AGREEMENT FOR SALE AND PURCHASE OF PARTNERSHIP INTERESTS

BETWEEN

PETROBANK ENERGY AND RESOURCES LTD. AND PETROBANK PRODUCTION PARTNERSHIP

(as Vendors)

- AND -

NAVIGO1 TRUST AND NAVIGO ENERGY INC.

(as Purchasers)

DATED AS OF THE 30TH DAY OF NOVEMBER, 2004

TABLE OF CONTENTS

AGREEMENT FOR THE SALE AND PURCHASE
OF PARTNERSHIP INTERESTS

THIS AGREEMENT dated as of the 30th day of November, 2004.

BETWEEN:

PETROBANK ENERGY AND RESOURCES LTD., a body corporate having an office and carrying on business in Calgary, Alberta ("**Petrobank**"); and

PETROBANK PRODUCTION PARTNERSHIP, a partnership formed under the laws of the Province of Alberta and having an office and carrying on business in Calgary, Alberta ("**PPP**")

(Petrobank and PPP may also be referred to individually as a "**Vendor**" and collectively as "**Vendors**")

- and -

NAVIGO1 TRUST, a commercial trust formed under the laws of the Province of Alberta and having an office and carrying on business in Calgary, Alberta (the "**Trust**"), by its trustee 1133004 Alberta Ltd.; and

NAVIGO ENERGY INC., a body corporate having an office and carrying on business in Calgary, Alberta ("**Navigo**")

(The Trust and Navigo may also be referred to individually as a "**Purchaser**" and collectively as "**Purchasers**")

WHEREAS Vendors have agreed to sell and convey, and Purchasers have agreed to purchase and accept, the Partnership Interests, all on the terms and conditions hereinafter set forth;

NOW THEREFORE the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals, this Section and the Schedules:

"**Abandonment and Reclamation Liabilities**" means all present and future liabilities and obligations, whether arising under the Title Documents, the Regulations or otherwise, relating to:

(a) the abandonment of any Wells and the restoration and reclamation of the surface sites for any Wells;

(b) the decommissioning, abandonment and removal, as applicable, of any Tangibles and restoration and reclamation of the surface sites for any Tangibles;

(c) the reclamation and restoration of the Lands and other lands to which any surface rights associated with the Petroleum and Natural Gas Rights are located, the surface sites of any Wells or Tangibles or any other lands which are used to gain access to any of the foregoing; and

(d) any Wells or Tangibles located on or within the Lands or other lands that were abandoned or decommissioned prior to the date of this Agreement;

"**Accounting Principles**" means generally accepted accounting principles, consistently applied, as established from time to time by the Canadian Institute of Chartered Accountants, as applicable at the relevant time;

"**AFEs**" means authorizations for expenditure, mail ballots, cash calls or other confirmations in respect of financial commitments;

"**Affiliate**" means, in respect of a Party, any other Person that, directly or indirectly, controls, is controlled by, or under common control with, that Party, and for purposes of this definition, "control" means the possession, directly or indirectly, by a Person or a group of persons acting in concert of the power to direct or cause the direction of the management and policies of that Party, whether through the ownership of voting securities or otherwise;

"**Asset Conveyances**" means, collectively, the Petrobank Conveyance, the PPP Conveyance, the Sask Conveyance and the NPI Conveyance, and individually means any one of them;

"**Asset Transfer Adjustments**" means all adjustment to be made between the relevant members of the Petrobank Group as vendors and the Partnership as purchaser pursuant to the Asset Conveyances;

"**Assets**" means the entire right, title, estate and interest of the Partnership in and to the Petroleum and Natural Gas Rights, the Miscellaneous Interest, the Tangibles and the NPI;

"**Base Purchase Price**" has the meaning ascribed thereto in Section 2.2;

"**Break Fee**" has the meaning ascribed thereto in Section 14.5(b);

"**Business Day**" means a day, other than a Saturday, Sunday, or a statutory holiday in Calgary, Alberta;

"**Claims**" means any claim, demand, action, proceeding, cause of action, damage, penalty, loss, cost, fine, liability or expense, including, without limitation, reasonable legal fees and all reasonable costs incurred in investigating or pursuing any of the foregoing, or any proceeding relating to any of the foregoing;

"**Closing**" means the completion of the transfer by Vendors to Purchasers of the Partnership Interests and the payment by Purchasers of the Purchase Price and all other amounts payable hereunder, and all other matters incidental thereto, all as provided for in, or contemplated by, this Agreement;

"**Closing Date**" means December 16, 2004, provided that:

(a) the Closing Date may be extended by Purchasers by Notice to Vendors prior to December 16, 2004 if all of the material requirements for the closing of the Financing have not yet been satisfied; and

(b) the Closing Date may be extended to the second Business Day after the day on which the Competition Act Approval is received if such approval has not been received on or before the last Business Day preceding the day which would have been the Closing Date but for the failure to receive Competition Act Approval;

or such other time and date as may be agreed to by the Parties in writing, but in any event shall not be later than December 23, 2004;

"**Closing Place**" means the offices of Petrobank, or such other place as may be agreed upon in writing by Vendors and Purchasers;

