

Court/Estate No: 25-1179833

**IN THE MATTER OF THE PROPOSAL OF  
DEEP CREEK OIL & GAS INC.  
OF THE CITY OF CALGARY  
IN THE PROVINCE OF ALBERTA  
  
PROPOSAL**

**Deep Creek Oil & Gas Inc.**, being insolvent, hereby submits the following proposal pursuant to the provisions of Part III Division I of the *Bankruptcy and Insolvency Act*.

**PART I – INTERPRETATION**

**Definitions**

1. In this *Proposal*, the following terms are defined:
  - a) “*Administrative Fees and Expenses*” means:
    - i) all proper fees and expenses of the *Trustee*; and
    - ii) the legal fees and disbursements of the *Trustee* on and incidental to the preparation of the *Proposal* and any proceedings arising out of the filing of the *Proposal*, including advice in connection therewith.
  - b) “*Affected Claims*” means all of the *Crown Claims*, all of the claims of the *Affected Secured Creditors*, the *Preferred Creditors* and the *Ordinary Unsecured Creditors*.
  - c) “*Affected Creditors*” means holders of *Crown Claims*, *Affected Secured Creditors*, *Preferred Creditors* and *Ordinary Unsecured Creditors*.
  - d) “*Affected Secured Creditors*” means those creditors, listed in Schedule “1”, holding a lien or charge on the assets of the *Company* registered in priority to the charge of the *Unaffected Secured Creditor* at the Davey Lake Property or having registered a lien on the Plato Property.
  - e) “*BLA*” means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time.
  - f) “*Claims*” means any indebtedness, liability, action, cause of action, suit, debt due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of the *Company* or their successors and assigns or their respective directors, to any person, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, in any way, and whether in whole or in part, incurred or arising or relating to the period prior to or existing on the *Claims Date*, together with all

*Claims* in respect of the costs of remedying any environmental condition or damage affecting real property whether the condition or the damage occurred or existed before or after the *Claims Date*.

- g) “*Claims Date*” means the Date of the Notice of Intention to File a Proposal, being March 19, 2009.
- h) “*Company*” or “*Deep Creek*” means Deep Creek Oil & Gas Inc.
- i) “*Court*” means the Court of Queen’s Bench of Alberta, Judicial District of Calgary.
- j) “*Creditors’ Meeting*” means the meeting of creditors called pursuant to the *BLA* for the purpose of considering and voting on the *Proposal*.
- k) “*Crown Claims*” means *Claims* of Her Majesty in right of Canada or a province.
- l) “*Effective Date*” means the date on which the Order of the Court approving this *Proposal* becomes final and may no longer be appealed.
- m) “*Final Order*” means an Order granted by the Court, approving this *Proposal*, which is final and can no longer be appealed.
- n) “*Ordinary Unsecured Creditor(s)*” means those creditors with *Claims*, except for those *Claims* that:
  - i) have been finally and conclusively disallowed pursuant to the provisions of the *BLA* by the *Trustee*, or the *Court* (as may be applicable);
  - ii) may be contingent or unliquidated and found by the *Trustee*, or the *Court* (as may be applicable) not to be provable;
  - iii) are *Crown Claims*;
  - iv) are *Claims* by *Preferred Creditor(s)*;
  - v) are the secured portion of *Claims* by the *Affected Secured Creditors*; and
  - vi) are *Claims* by *Affected Secured Creditors*, *Unaffected Secured Creditor* and *Unaffected Operating Creditors*.
- o) “*Preferred Creditor(s)*” means any creditor entitled to receive payment of any amount owed to it in priority to other creditors as provided for in Section 136 of the *BLA*.
- p) “*Proposal*” means this *Proposal* made pursuant to the provisions of Part III Division I of the *BLA* as filed on June 18, 2009 and as amended or supplemented from time to time.
- q) “*Released Parties*” means each and every present and former director of the *Companies*, and their respective successors and assigns.

- r) “*Trustee*” means Alger & Associates Inc., the *Trustee* acting under the *Proposal*.
- s) “*Unaffected Secured Creditor*” means Keele Capital Mezzanine Limited Partnership that holds a first mortgage or charge on real estate or other assets of the *Company*.
- t) “*Unaffected Operating Creditors*” means those creditors, listed in Schedule “2”, holding a *Claim* for any unpaid surface leases, mineral leases, gross overriding royalties, actual or potential operator liens up to the *Claims Date*.

### **Application**

- 1) The *Proposal* applies to the holders of all *Crown Claims*, *Affected Secured Claims*, *Preferred Creditors* and *Ordinary Unsecured Creditors*, whether or not such person proves a claim against the *Company* under the *Proposal*.

## **PART II – BACKGROUND**

- 2) *Deep Creek* suffered a reduction of revenues due to falling oil and gas prices. *Deep Creek* was unable to pay its liabilities in the ordinary course of business.
- 3) *Deep Creek* filed a Notice of Intention to Make a Proposal on March 19, 2009 and Alger & Associates Inc. consented to act as *Trustee* under the *Proposal*.

