costs (E&Y plus Fraser Milner)	70,000	110,000	110,000	290,000
Total Cash Outflow	150,000	1,459,250	1,244,000	2,853,250
Closing Cash in Bank - end of the month	9,645,279	17,832,029	20,598,029	20,598,029

Notes:

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

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