

Affidavit of Grant Aulden Bartlett
Sworn March 12, 2010

Action No. 1001-02216

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE 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 DARIAN RESOURCES LTD.
AND BOWVIEW PETROLEUM INC.**

AFFIDAVIT

(Extension of Stay to May 18, 2010 and Claims Process)

I, **Grant Aulden Bartlett**, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President and Chief Executive Officer of both Darian Resources Ltd. ("Darian") and Bowview Petroleum Inc. ("Bowview") (collectively referred to as the "Applicants") and, as such, I have personal knowledge of the facts hereinafter deposed to except where stated to be based upon information and belief, in which case I believe the same to be true.

2. All capitalized terms not defined herein shall take the meaning given to them in the orders granted in these proceedings on February 12, 2010 (the "Initial Order") and February 19, 2010 or in the prior affidavits sworn by me in these proceedings on February 11, 2010.

Progress Update

3. Since the hearings which took place in this matter on February 19, 2010, a number of events have taken place, including:

- (a) the Applicants and the Shaw Family Group have agreed that the application for a receivership order against Darian brought by the Shaw Family Group will be adjourned *sine die*. Prior to reaching such agreement, the Applicants and their counsel undertook significant work and spent many hours to respond to the

receivership application. Contemporaneously the Applicants and their advisors attended to numerous restructuring activities;

- (b) the Applicants are in the process of negotiating an engagement letter with an investment advisor, subject to approval of this Honourable Court, to advise and assist them with various strategic options in their restructuring. The selection of the financial advisor was made after an extensive selection process that involved discussions with a number of financial advisors. More details respecting the financial advisor will be provided in affidavit being prepared in relation to an application for approval of the engagement of the financial advisor;
- (c) Darian has been involved in daily discussions with senior management at EnCana Corporation with respect to amending the terms of the EnCana Farm In. Good progress is being made with the negotiations and Darian hopes to have a written amendment agreement with EnCana shortly;
- (d) Just today, Darian obtained approval to tie-in a well located in Vulcan and has also received permission from a processor to process gas from this well which, once the tie-in has been completed, will generate an estimated additional gross monthly revenue of approximately \$400,000. While the cash flows referred to below do not contemplate Darian making the necessary capital expenditures to tie-in the well, Darian hopes to, in consultation with the Shaw Family Group, take steps to tie-in this well and gain access to the significant revenues it should produce as soon as possible.
- (e) a new account has been set up with the ATB and the MCC Funds, less amounts paid by the Monitor in accordance with prior orders of this Honourable Court, have been deposited into that account in accordance with the provisions of the Initial Order and Orders granted on February 19, 2010. There were some delays and complications encountered in setting up the new account as a result of which the Monitor was not able to deposit the MCC Funds into that account until this past week. Since February 19, 2010, the Monitor has made payments respecting wages totalling \$69,544, rent totalling \$68,598, a retainer for the Independent Committee's counsel totalling \$50,000, a retainer for the Monitor and its counsel

totalling \$42,500, and paid operating costs totalling \$14,427.53. The MCC Funds paid into the new account by the Monitor totalled \$1,126,890;

- (f) all of the Scollard Shares have been sold by Darian in accordance with the terms of a February 19, 2010 Order and, pursuant to such sale, Darian has raised \$4,101,224. The sales proceeds have also been paid into the new account and are being held in accordance with the order of this Court dated February 19, 2010.
- (g) the Applicants have continued to work closely with AJM Petroleum Consultants and with Seaton-Jordan & Associates Ltd. to have updated reports completed with respect to the value of the Applicants' assets and expect both of these reports to be finalized shortly;
- (h) the Applicants continue to have discussions with various creditors and shareholders respecting the implications of the granting of the Initial Order and continue to work with their creditors and shareholders to keep them apprised of developments in these proceedings;
- (i) the Applicants have been served with a number of statements of lien with respect to their lands and the Applicants' counsel is in the process of responding to the lien claimants;
- (j) the Applicants have been in constant contact with the Monitor and the Independent Committee, and continue to keep each of them fully apprised of developments in these proceedings. To the extent allowed by confidentiality considerations, the Applicants have also kept SFG informed of developments. Pursuant to the agreement now concluded with SFG, the Applicants expect to be in a position where regular updates will be given to SFG and its counsel once a necessary confidentiality agreement with SFG, the terms of which are in the process of being finalized, is in place; and
- (k) the ATB Position has been assigned by ATB to SFG. Completing the assignment proved to be a complex and time consuming process involving several complicating factors including the replacement of various letters of credit issued

by ATB to the Applicants and termination of an ISDA contract to which the Applicants and ATB were parties.

