

Action No: 0901-02873

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

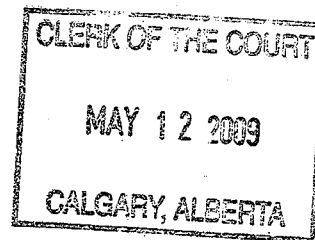
IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF CANADIAN SUPERIOR ENERGY INC.

AND IN THE MATTER OF SEEKER PETROLEUM LTD.

AND IN THE MATTER OF CANADIAN SUPERIOR TRINIDAD AND TOBAGO  
LIMITED

FIFTH REPORT OF THE MONITOR  
HARDIE & KELLY INC.  
MAY 12, 2009



**FIFTH REPORT OF THE MONITOR  
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## **INTRODUCTION**

1. On March 5, 2009, Canadian Superior Energy Inc. (“CSEI”), Seeker Petroleum Ltd. (“Seeker”) and Canadian Superior Trinidad and Tobago Limited (“CSTT”) made application 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 (the “Initial Order”) of the Court of Queen’s Bench of Alberta (the “Court”).
2. Pursuant to the Initial Order, Hardie & Kelly Inc. was appointed as monitor (the “Monitor”) of CSEI, Seeker and CSTT (collectively referred to as the “Companies”).
3. On May 4, 2009, this Honourable Court granted a further extension of the Stay of Proceedings through to June 4, 2009. The Monitor will be filing a full report discussing the Companies’ operations and restructuring activities in advance of the June 4, 2009 application.
4. The purpose of this interim report (the “Fifth Report”) is to provide the Court with additional information in respect of the Companies’ upcoming May 13, 2009 application seeking an Order requiring the Monitor to transfer to CSEI funds being held by the Monitor pursuant to terms of the Initial Order.

## **BACKGROUND**

5. Paragraph 6 of the Initial Order states as follows:
  6. The Applicants shall take all steps necessary to transfer any of the Applicants bank accounts, cash on hand or receivables recovered or held in Trinidad and Tobago to the Monitor’s account in Canada and shall report such progress on receipt of funds through the Monitor’s Reports. The Monitor shall hold such funds in a separate interest bearing trust account until further order of the court made on notice to all interested parties.

7. In the Monitor's Reports dated March 24, 2009 (the "Second Report") and May 1, 2009, the Monitor reported that the transfer of TT\$ to the Monitor has proven to be a slow process, as the Central Bank of Trinidad & Tobago is only allocated a limited amount of US\$ at any given time which has made it difficult for CSEI to repatriate large amounts of TT\$ from Trinidad & Tobago.
8. In the Second Report, the Monitor indicated that the repatriation process has been assisted by the purchase of TT\$ by Deloitte & Touche Inc. in its capacity as Interim Receiver (the "Receiver") of CSEI's participating interest in Block 5(c). With the concurrence of the Companies' management and the Monitor, the Receiver has from time to time purchased TT\$ from CSEI to facilitate payment of certain of the Block 5(c) costs payable in Trinidad & Tobago dollars. The funds used to purchase the TT\$ have been paid by the Receiver directly to the Monitor.
9. The Monitor is currently holding approximately \$US 2.4 Million in trust. Additional funds were wired into the Monitor's account subsequent to the filing of the May 6, 2009 Affidavit of Robb Thompson.

#### **IMPACT OF APPLICATION ON CASH FLOW**

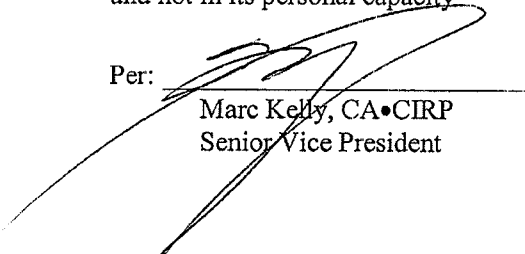
10. On May 13, 2009, CSEI will be making an application to the Court requesting that the Court direct the Monitor to release the US\$ held in trust to CSEI. The underlying reason that CSEI wishes to access these funds arises from the disbursements forecast in the Companies' revised cash flow forecast for the period April 27 -- June 5, 2009 (the "April 27 Forecast") attached as Exhibit "B" to the May 1, 2009 Affidavit of Mr. Leif Snethun.
11. The April 27 Forecast, which assumes CSEI will have access to the funds held in trust by the Monitor, reflects a \$2.1 Million cash flow deficit over the forecast period as a result of the following:
  - a. Payment of outstanding royalties in excess of \$1 Million relating to pre-CCAA production;
  - b. Incurrence of approximately \$484,000 in capital expenditures;
  - c. Restructuring costs in excess of \$1 Million; and
  - d. The forecast period includes only one month of cash receipts from production revenues but includes two months of rent obligations and three payroll periods.

12. In the event CSEI is not able to access the funds held in trust by the Monitor at this time, the practical implications will be as follows:
- a. Assuming actual results bear a reasonable resemblance to the April 27 Forecast, the Companies will still have sufficient availability within their credit facility at Canadian Western Bank (“CWB”) to pay all expenditures forecast for the period;
  - b. The Companies’ operating line with CWB will be required to be drawn down by an additional \$2.6 Million (CDN\$ equivalent of the funds held by the Monitor) over the forecast period;
  - c. As of June 5, 2009, the “*Closing Cash and Available Bank Line of Credit*” as set out in the April 27 Forecast would be estimated to be approximately \$2.2 Million rather than \$4.6 Million as originally forecast; and
  - d. The Companies will be required to pay interest on the incremental borrowings.

All of which is respectfully submitted this 12<sup>th</sup> day of May 2009.

Hardie & Kelly Inc., in its capacity  
as Monitor of the Companies  
and not in its personal capacity

Per:



Marc Kelly, CA•CIRP  
Senior Vice President