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.

TENTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

SEPTEMBER 15, 2009

TENTH REPORT OF THE MONITOR

TABLE OF CONTENTS

INTRODUCTION 3
PURPOSE 3
TERMS OF REFERENCE 4
BACKGROUND 4
FINANCIAL POSITION 4
UPDATE ON THE PROOF OF CLAIMS PROCESS 5
THE LIQUIDATION PLAN 5
THE CREDITOR'S MEETING 8
RESULTS OF THE VOTE 9
DISTRIBUTION UNDER THE PLAN 10
RECOMMENDATION 11

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 July 16, 2009, the Applicants were authorized and directed to finalize the liquidation of their respective remaining property, assets and undertaking with a view to presenting a Plan of Compromise and Arrangement to their unsecured creditors (the "Liquidation Plan"). The Stay Period was also extended to September 30, 2009 in order to allow for sufficient time to allow the Applicants to disseminate the Liquidation Plan under the CCAA (such plan to be approved by the Monitor) and to call and hold a meeting of unsecured creditors for the purpose of considering and passing resolution to approve the Liquidation Plan.

PURPOSE

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

    (a) An update of the Claims Process;

    (b) The Applicants' Liquidation Plan;

    (c) The results of the September 15, 2009 Creditor's meeting; and

    (d) The recommendations of the Monitor.

TERMS OF REFERENCE

5. In preparing this Tenth 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 Tenth 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 $15,503,113 as at September 14, 2009;

   (b) The apartment in London, England is conditionally sold, with an anticipated closing date on or before October 31, 2009. The estimated sale price is £2,029.999 ($3.5 million net of commissions) based on the current offer to purchase the flat. We refer to the Monitor's Eighth Report with respect to the Applicants' request for Court approval of the sale of the apartment.

   (c) Certain other office furniture and equipment expected to be of nominal value ($75,000).

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

10. The Applicants had also provided guarantees of certain debts of Oilexco North Sea Limited ("ONSL"). This included the unsecured guarantee of the Applicants in favour of the Royal Bank of Scotland on behalf of a syndicate of banks ("RBS"), as well as guarantees given in favour of certain trade creditors of ONSL.

UPDATE ON THE PROOF OF CLAIMS PROCESS

11. 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.

12. Claims totalling $1,194,028,470 including both primary and guarantee claims, have been received by the Monitor. The Applicants and the Monitor are in the process of reviewing the claims and reconciling the amounts to the accounting records.

THE LIQUIDATION PLAN

13. The Applicants have either liquidated all of their assets or are in the process of doing so, and are in the process of resolving the outstanding claims pursuant to the Claims Process Order.

14. A copy of the Plan has been circulated by the Monitor with the creditor meeting materials and has been posted on the Monitor's website.

15. 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.

16. 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.

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

Pro Rata Share = (A/B) x C

where:

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

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

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

18. The only conditions precedent to implementation of the Plan are:

(a) The Plan is approved by the Applicants' Creditors;

(b) The granting of the Sanction Order;

(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.

19. At the Effective Time, the treatment of Claims will be final and binding on the Applicants and the Creditors and the Plan will constitute:

    (a) Full, final and absolute settlement of all rights of the Creditors against the Applicants in respect of Claims;

    (b) An absolute release and discharge of all indebtedness, liabilities and obligations of or in respect of the 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 Inc. in accordance with the provisions of the Articles of Reorganization.

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

21. 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.

22. The Monitor makes no comment from a legal point of view on the application of a consolidated approach to the Plan.

23. One benefit of the Liquidation Plan will be that the capital losses in the estimated amount of $423 million and estimated non-capital in the amount of $49 million may be preserved for the benefit of Oilexco Inc. on a go forward basis.

24. The Liquidation Plan has the added benefit of potentially providing a benefit to the existing shareholders of Oilexco Inc. to participate going forward in the event the company resumes operations.

THE CREDITOR'S MEETING

25. The Applicants held a meeting regarding the Liquidation Plan 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 "Meeting").