## **PART III - PURPOSE & EFFECT**

### **Purpose**

- 4) The purpose of the *Proposal* is to restructure the financial affairs of the *Company* in order to continue business. The *Proposal*, if successful, will allow for the following to occur:
  - a) Allow for the sale of *Deep Creek*’s interest in Davey Lake for \$1,700,000, of which \$1,500,000 will be paid upon at closing, and the remainder paid by March 31, 2010.
  - b) Pay all proceeds of the Davey Lake sale to reduce the amount owed to the *Unaffected Secured Creditor*;
  - c) Pay all *Affected Secured Creditors* in cash up to the value of the associated property owned by the *Company*. The balance of their *Claims* will be paid in common stock of *Deep Creek*;
  - d) Pay all *Crown* and *Preferred Claims*, if any, in cash;
  - e) Pay all *Ordinary Unsecured Claims* in common stock of *Deep Creek*;
  - f) Raise new equity in the amount of \$600,000 to be used to pay the *Unaffected Operating Creditors* and *Affected Secured Creditors* and fund future working capital purposes; and,

- g) Approve the three transactions between *Deep Creek* and Prowler, Keith P. Watts, Carman D Adair, and Dwight A. Johnson, and Britt Ash Enterprise.

### Effect

- 5) The *Proposal* will be considered to be completed when:
- a) The Davey Lake interest has been sold as contemplated;
  - b) Proceeds received at the closing of the sale of the Davey Lake property have been paid to the *Unaffected Secured Creditor*;
  - c) New Equity in the amount of \$600,000 has been collected by the *Company*;
  - d) Funds have been paid to all *Affected Secured Creditors* pursuant to the terms of this *Proposal*;
  - e) Funds have been paid to all *Crown and Preferred Claims*, if any, pursuant to the terms of this *Proposal*; and
  - f) The balance of the *Claims* of the *Affected Secured Creditors* and the *Claims* of the *Ordinary Unsecured Creditors* have been converted to voting shares of the *Company* pursuant to the terms of this *Proposal* and the shares issued.

### PART IV - SECURED CLAIMS

- 6) Payments to the *Unaffected Secured Creditor* and the *Unaffected Operating Creditors* will continue to be made in accordance with the present arrangements or any other arrangements, which may be agreed upon by the *Unaffected Secured Creditor*, the *Unaffected Operating Creditors* and the *Company*.
- 7) All proceeds received at the closing of the sale of the Davey Lake property will be applied to the loan of the *Unaffected Secured Creditor*.
- 8) Cash payments to the *Affected Secured Creditors* will be based on 90 percent of the proven producing value of the applicable properties as at December 31, 2008. The *Claims* based on this value, will be paid 90 percent in cash and the balance of the *Claims* will be paid as *Ordinary Unsecured Creditors* as outlined in Part VII of this *Proposal*.

### PART V – CROWN CLAIMS

- 9) During the term of the *Proposal*, the *Company* will remit all required income tax, employee source deductions, and GST installments directly to Canada Revenue Agency and file the required GST returns on time, with payment of any balance due made on filing.

- 10) No later than six months following the *Court's* approval of the *Proposal*, the *Company* shall pay Her Majesty in right of Canada or a province all *Claims* of a kind that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* (Canada) or under any substantially similar provision of provincial legislation that are outstanding on the filing date of the *Proposal*.
- 11) *Deep Creek* is not aware of any outstanding *Crown Claims*.

#### **PART VI – PREFERRED CLAIMS**

- 12) The *Claims* of all *Preferred Creditors*, if any, shall be paid in full, without interest or penalty, and subject to the Superintendent of Bankruptcy's levy, in priority to all claims of the *Ordinary Unsecured Creditors*.
- 13) *Deep Creek* is not aware of any outstanding *Claims* to *Preferred Creditors*.

#### **PART VII - UNSECURED CLAIMS**

- 14) The *Claims* of *Ordinary Unsecured Creditors* will receive common shares in the *Company*. The *Company* has assigned 9,000,000 shares to distribute amongst all *Ordinary Unsecured Creditor's Claims*. The estimated issue price is \$0.251 per a share based on all known *Ordinary Unsecured Creditors*.
- 15) Payments to the *Ordinary Unsecured Creditors* shall be without interest or penalty and subject to deduction of the *BLA Section 147* levy payable to the Superintendent of Bankruptcy in common stock of *Deep Creek*, based on payments pursuant to the *Proposal*.

#### **PART VIII – NEW EQUITY**

- 16) The *Company* will sell a minimum of 12.0 million shares at \$0.05 per common share to raise \$600,000.

#### **PART IX – REVIEWABLE TRANSACTIONS**

- 17) The *Company* entered into transactions with related parties as follows:
  - a) The sale of a 22.223 percent working interest of Plato area to Prowler. Prowler is partially owned by Roger Moore, who is a Director of *Deep Creek*

- b) The sale of a 47.777 percent working interest of Plato area to Keith P. Watts, Carman D Adair, and Dwight A. Johnson. All individuals are shareholders of the *Company*. Mr. Watts is an Officer and Director of *Deep Creek*.
  - c) The sale of *Deep Creek's* working interest in Kotcho Lake Area, in British Columbia, to Britt Ash Enterprises Ltd.. Britt Ash Enterprises Ltd. is owned by Keith Watts, an Officer and Director of *Deep Creek*.
- 18) The *Proposal* will approve these transactions.