Claims Process

4. In order to advance the process of developing a plan of compromise or arrangement the Applicants are seeking the approval of this Honourable Court to conduct a claims process to identify and quantify claims against the Applicants, as outlined in the draft Claims Process Order attached as Schedule “B” to the Notice of Motion filed by the Applicants on March 12, 2010 (the “Claims Process Order”).

5. The Monitor has reviewed and approved the Claims Process Order and I am advised by counsel, and verily believe to be true, that the Claims Process Order and the process contemplated by it is similar to that used in other CCAA proceedings.

6. The Applicants are proposing that the Notice to Creditors and Notice of Claim will be mailed, in substantially the form attached as Schedules “A” and “B”, respectively, to the Claims Process Order, to all parties listed in the accounts payable records of the Applicants, whether or not the records show an amount due, and that the same documents will be sent to any other parties (or their counsel if applicable) believed by the Applicants to have claims or possible claims against them.

7. Based on discussions with the Monitor, and with its concurrence, the Applicants are proposing that a notice in substantially the form of the notice attached as Schedule “C” to the Claims Process Order be published in the *Edmonton Journal* and the *Calgary Herald*.

8. The timeline set out in the Claims Process Order is designed to substantially complete the Claims Process by May 7, 2010, which will assist the Applicants in preparing a plan of compromise or arrangement in a timely manner.

Stay Extension

9. Immediately following the engagement of the financial advisor, the Applicants propose to work in cooperation with the Monitor and the proposed financial advisor to develop a solicitation process. The Applicants will also continue to press AJM Petroleum Consultants and Seaton-

Jordan & Associates Ltd. to complete their reports, which are required for the proposed solicitation process.

10. The main variables in determining if and when a plan can be proposed to the Applicants' creditors will be the time required to develop the solicitation process, the time required to complete that process, and of course the outcome of the process. I anticipate that, within sixty days, the Applicants will be in a much better position to advise this Honourable Court as to the timelines to complete the solicitation process and potentially (and subject to confidentiality considerations) to give some indication of whether that process is likely to enable the Applicants to propose a plan to their creditors.

11. Attached hereto and marked as **Exhibit "A"** is a statement showing the actual financial performance of the Applicants since February 19, 2010. The statement shows that there was a positive net cash flow of approximately \$6.2 million over this period, which compares to a forecasted cash flow deficit of \$284,368 to March 12, 2010, as set out in the cash flow projection attached as Exhibit "B" to the Affidavit sworn by me on February 18, 2010. The reasons for this variance are:

- (a) \$4.1 million in proceeds generated from the sale of the Scollard shares was not contemplated in the original forecast;
- (b) the original forecast did not provide for the release of the entire amount of the MCC Funds, totalling \$1.372 million, to the Applicants;
- (c) the original forecast did not take into account the negotiation of the deferral of required capital expenditure for the Encana Farm In of \$300,000;
- (d) the original forecast anticipated the prepayment of suppliers for ongoing services, however, the Applicants have been successful in negotiating standard commercial terms for substantially all suppliers; and
- (e) there has been a timing difference with respect to the payments of professional fees and restructuring costs.

12. Attached hereto and marked as **Exhibit "B"** are updated cash flow projections for the period commencing March 15, 2010 and ending the week of May 17, 2010. The cash flow

projections have been discussed with the Monitor, who has not expressed any concerns with them.

13. The updated cash flow projections indicate that the Applicants will have sufficient cash to operate until May 18, 2010, which is the date to which the Applicants seek an extension of the stay, without requiring access to the proceeds of the Scollard Shares.

