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FILE NUMBER 78557-00001

March 23, 2010

DELIVERED BY REGULAR MAIL

TO: Holders of 10½% Redeemable Retractable Subordinated Debentures (The "**Debentures**") issued by Western Canada Energy Ltd. pursuant to a Deed of Trust and Mortgage dated August 29, 2007 as amended (the "**Indenture**")

Dear Sirs:

Re: Meeting of the Holders of Debentures to be Held March 31, 2010 at 4:30 p.m. in Calgary, Alberta (the "Debenture Holders Meeting")

We are counsel to Western Canada Energy Ltd. ("WCE"). As you are aware, WCE has called the Debenture Holders Meeting to allow the Debenture Holders to give directions to Olympia Trust Company (the "**Debenture Trustee**"), in its capacity as trustee under the Indenture, on how to vote the aggregate indebtedness outstanding under the Indenture at the meeting of creditors of WCE scheduled to take place following the Debenture Holders Meeting to consider the proposal made by WCE to its creditors pursuant to the *Bankruptcy and Insolvency Act*.

We are enclosing:

1. Copy of WCE's proposal to creditors.
2. Report of the Proposal Trustee.
3. Proxy for you to complete and return if you are unavailable to attend the Debenture Holders Meeting in person.

The resolution currently expected to be presented to the holders of Debentures for consideration at the Debenture Holders Meeting is:

"BE IT RESOLVED as an extraordinary resolution, pursuant to Section 19.11 of the Indenture, that Olympia Trust Company, in its capacity as trustee under the Indenture, vote the aggregate value of Debentures outstanding under the Indenture in favour of the compromise being proposed by Western Canada Energy Ltd. in its *Bankruptcy and Insolvency Act* proposal dated March 18, 2010 including, at its

discretion, any adjournment to consider the proposal and any amendment which does not reduce the amount to be received by the holders of Debentures pursuant to the proposal"

We would encourage you to attend the meeting or to complete and return to Olympia Trust Company a proxy if you are unable to attend. For an extraordinary resolution to be considered a minimum of 50% in principal amount the debentures outstanding must be present in person or by proxy and the resolution must be passed by the favourable votes of not less than 66 $\frac{2}{3}$ % of the principal amount of the debentures represented at the meeting.

Instructions for return of your proxy can be found in the form of proxy itself.

If you have any questions of WCE please do not hesitate to contact WCE at:

Suite 1000, 635 - 8th Avenue S.W.
Calgary, Alberta T2P 3M3
Attention: Dan O'Neill
Telephone: (403) 266-0955

Yours truly,

DAVIS LLP

Per:



Larry Robinson, Q.C.
LBR/lnt

Encls.

**IN THE MATTER OF THE PROPOSAL OF
WESTERN CANADA ENERGY LTD.
OF THE CITY OF CALGARY
IN THE PROVINCE OF ALBERTA**

PROPOSAL

Western Canada Energy Ltd. (“WCE” or the “Company”) being insolvent, hereby submits the following Proposal pursuant to the provisions of Part III Division I of the Bankruptcy and Insolvency Act.

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 Creditors” means holders of Crown Claims, Affected Secured Creditors, Preferred Creditors and Ordinary Unsecured Creditors.
 - c) “Affected Secured Creditor” means Olympia Trust Company, the debenture trustee for the debenture holders holding 10 ½% per annum Redeemable Retractable Subordinated Debentures under a Deed of Trust and Mortgage dated August 29, 2007 and as further amended.
 - d) “BIA” means the Bankruptcy and Insolvency Act (Canada), as amended from time to time.