"**Closing Statement**" has the meaning ascribed thereto in Section 3.3;

"**Competition Act**" means the *Competition Act*, R.S.C. 1985, c. C-34;

"**Competition Act Approval**" means that:

(a) the Parties have applied for an advance ruling certificate pursuant to section 102 of the Competition Act and either:

(i) the Commissioner of Competition (the "Commissioner") appointed under the Competition Act has issued an advance ruling certificate pursuant to section 102 of the Competition Act in respect of the Transaction on terms and conditions satisfactory to the Parties acting reasonably; or

(ii) the Commissioner has advised Purchasers that she does not intend to apply to the Competition Tribunal for an order under section 92 of the Competition Act or section 100 of the Competition Act in respect of the Transaction; or

(b) notification of the Transaction pursuant to section 114 of the Competition Act has been given and either:

(i) the applicable waiting period under section 123 of the Competition Act has expired without the Commissioner having advised the Parties that she intends to apply to the Competition Tribunal for an order under section 92 or section 100 of the Competition Act in respect of the Transaction; or

(ii) the Commissioner has advised Purchasers that she does not intend to apply to the Competition Tribunal for an order under section 92 of the Competition Act or section 100 of the Competition Act in respect of the Transaction;

"**Contract Operating Agreement**" means any agreement or arrangement by which any or all of the Assets are operated or administered by a Third Party on behalf of Vendors or the Partnership, other than a co-tenant with Vendors or the Partnership in and to the Assets including those set forth in Schedule "B";

"**CRA**" means the Canada Revenue Agency, the agency charged with administration of the ITA;

"**Data**" has the meaning ascribed thereto in Section 5.1(b);

"**Deposit**" has the meaning ascribed thereto in Section 2.5;

"**Dollar**" and "$" means a dollar of the lawful money of Canada;

"**Economic Date**" means 8:00 a.m. Calgary time on October 1, 2004;

"**Environmental Liabilities**" means any and all environmental damage, contamination or other environmental problem or liability of the Partnership or pertaining to the Assets, whether or not caused by a breach of applicable Regulations or resulting from operations conducted on, or otherwise with respect to, such Assets, including, without limitation, any liabilities or matters related to the transportation, storage, use or disposal of toxic or hazardous substances or hazardous, dangerous or non-dangerous oilfield waste, any release, spill, escape or emission of toxic or hazardous substances, any surface, underground, air, soil, aquifer, groundwater, marine or surface water contamination, the abandonment or plugging of any Well or Wells, the Abandonment and Reclamation Liabilities, any failure to comply with any obligation imposed by the Regulations to protect the environment or to rectify environmental problems, and the death or injury to human beings, plants or animals directly or indirectly as a result of any of the foregoing and damages and losses suffered by any Third Parties as a result of the occurrences described herein;

"**ETA**" means *Excise Tax Act* (Canada), as amended from time to time;

"**Facilities**" means those facilities as identified in Part II of Schedule "E";

"**Financial Adjustments**" has the meaning ascribed thereto in Section 3.2;

"**Financial Consequences**" has the meaning ascribed thereto in Section 14.5(b);

"**Financing**" means the equity financing (the details of which have been previously disclosed to Vendors) to be undertaken by Purchasers to satisfy its Purchase Price obligations or a portion thereof;

"**GST**" means goods and services taxes payable under Part IX of the ETA;

"**Included Seismic Data**" means the seismic data described in Schedule "M";

"ITA" means the *Income Tax Act* (Canada) and applicable regulations thereunder, as in effect during the relevant time;

"**Lands**" means the lands set forth and described in Schedule "A";

"**Leases**" means, any leases, licences, permits, reservations and other documents of title through which the holder thereof may explore for, drill for, recover, remove or dispose of Petroleum Substances within, upon or under the Lands (or lands with which the Lands are pooled or unitized), in addition to all other rights and obligations of such holder, and includes, if applicable, all renewals and extensions of those documents and all documents issued in substitution therefor and any additions thereto and amendments thereof from time to time, including those documents set forth in Schedule "A";

"**Marketing and Hedge Agreements**" means those agreements described in Schedule "B";

"**Marketing Arrangements Agreement**" means the agreement set forth in Schedule "G";

"**Miscellaneous Interests**" means all property, supplies, miscellaneous equipment, assets and rights (other than the Petroleum and Natural Gas Rights and the Tangibles) to the extent pertaining to the Petroleum and Natural Gas Rights or the Tangibles or any rights relating thereto, to which the Partnership is entitled, including, without limitation, such interests in:

(a) all Title Documents and all other contracts, agreements, books, records and documents relating directly to the Petroleum and Natural Gas Rights and the Tangibles, including agreements for the sale, processing or transportation of Petroleum Substances and the Production Sales Contracts;

(b) all subsisting rights to enter upon, use and occupy the surface of the Lands or any lands with which the same have been pooled or unitized or any lands upon which the Tangibles are located or lands which are used to gain access to any of the foregoing;