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

27. Representatives of the Applicants, and the Applicants' legal counsel, provided an overview of the Plan. Based on the final claimant listing, the Applicants have 99 Creditors totaling $1,194,028,470 in filed claims.

28. Representatives of the Applicants and the Monitor then answered any creditor questions regarding the Plan.

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

    (a) 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

    (b) 2 creditors were in attendance representing $1,062,726 in claims.

30. The Plan contemplated that Creditors would vote at the Meeting in a single class. For the purposes of calculating the majority component of the required majority, each Creditor who actually votes (in person or by proxy) is entitled to one vote. For the purposes of calculating the value component of the required majority, each creditor with a Claim is entitled to one vote at the Meeting for each $1.00 of their Claim.

31. In the event a Creditor's claim was not finally determined prior to the date of the Meeting, the Creditor was entitled to vote at the Meeting the amount of its claim as lodged, and such claim was deemed to constitute the Creditor's proven claim for voting purposes.

RESULTS OF THE VOTE

32. In respect of the resolution to approve the Liquidation Plan, the Creditors, voting either in person or by way of proxy, 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%

33. On the basis of the foregoing, more than a majority in number of the Creditors representing in excess of 66 2/3rd of the value voted in favour of the Liquidation Plan.

34. The Monitor advises certain claims as set forth below were not proper creditor claims. The Monitor has not included the results of these proxies for purposes of determining the acceptance of the Plan (all of which voted in favor of the acceptance of the Plan):

(a) Two proxies totaling $18,530 were with respect to shareholder claims.

DISTRIBUTION UNDER THE PLAN

35. The Distribution Pool is estimated at $18.2 million and is forecast to provide a dividend to the creditors of $0.015 on the dollar, based on claims as filed. The table below provides a summary of the estimated Distribution Pool:

Estimated Distribution Pool	Note	
Cash on hand (September 14, 2009)	a	$ 15,503,113
Estimated cash receipt from sale of London flat	b	3,463,686
Other receipts	c	90,000
Professional costs to complete Plan	d	(520,000)
Estimated operating costs	e	(290,000)
Estimated ending cash available for distribution		$ 18,246,799
Claims as filed	f	$ 1,194,028,470
% on recovery of claim		1.5%

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

(b) Estimated remaining cash receipts - represents forecasted net proceeds from the sale of the London apartment (estimated gross proceeds of £2,029,999, less commissions of £50,000);

(c) Collection of accounts receivables – GST recovery and sale of office furniture and equipment;

(d) 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;

(e) Estimated operating costs – represents the operating costs estimated to be incurred up to November 30, 2009 which consists primarily of the consulting fees and the final Flexjet monthly fee; 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).

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

(a) The first distribution is expected to be completed by the Applicants during first half of October 2009 (the "First Distribution") and will be based on cash on hand, net of the estimated cost of administration, and based on a preliminary estimate of each Creditors' potential proven claim amount; and

(b) The 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 final determination of each Creditor's claim, as approved by this Honourable Court. The Monitor is unable at this time to anticipate timing of the Second Distribution.

RECOMMENDATION

37. The Monitor supports the Applicants' motion for the sanctioning of its Liquidation Plan on the basis that:

(a) Notice of the Creditor's Meeting held to approve the Plan was duly given and the Creditor's Meeting was duly constituted;

(b) The Plan is fair and equitable and offers the Creditors a dividend that is better than any alternative including bankruptcy;

(c) The Creditors, voting in person or by proxy at the Creditor's Meeting, approved the Liquidation Plan by the majority required by the *CCAA*; and

(d) To the best of the Monitor's knowledge, the Applicants have complied with all statutory requirements of the CCAA and all previous orders of this Honourable Court and have not done or purported to do anything which is not authorized by the CCAA.

All of which is respectfully submitted this 15th day of September, 2009.

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

Greg Pollard, CA, CIRP
Senior Vice-President