14. The Applicants have acted, and are continuing to act, in good faith and with due diligence in these proceedings.

15. In light of the foregoing, the Applicants request an extension of the Stay Period to May 18, 2010.

16. I swear this Affidavit in support of an application seeking and order, *inter alia*, extending the Stay Period to May 18, 2010 and authorizing and directing the Applicants to carry out the Claims Process.

SWORN BEFORE ME at the City of)
Calgary, in the Province of Alberta, this)
12th day of March, 2010.)

_____)
A Commissioner for Oaths in and for the)
Province of Alberta)

Travis P. Lysak
Barrister & Solicitor



GRANT AULDEN BARTLETT

Darian Resources Ltd. and Bowview Petroleum Inc.
Actual Cash Flow - Consolidated
Feb. 12 - Mar. 12, 2010
(unaudited)
Submitted on Mar. 12, 2010

THIS IS EXHIBIT "A"
referred to in the Affidavit of
Craig Auld
Sworn before me this 12
day of March A.D. 2010

A Commissioner for Oaths in and for
the Province of Alberta

Travis P. Lysak
Barrister & Solicitor

	<u>TOTAL</u>
<u>RECEIPTS</u>	
Petroleum and natural gas revenues	1,443,198
Royalties	(138,320)
	1,304,878
GST Refunds	-
Funds released by Monitor	1,371,884
Sale of Scollard Shares	4,101,424
Subtotal	<u>6,778,186</u>
<u>DISBURSEMENTS</u>	
Operating Costs	(44,507)
Itemized repairs and maintenance	(9,261)
Contract Field Operators	(20,028)
Capital expenditures	-
Payroll	-
Employees & benefits	(124,279)
Consultants	(11,419)
Lease payments	-
Premises	(70,330)
Operating	(5,094)
Land & mineral lease rentals	(65,089)
General & administrative	(35,841)
Insurance	(12,991)
Bank interest and fees	(1,047)
Professional fees	(134,029)
Restructuring costs	(92,500)
Subtotal	<u>(626,414)</u>
NET CASH FLOW (DEFICIT)	<u>6,151,772</u>
OPENING CASH	19,198
Restricted Funds	<u>(4,101,424)</u>
CLOSING CASH	<u><u>2,069,546</u></u>

Darian Resources Ltd. and Bowview Petroleum Inc.
 Projected Cash Flow - Consolidated
 (unaudited)
 Submitted on Mar. 12, 2010

