

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In Re: Petroflow Energy Ltd.

**Case No. 10-12608 (CSS)
Reporting Period**

June 1, 2011 through June 30, 2011

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	x		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	x		
Schedule of Professional Fees Paid	MOR-1b	x		
Copies of bank statements				
Cash disbursements journals				
Statement of Operations	MOR-2	x		
Balance Sheet	MOR-3	x		
Status of Postpetition Taxes	MOR-4	x		
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Postpetition Debts	MOR-4	x		
Listing of aged accounts payable	MOR-4	x		
Accounts Receivable Reconciliation and Aging	MOR-5	x		
Debtor Questionnaire	MOR-5	x		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

/s/ Louis G. Schott

Signature of Authorized Individual*

July 19, 2011

Date

Louis G. Schott

Printed Name of Authorized Individual

Associate Secretary

Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Amounts reported should be per the debtor's books, not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. The amounts reported in the "PROJECTED" columns should be taken from the SMALL BUSINESS INITIAL REPORT (FORM IR-1). Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1 (CONT)]

	BANK ACCOUNTS					CURRENT MONTH		CUMULATIVE FILING TO DATE	
	NBC OPER.					ACTUAL	PROJECTED	ACTUAL	PROJECTED
CASH BEGINNING OF MONTH	0					0		6,607	
RECEIPTS									
CASH SALES						0		0	
ACCOUNTS RECEIVABLE						0		0	
LOANS AND ADVANCES						0		0	
SALE OF ASSETS						0		0	
REIMBURSEMENTS						0		11,918	
INTEREST						0		0	
TRANSFERS (FROM DIP ACCTS)						0		0	
						0		0	
TOTAL RECEIPTS	0	0	0	0	0	0	0	11,918	0
DISBURSEMENTS									
NET PAYROLL						0		0	
PAYROLL TAXES						0		0	
PAYROLL BENEFITS						0		0	
SALES, USE, & OTHER TAXES						0		241	
INVENTORY PURCHASES						0		0	
OFFICES/ RENTAL/LEASES						0		0	
INSURANCE						0		0	
ADMINISTRATIVE/CONTRACT/G&A						0		210	
SELLING						0		0	
OTHER (ATTACH LIST)						0		0	
WELL COSTS						0		18,070	
OWNER DRAW *						0		0	
TRANSFERS (TO DIP ACCTS)						0		4	
Transfers from NAPCUS						0		0	
PROFESSIONAL FEES						0		0	
U.S. TRUSTEE QUARTERLY FEES						0		0	
COURT COSTS						0		0	
TOTAL DISBURSEMENTS	0	0	0	0	0	0	0	18,526	0
NET CASH FLOW	0	0	0	0	0	0	0	(6,607)	0
(RECEIPTS LESS DISBURSEMENTS)									
CASH - END OF MONTH	0	0	0	0	0	0	0	(0)	0

* COMPENSATION TO SOLE PROPRIETORS FOR SERVICES RENDERED TO BANKRUPTCY ESTATE

THE FOLLOWING SECTION MUST BE COMPLETED

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)	
TOTAL DISBURSEMENTS	0
LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS	0
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	0
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	0

STATEMENT OF OPERATIONS
(Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

REVENUES	Month	Cumulative Filing to Date
Gross Revenues		\$ -
Less: Returns and Allowances		\$ -
Net Revenue	\$ -	\$ -
COST OF GOODS SOLD		
Beginning Inventory		
Add: Purchases		
Add: Cost of Labor		
Add: Other Costs-Production taxes (attach schedule)		
Less: Ending Inventory		
Cost of Goods Sold		
Gross Profit	\$ -	\$ -
OPERATING EXPENSES		
Advertising		\$ -
Auto and Truck Expense		\$ -
Bad Debts		\$ -
Contributions		\$ -
Employee Benefits Programs		\$ -
Insider Compensation*		\$ -
Insurance		\$ 4,124
Lease Operating Expense		\$ 3,550
Management Fees/Bonuses		\$ 6,000
Office Expense		\$ 10,107
Pension & Profit-Sharing Plans		\$ -
Repairs and Maintenance		\$ -
Rent and Lease Expense		\$ (26,014)
Salaries/Fees		\$ -
Supplies		\$ -
Taxes - Payroll		\$ -
Taxes - Real Estate		\$ -
Taxes - Other (production taxes)		\$ 241
Travel and Meals		\$ 1,713
Utilities		\$ -
Other (attach schedule)		\$ -
Total Operating Expenses Before Depreciation	\$ -	\$ (279)
Depreciation/Depletion/Amortization		\$ 219,516
Net Profit (Loss) Before Other Income & Expenses	\$ -	\$ (219,237)
OTHER INCOME AND EXPENSES		
Other Income		\$ 3,671
Interest Expense		\$ -
Other Expense (attach schedule)		\$ -
Net Profit (Loss) Before Reorganization Items	\$ -	\$ (215,566)
REORGANIZATION ITEMS		
Professional Fees	\$ 30,510	\$ 110,458
U. S. Trustee Quarterly Fees		\$ -
Interest Earned on Accumulated Cash from Chapter 11 (see continuation sheet)		\$ -
Gain (Loss) from Sale of Equipment (corrects prior 2010 entry)		\$ -
Other Reorganization Expenses (attach schedule)		\$ -
Total Reorganization Expenses	\$ 30,510	\$ 110,458
Income Taxes		\$ -
Net Profit (Loss)	\$ (30,510)	\$ (326,024)

*"Insider" is defined in 11 U.S.C. Section 101(31).

