

Action No.: _____

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

BETWEEN:

BG INTERNATIONAL LIMITED

Applicant

- and -

CANADIAN SUPERIOR ENERGY INC.

Respondent

**AFFIDAVIT OF EWEN DENNING
SWORN FEBRUARY 9, 2009**

I, Ewen Denning, of the City of Port of Spain, Trinidad & Tobago, MAKE OATH AND SAY THAT:

1. I am Vice President, Commercial of BG Trinidad and Tobago. BG Trinidad and Tobago is an indirect wholly-owned subsidiary of BG Group plc and an affiliate of BG International Limited ("BGI"). I am authorized to make this Affidavit on behalf of BGI.
2. I have knowledge of the matters to which I hereinafter depose. Where I depose to facts on the basis of information provided to me by others, I believe such information to be true.

PARTIES

BG Group plc and BGI

3. BG Group plc trades on the London Stock Exchange under the symbol “BG” and has a market capitalization of approximately £36 billion.
4. BG Group plc is engaged in discovery, extraction, transmission, distribution and supply of oil and natural gas to existing and developing markets around the world. The segments of this Company include exploration and production, liquefied natural gas, transmission and distribution, and power and other activities.
5. BGI is incorporated under the laws of England and Wales and is also registered as an external company in Trinidad and Tobago.
6. BGI is a global energy company engaged in the exploration, development, production, transmission, distribution and supply of oil and natural gas with interests in 27 countries across 5 continents. In 2007, BGI produced net 23 mmboc of gas in Trinidad and Tobago. In Trinidad and Tobago BGI holds interests in the East Coast Marine Area, North Coast Marine Area, Central Block on shore, Atlantic LNG and Block 5C (also known as the “**Intrepid Block**”).

Canadian Superior Energy Inc.

7. According to materials filed on SEDAR and other publicly available information, BGI understands the following concerning CSEI.
8. Canadian Superior Energy Inc. (“**CSEI**”) was incorporated under the *Business Corporations Act* (Alberta). CSEI is publicly traded on the TSX under the symbol “SNG” and has its head office in Calgary, Alberta.
9. CSEI is engaged in the exploration and production of oil and natural gas and development of liquefied natural gas projects. CSEI has operations offshore Trinidad and Tobago, offshore Nova Scotia, Canada, in Western Canada, in the United States, and in North Africa. In Trinidad and Tobago, CSEI holds interests in the Intrepid Block and the Guayaguare Block.

10. Greg Noval (“**Mr. Noval**”) is the Chairman of the Board of Directors of CSEI.

Challenger Energy Corp.

11. According to materials filed on SEDAR and other publicly available information, BGI understands the following concerning Challenger Energy Corp. (“**CEC**”).

12. CEC was incorporated under the *Canada Business Corporations Act*. CEC is publicly traded on the TSX Venture Exchange under the symbol “CHQ”. CEC is based in Calgary, Alberta.

13. CEC is an oil and gas exploration company. CEC’s principal asset is its contingent interest in the Intrepid Block.

14. Mr. Noval was the Chairman of the Board of Directors of CEC. However, in or around October 2008, Steelhead Partners (“**Steelhead**”), the investment manager of investment limited partnerships and client accounts (representing the holders of over 19 million shares of CSEI) sent a letter to the Board of Directors of CSEI, questioning CSEI’s provision of a \$14 million bridge loan to CEC and alleged a conflict of interest given Mr. Noval’s “sizeable financial interest in CEC and his position as Chairman of CEC and his position as Chairman of CSEI.” Steelhead further questioned the CSEI loan to CEC as follows: “how could providing a loan to Challenger be deemed to be in the best interests of CSEI and its shareholders, in particular given that Challenger was created with the sole purpose of providing funding for the three well drilling program in Trinidad and Tobago?” Attached and marked as Exhibit “1” is a news release concerning the Steelhead concerns.

15. Mr. Noval resigned from the CEC Board of Directors in October, 2008, but remains a significant shareholder. Attached and marked as Exhibit “2” is the announcement of Mr. Noval’s resignation as director of CEC dated October 23, 2008.

