

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

SEVENTH REPORT OF THE MONITOR
HARDIE & KELLY INC.
JUNE 10, 2009

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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 June 4, 2009, this Honourable Court granted a further extension of the Stay of Proceedings through to July 24, 2009. The Monitor will be filing a full report discussing the Companies’ operations and restructuring activities in advance of the July 24, 2009 application.
4. The purpose of this interim report (the “Seventh Report”) is to provide the Court with the Monitor’s recommendation in respect of the Companies’ upcoming June 11, 2009 application seeking an Order approving the Agreement of Purchase and Sale (the “Sale Agreement”) entered into between CSEI and Centrica plc (“Centrica”) under which Centrica will acquire a 45% interest in Block 5(c) in Trinidad & Tobago (“Block 5(c)").

HISTORY OF BLOCK 5(c)

5. The Block 5 (c) asset consists of an interest in approximately 80,000 acres in the Columbus sub-basin located approximately 96 kilometres east of Trinidad and Tobago in water depths ranging from 150-450 metres. To date, three wells have been drilled. The *Victory*, *Bounty* and *Endeavour* wells have all been announced as natural gas discoveries.

6. A summary of the history of CSEI's interest in Block 5(c) is as follows:
 - a. CSEI's interest originally arose from a July 20, 2005 Production Sharing Contract ("PSC") with the Minister of Energy and Energy Industries of the Republic of Trinidad and Tobago (the "Minister");
 - b. On August 11, 2007, CSEI and BG International Limited ("BGI") entered into a Farm-In Agreement granting BGI the right to earn a 30% interest in the PSC;
 - c. CSEI and Challenger Energy Corp. ("Challenger") are parties to an Amended and Restated Participation Agreement ("PA") dated December 30, 2005, as amended August 11, 2007 which provides Challenger the right to earn a 25% interest in the PSC;
 - d. On August 11, 2007, CSEI, BGI and Challenger entered into a Joint Operating Agreement ("JOA");
 - e. On October 29, 2007, the Minister approved the assignment of a 30% interest in the PSC from CSEI to BGI;
 - f. On February 6, 2009 pursuant to the JOA, BGI delivered a notice of default and removal of operator to CSEI;
 - g. On February 8, 2009 BGI filed a Request for Arbitration pursuant to the JOA;
 - h. On February 11, 2009, the Court granted an Order appointing Deloitte & Touche Inc. as Interim Receiver (the "Receiver") of CSEI's Participating Interest in Block 5 (c);
 - i. On March 10, 2009, CSEI filed a Response and Counterclaim in the arbitration proceedings; and
 - j. On April 21, 2009 BGI assumed operatorship of Block 5(c) from the Receiver.
7. Additional background information with respect to the history of Block 5(c) is contained in the March 4, 2009 Affidavit of Michael Coolen

BLOCK 5(c) SALES PROCESS

8. Throughout the CCAA proceedings, the Companies have represented that the sale of some or all of CSEI's interest in Block 5(c) would form the basis for the Companies' restructuring.

9. The Monitor's First Report, dated March 12, 2009, and the Monitor's Second Report, dated March 24, 2009, both discussed CSEI's engagement of Scotia Waterous (USA) Inc. ("Scotia Waterous") to sell CSEI's participating interest in Block 5(c). A general summary of the marketing activities undertaken by Scotia Waterous is as follows:
 - a. An all-encompassing virtual data room was established;
 - b. Physical seismic data rooms were established in Calgary, Houston and London;
 - c. Introductory marketing materials were posted on the Scotia Waterous website at <http://www.waterous.com/canadiansuperior2009/overview.asp>;
 - d. Scotia Waterous contacted numerous global exploration and production companies advising them of the opportunity, resulting in the execution of numerous confidentiality agreements;
 - e. Numerous presentations were given to interested parties in conjunction with the Companies' management; and
 - f. Negotiations were conducted with parties submitting firm bids leading to the execution of the Sale Agreement.
10. Throughout the sales process, the Monitor maintained regular contact with Scotia Waterous in regard to the status and progress of the sales process.
11. The Monitor and the Companies' advisors, including Scotia Waterous, also held regular conference calls with the Receiver to provide regular updates as to the progress of the sale of Block 5(c).
12. By March 23, 2009 several indicative proposals were submitted to Scotia Waterous, however, due to the initial tight timelines no firm offers were submitted at that time.
13. Additional due diligence and discussions took place such that on April 22, 2009, two firm bids for the sale of Block 5(c) were received eventually leading to the execution of the Sale Agreement with Centrica on June 1, 2009. Details of the bids received and the process leading up to the execution of the Sale Agreement were set out in the Confidential Affidavit of Richard Watkins sworn on May 1, 2009.

14. The purchase price under the Sale Agreement is US \$142,500,000 and a summary of the key conditions to closing for the benefit of Centrica are as follows:
- a. approval from this Honourable Court;
 - b. consent of the Minister;
 - c. consent of BGI, Challenger and the Receiver;
 - d. the waiver of BGI's right of first refusal as provided for in Article 12.2 of the JOA; and
 - e. CSEI demonstrating to Centrica that it has obtained capital commitments of US \$60 Million.
15. The Monitor also notes that the Sale Agreement is not conditional on a merger or other form of business combination with Challenger.

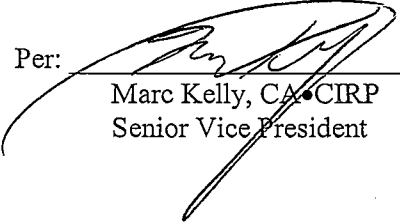
RECOMMENDATION

16. The Monitor is of the view that the Sale Agreement with Centrica be approved by this Honourable Court for the following reasons:
- a. Throughout the proceedings, the Monitor has reported to this Honourable Court that the Monitor has been satisfied with the Companies' progress towards effecting a successful restructuring including the Scotia Waterous Block 5(c) sales process;
 - b. The Monitor is satisfied that Scotia Waterous conducted a diligent and thorough marketing process and that the Sale Agreement represents the best result in the circumstances; and
 - c. The sale of Block 5(c) represents a critical component towards the Companies' effecting a successful restructuring.

All of which is respectfully submitted this 10th day of June 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