(c) all subsisting rights to carry out any operations relating to the Lands or lands pooled or unitized therewith or lands upon which the Tangibles are located or lands used to gain access thereto and, without limitation, all well licences, rights of way, crossing agreements and easements;

(d) all Wells including the wellbores thereof and all casing and production tubing therein;

(e) all Petroleum Substances allocable to the Lands or lands pooled or unitized therewith and produced after the Economic Date; and

(f) the Included Seismic Data;

provided that the following shall be excluded:

(g) the Seismic Data;

(h) the tax and financial records and files of the Partnership and all files, reports, intellectual property, and computer software and hardware, agreements, documents or data to the extent that:

(i) they pertain to the interpretations or analysis of the Partnership; or

(ii) they are owned or licensed by Third Parties and have restrictions on their assignment, deliverability or disclosure by the Partnership;

"**Net Production Profits**" means an amount determined as:

(a) all revenue and other financial benefits accrued or credited in respect of the Assets from the Economic Date to and including November 11, 2004; less

(b) all capital and related expenditures incurred under or in respect of the Scheduled AFEs at any time regardless of the time the expenditure is made or the amount thereof; less

(c) all costs and expenses (including reasonable overhead) incurred in respect of operations conducted on or in relation to the Assets, including, but not limited to, maintenance costs, property insurance costs, insurance on operations, lifting costs, well operating costs, field equipment lease costs, plant operating costs, processing costs, transportation costs, marketing and sales costs and any other costs incidental thereto from the Economic Date to and including November 11, 2004;

"**Net Profits**" means the amounts paid or payable under the NPI Agreement, if any, for the period from November 12, 2004 to November 30, 2004;

"**Note**" means the promissory note in the amount of Five Million, Two Hundred Six Thousand ($5,206,000.00) Dollars, payable by the Partnership to Sask Psp;

"**Notice**" has the meaning ascribed thereto in Section 10.1;

"**NPI**" means the rights, benefits and obligations of Petrobank provided for under the NPI Agreement;

"**NPI Agreement**" means the agreement dated December 31, 2003 between Petrobank and Sask Psp providing for the NPI;

"**NPI Conveyance**" means the contribution agreement transferring the NPI from Petrobank to the Partnership effective December 1, 2004, to be in the form attached hereto as Schedule "N";

"**Partnership**" means Mamba Production Partnership, a general partnership formed under the laws of the Province of Alberta;

"**Partnership Agreement**" means the partnership agreement dated November 12, 2004 governing the Partnership as set forth in Schedule "L";

"**Partnership Conveyance**" means the general conveyance of the Partnership Interests from Vendors to Purchasers in the form attached hereto as Schedule "K";

"**Partnership Interest**" means, in respect to each Vendor, the entire right, title, estate and interest of that Vendor in and to the Partnership, and "Partnership Interests" means, collectively, the entire right, title, estate and interest of the Vendors in and to the Partnership;

"**Partnership Percentage**" has the meaning ascribed thereto in Section 2.1;

"**Party"** means a Party to this Agreement and **"Parties**" means all of them;

"**Permitted Encumbrances**" means:

(a) liens imposed by statute securing the payment of taxes, assessments or governmental charges which are not due or delinquent at the relevant time, or the validity of which Vendors are contesting in good faith if such contest will involve no risk of loss of any of the Assets;

(b) undetermined or inchoate liens (including, without limitation, processors', operators', mechanics', builders', materialmens' and similar liens) other privileges or other charges of a similar nature incurred or created as security in favour of the Person conducting the operation of any of the Assets or any service related thereto arising in the ordinary course of business for Vendors' or the Partnership's share of the costs and expenses of such operations or services in respect of such costs which are not due or delinquent at the relevant time, or which Vendors are contesting in good faith if such contest will involve no risk of loss of any of the Assets;

(c) those burdens (including lessor royalties, overriding royalties, net profit interests, reversionary interests and other burdens, claims, encumbrances and charges) described in Schedule "A";

(d) provisions for penalties and forfeitures under the Title Documents which arise if Vendors or the Partnership elect, after the relevant time, not to participate in operations on the Lands to which the penalty or forfeiture will apply and which election has not been made;

(e) easements, rights-of-way, servitudes, zoning or other similar rights or restrictions in respect of the Lands granted in the ordinary course of business (including, without limitation, rights-of-way and servitudes for highways and other roads, railways, sewers, drains, oil and gas pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables);

(f) liens granted in the ordinary course of business to a public utility or any municipality or governmental or other public authority respecting operations pertaining to any of the Assets which are not due or delinquent as at the date hereof or at the Closing Date;

(g) the Regulations, excepting any orders which are specific to Vendors, the Partnership or the Assets, and any rights reserved to or vested in any municipality or governmental, statutory or public authority to tax, control or regulate any of the Assets in any manner, including but not limited to taxes on Petroleum Substances and requirements imposed by statutes or governmental boards, tribunals or authorities concerning rates of production from operations on any of the Lands or otherwise affecting recoverability of Petroleum Substances from the Lands and which are generally applicable to the oil and gas industry in the jurisdiction where the Lands are situate;

(h) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, grant or permit, applicable to the Assets or by any statutory provision to terminate any such lease, license, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;

