

Action No.:25-1179833

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE PROPOSAL OF  
DEEP CREEK OIL & GAS LTD.

TRUSTEE'S SECOND REPORT

May 27, 2009

### **Introduction**

1. On March 19, 2009, Deep Creek Oil & Gas Inc. ("Deep Creek" or "the Company") filed a Notice of Intention to Make a Proposal ("NOI") pursuant to the *Bankruptcy and Insolvency Act* and Alger & Associates Inc. (the "Trustee") consented to act as Trustee.
2. On March 19, 2009, the Trustee issued the required report on the Company's projected statement of cash flow for the seventy-three (73) day period from March 18, 2009 to May 31, 2009.
3. On April 16, 2009, Deep Creek was granted an extension of 45 days to file the Proposal. Attached, as Exhibit "1" is a copy of the extension order.
4. The Second Trustee's Report ("Trustee's Report") will provide the Court with information in the following major areas:
  - a) Comparison of Actual Cash Flow to Projected Cash Flow;
  - b) On-going Operations;
  - c) Revised Cash Flow Forecast;
  - d) Secured Creditors; and
  - e) Trustee Recommendation

### **Disclaimer and Limitations of Report**

5. The information contained in the Trustee's Report was obtained from the records of Deep Creek and various other sources. The information was not audited nor otherwise verified by the Trustee as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about Deep Creek. Accordingly, we do not express an opinion or any other form of assurance on the information presented herein. The Trustee may refine or alter its observations as further information is obtained or is brought to its attention after the date of the Trustee's Report.
6. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party because of the circulation, publication, reproduction, or use of the Trustee's Report.

Any use that any party makes of this report, or any reliance on or decisions to be made based on it is the responsibility of such party.

### **Comparison of Actual Cash Flow to Projected Cash flow**

7. The Statement of Receipts and Disbursements for the period March 18 to May 25, 2009 is attached as Exhibit "2" to this report. The Trustee's First Report provided comments on actual receipts and disbursements up to April 14, 2009. The Trustee's comments are as follows:
  - Cash disbursements for the period have been reviewed by the Trustee and agree to the bank statement.
  - Cash receipts for the period have been reviewed by the Trustee and agree to the bank statement.
  - The company has a cash balance of \$127,125 as at May 25, 2009.
8. Due to the timing of the report, not all receipts and disbursements for the period ending May 31, 2009 have been received at the date of this report. Based on the cash balance, the Company has sufficient funds to discharge the projected expenses for the period when the bills are presented for payment.

### **On-going Operations**

9. The Company continues to operate as planned since the filing of the NOI.
10. One joint venture partner purported to forfeit a joint venture interest in the name of the Company. Upon discussion with the Trustee, the forfeiture notice was withdrawn.

### **Restructuring Plans**

11. The Company continues to work on its restructuring plan which is subject to the approval of the creditors and the Court. The following progress has been made:
  - The Company has signed a letter of intent to sell one of its properties and it is expected that a definitive unconditional agreement will be signed shortly;

Deep Creek Oil & Gas Inc.  
Trustee's Second Report  
Alger & Associates Inc.  
May 27, 2009

- The Company has successfully raised material new equity which is in a trust account and will continue to raise more equity until its target goal is met; and
  - The Company is finalizing a letter of intent with a public company.
12. The Company has made substantial progress in its efforts to complete a restructuring plan, however needs the additional time to format the Proposal in a presentable manner for all creditors.

#### **Revised Cash Flow Forecast**

13. The Company filed a cash flow forecast with the NOI on March 19, 2009 and a revised cash flow forecast with the Trustee's First Report. Based on actual results to date, the Company has prepared a revised projected statement of cash flow for the period ending July 31, 2009. The revised cash flow is attached as Exhibit "3" to this report.
14. Based on the revised statement of projected cash flow, the Company will have a cash balance of \$13,974 as at July 31, 2009.

#### **Secured Creditor**

15. Keele Capital Mezzanine Limited Partnership ("Keele") has a first charge over all assets of Deep Creek and is owed approximately \$2.3 million.
16. A forbearance agreement was entered into between Keele and the Company prior to filing the NOI.
17. Keele has advised the Trustee that it is supportive of the extension of the stay.

