

Action No.: 25-1356341

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

**IN THE MATTER OF THE PROPOSAL OF
RICHARDS OIL & GAS LIMITED
TRUSTEE'S SECOND REPORT**

July 15, 2010

Introduction

1. On May 5, 2010, Alger & Associates Inc. (the "Trustee") consented to act as Trustee for the Notice of Intention to Make a Proposal ("NOI") by Richards Oil & Gas Limited. ("Richards" or "the Company").
2. On May 7, 2010, the Trustee issued the required report on the Company's projected statement of cash flow for the period ended July 31, 2010.
3. On June 4, 2010, this Court granted an Order for an extension of time for filing the proposal to July 19, 2010. Attached as Exhibit 1 is a copy of that Order.
4. The Second Trustee's Report ("Trustee's Report") is intended to provide the Court and other interested parties with information in connection with the application for the extension of the stay for a further 45 days to September 2, 2010.

Disclaimer and Limitations of Report

5. The information contained in the Trustee's Report was obtained from the records of Richards 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 Richards. 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. It is emphasized that the Trustee has not reviewed the assets of Richards, and with respect to such assets, have relied to a significant degree upon information provided by Richards' management.
7. 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.

Business and Status of Company

8. Richards is a Calgary-based exploration company, which was publicly traded on the TSX – venture exchange, and was involved in the development of crude oil and natural gas, with an emphasis on the exploitation of coal bed methane.
9. The primary property of the Company is located in the Morningside area of Alberta and consists of 15 producing gas wells, currently producing approximately 75 flowing boe/day. The other property owned by the Company is located at Ardley which consists of 4 standing and 8 abandoned wells.
10. In addition to the oil and gas properties, previously mentioned, the company has approximately \$20 million in tax pools.
11. The major classes of creditors of the Company are:
 - a) Secured debt - \$1.3 million
 - b) Unsecured debt - \$8.5 million, including \$6.5 million due to unsecured debenture holders.
12. Our preliminary analysis indicates that Richards' insolvency is due to cash flow problems as result of lower gas prices and the costs associated with abandonment liabilities with its oil and gas properties that have negatively impacted the marketability of the properties.

Restructuring Efforts to Date

13. As mentioned in our previous report, the Company retained an outside consultant in mid 2009, to assist its efforts to restructure its affairs. As part of the restructuring Richards sold many properties and used the proceeds to fund operations and repay amounts due to the secured lender, National Bank of Canada (“NBC”)
14. The Company continued to experience financial difficulties which resulted in a forbearance agreement with NBC. By April 2010, the Company was unable to meet the terms of the forbearance agreement and the NBC debt was sold to Kallisto Energy Corp. (“Kallisto”) in April 2010.

Cash Flow Forecasts

15. The Company filed a projected cash flow forecast on May 7, 2010. The Company has prepared an updated projected statement of cash flow, using actual results to July 15, 2010, for the period ending September 30, 2010 which is attached as Exhibit 2 to this report.
16. The Trustee has monitored the ongoing operating results of the Company. The operators used the production revenue to pay the operating expenses and a net cheque is sent to the Company.
17. The accounts receivable held by a consultant of the Company have now been paid to the Company, and a settlement reached with the consultant.
18. The secured creditor, Kallisto, will, if necessary, fund ongoing expenses.

Creditor Claims

19. The Trustee has not been contacted by any creditors who were not on the original list of creditors.
20. The Trustee has received no correspondence from creditors to indicate that there is any opposition to an application to extend the proposal proceedings for a further 45 days.
21. The Trustee can advise this Honourable Court that that the secured lender is supportive of the Company's intentions to seek an additional 45 day extension on the proposal proceedings.

Trustee Recommendation

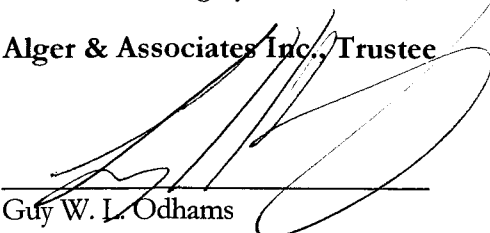
22. Richards has been working with its counsel and the Trustee in the preparation of the Proposal, but that the drafting of this Proposal has taken longer than anticipated due to the requirement to bring the records current, review the tax attributes and structure the re-capitalization of the Company.

Richards Oil & Gas Limited
Trustee's Second Report
Alger & Associates Inc.
July 15, 2010

23. The Trustee believes that there are benefits to the unsecured creditors if Richards is provided an opportunity to file a proposal since there would be no distribution to unsecured creditors in the event of a bankruptcy of the Company.
24. The Company is cooperating fully with the Trustee and is working diligently and in good faith to present a viable proposal to its creditors. Therefore an extension of the stay is appropriate to allow the Company, with the assistance of the Trustee, an opportunity to submit a proposal to its creditors.

DATED at Calgary, Alberta this, 15th day of July 2010.