(i) all reservations applicable to the Assets in the original grant from the Crown of any of the Lands or any interests therein and all statutory exceptions, qualifications and reservations in respect of title;

(j) the terms and conditions of the Title Documents, including without limitation, the requirement to pay any rentals or royalties to the grantor thereof to maintain the Leases in good standing, Rights of First Refusal and other assignment limitations or restrictions;

(k) agreements for the sale of Petroleum Substances produced from the Lands or lands pooled or unitized therewith pursuant to Production Sales Contracts or other contracts for the sale of Petroleum Substances, which are either terminable on not greater than thirty-one (31) days notice (without an early termination penalty or other material cost) or are identified in Schedule "B";

(l) security interests encumbering the Vendor's interest in the Assets in respect of which Vendor has undertaken to promptly obtain, and deliver to Purchaser, on or before Closing, "no interest" letters or discharges in form and substance satisfactory to Purchaser;

(m) the provisions of the NPI Agreement; and

(n) the provisions of the Marketing Arrangements Agreement;

"**Person**" includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, bank, body corporate or governmental authority or a natural Person in his capacity as trustee, executor, administrator or other legal representative, as the particular context requires;

"**Petrobank**" means Petrobank Energy and Resources Ltd.;

"**Petrobank Assets**" means the assets conveyed or to be conveyed by Petrobank to the Partnership pursuant to the Petrobank Conveyance;

"**Petrobank Conveyance**" means the contribution and conveyance agreement transferring the Petrobank Assets from Petrobank to the Partnership attached hereto as Schedule "H";

"**Petrobank Group**" means, collectively, Petrobank, Sask Psp and PPP;

"**Petroleum and Natural Gas Rights**" means:

(a) rights in or rights to drill for and to produce, save and market Petroleum Substances pursuant to the Leases;

(b) fee simple interests and other estates in Petroleum Substances *in-situ*;

(c) royalty interests, net profit interests and similar interests in Petroleum Substances or the proceeds of the sale thereof or to payments calculated by reference thereto;

but only insofar as same pertain to the Lands or lands with which the Lands are pooled or unitized, including the interests set forth in Schedule "A";

"**Petroleum Substances**" means petroleum, natural gas and all related hydrocarbons (including, without limitation, all liquid hydrocarbons) and all other substances, whether liquids, gases or solids and whether hydrocarbon or not produced in association with such petroleum, natural gas or related hydrocarbons;

"**PPP Assets**" means the assets conveyed or to be conveyed by PPP to the Partnership pursuant to the PPP Conveyance;

"**PPP Conveyance**" means the contribution and conveyance agreement transferring the PPP Assets from PPP to the Partnership attached hereto as Schedule "I";

"**Prepaid Gas Obligations**" means, with respect to production, sale or related contracts pertaining to the Petroleum and Natural Gas Rights, the obligations of the Partnership under "take or pay" or any similar provisions either to repay payments made by the purchasers thereunder for Petroleum Substances not taken by them or to deliver such gas or substances to such purchasers without full payment therefor;

"**Prime Rate**" means a rate of interest per annum equal to the annual rate of interest which is announced from time to time by The Bank of Nova Scotia, Calgary, Alberta, main branch, as its prime rate used for determining interest rates on Canadian dollar commercial loans made in Canada to its preferred customers;

“**Production Sales Contracts**” means those contracts for the purchase or sale of Petroleum Substances produced from the Lands, or lands with which the Lands have been pooled or unitized, which are not terminable on 31 days’ notice or less and which are identified on Schedule “B”;

“**PST**” means provincial sales tax payable under the *Provincial Sales Tax Act* (Saskatchewan);

“**Purchase Price**” has the meaning ascribed thereto in Section 2.2;

“Rainbow Agreement” means the Indemnity Agreement Re: Rainbow Dispute appended hereto as Schedule “F”;

“**Rainbow Dispute**” means the dispute described in and to be administered on the basis set forth in Schedule “F”;

“**Regulations**” means all statutes, laws, rules, orders, policies, directives and regulations in effect from time to time and made by governments or governmental boards or agencies (including the Courts) having jurisdiction over the Assets, the Partnership, Vendors, Purchasers or the Transaction, as the case may be;

“**Rights of First Refusal**” means any and all rights of first refusal, pre-emptive rights of purchase or similar rights whereby any Person has the right to acquire or purchase all or a portion of the Assets or the Partnership Interests as a consequence of the proposed completion of the Asset Conveyances, this Agreement or the Transaction;

“**Sask Assets**” means the assets conveyed or to be conveyed to the Partnership by Sask Psp pursuant to the Sask Conveyance;

“**Sask Conveyance**” means the conveyance agreement transferring the Sask Assets from the Sask Psp to the Partnership attached hereto as Schedule “J”;

“**Sask Psp**” means Petrobank Employees Oil and Gas Ventures, LP, a partnership formed under the laws of the Province of Alberta;

“**Scheduled AFEs**” means the AFEs set out in Schedule “C”, provided that the estimated amounts set forth therein are estimates and shall only be for information purposes;