16. By reason of Mr. Noval’s roles with CSEI and CEC, and potentially other reasons, the two companies have been treated as related parties in the financial statements of each company.

THE CONTRACTS

17. The Trinidad and Tobago Ministry of Energy and Energy Industries (the “**Minister**”) and CSEI are parties to a Production Sharing Contract (“**PSC**”) dated July 20, 2005. The PSC relates to the Intrepid Block. The PSC is attached to this Affidavit and marked as Exhibit “3”.

18. According to the JOA, CSEI and CEC are parties to an Amended and Restated Participation Agreement dated December 30, 2005 (the “**Participation Agreement**”). Pursuant to the Participation Agreement, CEC has the right to earn a 25% interest in the PSC.

19. BGI and CSEI are parties to a Farm-In Agreement dated August 11, 2007 (the “**Farm-In Agreement**”). Pursuant to the Farm-In Agreement BGI has the right to earn a 30% interest in the PSC. The Farm-In Agreement is attached to this Affidavit and marked as Exhibit “4”.

20. CSEI and BGI are parties to a Deed of Assignment dated October 29, 2007 (“**Deed of Assignment**”). Pursuant to the Deed of Assignment, CSEI assigned a 30% interest in the PSC to BGI. The Deed of Assignment is attached to this Affidavit and marked as Exhibit “5”.

21. Annexed to the Farm-In Agreement is a Joint Operating Agreement also dated August 11, 2007 (the “**JOA**”). BGI, CSEI, and CEC are parties to the JOA. The JOA is attached to this Affidavit and marked as Exhibit “6”. CSEI is Operator under the JOA for Phase I of the exploration of the Intrepid Block. The key terms of the JOA for the present circumstances are summarized as follows and unless otherwise defined, capitalized terms used below have the meanings ascribed to them in the JOA:

- (a) Art. 3.2(C) – CEC shall not have a Participating Interest until it has been assigned an interest in the Contract by CSEI. As between BGI and CSEI, prior to such assignment, CSEI shall be fully responsible for all obligations and liabilities in respect of a 70% Participating Interest and BGI shall under no circumstances be required to enforce, or make a claim in respect of, any obligation or liability of CEC.
- (b) Art. 4.2(B)(3) – in the conduct of Joint Operations, the Operator shall exercise due care with respect to the receipt, payment and accounting of funds in

accordance with good and prudent practices as are generally followed by the international petroleum industry under similar circumstances;

- (c) Art. 4.2(B)(4) – subject to Article 4.6 and the Accounting Procedure, the Operator shall neither gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Operations;
- (d) Art. 4.2(B)(8) – in the conduct of Joint Operations, the Operator shall undertake to maintain the Contract in full force and effect in accordance with such good and prudent petroleum industry practices as are generally followed by the international petroleum industry under similar circumstances. Operator shall timely pay and discharge all liabilities and expenses incurred in connection with Joint Operations and use its reasonable endeavors to keep and maintain the Joint Property free from all liens, charges and encumbrances arising out of Joint Operations;
- (e) Art. 4.8 – Operator may not commingle with Operator’s own funds the monies which Operator receives from or for the Joint Account pursuant to this Agreement. Monies Operator receives for the Joint Account shall be deposited in an interest-bearing account. Interest earned shall be allocated among the Parties on an equitable basis taking into account the date of the funding by each Party and its share of the Joint Account monies. Operator shall apply such earned interest to the next succeeding cash call or, if directed by the Operating Committee, pay it to the Parties;
- (f) Art. 8.1(A) – any party that fails to: (1) pay when due its share of Joint Account expenses (including cash advances and interest), or (2) obtain and maintain any Security required of such Party under the Contract or this Agreement; shall be in default under this Agreement (a “**Defaulting Party**”). Operator, or any non-defaulting Party, in case Operator is the Defaulting Party, shall promptly give notice of such default (the “**Default Notice**”) to the Defaulting Party and each of the non-defaulting Parties; and