#### **SemCanada Crude**

18. On March 26, 2009, legal counsel for SemCanada Crude Company ("SemCanada Crude"), wrote a letter informing the Trustee of a Court Order in favour of SemCanada in regard to an amount of \$159,857.97. Attached as Exhibit "4" is a copy of the transmittal letter and the Court Order.

19. The letter advised that certain excess advance payments made by SemCanada to Deep Creek for oil purchases were held in trust by Deep Creek.
20. Prior to the NOI, the Company supplied certain production to SemCanada in accordance with the Court Order and whilst reviewing the situation, the Company sent further production to SemCanada.
21. The Trustee discussed this situation with the secured creditor, Keele, who advised the Company that production must be shipped where sales proceeds would generate future cashflow.
22. The Trustee informed legal counsel for SemCanada that there was a stay in place and at the time of filing the NOI there were no funds, trust or otherwise, in the Company's possession. The Company was relying on a revolving demand loan in favour of the secured creditor.
23. The legal counsel for SemCanada further advised that they would consider applying to Court to have the stay lifted. No application has been received to date.

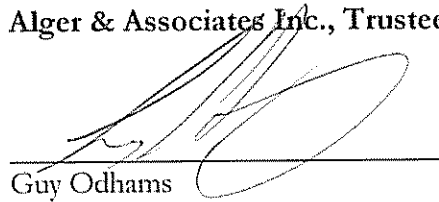
**Trustee Recommendation**

24. The Company is acting in good faith and has continued to work on a viable proposal for all creditors.
25. The Trustee believes that potential benefits to the unsecured creditors is greater if a viable Proposal is made, therefore it is appropriate to seek an extension of the stay for a further 45 days.

Deep Creek Oil & Gas Inc.  
Trustee's Second Report  
Alger & Associates Inc.  
May 27, 2009

**DATED** at Calgary, Alberta this, 27<sup>th</sup> day of May 2009.

**Alger & Associates Inc., Trustee**



A handwritten signature in black ink, appearing to read 'Guy Odhams', is written over a horizontal line. The signature is stylized and cursive.

Guy Odhams

Contact: Guy W.L. Odhams  
Direct Line: (403) 296-3143  
Email: [godhams@alger.ca](mailto:godhams@alger.ca)

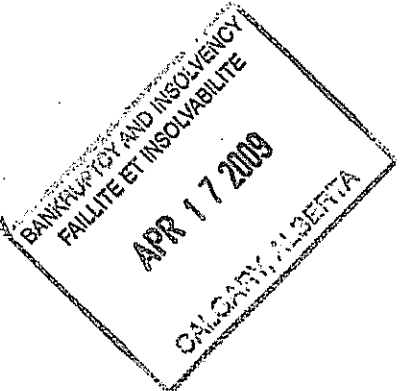
I hereby certify this to be a true copy of the original Fiat of which it purports to be a copy.

Fiat: Let paragraph 2 of the within Order of Registrar Mason be amended to state that service shall be effected via posting to the website of Alger and Associates Inc. Dated at Calgary, Alberta, this 17 day of April, 2009.

Dated this 17 day of Apr. 2007  
for Y. Rajabali  
CANADA  
PROVINCE OF ALBERTA  
ESTATE No. 25-1179833  
COURT No. 25-1179833

[Signature]  
Registrar in Bankruptcy

Exhibit "1"



IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY  
IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF DEEP CREEK OIL AND GAS INC.

BEFORE REGISTRAR ) At the Calgary Court Centre,  
J. Mason ) on Thursday, the 16th  
In Chambers ) day of April, 2009

ORDER


UPON THE APPLICATION of Deep Creek Oil and Gas Inc. ("Deep Creek") and upon having read the Trustee's First Report of Alger & Associates Inc., and upon hearing counsel for Deep Creek; and on being satisfied that (i) Deep Creek has acted, and are acting in good faith and with due diligence; (ii) Deep Creek will likely be able to make a viable proposal if the extension being applied for is granted; and (iii) that no creditor will be materially prejudiced if the extension being applied for is granted;

IT IS HEREBY ORDERED THAT:

1. The time for Deep Creek to file its proposal be and is hereby extended for 45 days from today's date;
2. A copy of this Order and the Trustee's First Report shall be served on all creditors of Deep Creek via ordinary post;

3. Any party affected by this Order is at liberty to apply to vary it or set it aside upon seven days notice to Deep Creek, Alger and Associates Inc., and such other parties as this Honourable Court may direct.