“**Security Interest**” means any assignment by way of security, general security agreement, land charge, mortgage, deed of trust, debenture, pledge, negative or otherwise, charge, lien or other security interest whatsoever, however created or arising, whether absolute, contingent, fixed or floating, perfected or not, and the registrations evidencing same;

“**Seismic Data**” means any and all seismic data that relates in any way to the Petroleum and Natural Gas Rights, including any ownership rights pertaining to the seismic programs now held or previously held by any of the Petrobank Group or the Partnership at any time in relation thereto other than the Included Seismic Data;

“**Specific Conveyances**” means all conveyances, assignments, transfers, novations and other documents and instruments that are reasonably required or desirable to convey, assign and transfer the Petrobank Assets, the Sask Assets, the PPP Assets and the NPI to the Partnership pursuant to the Asset Conveyances, and to novate the Partnership into the relevant agreements in the place and stead of the assignor thereof;

“**Tangibles**” means the Facilities and all tangible depreciable property and assets which are situate in, on, under or near the Lands or lands pooled or unitized therewith and any such property and assets, regardless of whether or not situated in, on, under or near the Lands, used or intended for use in connection with the production of Petroleum Substances from the Lands or lands pooled or unitized therewith, including such property that is used for the gathering, processing, compression, injection, disposal, removal, transmission or treatment of such Petroleum Substances, including, without limitation, wellheads, pipelines, flowlines, gathering systems, batteries, plants, compressors and other equipment;

“**Third Party**” means a Person that is not a Party or an Affiliate of a Party;

“**Time of Closing**” means 10:00 a.m. on the Closing Date, or such other time as the Parties agree upon;

“**Title Defect**” means a defect, discrepancy or deficiency in the title of any of the Petrobank Group as predecessors in title to the Partnership, or the Partnership, to any of the Assets which is such that a reasonable, prudent and otherwise willing buyer of the Assets affected would thereby refuse to purchase such Assets for a price equal to the fair market value thereof (determined as if such defect, discrepancy or deficiency did not exist) solely because of such defect, discrepancy or deficiency or in respect to an interest in a particular Asset attributed to any of the Petrobank Group or the Partnership in Schedule “A”, or their actual interests in such Asset is less than that attributed to it in Schedule “A”, or is subject to an Encumbrance other than a Permitted Encumbrance that is not fully disclosed in Schedule “A”;

“**Title Documents**” has the meaning ascribed thereto in Section 5.1(a);

“**Transaction**” means collectively all the transactions provided for in or contemplated by this Agreement;

“**Vendors’ Financial Information**” has the meaning ascribed thereto in Section 5.2(a); and

“**Wells**” means all producing, shut-in, water source, observation, disposal, injection, abandoned, suspended and similar wells located on the Lands, whether or not completed, in which the Partnership, or the Petrobank Group or any of them have an interest in, together with all well licences relating thereto, including the wells listed in Part I of Schedule “E”.

1.2 Schedules and Exhibits

The following Schedules are attached to, form part of, and are incorporated in this Agreement:

Schedule “A” - Land Schedule;

Schedule "B"	-	Production Sales Contracts, Contract Operating Agreements and Hedging Agreements;
Schedule "C"	-	Scheduled AFEs;
Schedule "D"	-	Outstanding Claims;
Schedule "E"	-	Part I – Wells; Part II – Facilities; Part III – AEUB Order;
Schedule "F	-	Rainbow Dispute Agreement;
Schedule "G"	-	Marketing Arrangements Agreement;
Schedule "H"	-	Petrobank Conveyance;
Schedule "I"	-	PPP Conveyance;
Schedule "J"	-	Sask Conveyance;
Schedule "K"	-	Partnership Conveyance;
Schedule "L"	-	Partnership Agreement;
Schedule "M"	-	Included Seismic Data;
Schedule "N"	-	NPI Conveyance; and
Schedule "O"	-	Rights of First Refusal.

1.3 Included Words

In this Agreement, words importing the singular include the plural and *vice versa*, and words importing one gender include other genders and words importing individuals shall also include firms and corporations and *vice versa*.

1.4 Headings

The headings of the Sections of this Agreement and the Schedules attached hereto are inserted for convenience of reference only and shall not affect the meaning, interpretation or construction thereof.

1.5 References

Except as otherwise expressly stated herein:

(a) "this Agreement", "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to this Agreement in its entirety and not to any particular Article or Section thereof; and

(b) references herein to a Schedule refer to a Schedule to this Agreement and reference to an Article or Section refer to an Article or Section of this Agreement.

1.6 Statutory References

Any references herein to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and in force from time to time, and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto.

1.7 Invalidity of Provisions

If any of the provisions of this Agreement are determined by a court of competent jurisdiction or an arbitrator appointed hereunder to be invalid, illegal and unenforceable in any respect, such provision shall be deemed to be severed from this Agreement and of no force or effect whatsoever. Subject thereto, and provided such severance does not materially and adversely compromise the substance of the bargain of the Parties set forth herein, this Agreement, as so amended by such severance, shall remain in full force and effect between the Parties, enforceable against each of them in accordance with its respective terms.