- e) "Claim" 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, including any portion thereof, of the Company or its successors and assigns or its 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.
- f) "Claims Date" means the date of filing the Notice of Intention, being February 25, 2010.
- g) "Company" or "WCE" means Western Canada Energy Ltd.
- h) "Court" means the Court of Queen's Bench of Alberta, Judicial District of Calgary.
- i) "Creditor" means any Person having a Claim.
- j) "Creditors' Meeting" means the meeting of creditors called pursuant to the BIA 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 for Claims under subsection 224(1.2) of the *Income Tax Act*, R.S.C. 1985, c.1. and any Claims for crown royalties on mineral substances, including but not limited to, petroleum, oil, bituminous sands, oil sands and natural gas.
- 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) "Joint Operator" means a party having a working interest in the lands for which it has entered into a joint venture agreement with WCE as operator and is governed by the 1990 Canadian Association of Petroleum Landmen Operating Procedure.
- o) "Levy" means the Superintendent of Bankruptcy Levy as provided for in Section 147 of the BIA. The rate of Levy payable in a Proposal is:
 - i) five per cent, if the amount of payments is \$1,000,000 or less;
 - ii) five per cent of the first \$1,000,000, plus one and one-quarter per cent of the amount in excess of \$1,000,000, if the amount of payments exceeds \$1,000,000 but is not more than \$2,000,000; or

- iii) five per cent of the of the first \$1,000,000, one and one-quarter per cent of the second \$1,000,000 plus zero per cent of the amount in excess of \$2,000,000, if the amount of payments exceeds \$2,000,000.
- p) "Notice of Intention" means the notice of intention to make a proposal pursuant to the BIA filed on February 25, 2010.
- q) "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 BIA by the Trustee, or the Court;
 - ii) may be contingent or unliquidated and found by the Trustee, or the Court not to be provable;
 - iii) are Crown Claims;
 - iv) are Claims by Preferred Creditor(s);
 - v) are the secured or unsecured portion of Claim by the Affected Secured Creditor;
 - vi) are Claims of the Unaffected Secured Creditor; and
 - vii) are Claims of the Unaffected Joint Operators.
- r) "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 BIA.
- s) "Proposal" means this Proposal made pursuant to the provisions of Part III Division I of the BIA as filed on March 18, 2010 and as amended or supplemented from time to time.
- t) "Released Parties" means each and every present and former director of the Company, and their respective successors and assigns.
- u) "Shoreline" means Shoreline Energy Fund.
- v) "Shoreline Fund Units" means units in Shoreline Energy Fund with a deemed value of \$100 for each unit.
- w) "Trustee" means Alger & Associates Inc., the Trustee acting under the Proposal.
- x) "Unaffected Secured Creditor" means Canadian Western Bank pursuant to the paramount and first secured charge on the property, assets, and undertaking of the Company.

- y) “Unaffected Joint Operators” means a Joint Operator who has a trust claim arising as a result of s. 507 of the 1990 Canadian Association of Petroleum Landmen Operating Procedure.
- 2. The Proposal applies to the holders of all Crown Claims, Affected Secured Claim, Preferred Creditors and Ordinary Unsecured Creditors, whether or not such person proves a claim against the Company under the Proposal.

BACKGROUND

- 3. The reduction in gas prices caused Company revenues and asset values to decline. The current asset values did not support the required level by the secured creditors and the Company was unable to pay its liabilities in the ordinary course of business.
- 4. WCE filed a Notice of Intention to File a Proposal on February 25th, 2010 and a Proposal on March 18, 2010. Alger & Associates Inc. consented to act as Trustee under the Proposal.

PURPOSE & EFFECT

Purpose

- 5. 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) Payment of all Crown and Preferred Claims, if any, in cash;
 - b) Payment of the Affected Secured Creditor’s Claim in Shoreline Fund Units.
 - c) Payment of all Ordinary Unsecured Claims in cash; and
 - d) To transfer the assets of WCE to Shoreline as a going concern and allow the Affected Secured Creditors the opportunity to benefit from any future success of Shoreline.

Effect

- 6. The Proposal will be considered complete when:
 - a) Funds have been paid to all Crown, Preferred, and Ordinary Unsecured Creditors pursuant to the terms of this Proposal; and
 - b) Shoreline Fund Units have been issued to the Affected Secured Creditor for payment of its Claim pursuant to the terms of this Proposal.