"J. MASON."  
Registrar in Bankruptcy

ENTERED THIS 16 day of APRIL, 2009  
  
Clerk of the Court



Estate No. 25-1179833



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**IN THE COURT OF QUEEN'S  
BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY**

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IN THE MATTER OF THE PROPOSAL OF  
DEEP CREEK OIL AND GAS INC.

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**ORDER**

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**PARLEE McLAWS LLP**  
Barristers & Solicitors  
3400, 150-6<sup>th</sup> Ave. S.W.  
Calgary, Alberta T2P 3Y7  
Attention: Karen Fellowes  
Telephone: (403) 294-7031  
Facsimile: (403) 265-8263

File Number: 68622-1

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Deep Creek Oil & Gas Inc.  
Statement of Receipts and Disbursements  
Budget to Actual  
For the period March 18, 2009 to May 25, 2009

	May 31, 2009 Projected	May 25, 2009 Actual
Receipts		
Production	\$ 380,000	\$ 395,813
GST refund	-	68,591
Other funds	15,000	16,000
Total	<u>\$ 395,000</u>	<u>\$ 480,404</u>
Disbursements		
Royalties	\$ 71,651	\$ 55,396
Operating expenses	175,997	160,403
G & A	50,871	76,059
Surface leases	8,159	25,421
Interest	32,500	-
Retainers	40,000	36,000
Total	<u>\$ 379,178</u>	<u>\$ 353,279</u>
Net Cash flow	\$ 15,822	\$ 127,125
Opening cash	\$ -	\$ -
Closing cash	<u>\$ 15,822</u>	<u>\$ 127,125</u>

**DEEP CREEK OIL & GAS INC.**  
**PROJECTED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD FROM MAY 25 TO JULY 31, 2009**

	May	June	July	Total
Receipts				
Production	\$ -	\$ 140,000	\$ 140,000	\$ 280,000
<b>Total</b>	\$ -	\$ 140,000	\$ 140,000	\$ 280,000
Disbursements				
Royalties	\$ 14,288	\$ 33,000	\$ 33,000	\$ 80,288
Operating expenses	34,026	68,085	68,085	\$ 170,196
G & A	20,750	20,750	20,750	\$ 62,250
Surface leases	-	-	-	\$ -
Interest	16,250	16,250	16,250	\$ 48,750
GST payable	-	-	6,667	\$ 6,667
Retainers	-	12,500	12,500	\$ 25,000
<b>Total</b>	\$ 85,314	\$ 150,585	\$ 157,252	\$ 393,151
<b>NET</b>	\$ (85,314)	\$ (10,585)	\$ (17,252)	\$ (113,151)
Opening Cash	\$ 127,125	\$ 41,811	\$ 31,226	\$ 127,125
Closing Cash	\$ 41,811	\$ 31,226	\$ 13,974	\$ 13,974

Osler, Hoskin & Harcourt LLP  
Suite 2500, TransCanada Tower  
450 - 1st Street S.W.  
Calgary, Alberta, Canada T2P 5H1  
403.260.7000 MAIN  
403.260.7024 FACSIMILE

Exhibit "4"

OSLER

Calgary

March 26, 2009

Cynthia L. Spry  
Direct Dial: 416.260.7023  
cspry@osler.com  
Our Matter Number: 1114468

Toronto

Montréal

**SENT BY COURIER AND EMAIL**

Ottawa

Deep Creek Oil & Gas Inc.  
500, 608-7<sup>th</sup> Street S.W.  
Calgary, AB T2P 1Z2

Alger & Associates  
400, 602 - 11th Avenue SW  
Calgary, AB T2R 1J8

New York

Attention: Andre Voskuil  
Keith Watts  
Roger Moore  
Grant Plunkie

Attention: David Lewis  
Guy Odhams

Dear Sirs:

**Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act*  
(the "BIA")**

We are counsel to SemCanada Crude Company ("**SemCanada Crude**").