Alger & Associates Inc., Trustee



Guy W. L. Odhams

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Action No: 25-1356341

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

IN THE MATTER OF THE PROPOSAL OF
RICHARDS OIL & GAS LIMITED

BEFORE THE HONOURABLE
MR. JUSTICE G..C. HAWCO
IN CHAMBERS

) AT THE COURTS CENTRE IN THE
) CITY OF CALGARY, PROVINCE OF
) ALBERTA, ON FRIDAY THE 4th
) DAY OF JUNE, 2010

ORDER

(Extension of Time for Filing Proposal)

UPON the application of Richards Oil & Gas Limited ("Richards"), AND UPON having read the pleadings and proceedings filed herein; AND UPON having read the Affidavit of Ferdie Artzen, filed; AND UPON having read the First Report of Alger & Associates Inc. (the "Proposal Trustee") as Proposal Trustee of Richards dated June 2, 2010, filed; AND UPON hearing counsel for Richards;


IT IS HEREBY ORDERED AND DECLARED THAT:

- 1. Time for service of the within Notice of Motion and the supporting material is hereby abridged to the time given and is deemed to be good and sufficient.

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

Dated this 4 day of June 2010
[Signature]
Registrar at Calgary
Bankruptcy Division of the
Court of Queen's Bench of Alberta

2. The period of time within which Richards and its Proposal Trustee shall be permitted to file a proposal under Section 62(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, chap. B-3, as amended (the "BIA") is hereby extended to and including July 19, 2010.

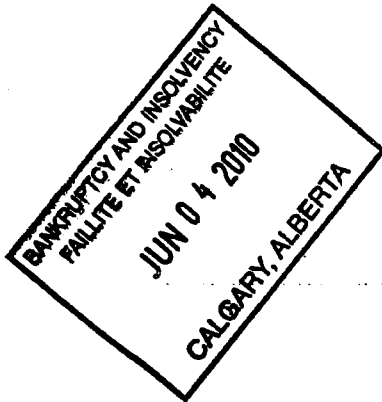


J.C.Q.B.A.

Entered this 4 day
of June, 2010

Clerk of the Court



**IN THE COURT OF QUEEN'S
BENCH OF ALBERTA**

JUDICIAL CENTRE OF CALGARY

**IN THE MATTER OF THE PROPOSAL OF
RICHARDS OIL & GAS LIMITED**

ORDER
((Extension of Time for Filing Proposal))

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EXHIBIT 2

RICHARDS OIL & GAS LIMITED
Projected Statement of Cash flow
for the Period May 5, 2010 to September 30, 2010

Court No. 25-1356341
Estate No. 25-1356341

	May 5 to July 15, 2010 Actual	July 16 - 31	August	September	Total
Receipts					
Account Receivable	\$ 144,589	\$ -	\$ -		\$ 144,589
Production	37,607	50,000	50,000	50,000	187,607
GORR	3,663	1,500	1,500	1,500	8,163
Funds from Secured Creditor	126,854	-	27,500	40,000	194,354
Total Receipts	\$ 312,713	\$ 51,500	\$ 79,000	\$ 91,500	\$ 534,713
Disbursements					
GORR	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ 15,000
Operating expenses	27,332	40,000	40,000	40,000	147,332
G+A	79,751	27,900	24,200	21,700	153,551
Salary	41,972	16,000	16,000	16,000	89,972
ERCB	901	-	-		901
Trustee Fees	50,000	25,000	25,000	25,000	125,000
Total Disbursements	\$ 199,956	\$ 113,900	\$ 110,200	\$ 107,700	\$ 531,756
Net Cash flow	\$ 112,757	\$ (62,400)	\$ (31,200)	\$ (16,200)	\$ 2,957
Cumulative Net Cash flow	\$ 112,757	\$ 50,357	\$ 19,157	\$ 2,957	\$ 2,957

Richards Oil & Gas Limited
Projected Administration and General Expenses
for the period May 5 to September 30, 2010

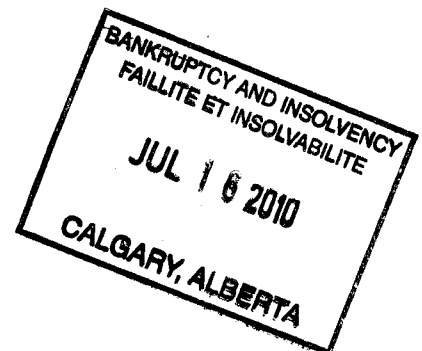
	May 5 to July 15, 2010 Actual	July	August	September	Total
Workers Comp	\$ -	\$ 300	\$ 100	\$ 100	\$ 500
Office rent	13,173	-	4,500	4,500	17,673
Stationery/supplies	331	250	250	250	1,081
Insurance	5,594	3,100	3,100	3,100	11,794
Directors Fees	30,000	7,500	7,500	7,500	52,500
Legal Fees	15,202	5,000			20,202
Computer	5,000	2,500	2,500	2,500	12,500
Accounting services	7,899	8,000	5,000	2,500	23,399
Land admin fees	26	100	100	100	326
Phone/fax	2,312	1,000	1,000	1,000	5,312
Taxes/licenses	100	100	100	100	400
Bank charges	114	50	50	50	264
Total G+A	\$ 79,751	\$ 27,900	\$ 24,200	\$ 21,700	\$ 145,951

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JUDICIAL CENTRE OF CALGARY

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OF RICHARDS OIL AND GAS LIMITED**

**TRUSTEE'S SECOND REPORT
JULY 15, 2010**



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File No. 266394/RSV