#### **PART X - TIMING & PAYMENT OF CLAIMS**

- 19) Within six months of the *Effective Date* of the *Proposal*, *Deep Creek* will have completed the terms set out in the *Proposal*, upon which, the *Company*, its successors and assigns, and its Directors shall be deemed to have satisfied in full the terms of the *Proposal*.

#### **PART XI - TRUSTEE, MONITORING AND ADMINISTRATIVE COSTS**

- 20) The *Trustee* is acting in its capacity as *Trustee* and not in its personal capacity and no Officer, Director, employee or agent of the *Trustee* shall incur any obligations or liabilities in connection with the *Proposal* or in connection with the business or liabilities of the *Company*.
- 21) The *Trustee's* services will be based on time spent by the *Trustee* and the various members of its staff at their respective billing rates plus any direct out of pocket expenses incurred. The Court will tax the *Trustee's Administrative Fees and Expenses*. Upon approval of the *Proposal*, the *Trustee* will be entitled to take regular interim fees upon Inspector, or *Court* approval.

#### **PART XII - OPERATIONS AND POST-PROPOSAL GOODS AND SERVICES**

##### **No Right of Set-Off**

- 22) *Affected Creditors* under the *Proposal* who have dealings with the *Company* after the *Claims Date* shall not have the right to set-off (either legally or equitably) any amounts owing to them in respect of post-*Proposal* goods and services, as against *Claims*.

#### **PART XIII - INSPECTORS**

- 23) At the *Creditors' Meeting*, the *Affected Creditors* will be entitled to appoint one or more, but not exceeding five Inspectors, whose powers shall be as follows:

- a) advising the *Trustee* in respect of such matters as may be referred to the Inspectors by the *Trustee*;
- b) advising the *Trustee* concerning any dispute that may arise as to the validity of the *Claims of Affected Creditors* under this *Proposal*;
- c) exercising all powers given to the Inspectors of a bankrupt estate appointed pursuant to the provisions of the *BLA*; and
- d) to alter or extend the time for payments to be made pursuant to this *Proposal*, but not the total amount paid.

#### PART XIV - RELEASE OF COMPANY & DIRECTORS

- 24) Upon the *Effective Date*, the *Released Parties* shall be released and discharged by all *Affected Creditors* from all *Claims*, which any *Affected Creditor* may have or have been entitled to assert against any of the *Released Parties* for which they would be, by law, liable in their capacity as Directors for the payment of such *Claims*, provided that nothing herein shall release or discharge any of the *Released Parties* from *Claims* that:
- a) relate to contractual rights of one or more of the *Affected Creditors* arising from contracts with one or more of the *Released Parties*; or
  - b) are based on allegations of misrepresentation made by the *Released Parties* to the *Affected Creditors* or of wrongful or oppressive conduct by the *Released Parties*.

#### PART XV – CONSENTS, WAIVERS AND AGREEMENTS

- 25) On the *Effective Date*, all *Affected Creditors* shall be deemed to have consented and agreed to all of the provisions of the *Proposal* in its entirety. Each *Affected Creditor* will be deemed to have waived any default by the *Company* in any provision, expressed or implied, or in any agreement existing between the *Affected Creditor* and *Deep Creek* that occurred on or prior to the *Effective Date*. Each *Affected Creditor* will be deemed to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of the *Proposal*, the provisions of the *Proposal* take precedence and priority and the provisions of any such agreement are amended accordingly.

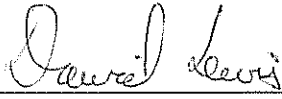
#### **Binding Effect**

- 26) The provisions of the *Proposal* will be binding on the *Affected Creditors*, the *Company*, and their respective heirs, executors, administrators, personal and legal representatives, successors, and assigns, on the *Effective Date*.

**PART XVI - ANNULMENT OF PROPOSAL**

27) If the *Proposal* is annulled by an Order of the *Court*, all payments on account of *Claims* made pursuant to the terms of the *Proposal* will reduce the *Claims* of the *Affected Creditors*.

Dated at Calgary this 18<sup>th</sup> day of June, 2009.

  
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Witness

Deep Creek Oil & Gas Inc.

Per:   
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Mr. Andre Voskuil

IN THE MATTER OF THE PROPOSAL OF  
DEEP CREEK OIL & GAS INC.  
OF THE CITY OF CALGARY  
IN THE PROVINCE OF ALBERTA  
PROPOSAL  
SCHEDULE 1  
AFFECTED SECURED CREDITORS

Davey Lake

1. Reliance Well Servicing (2002) Ltd.
2. TKO Rentals Ltd.

Plato

1. Veracity Energy Services Ltd.

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SCHEDULE 2  
UNAFFECTED OPERATING CREDITORS**

1. BP Energy Canada Company
2. Westfire Energy Ltd.
3. Zapata Energy Corporation