- (g) Art. 8.4(E)(1) – each party grants to each of the other Parties, in pro rata shares based on their relative Participating Interest, a mortgage and security interest on its Participating Interest, whether now owned or hereafter acquired, together with all products and proceeds derived from that Participating Interest (collectively, the “Collateral”) as security for (i) the payment of all amounts owing by such Party (including interest and costs of collection) under this Agreement; and (ii) any Security which such Party is required to provide under the Contract

CSEI DEFAULT

22. During November and December 2008, BGI conducted an audit of the Joint Venture Operator as it was entitled to do under the JOA. Among other things, at pages 18 and 19 the audit revealed that contrary to the JOA:

- (a) CSEI failed to maintain separate bank accounts;
- (b) CSEI commingled BGI’s funds with CSEI’s funds; and
- (c) CSEI did not account for interest as obliged under Article 4.8 of the JOA and the Accounting Procedure (as defined in the JOA). Now shown to me and marked as Exhibit “7” is a copy of the audit report.

23. Maersk (as hereinafter defined) is the drilling contractor hired by CSEI under the Rig Contract (as hereinafter defined). At the end of January 2009, BGI received copies of correspondence between Maersk and CSEI indicating that Maersk’s November invoice for US \$12,075,000.00, which was due for payment on January 2, 2009, had not been paid (the “**Maersk November Invoice**”) and demanding that CSEI pay same. A copy of letters dated January 26, 2009 and January 30, 2009 from Maersk to CSEI are attached to this Affidavit and as Exhibits “8” and “9”, respectively (the “**Maersk Letters**”).

24. On February 1, 2009, BGI demanded an urgent Operating Committee Meeting (“**OCM**”) for February 2, 2009. At the OCM, BGI demanded that CSEI explain why the Joint Venture was unable to pay the Maersk November Invoice, especially given that BGI has paid to CSEI for the Joint Account all cash calls made to it. CSEI advised BGI that CEC had failed to pay its cash calls and CSEI stated that it was not in a position to pay approximately US \$4 million which was

charged to CEC in connection with the Maersk November invoice. When asked about the extent and duration of CEC's failures to pay, CSEI did not provide a satisfactory answer. BGI requested that the following information be provided as soon as possible (the "**Inquiries**"):

- how much money is in the Joint Account presently?
- how much money is required to finish the Joint Operations?
- how long has CEC not paid its Joint Account obligations?
- how much debt is the Joint Venture in?
- what was the exact amount outstanding to Maersk and a statement as to all other outstanding bills.

25. Formal minutes of the February 2, 2009 OCM have not yet been issued. However, BGI's internal record from the meeting are attached and marked as Exhibit "10".

26. BGI did not receive an adequate response from CSEI to the Inquiries. Accordingly, BGI sent a letter to CSEI on February 5, 2009, restating the Inquiries concerning the financial status of the joint venture. The February 5, 2009 letter is attached to this Affidavit and marked as Exhibit "11". As of the timing of swearing of this Affidavit, no response has been received from CSEI.

27. On February 2, 2009, at a meeting between Ben Milner of BGI, Don Boykiw of Osler, Hoskin & Harcourt LLP, and Dan MacDonald, Chief Executive Officer of CEC ("**MacDonald**"), MacDonald advised that a letter had been received from the Minister rejecting the assignment of a 25% interest in the PSC from CSEI to CEC. He further advised that not having legal title was inhibiting CEC's ability to raise funds. MacDonald did not specify the reasons for the rejection.

28. On February 5, 2009, BGI also sent a letter to CSEI requesting information regarding the status of assignment of a 25% Participating Interest in the PSC from CSEI to CEC. BGI further advised CSEI that until it was advised to the contrary and in accordance with Art. 3.2(C) of the JOA, BGI held CSEI responsible for all obligations and liabilities in respect of a 70% Participating Interest pursuant to the terms of the JOA. The February 5, 2009 letter is

attached to this Affidavit and marked as Exhibit "12". As of the timing of swearing of this Affidavit, no response to same has been received.