Notes	Actual		Week Beginning											TOTAL		
	22-Feb-10	01-Mar-10	08-Mar-10	15-Mar-10	22-Mar-10	29-Mar-10	05-Apr-10	12-Apr-10	19-Apr-10	26-Apr-10	03-May-10	10-May-10	17-May-10			
RECEIPTS																
Petroleum and natural gas revenues	-	1,443,198	-	-	1,159,436	-	-	-	-	1,108,113	-	-	-	-	-	3,710,747
Royalties	-	-	(138,520)	-	(1,157,732)	-	-	-	-	(87,611)	-	-	-	-	-	(339,663)
GST Refunds	-	1,443,198	(138,320)	-	1,045,704	-	-	-	-	1,020,502	-	-	-	-	-	3,371,084
Funds released by Monitor	230,642	14,428	1,126,815	-	-	511,000	-	-	150,000	-	-	-	-	-	-	686,000
Sale of Scollard Shares	-	-	4,101,424	-	-	-	-	-	-	-	-	-	-	-	-	1,371,884
Subtotal	230,642	1,457,626	5,089,919	-	1,045,704	511,000	-	150,000	1,020,502	-	-	-	-	-	-	9,530,392
DISBURSEMENTS																
Operating Costs	-	(4,647)	(39,860)	(130,000)	(285,615)	(285,615)	(147,282)	(147,282)	(147,282)	(147,282)	(147,282)	(147,282)	(147,282)	(147,282)	(147,282)	(1,915,044)
Itemized repairs and maintenance	-	(9,261)	-	(93,166)	(51,166)	(51,166)	(13,625)	(13,625)	(13,625)	(13,625)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(341,759)
Contract Field Operators	-	(4,594)	(15,434)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(140,028)
Capital expenditures	-	-	-	(2,249)	(30,000)	(30,000)	-	-	-	-	-	-	-	-	-	(32,249)
Payroll	-	-	(54,735)	(77,003)	-	(126,589)	(110,688)	(9,500)	(9,500)	(126,589)	(9,500)	(9,500)	(110,688)	(110,688)	(110,688)	(675,836)
Consultants	-	-	(11,419)	(5,500)	(5,500)	(5,500)	(9,500)	(9,500)	(9,500)	(9,500)	(9,500)	(9,500)	(5,500)	(5,500)	(5,500)	(86,419)
Premises	-	(68,598)	-	(1,733)	-	(70,331)	-	-	-	(68,598)	-	-	-	-	-	(209,259)
Operating	-	-	(5,094)	-	-	-	(5,094)	-	-	-	-	-	(5,094)	-	-	(15,281)
Land & mineral lease rentals	-	-	(65,089)	-	(65,649)	-	-	-	-	(53,934)	-	-	-	-	-	(174,672)
General & administrative	-	(7,560)	(28,281)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(85,841)	
Insurance	-	(807)	(12,991)	(240)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(64,157)
Bank interest and fees	-	-	(134,029)	(100,000)	(10,000)	(10,000)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(7,813)	(99,177)
Professional fees	-	-	(289,857)	(289,857)	(125,000)	-	(25,000)	-	-	(60,000)	-	-	-	-	-	(304,029)
Restructuring costs	(92,500)	-	-	(289,857)	(125,000)	-	(25,000)	-	(95,000)	-	-	-	-	-	-	(747,357)
Subtotal	(230,642)	(26,869)	(368,904)	(722,588)	(658,074)	(493,683)	(321,741)	(309,720)	(309,720)	(444,341)	(309,189)	(315,783)	(315,783)	(315,783)	(305,928)	(4,871,108)
NET CASH FLOW (DEFICIT)	-	1,430,757	4,721,014	(722,588)	387,630	17,317	(363,647)	(159,720)	(159,720)	576,161	(309,189)	(315,783)	(315,783)	(315,783)	(280,928)	4,659,285
OPENING CASH	19,198	19,198	1,449,956	2,069,546	1,346,958	1,734,588	1,751,905	1,388,258	1,066,517	906,797	1,482,958	1,173,770	857,987	857,987	857,987	19,198
Restricted Funds	-	-	(4,101,424)	-	-	-	-	-	-	-	-	-	-	-	-	(4,101,424)
CLOSING CASH	19,198	1,449,956	2,069,546	1,346,958	1,734,588	1,751,905	1,388,258	1,066,517	906,797	1,482,958	1,173,770	857,987	857,987	857,987	577,059	577,059

Notes:

1. Revenues (net of transportation charges) and royalties have been estimated based on recent historical results and estimated pricing.
2. Operating costs have been estimated based on recent historical operations and anticipated projects.
3. Capital expenditures to meet anticipated ERCB abandonment obligations.
4. It is assumed that wages, benefits and consulting fees will continue to be paid in the ordinary course.
5. It is assumed lease obligations will be paid in the ordinary course.
6. Estimated general and administrative costs based on recent historical costs.
7. Existing insurance policy for Property, Operators Extra Expense and Boiler and Machinery and Directors' and Officers' Insurance.
8. Includes interest obligations (under existing terms) to secured Lender and bank fees. All other debt interest obligations will continue to be accrued.
9. AJM Petroleum Consultants for the Reserve Engineering reports, Seaton Jordan for the Land Values Report, Blake Cassels Graydon LLP for ERCB Board Hearing legal fees.
10. Costs associated with restructuring including those of the company's legal counsel, the Monitor and counsel for the Monitor, and legal counsel for the Independent Committee.
11. Restricted funds represents the proceeds from the sale of the Scollard shares.

THIS IS EXHIBIT "B"
 referred to in the Affidavit of
 Grant Audler Barthelet
 Sworn before me this 12
 day of March A.D. 20 10
 A Commissioner for Oaths in and for
 the Province of Alberta
 Travis P. Lysak
 Barrister & Solicitor

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