1.8 Knowledge or Awareness

Where in this Agreement a representation or warranty is made on the basis of the knowledge or awareness of a Vendor, such knowledge or awareness consists only of the actual knowledge or awareness, as the case may be, of the current officers of such Vendor who are responsible for the supervision of the subject matter of such representation or warranty, after reasonable inquiry of the current employees of such Vendor who would have knowledge of such matters, but does not include the knowledge and awareness of any other Persons.

1.9 Deemed Consent

If a provision of this Agreement or a Schedule requires an approval or consent by a Party and Notice requesting such approval or consent has been provided in accordance herewith, and such approval or consent has not been delivered within the applicable time limit, then, unless otherwise specified herein, the requested consent or approval shall be conclusively deemed to have been given.

1.10 Calculation of Time Periods

Unless otherwise specified or otherwise governed, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends, and by extending the period to the next Business Day following, if the last day of the period is not a Business Day.

1.11 Conflicts

If a term or provision contained in the main body of this Agreement conflicts or is inconsistent with a term or provision contained in any Schedule, then the term or provision in the main body of this Agreement shall prevail to the extent of such conflict or inconsistency.

1.12 Subordination of Ancillary Documents

All documents executed by the Parties and delivered pursuant to the provisions of this Agreement are subordinate to the provisions hereof and the provisions hereof shall govern and prevail in the event of conflict.

ARTICLE 2
PURCHASE AND SALE AND CLOSING

2.1 Sale

(a) Vendors hereby agree to sell, assign, transfer, convey and set over unto Purchasers, and Purchasers hereby agree to purchase from Vendors, all of the right, title, estate and interest of Vendors (whether absolute or contingent, legal or beneficial) in and to the Partnership Interests and the Note subject to and in accordance with this Agreement. The Trust will acquire 99.99% of the Partnership Interests and Navigo will acquire 0.01% of the Partnership Interest (with such percentages being the respective “Partnership Percentage” for the Purchasers).

(b) Vendors hereby agree to cause Sask Psp to sell, assign, transfer, convey and set over unto Purchasers, and Purchasers hereby agree to purchase from Sask Psp, the Note.

(c) It is the intention of the Parties that the Partnership hold the rights to the Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests immediately prior to Closing. To the extent that is not the case, the Parties shall cooperate and shall, or shall cause to be implemented such additional conveyances as may be necessary to give effect to that intention as soon as is practicable.

2.2 Purchase Price

The purchase price (the “Purchase Price”) to be paid by Purchasers to Vendors for the Partnership Interest shall be an amount equal to the sum of the base purchase price of Ninety Two Million, Seven Hundred Ninety Four Thousand ($92,794,000.00) Dollars (the “Base Purchase Price”) adjusted by:

(a) the Financial Adjustment, which, if a positive amount, shall be added to the Base Purchase price and if a negative amount, shall be deducted form the Base Purchase Price; plus

(b) an amount equal to interest calculated on the sum of the Base Purchase Price plus the amount of the Note from the Economic Date to and including the Closing Date calculated daily and not compounded, at a rate equal to the sum of the Prime Rate and a rate of one-half of one (0.50%) percent (the "Interest Rate") less interest calculated on the Deposit from and including the date of receipt of the Deposit to and including the Closing Date at the Interest Rate and less any interest paid by the Partnership to Sask Psp on the Note.

2.3 Payment

(a) All payments required to be made at Closing shall be made in lawful money of Canada by wire transfer, bank draft or certified cheque as directed by Vendors in accordance with a Notice to be issued by Vendors to Purchasers not less than two (2) Business Days prior to Closing. If payment is made by wire transfer, the Parties agree that Closing will occur in escrow until the wire transfer is complete, at which time the escrow will be released.

(b) Payment of the Note at Closing shall be as directed by Petrobank.

2.4 Allocation of Purchase Price

The Purchase Price shall be allocated between Petrobank and PPP in proportion to their respective Partnership Interests.

2.5 Purchase of Note

At Closing, Purchasers shall purchase the Note at the face value thereof plus accrued interest thereon from Sask Psp and Vendors shall cause Sask Psp to deliver the Note to Purchasers endorsed in their favour at Closing.

2.6 Deposit

(a) The Vendors acknowledge that they have received from Purchasers a deposit in the amount of Ten Million ($10,000,000.00) Dollars (the "Deposit") by bank draft or certified cheque which the Vendors shall hold and apply as provided in this Agreement. Notwithstanding anything herein contained to the contrary, the Deposit shall be non-refundable except as expressly otherwise provided herein. The Parties agree that the Vendors shall not be obligated to pay or credit Purchasers with any amount on account of interest earned or deemed earned on the Deposit while held by the Vendors prior to the disposition thereof as provided herein.

(b) If Closing occurs, the Vendors shall apply the Deposit in partial satisfaction of the Purchase Price in the proportions set forth in Section 2.4. If this Agreement is terminated prior to Closing, the Deposit shall be administered on the basis set forth in Section 14.5.

2.7 Conveyances

(a) The Parties shall execute and deliver the Partnership Conveyance at Closing.