29. On February 6, 2009, pursuant to the JOA, BGI delivered to CSEI a notice of default and notice of removal of operator. CEC was provided copies of both notices. Copies of the notice of default and notice of removal of operator are attached to this Affidavit and marked as Exhibits "13" and "14", respectively.

30. On or about February 8, 2009, BGI prepared a Request for Arbitration (the "**Request**"), pursuant to Article 18 of the JOA, for filing with the London Court of International Arbitration ("LCIA") in London, U.K. Attached and marked as Exhibit "15" is a copy of the Request, exclusive of Exhibits A,B,C, and D to the Request.

31. The Request and annexed Exhibits was served on CSEI by facsimile transmission on February 8, 2009 at 23:01. Attached and marked as Exhibit "16" is a copy of the Affidavit of Service of Sharon Byrgesen, sworn February 8, 2009 (the "**Affidavit of Service**").

32. The Request and the Affidavit of Service was filed with the LCIA in London, U.K., on February 9, 2009. Attached and marked as Exhibit "17" is an email communication from Michael Bennett, Partner, of Linklaters LLP, attaching a letter from Linklaters to the LCIA confirming the filing of the Request.

FINANCIAL CHALLENGES OF CSEI AND CEC

33. CSEI's third quarter 2008 Financial Statements and Management Discussion and Analysis (the "**CSEI Q3 MD&A**") indicate that as of September 30, 2008, CSEI had drawn \$43.3 million on its \$45 million credit facility with its bank. The CSEI Q3 MD&A further indicated that: "Subsequent to September 30, 2008, the Company's bank advised that it does not anticipate remaining as the Company's lender indefinitely. The Company is currently reviewing alternatives to replace its existing facility." The CSEI Q3 MD&A further states: "The Company is reviewing strategic alternatives and potential asset dispositions with a view to funding its capital program."

34. As noted above, CSEI established a \$14 million credit facility in favour of CEC (the "**Bridge Facility**") to fund CEC in September 2008. A copy of the Bridge Facility is attached to

this Affidavit and is marked as Exhibit "18". BGI has been advised by MacDonald of CEC that the \$14 million was advanced by CSEI to CEC under the Bridge Facility and that it remains outstanding. Moreover, BGI has been advised by MacDonald of CEC that CEC: (a) has until the end of February, 2009 to repay the Bridge Facility funds, after which time it will be in default; and (b) CEC must raise approximately \$50 million of new funds to cover repayment of the Bridge Facility, CEC's share of past cash calls and fund its remaining obligations through May, 2009.

35. CEC's third quarter 2008 Management Discussion and Analysis (the "CEC Q3 MD&A") filed on SEDAR states that, "The Company will however require additional financing to fulfill its obligations on the third exploration well in the three exploration well commitment in the Block 5(c) program."

36. The CEC Q3 MD&A further states under the heading "Liquidity" as follows:

"Management estimates the funds from the October 2, 2008 offering and the Bridge Facility are less than [CEC's] remaining share of the costs with respect to funding the Block 5(c) commitment... [CEC's] plans to fund the shortfall with debt or equity financing. There is no guarantee that such financing will be available on commercially suitable terms or at all."

37. CEC's public disclosure does not reveal that CEC has obtained any additional debt or equity financing since the date of the CEC Q3 MD&A. Furthermore, nothing in BGI's dealings with CSEI and CEC suggests to BGI that CEC has obtained any additional financing.

38. On or about November 5, 2008, as obliged under Article 12.3 of the JOA, CEC notified BGI that it intended to commence a corporate sale. As previously noted, CEC announced publicly on February 5, 2009 that it was pursuing "strategic alternatives".