UNAFFECTED CREDITORS

7. Payments to the Unaffected Secured Creditor 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 and the Company.
8. Payments to the Unaffected Joint Operators will continue to be made in accordance with the present arrangements or any other arrangements, which may be agreed upon by the Unaffected Joint Operators and the Company.

AFFECTED SECURED CLAIM

9. The Affected Secured Creditor is owed approximately \$3,598,099, including accrued interest and fees. The Affected Secured Creditor will receive 21,750 Shoreline Units as final settlement of its Claim and will not be entitled to submit a Claim as an Ordinary Unsecured Creditor.
10. Payments to the Affected Secured Creditor shall be without interest or penalty and subject to deduction of the Levy payable to the Superintendent of Bankruptcy, based on payments pursuant to the Proposal.

CROWN CLAIMS

11. All Crown Claims, if any, shall be paid in full in cash, without interest or penalty, and subject to the Levy, in priority to all claims of the Ordinary Unsecured Creditors.
12. 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.
13. 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.

PREFERRED CLAIMS

14. The Claims of all Preferred Creditors, if any, shall be paid in full in cash, without interest or penalty, and subject to the Levy, in priority to all claims of the Ordinary Unsecured Creditors, to the extent provided for in section 136 of the BIA.

ORDINARY UNSECURED CLAIMS

15. The Ordinary Unsecured Creditors will receive a cash payment for part of their Claim. The Company has allocated \$90,000 to be distributed ("Lump Sum Distribution") based on the number of Ordinary Unsecured Claims filed and accepted by the Trustee. The estimated amount to be paid to each Ordinary Unsecured Creditor is approximately \$1,000, based on the number of known Ordinary Unsecured Creditors.
16. The balance of the Claims of the Ordinary Unsecured Creditors, after deducting the Lump Sum Distribution, will receive payment distributed on a pro-rata basis ("Pro-rata Distribution"). The quantum of the Pro-rata Distribution is a minimum of \$139,000 and a maximum of \$260,000 to be determined by the net sources and uses of cash available to the Company after closing the transaction with Shoreline and payment of all Claims that rank in priority to the Claims of Ordinary Unsecured Claims.
17. Payments to the Ordinary Unsecured Creditors shall be without interest or penalty and subject to deduction of the Levy payable to the Superintendent of Bankruptcy, based on payments pursuant to the Proposal.

TIMING & PAYMENT OF CLAIMS

18. WCE shall complete the terms set out in the Proposal within six months of the Effective Date, upon which, the Company, its successors and assigns, and its Directors shall be deemed to have satisfied in full the terms of the Proposal.

TRUSTEE, MONITORING AND ADMINISTRATIVE COSTS

19. 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.
20. 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.

OPERATIONS AND POST-PROPOSAL GOODS AND SERVICES

No Right of Set-Off

21. 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.

INSPECTORS

22. 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 BIA; and
 - d) altering or extending the time for payments to be made pursuant to this Proposal, but not the total amount paid.

RELEASE OF COMPANY AND DIRECTORS

23. 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.

CONSENTS, WAIVERS AND AGREEMENTS

24. 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 WCE 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


25. 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.

ANNULMENT OF PROPOSAL

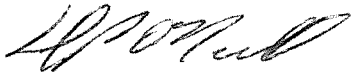
26. If the Proposal is annulled by an Order of the Court, all payments on account of Claims made pursuant to the terms of the Proposal will reduce the Claims of the Affected Creditors.

Dated at Calgary this 18th day of March, 2010.

Western Canadian Energy Ltd.



Witness

Per: 

Dan O'Neill

**IN THE MATTER OF THE PROPOSAL OF
WESTERN CANADA ENERGY LTD.
OF THE CITY OF CALGARY
IN THE PROVINCE OF ALBERTA**

REPORT OF THE TRUSTEE - ALGER & ASSOCIATES INC.

All Capitalized terms are defined under Part I of the Proposal.