BALANCE SHEET

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from postpetition obligations.

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
CURRENT ASSETS		
Unrestricted Cash and Equivalents	0	6,607
Restricted Cash and Cash Equivalents (see continuation sheet)		
Accounts Receivable (Net)	4,265	10,955
Notes Receivable		
Inventories		
Prepaid Expenses	18,073	7,678
Professional Retainers	57,361	57,361
Intercompany A/R (A/P)	(1,961,875)	(1,607,209)
Other Current Assets (attach schedule)		
TOTAL CURRENT ASSETS	(1,882,177)	(1,524,609)
OIL AND GAS PROPERTY		
Oil and Gas Property	3,774,528	3,804,674
Accumulated DD&A	(3,774,528)	(3,774,528)
TOTAL OIL & GAS PROPERTY	0	30,146
PROPERTY AND EQUIPMENT		
Machinery and Equipment		
Furniture, Fixtures and Office Equipment		
Leasehold Improvements		
Vehicles		
Less Accumulated Depreciation		
TOTAL PROPERTY & EQUIPMENT	0	0
OTHER ASSETS		
Loans to Insiders*		
Investments	21,491,806	21,491,806
Other Assets (attach schedule)		
TOTAL OTHER ASSETS	21,491,806	21,491,806
TOTAL ASSETS	19,609,630	19,997,343

LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)		
Accounts Payable		
Interest and fees Payable		
Asset Retirement Obligation		
Taxes Payable (refer to FORM MOR-4)		
Wages Payable		
Notes Payable - Current		
Rent / Leases - Building/Equipment		
Secured Debt / Adequate Protection Payments		
Professional Fees		
Amounts Due to Insiders*		
Other Postpetition Liabilities (attach schedule)		
TOTAL POSTPETITION LIABILITIES	0	0
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)		
Accounts Payable	154,791	165,549
Cash Advances from JV (Prepaid Drilling costs)		
Interest Payable		
Asset Retirement Obligation		50,930
Secured Debt		
Priority Debt		
Unsecured Debt		
Capital Lease (CRA)		
Asset Retirement Obligation		
TOTAL PRE-PETITION LIABILITIES	154,791	216,480
TOTAL LIABILITIES	154,791	216,480
OWNER EQUITY		
Capital Stock	38,510,516	38,510,516
Additional Paid-In Capital	7,214,491	7,214,491
Partners' Capital Account		
Owner's Equity Account		
Retained Earnings - Pre-Petition	(25,944,143)	(25,944,143)
Retained Earnings - Post-petition	(236,988)	
Current Year Income(Loss)	(89,037)	
Adjustments to Owner Equity (attach schedule)		
Postpetition Contributions (Distributions) (Draws) (attach schedule)		
NET OWNER EQUITY	19,454,838	19,780,864
TOTAL LIABILITIES AND OWNERS' EQUITY	19,609,630	19,997,343

*"Insider" is defined in 11 U.S.C. Section 101(31).

In Re: Petroflow Energy Ltd.
Debtor

Case No. 10-12608 (CSS)
Reporting Period June 1, 2011 through June 30, 2011

STATUS OF POSTPETITION TAXES

Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.
Attach photocopies of any tax returns filed during the reporting period.

MOR 4	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
Federal -Withholding						
			-			
			-			
			-			
			-			
		-	-			
State and Local-Withholding						
			-			
			-			
			-			
			-			
			-			
Total Taxes			-			

SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

	Number of Days Past Due					Total
	Current	0-35	31-60	61-90	Over 90	
Accounts Payable						-
Employee Deductions Payable						-
Estimated Bank Loan Interest						-
Estimated Unbilled Operating Costs Accrued						-
Wages Payable						-
Taxes Payable						-
Rent/Leases-Building						-
Rent/Leases-Equipment						-
Secured Debt/Adequate Protection Payments						-
Professional Fees						-
Amounts Due to Insiders*						-
Other:						-
Other:						-
Total Postpetition Debts	\$0.00	-	-	-	-	-
						0

Explain how and when the Debtor intends to pay any past-due postpetition debts.

*"Insider" is defined in 11 U.S.C. Section 101(31).

ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation		Amount
Total Accounts Receivable at the beginning of the reporting period		4,265
+ Amounts billed during the period		
- Amounts collected during the period		
Total Accounts Receivable at the end of the reporting period		4,265
		0
Accounts Receivable Aging		Amount
0 - 30 days old		
31 - 60 days old		
61 - 90 days old		
91+ days old		4,265
Total Accounts Receivable		4,265
Amount considered uncollectible (Bad Debt)		0
Accounts Receivable (Net)		4,265
		0

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X