39. Given the current global economic crisis including the related global credit constraints, and difficulty raising financing, generally, BGI has reason to be concerned about both CSEI's and CEC's ability to refinance or raise capital. If CEC is unable to repay to CSEI the amounts borrowed under the Bridge Facility then CSEI will not have access to the \$14 million loaned to CEC under the Bridge Facility. If CEC is unable to meet past and future cash calls, then CSEI will be responsible for CEC's share of the Endeavour Well costs as well as its own share of those

costs. The foregoing, taken together with the unpaid Maersk November Invoice, the lack of an adequate explanation from CSEI as to BGI's enquiries regarding funding of the joint account, and the significant drop in commodity prices since September 30, 2008, all point to the fact that CSEI is facing significant and immediate financial challenges.

THE EXPLORATION PROJECT

40. The Intrepid Block is an 80,302 acre area offshore of Trinidad and Tobago. Rights to explore and produce hydrocarbons from the Intrepid Block were awarded to CSEI by the Minister. The PSC sets out the terms on which CSEI was awarded its rights in relation to the Intrepid Block.

41. The Intrepid Block is adjacent to BGI's current East Coast Marine joint venture in Trinidad and Tobago (Blocks 6, 5A and E) which contains the Dolphin and Dolphin Deep producing natural gas fields.

42. Pursuant to the Farm-In Agreement, BGI farmed into the Intrepid Block in exchange for a commitment to take part in a three well exploration program. BGI paid US \$38,918,849.00 in accordance with the Farm-In Agreement and is obliged to pay 40% (up to a limit of US \$6.5 million) of the Phase I exploration program costs on a go-forward basis to earn a 30% share in the Intrepid Block. A 30% interest in the PSC was assigned to BGI pursuant to the Deed of Assignment.

43. The exploration program involves the drilling of three wells approximately 96 km off the coast in water depths of about 260-320 metres, which requires the use of a semi-submersible drilling rig. The three wells are named: Victory, Bounty, and Endeavour.

44. The Victory Well was spudded on June 28, 2007. Flow testing was conducted on the Victory Well and natural gas was discovered on January 14, 2008. However, tests indicated that there are only limited reserves connected to the well and it is BGI's view that the Victory Well is likely to be a sub-economic discovery.

45. The Bounty Well was spudded on February 20, 2008. Flow testing was conducted on the Bounty Well and natural gas was discovered on August 13, 2008. In BGI's opinion, the Bounty discovery on its own is not economic. BGI believes that the Bounty Well may become economic

if the Endeavour Well discovers sufficient reserves to make the joint development of the two prospects together economic by reason of costs savings realized through shared infrastructure.

46. The Endeavour Well is the third prospect and was spudded on August 28, 2008.

URGENCY – THREATENED CONTRACT TERMINATION AND DEPARTURE OF RIG

Importance of Well Testing

47. The Endeavour Well is at target depth and the only significant work remaining to be done by Maersk is the testing of the Endeavour Well. CSEI, CEC, and BGI agreed to complete the Endeavour Well including testing. The agreement between CSEI, CEC, and BGI to complete and test the Endeavour Well was memorialized in an email exchange between the parties' respective representatives on the Operating Committee. The email is attached to this Affidavit and marked as Exhibit "19".

48. Well logs for the Endeavour Well have demonstrated the presence of hydrocarbons. Without testing, however, reserves cannot be accurately estimated or evaluated. The value of the Endeavour Well and the Intrepid Block remains uncertain pending this information.

49. The reserves associated with the Endeavour Well must be determined so that a decision on development of the entire Intrepid Block can be made and a development plan established. (BGI's opinion is that the currently discovered reserves in the Intrepid Block are below the economic threshold for development. The PSC terms together with the capital costs and the price which can be realized for the gas are the key determinants of this conclusion).

Rig Contract and Drilling Costs

50. CSEI and Beijing Zhiyuan Industries Company Limited (“**Beijing Zhiyuan Industries**”) are parties to Rig Contract No. CSEI-TT-01 dated March 19, 2006 and amended on November 23, 2006 in Addendum No. 1, engaging Beijing Zhiyuan Industries to conduct the drilling program (respecting the Victory, Bounty, and Endeavour Wells) with a large semi-submersible drilling rig (the “**Kan Tan IV Rig**”). Beijing Zhiyuan Industries assigned this contract to Sinopec Star Petroleum Company Limited c/o A.P. Moller – Maersk A/S (“**Maersk**”) on December 1, 2006 and a subsequent amendment was made on February 12, 2007 in Addendum No. 2 (collectively, the “**Rig Contract**”). The Rig Contract, exclusive of Exhibits C to M to the Rig Contract, is attached to this Affidavit and marked as Exhibit “20”.