A. BACKGROUND AND CAUSES OF DIFFICULTIES

1. Western Canada Energy Ltd. (“WCE” or the “Company”) was formed by an amalgamation on April 1, 2008 of Blackpool Exploration Ltd. and Westbow Energy Inc. The Company is publicly traded and engaged in the exploration for and production of petroleum and natural gas in Western Canada.
2. The main causes of financial difficulty are summarized as follows:
 - a) The decline in oil and gas prices and resulting effect on the financial strength of the Company;
 - b) The Company’s primary secured lender, Canadian Western Bank (“CWB”) issuing demands on November 3, 2009 for repayment of the outstanding credit facility in full; and
 - c) A claim by Tallahassee Petroleum Inc. and Dewpoint Resources Ltd. (“Tallahassee and Dewpoint Claim”) against the Company as a result of WCE’s inability to convey title to oil and gas properties as required in recent transactions between the parties.
3. On February 25, 2010, the Company filed a Notice of Intention to File a Proposal (“NOI”) to provide for the necessary time required to restructure its affairs and file the Proposal. CWB is not stayed from taking enforcement actions by the filing of the NOI as the notice period required by the *Bankruptcy and Insolvency Act* (“BIA”) expired prior to the filing of the NOI.
4. On March 5, 2010 WCE and CWB entered into a forbearance agreement (“Forbearance Agreement”) in an effort to provide the Company an opportunity to restructure its affairs and specifically, to enter into a purchase and sale agreement (“PSA”) with Shoreline Energy Fund (“Shoreline”) and repay the CWB credit facility by April 16, 2010.
5. The PSA was signed on March 14, 2010. In accordance with the terms of the PSA, WCE filed a Proposal on March 18, 2010 and a Creditors’ Meeting to consider and vote on the Proposal has been set for March 31, 2010.

B. THE PROPOSAL

Overview

6. In order to maximize the distribution available to creditors, management believes that the Company's best alternative is through a transaction with Shoreline that provides for the sale of the Company's assets. Management believes the transaction with Shoreline provides for the best outcome for the Creditors.
7. The transaction with Shoreline provides for the following:
 - a) Payment in full to Joint Operators to the extent of their trust claims;
 - b) Payment in full of Crown Claims and Preferred Creditor Claims;
 - c) Payment in full of amounts owing to CWB;
 - d) A settlement of amounts due to the Affected Secured Creditor by payment of Shoreline Fund Units ("Shoreline Fund Units"); and
 - e) A distribution to the Ordinary Unsecured Creditors in cash.

Sale of Assets to Shoreline

8. The key terms of the PSA include:
 - a) Shoreline acquiring the assets of WCE which are defined as the hydrocarbon interests, the wells, the tangibles interests and the miscellaneous interests for consideration of \$6,075,000 consisting of:
 - A cash deposit of \$250,000;
 - A cash payment at closing of \$3,650,000; and
 - \$2,175,000 through the issuance at closing of 21,750 units of Shoreline ("Shoreline Units") at a deemed price of \$100 per unit.
 - b) the condition that the Creditors accept the Company's Proposal; and
 - c) the condition that the Company's assets are not encumbered by the Tallahassee and Dewpoint Claim.
9. The consideration to be paid to WCE is estimated to be distributed as follows:

WCLE Estimated Distribution of Proceeds	Table 1.	
	Cash (\$000's)	Units (\$100/unit)
<u>Source of Funds</u>		
Closing cash payment	3,650	-
Deposit	250	-
March 31, cash available from operations (estimate)	65	-
Unit consideration	-	21,750
Total sources of funds	3,965	21,750
<u>Use of Funds</u>		
Payments to Unaffected Joint Operators	315	-
Payment to CWB	3,286	-
Distribution to Affected Secured Creditor	-	21,750
Payment to Crown and Preferred Creditors	10	-
Distribution to Ordinary Unsecured Creditors	229	-
Professional fees - Davis LLP	50	-
Trustee's fees and its legal counsel fees	75	-
Total uses of funds	3,965	21,750