(b) Purchasers acknowledge that the Specific Conveyances may not be completed on or before Closing. Vendors shall use all commercially reasonable efforts to cause any incomplete Specific Conveyances to be completed as soon as is practicable on or after Closing. If not completed within Thirty (30) days after Closing, Purchasers shall have the right to prepare the remaining Specific Conveyances and shall be entitled to be reimbursed for their reasonable costs incurred in relation thereto.

(c) Vendors shall prepare the Specific Conveyances at their cost, none of which shall confer or impose upon a Party any greater right or obligation than contemplated in this Agreement. Upon completion thereof, Vendors shall, at their own cost, circulate and register, as the case may be, all Specific Conveyances that by their nature and effect may be circulated and registered.

2.8 Security Releases and No Interest Letters

At the Closing, and as may be reasonably required by Purchasers, Vendors shall deliver releases and registerable discharges or a "no interest" letter in a form satisfactory to Purchasers, acting reasonably, and in the standard form used by Vendors' lenders if applicable, in respect of the Security Interests created by a any member of the Petrobank Group or the Partnership and pertaining to the Partnership, the Partnership Interests or the Assets, as the case may be.

2.9 Transfer of Files/Records

(a) To the extent that Vendors do not require such documents in order to complete the Specific Conveyances, Vendors shall use all commercially reasonable efforts to deliver to Purchasers, at or reasonably coincident with Closing, the Title Documents and Data, and the originals of contracts, agreements, records, books, documents, licenses, reports and data comprising the Vendors' or the Partnership's interest in and to the Miscellaneous Interests which are now, or prior to Closing will be, in the possession of the Petrobank Group provided that Vendors shall deliver all remaining such documents no later than January 7, 2005 to Purchasers.

(b) The financial records and files applicable to the Partnership shall be delivered by Vendors to Purchasers no later than February 11, 2005.

(c) Purchasers shall from time to time have reasonable access to the records and files addressed in this Section 2.9 prior to Closing and so long thereafter as they remain in the possession of Vendors. Vendors shall have access to, and

Purchasers shall retain copies of, all such documents for as long as the Partnership or Purchasers retain an interest in the Assets, or for five (5) years after the Closing Date, whichever is the shorter time. Any documents retained by Vendors shall be provided to Purchasers as soon as is practicable after Closing.

ARTICLE 3
APPORTIONMENTS AND ADJUSTMENTS

3.1 Adjustments for Prior Transactions

Purchasers acknowledge and confirm their agreement and understanding that, subject to Sections 3.2 and 3.3, all benefits and obligations of every kind and nature relating to the Assets and accruing, payable or paid and received or receivable in respect of the Assets including, without limitation, mineral and surface lease rentals, royalties, property taxes, maintenance, development, capital and operating costs, the proceeds from the sale of production and revenues from processing and transportation fees charged to Third Parties (other than income taxes) shall be apportioned between Petrobank, Sask Psp and PPP as vendors and the Partnership as purchaser as of the Economic Date pursuant to the terms and conditions of the Asset Conveyances.

3.2 Financial Adjustments

The financial adjustments to the Base Purchase Price (the "Financial Adjustments") for purposes of Section 2.2(a) shall be:

(a) the Net Production Profits calculated for the period from the Economic Date to and including November 11, 2004, which shall be a deduction if positive and an increase if negative;

(b) a deduction for the Net Profits;

(c) a deduction for any distributions to the Vendors made by the Partnership from November 12, 2004 to the Closing Date; and

(d) an addition for any contributions by the Vendors to the Partnership from November 12, 2004 to the Closing Date other than pursuant to the NPI Conveyance and the Asset Conveyances.

3.3 Priority Status

The Parties agree that the Financial Adjustments will, to the extent they adjust those items that would otherwise be adjusted pursuant to the Asset Conveyances, supersede and replace such adjustments, such that there will be no duplicate adjustments. The Parties agree that to the fullest extent possible, the adjustments to be made between the Parties or Petrobank, PPP and Sask Psp as vendors the Partnership as purchaser pursuant to the Asset Conveyances shall be made under this Agreement as Financial Adjustments.

3.4 Statements of Adjustments

(a) Vendors shall prepare or cause to be prepared an interim statement of adjustment and apportionment for Closing (the "Closing Statement") based on their good faith estimate of the adjustments to the Purchase Price permitted under Section 3.2. The estimated Financial Adjustments for purposes of Closing shall be provided to Purchasers not less than five (5) Business Days prior to Closing, but subject to review, confirmation and approval by Purchasers, acting reasonably, no later than two (2) Business Days prior to Closing.