51. Prior to the commencement of drilling the Endeavour Well in August, 2008, the total drilling costs (excluding costs for testing) were estimated by CSEI as Operator in its AFE to cost US \$83.3 million with BGI’s share of costs under the JOA being 40%. By reason of the problems encountered, the supplemental AFE issued by CSEI indicated that the costs of drilling the Endeavour Well increased by approximately US \$22.4 million resulting in a total drilling cost of approximately \$106 million. The original and supplemental AFEs are attached and marked as Exhibits “21” and “22”.

52. Maersk charges a daily operating rate under the Rig Contract for its services including drilling and testing of US\$350,000.00. The daily operating rate is set out in Addendum No. 1 of the Rig Contract.

53. BGI understands that Maersk invoices have not been paid since October, 2008. Based on an operating rate of \$US 350,000 per day, BGI believes that the outstanding amounts owed to Maersk could be in the range of US \$32 million to the end of January, 2009.

54. In addition to Maersk, there are other contractors who have been retained by CSEI as the Operator since drilling commenced in August, 2008 but the Inquiries remain outstanding and BGI does not know how much is owing and to whom.

55. The Authority for Expenditure (“**AFE**”) for the testing of the Endeavor Well issued by CSEI estimates the total cost to be US \$ 21.9 million (the “**Testing Cost**”). The testing AFE is attached and marked as Exhibit “23”.

Threatened Rig Departure

56. The Maersk Letters copies of which were previously referred to and are attached and marked as Exhibits “8” and “9”, indicated that Maersk would commence proceedings to terminate the Rig Contract if payment was not received forthwith.

57. Maersk advised BGI that because CSEI failed to pay the Maersk November Invoice, Maersk does not intend to do the testing which it is estimated will be ready to be commenced on Tuesday, February 10, 2009. Instead Maersk wishes to leave the Endeavour Well and take the Kan Tan IV Rig to another job which is in offshore Australia. On February 9, 2009, Maersk advised BGI that on February 11, 2009 it will be in a position to terminate the Rig Contract. Attached and marked as Exhibit “24” is an email from Maersk dated February 9, 2009.

58. If Maersk terminates the Rig Contract and removes the Kan Tan IV Rig, BGI estimates that it will take approximately one year to get a replacement rig to come to the Endeavour Well and to conduct the testing. BGI further estimates that it will cost \$35 million more to have a replacement rig to come and test the Endeavour Well than it will cost to have the Kan Tan IV Rig test the Endeavour Well now prior to leaving

59. The economics of, and prospects for, the development of the Intrepid Block will be diminished substantially if Maersk is not paid and the Kan Tan IV Rig is decommissioned and leaves the Endeavour Well site at this time and prior to testing. The associated delay will cause irreparable harm and economic loss that cannot be foreseen or quantified at this time because of the many market and other factors at play.

RELIEF SOUGHT

Cash Calls

60. BGI has paid in full all cash calls made by CSEI to date. There are no overdue obligations by BGI to CSEI or the Joint Account.

61. BGI believes that the funds supplied to CSEI in response to prior cash calls have not been used to satisfy the obligations of the joint venture. In particular, BGI paid the cash call that was to pay BGI’s proportionate share of the Maersk November Invoice. It is clear, however, from the fact that Maersk has not been paid that BGI’s money was not used for the purposes that it

was paid to CSEI. Moreover, the audit finding that no joint account exists and funds have been commingled contrary to the JOA and Accounting Procedure makes it clear that no protection for the advancement of BGI funds in respect of future cash calls exists.

62. BGI anticipates that CSEI will issue a cash call during the week of February 9, 2009 for payment the following week (the “**February Cash Call**”).