CREDITORS

Unaffected Creditors

10. CWB is an Unaffected Secured Creditor and is currently owed approximately \$3.2 million plus costs and interest which is secured by a first charge general security agreement on all present and after acquired property of the Company. As a term of the Forbearance Agreement, CWB is required to be repaid all amounts due by April 16, 2010.
11. Unaffected Joint Operators are creditors who may have trust claims arising as a result of s. 507 of the 1990 Canadian Association of Petroleum Landmen Operating Procedure. The Company estimates that approximately \$315,000 is payable to Unaffected Joint Operators.

Crown Claims

12. Crown Claims, as defined in the Proposal, are to be paid in full under the terms of the Proposal, subject to the Superintendent of Bankruptcy Levy ("Levy")

Preferred Creditors

13. The claims of Preferred Creditors shall be paid in full in cash, subject to the Levy, in priority to the claims of Ordinary Unsecured Creditors to the extent provided for in Section 136 of the BIA.

Affected Secured Creditor

14. The Proposal provides for payment of 21,750 Shoreline valued at \$2,175,000 to be distributed to the Affected Secured Creditor, Olympia Trust, as debenture trustee for the debenture holders. This provides for an approximate dividend of 61% based on the deemed value of the Shoreline Units prior to deducting the Levy. The Affected Secured Creditor is owed approximately \$3,598,000.

Ordinary Unsecured Creditors

15. The Proposal provides for payment of a minimum of \$229,000 to a maximum of \$350,000 to be distributed to the Ordinary Unsecured Creditors. The cash will be distributed to each Ordinary Unsecured Creditor on the following basis:
- a) A payment of \$90,000 to be made available for distribution to the Ordinary Unsecured Creditors. This payment will be distributed based on the number of known Ordinary Unsecured Creditors. Based on the number of known creditors, it is estimated that each Ordinary Unsecured Creditor will receive the lesser amount of the Ordinary Unsecured Creditor's Proven Claim or approximately \$1,000. Based on known creditors it is estimated that approximately 52% of Ordinary Unsecured Creditors will be paid in full less the Levy; and
 - b) With respect to the balance, after payment of the sums referred to above, each Ordinary Unsecured Creditor's Claim, if any, its *pro rata pari passu* share of a minimum of \$139,000 and a maximum of \$260,000. It is estimated that each Ordinary Unsecured Creditor will receive a payment that approximates a distribution in the range of approximately 8 cents to 14 cents for each dollar of their Claim after the \$90,000 is distributed to Ordinary Unsecured Creditors.

C. BENEFITS OF THE PROPOSAL

16. The Proposal and the transaction with Shoreline will have the following benefits for each of the various stakeholder groups:
- a) Payment in full of the amounts due to CWB and discharge of the security interests in the assets of WCE;
 - b) Payment in full to amounts owed to the Joint Operators and Crown Claims;
 - c) The acceptance of the Proposal and granting of the vesting order the Company will be seeking in conjunction with the Proposal proceedings will allow the Company to convey title to its oil and gas properties to Shoreline without having to incur litigation costs as a result of defending the Tallahassee and Dewpoint Claim;

- d) The Ordinary Unsecured Creditors will receive a cash payment and approximately half of the Ordinary Unsecured Creditors will be repaid in full, less the Levy; and
- e) The Company's assets are transferred as a going concern to Shoreline which will benefit the Affected Secured Creditors as they will become unit holders of Shoreline and will be able to benefit from any future success of Shoreline.