Pursuant to paragraph 6 of the attached consent order granted March 5, 2009 (the "**Court Order**"), previously served upon Deep Creek, certain excess advance payments made by SemCanada Crude to Deep Creek Oil & Gas Inc. ("**Deep Creek**") for crude oil purchases in the amount of CDN \$159,857.97 are held in trust by Deep Creek for SemCanada Crude until such time as Deep Creek has supplied SemCanada Crude with crude oil of equivalent value (the "**Trust Monies**").

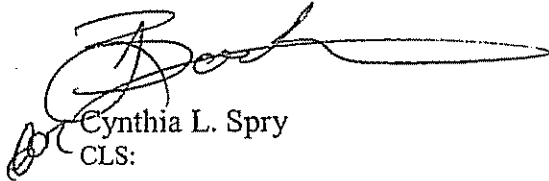
By email dated March 21, 2009, Mr. Voskuil advised that Deep Creek has filed a Notice of Intention to make a proposal under the BIA.

I am advised by SemCanada Crude that despite paragraph 4 of the Court Order, which required Deep Creek to immediately supply all crude oil produced by Deep Creek at the battery legally described as 06-04-034-28W4 and to continue to supply all such crude oil to SemCanada Crude until the value thereof is at least equal to CDN \$159,857.97, no such crude oil was supplied or will be supplied. Accordingly, the value of the outstanding Trust Monies is CDN \$159,857.97.

Deep Creek and its Proposal Trustee have an obligation to protect the Trust Monies held on SemCanada Crude's behalf and to ensure that they are returned to SemCanada Crude. Should they fail to do so, SemCanada Crude will hold all individuals involved, including Deep Creek's directors and officers, personally liable for any failure on their part to protect the Trust Monies and ensure they are returned to SemCanada Crude.

I urge your immediate attention to this matter.

Yours truly,



Cynthia L. Spry  
CLS:

c: A. Robert Anderson, Q.C., *Osler*  
Doug Schweitzer, *Osler*

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 A PLAN OF COMPROMISE OR ARRANGEMENT OF  
SEMCANADA CRUDE COMPANY, SEMCAMS ULC, SEMCANADA ENERGY  
COMPANY, A.E. SHARP LTD., CEG ENERGY OPTIONS, INC., 3191278 NOVA  
SCOTIA COMPANY and 1380331 ALBERTA ULC

APPLICANTS

BEFORE THE HONOURABLE ) Granted at the Court House, in the City  
JUSTICE B.E.C. ROMAINE ) Calgary, in the Province of Alberta  
IN CHAMBERS ) on Thursday the 5<sup>th</sup> day of  
) March, 2009

I hereby certify this to be a true copy of  
the original order  
Dated this 5 day of March, 09

CONSENT ORDER  
(Re: Deep Creek Application)

C. Far  
for Clerk of the Court

UPON the application of SemCanada Crude Company ("SemCanada Crude"); AND  
UPON reading the Affidavit of Darilyn Landfried sworn February 17, 2009, filed; AND UPON  
hearing counsel for SemCanada Crude, counsel for the Monitor, and counsel for any other parties  
who may be present;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of the Notice of Motion dated February 17, 2009 and materials in support thereof is hereby abridged, if necessary, this application is properly returnable today, and further service of the Notice of Motion, other than to those listed on the Service List attached to the Notice of Motion, is hereby dispensed with;
2. SemCanada Crude made various advance payments to Deep Creek for crude oil purchases including advance payments of CDN \$159,857.97 (the "Excess Advance Payments");
3. Deep Creek has failed to supply crude oil to SemCanada Crude of equivalent value to the Excess Advance Payments;