63. BGI is willing and able to pay the February Cash Call and continue to meet its obligations under the JOA; however, BGI proposes that the relief and protection sought in this application be put in place prior to it advancing further monies to ensure the joint venture assets are protected.

Appointment of a Receiver and Funding of Testing of the Endeavour Well

64. BGI proposes that pending BGI becoming Operator pursuant to the terms, the JOA or further Order of the Court, the Court of Queen’s Bench of Alberta (the “**Court**”) immediately and before the Rig Contract is terminated by Maersk appoint Deloitte & Touche LLP (“**Deloitte**”) as receiver and manager of CSEI’s right interest duties and obligations as Operator as defined and described in the JOA (the “**Receiver**”). Deloitte has indicated that they will provide a consent to act as Receiver in substantially the same form as the draft Consent attached to this Affidavit and marked as Exhibit “25”.

65. If the Court appoints the Receiver, BGI would rest assured that its funding of its share of the outstanding costs of the Endeavour Well including the Testing Costs would be used properly and to pay Maersk and other contractors and the joint venture interests would be preserved and protected. In the event that CSEI is unable to fund its share of the outstanding costs of the Endeavour Well, BGI is prepared to fund such costs by way of a loan to the Receiver under Receiver’s Certificates with a court-ordered charge over CSEI’s Participating Interest as defined in the JOA to rank in priority to all other security over CSEI’s Participating Interest, which costs, based on information available to BGI, BGI currently estimates will not exceed US \$47 million. BGI believes the remedies under the JOA are insufficient to protect BGI, especially given the financial challenges facing CSEI. Attached and marked as Exhibit “26” is a letter to the Receiver outlining the terms of the proposed retainer.

66. BGI has obtained Personal Property Registry (“PPR”) searches dated • in respect of both CSEI and CEC. The PPR search report for CSEI indicates that Canadian Western Bank and BGI are the only significant secured creditors of CSEI. The PPR search report indicates that CEC’s most significant secured creditor is CSEI. The PPR search reports for CSEI and CEC are attached to this Affidavit and marked as Exhibits “26” and “27” .

67. BGI will serve this Affidavit and the related application materials on Canadian Western Bank so that it may have the opportunity to appear before the Court and make submissions in respect of the requested relief.

68. In order for Deloitte to agree to act as Receiver, BGI has agreed to provide an indemnity to Deloitte. The indemnity is dependent upon the court permitting Deloitte to retain BGI to assist in carrying out the Receiver’s obligations. This arrangement is necessary so that BGI may have an appropriate degree of control over the matters which could engage the indemnity and BGI’s potential exposure thereunder.

69. In that regard, BGI has taken steps to prepare to assume the role of Operator of the Intrepid Block or assist Deloitte as Receiver. Specifically, pursuant to Article 4.1 of the JOA, upon completion of Phase I of the Exploration Period of the Intrepid Block, BGI will become Operator of the PSC. The First Phase of the Exploration Period was scheduled to end on the 20th July 2008 but was extended by the Minister to April 20, 2009 after a request was made by CSEI. A copy of the Minister’s letter dated April 29, 2008 approving the extension is attached to this Affidavit and marked as Exhibit “28”.

70. BGI will assume the role of Operator on April 21, 2009, a role for which it is well equipped. BGI currently acts as Operator of the upstream operations in three other significant blocks in Trinidad and Tobago. In total, these operations produce in excess of 1 bcf per day and have ongoing exploration and development activities.

71. Additionally, BGI has actively taken steps to ensure that it is prepared to assume the specific role of Operator under the JOA which steps include: conducting due diligence on CSEI’s operations; and holding regular transfer of operatorship meetings with CSEI. BGI has been providing CSEI with technical and operational support since BGI farmed in to the Intrepid Block. In the event that the Court orders that BGI assume on an interim basis the role of

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Sworn: February 9, 2009*

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AFFIDAVIT OF EWEN DENNING

SWORN FEBRUARY 9, 2009

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