D. CURRENT FINANCIAL POSITION

17. WCE's current financial position is summarized as follows:

WCE Balance Sheet (Unaudited)	Table 2.	
(\$000s)	Estimated Net Book Value as at Dec 31/09	Estimated Net Realizable Value as at Feb 28/10
Assets		
Cash	-	65
Accounts receivable	586	-
Prepaid expenses	125	-
Petroleum and natural gas properties	19,934	5,500
Total Assets	<u>\$ 20,645</u>	<u>\$ 5,565</u>
Liabilities		
Bank debt - CWB	2,868	3,200
Debentures	3,500	3,500
Accounts payable and accrued liabilities	1,847	1,847
Shareholder Loans	456	456
Convertible preferred shares	1,258	1,258
Asset retirement obligation	820	820
Total Liabilities	<u>10,749</u>	<u>11,081</u>
Equity/(Deficiency)	<u>\$ 9,896</u>	<u>\$ (5,516)</u>

* no provision has been made for future income taxes

18. The major difference between the net book value of the Company assets and the current net realizable value arises from the low current market value of the oil and gas properties. The estimate of realizable value of the oil and gas properties was obtained from the Company which was based on following:

- a) The Company engaged the services of Avonlea Ventures Inc. and Steele Consulting Partnership ("Avonlea and Steele") in July 2009 to work with the Company to, amongst other things, identify corporate strategic alternatives and market the WCE oil and gas properties. Between the period of July 2009 to February 2010, Avonlea conducted an extensive marketing program ("Marketing Program") to potential acquirers for WCE; and
- b) As a result of the Marketing Program the Company has estimated the fair market value of the petroleum and natural gas properties in the range of \$4.5 to \$5.5 million. A summary of the results of the Marketing Program are as follows:
 - the Company received offers from three parties in the summer and fall of 2009 in the range of \$3.6 million to \$5 million for all the assets of the Company;
 - the Company also received offers on selected assets and accepted, but was unable to close, an offer for the sale of the certain assets for \$3 million that represented approximately 70% of the reserves of the Company; and
 - twelve or more possible merger and acquisition candidates were shown a Company sales package and several sub-debt lenders were approached by Avonlea and Steele with no purchase or financing offers received.

E. CONDUCT OF DEBTOR

19. The Trustee's preliminary review has not identified any preferential payments or reviewable transactions; other than those identified below. Reviewable transactions are defined as transactions with parties who are non-arms length.

F. REVIEWABLE TRANSACTION AND PREFERENTIAL PAYMENTS

20. The Trustee is not aware of any preferential transactions or reviewable transactions.

G. CREDITORS' CLAIMS

21. No significant changes from the Statement of Affairs are anticipated.

H. REMUNERATION OF TRUSTEE

22. The Trustee's fees will be based on the time spent by the Trustee and the various members of its staff at their respective regular billing rates plus any direct out-of-pocket expenses incurred. All Administrative Fees and Expenses of the Trustee will be taxed by the Court. The Trustee will be entitled to take regular interim fees as approved by either the Court or Inspectors elected by the Affected Creditors.

I. ESTIMATED REALIZATIONS IN A LIQUIDATION SCENARIO

23. Based on the review by the Trustee and information provided by the Company and its advisors it is unlikely there would be sufficient funds in a bankruptcy to pay the claims of priority and secured creditors and provide residual funds for payment to unsecured creditors.
24. Based on the Marketing Program, the Company has estimated the value of the oil and gas assets at approximately \$5.5 million. Based on this assessment of value, a realization of this amount, prior to deducting costs of realization, would result in a shortfall to the Affected Secured Creditor and no distribution to the unsecured creditors.
25. In a liquidation scenario it is estimated that the Affected Secured Debenture Holder would receive approximately \$1,699,000 which is less than the \$2,175,000 offered in the Proposal based on the value of the Shoreline Units. The Proposal payment also provides some certainty as to the amount to be received whereas liquidation does not. The analysis of the estimated amounts are as follows:

WCE Estimated Distribution to the Affected Secured Creditor	Table 3. Estimated Distribution to the Affected Secured Creditor in a Liquidation
(\$000s)	
Gross Realization	5,500
Less:	
Payment to Unaffected Joint Operators	(315)
Payment to CWB	(3,286)
Estimated Realization costs	(200)
Net Realization	<u><u>1,699</u></u>
* Prior to deducting the Levy	