4. Deep Creek shall immediately commence supply to SemCanada Crude of all crude oil produced by Deep Creek at the battery legally described as 06-04-034-28W4, and shall continue to supply all such crude oil to SemCanada Crude until the value thereof is at least equal to the Excess Advance Payments;
5. If Deep Creek does not supply crude oil to SemCanada Crude of value equivalent to the Excess Advance Payments by July 4, 2009, upon demand by SemCanada Crude to Deep Creek, Deep Creek shall immediately repay to SemCanada Crude any portion of the Excess Advance Payments for which crude oil of equivalent value has not been supplied by Deep Creek to SemCanada Crude;
6. The Excess Advance Payments and any other amounts hereafter prepaid by SemCanada Crude to Deep Creek are held in trust by Deep Creek for SemCanada Crude until such time as Deep Creek has supplied crude oil of equivalent value to SemCanada Crude.



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J.C.Q.B.A.

ENTERED this 5 day of March, 2009.

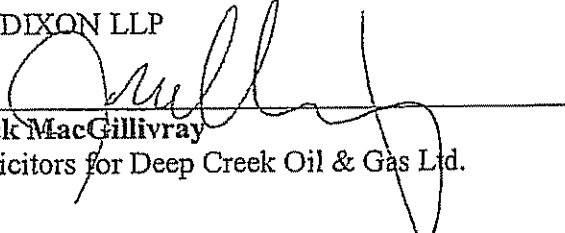
V.A. BRANDT   
Clerk of the Court

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CONSENTED AS TO FORM AND CONTENT:

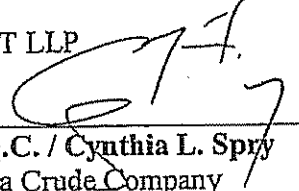
THIS \_\_\_ DAY OF FEBRUARY, 2009

MACLEOD DIXON LLP

Per:   
Jack MacGillivray  
Solicitors for Deep Creek Oil & Gas Ltd.

THIS <sup>th</sup> 5 DAY OF FEBRUARY, 2009

OSLER, HOSKIN & HARCOURT LLP

Per:   
A. Robert Anderson, Q.C. / Cynthia L. Spry  
Solicitors for SemCanada Crude Company

Action No. 0801-08510

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IN THE COURT OF QUEEN'S BENCH  
OF ALBERTA  
JUDICIAL CENTRE OF CALGARY

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IN THE MATTER OF THE  
*COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985,  
C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF  
COMPROMISE OR ARRANGEMENT  
OF SEMCANADA CRUDE COMPANY,  
SEMCAMS ULC, SEMCANADA  
ENERGY COMPANY, A.E. SHARP  
LTD., CEG ENERGY OPTIONS, INC.,  
3191278 NOVA SCOTIA COMPANY AND  
1380331 ALBERTA ULC

APPLICANTS

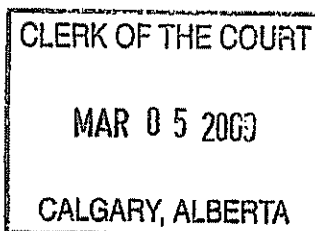
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CONSENT ORDER  
(re: Deep Creek Application)

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OSLER, HOSKIN & HARCOURT LLP  
Barristers & Solicitors  
450 1<sup>st</sup> Street, S.W.  
Suite 2500, TransCanada Tower  
Calgary, Alberta T2P 5H1

A. Robert Anderson, Q.C./Cynthia L. Spry  
Telephone: (403) 260-7004/7023  
Facsimile: (403) 260-7024  
File: 1114468



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Action No. 25-1179833

2009

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IN THE COURT OF QUEEN'S BENCH  
OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

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IN THE MATTER OF THE PROPOSAL  
OF  
DEEP CREEK OIL & GAS LTD.

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**TRUSTEE'S SECOND REPORT**

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Alger & Associates Inc.  
400, 602 11th Avenue SW  
Calgary, AB T2R 1J8  
Guy Odhams  
Telephone: (403) 296-3143  
Facsimile: (403) 296-2988

Legal Counsel  
Parlee McLaws LLP  
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3400 Petro-Canada Centre  
150-6th Avenue SW  
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