J. RECOMMENDATION

26. The acceptance of the Company's Proposal allows the Company to make payments in the following manner:
- a) the Unaffected Secured Creditor will be paid in full;
 - b) the Joint Operators are paid in full;

- c) Crown Claims and Preferred Creditor Claims are paid in full;
- d) The Affected Secured Creditor will be paid in Shoreline Units valued at \$2,175,000 less the Levy which is greater than the estimated distribution they would receive in a bankruptcy scenario. Furthermore, the Proposal provides some certainty as to the amounts to be received by the Company as opposed to the bankruptcy liquidation;
- e) Approximately half of the Ordinary Unsecured Creditors are estimated to be paid in full while other Ordinary Unsecured Creditors will receive a lump sum payment and a pro-rata distribution. If the Company was deemed bankrupt, it is anticipated there would be no distribution to the unsecured creditors.

27. The Trustee respectfully recommends that the Affected Creditors may wish to accept the Proposal as it appears to provide a distribution to Affected Creditors that is equal or greater than they may achieve if the Proposal is not accepted and the Company is deemed bankrupt.

DATED at Calgary, Alberta, this 18th day of March 2010

ALGER & ASSOCIATES INC.

Per: _____

A handwritten signature in black ink, appearing to be 'J.B.', is written over a horizontal line.

**WESTERN CANADA ENERGY LTD.
INSTRUMENT OF PROXY**

The undersigned, being a holder of 10½% Redeemable Retractable Subordinated Debentures issued by Western Canada Energy Ltd. (the "**Corporation**") pursuant to a Deed of Trust and Mortgage dated August 29, 2007 as amended (the "**Indenture**"), hereby nominates, constitutes and appoints Charles Vander Griendt, or failing him, _____, the true and lawful attorney and proxy of the undersigned, with full power of substitution, to attend, act and vote in respect of the debentures held by the undersigned at the meeting of the debenture holders of the Corporation to be held on **Wednesday, March 31, 2010 at 4:30 p.m. at Holiday Inn, 4206 Macleod Trail S.E., Calgary, Alberta, The Drumheller Room** (the "**Meeting**") and any adjournment thereof. The undersigned hereby instructs said proxy to vote the debentures of the Corporation ("**Debentures**") represented by this instrument of proxy in the following manner:

FOR	[]	BE IT RESOLVED as an extraordinary resolution, pursuant to Section 19.11 of the Indenture, that Olympia Trust Company, in its capacity as trustee under the Indenture, vote the aggregate value of Debentures outstanding under the Indenture in favour of the compromise being proposed by Western Canada Energy Ltd. in its <i>Bankruptcy and Insolvency Act</i> proposal dated March 18, 2010 including, at its discretion, any adjournment to consider the proposal and any amendment which does not reduce the amount to be received by the holders of Debentures pursuant to the proposal.
AGAINST	[]	

To be valid, this proxy must be received by the Corporation, c/o Olympia Trust Company, 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, facsimile: (403) 265-1455, not later than 24 hours, excluding Saturdays, Sundays and holidays, prior to the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

This proxy revokes and supersedes all proxies of earlier date.

THIS PROXY MUST BE DATED

DATED this ____ day of _____, 2010.

Signature of Debenture Holder

Name of Debenture Holder (Please Print)

IMPORTANT (see reverse)

NOTES

1. The Debentures represented by this instrument of proxy will be voted at the Meeting. Where a choice is specified, the proxy will be voted as directed. **Where no choice is specified, this proxy will be voted "for" the matters listed on the proxy.** The proxy confers discretionary authority for the above named person to vote in his discretion with respect to amendments or variations to the matters identified in the Notice of Meeting accompanying the instrument of proxy or such other matters which may properly come before the Meeting.
2. Each holder of Debentures has the right to appoint a person to represent him at the Meeting other than the person specified above. Such right may be exercised by inserting in the blank space provided the name of the person to be appointed, who need not be a holder of Debentures of the Corporation.