(b) Subject to Section 3.4(e), as soon as is practical, but in any event not later than one hundred and eighty (180) days after the Closing Date, or such other date as the Parties may agree upon, the final Financial Adjustments shall be calculated by Vendors in consultation with, and with the approval of, Purchasers, acting reasonably, and set out in a final Closing Statement. The difference, if any, from the amount estimated for purposes of Closing and the final Financial Adjustments shall be paid to Vendors if the actual amount as determined is higher than the estimated amount, and to Purchasers if the actual amount is lower than the estimated amount. Any adjustments occurring more than 180 days after the Closing Date which may become necessary and which in the aggregate exceed $1,000 shall be apportioned as they occur and payment shall be made with respect thereto within fifteen (15) Business Days of notice thereof being provided by one Party to the other applicable Parties, provided that, subject to Section 3.4(e), no adjustments shall be made in respect of any matter or item which has not been communicated in writing by one Party to the other applicable Parties within twelve (12) months of the Closing Date. All overdue payments hereunder shall be payable with interest calculated at the Interest Rate per annum. Any funds held by a Party that should be paid to another Party shall be deemed to be trust monies owned by the receiving Party and shall not be funds belonging to the paying Party.

(c) If the Parties are unable to agree upon a mutually acceptable final Financial Adjustments required for purposes of Section 2.2(a), the matter shall be settled by arbitration undertaken in accordance with Section 13.1.

(d) Each Party shall have the right, exercisable for twelve (12) months from Closing Date to examine, copy and audit at its own expense any records in possession of another Party pertaining to the adjustments made or to be made pursuant to this Article 3.

(e) Adjustments resulting from joint venture audits or Crown royalty audits pertaining to the Assets relating to the period prior to the Closing Date that occur after the Closing Date, but not later than two (2) years after the Closing Date (in the case of joint venture audits) or four (4) years after the Closing Date (in the case of Crown royalty audits), shall be made as they occur and payment for them shall be made within thirty (30) days of each adjustment and shall be made by Purchasers to Vendors, or *vice versa*, as the case may be.

ARTICLE 4
CLOSING

4.1 Closing Place and Time

Closing shall take place at the Closing Place at the Time of Closing provided the conditions to Closing contained herein have been satisfied or, where permitted hereby, waived.

4.2 Closing Documents

(a) At Closing, the Parties shall execute and deliver, or provide copies, as the case may be, of the following agreements and other documents:

(i) the Partnership Conveyance;

(ii) the Note endorsed in favour of Purchasers;

(iii) the Rainbow Agreement;

(iv) the Marketing Arrangements Agreement;

(v) the Officers Certificates for Vendors and Purchasers;

(vi) a No Interest Letter from the Bank of Nova Scotia;

(vii) a copy of the executed NPI Conveyance;

(viii) a document approving the transfer of the Partnership Interests executed by Petrobank; and

(ix) the Acknowledgement by Sask Psp that Representations, Warranties and Indemnities in the Sask Conveyance, are superceded by the PSA.

(b) Any tender of documents or money pursuant to this Agreement may be made upon the Parties or their respective counsel.

4.3 Vendors' Closing Conditions

In addition to Section 4.8, the obligation of Vendors to complete the sale of the Partnership Interests to Purchasers under this Agreement is subject to the satisfaction of, or compliance with, at or prior to the Closing Date, each of the following conditions precedent:

(a) Representations and Warranties True:

All of the representations and warranties of Purchasers contained in Section 6.3 shall be true and correct in all material respects at and as of the Closing Date with the same effect as if made at and as of the Closing Date (unless another date is specified).

(b) Performance of Obligations:

Purchasers shall have performed and satisfied all obligations, covenants and agreements required by this Agreement to be performed and satisfied in all material respects by Purchasers on or prior to the Closing Date.

(c) Certificate:

Vendors shall have received a certificate of each Purchaser dated as of the Closing Date confirming the truth and correctness of the representations and warranties of such Purchaser and the performance of obligations, covenants and agreements of such Purchaser pursuant hereto.

(d) Payment:

Purchasers shall have tendered to Vendors in form stipulated herein the amounts stipulated in Section 2.2 as required to be paid to Vendors at the Closing.

(e) No Action or Proceeding:

No legal or regulatory action or proceeding shall be pending or threatened by any Person to enjoin, restrict or prohibit the Transaction.

(f) Regulatory Assurances:

The Partnership shall have satisfied all deposit requirements imposed upon it and associated with the transfer of licences for the Wells, pipelines and Facilities from the relevant members of the Petrobank Group.

(g) Competition Act Approval:

The Competition Act Approval shall have been obtained on terms acceptable to Vendors, acting reasonably.

(h) Well License Transfers

Vendors shall have prepared and Navigo shall have, in the case of electronic transfers, accepted, and in the case of non-electronic transfers, executed, all well licence transfers which are necessary to convey licences in the Wells to Navigo.

(i) Prior Closings:

The transactions provided for in the Asset Conveyances shall have closed.

4.4 Vendors' Benefit and Waiver

The conditions set forth or otherwise referenced in Section 4.3 are for the sole benefit of Vendors and, except for Section 4.3(g), may, without prejudice to any of the rights of Vendors hereunder (including reliance on or enforcement of any representations, warranties, or covenants dealing with the subject of or similar to the condition waived), be waived by it in writing, in whole or in part, at any time. In the event any of the foregoing conditions shall not be complied with, or waived by Vendors to the extent permitted hereby, at or before the Closing Date, Vendors shall be entitled to rescind or terminate this Agreement by written Notice to Purchasers on the Closing Date in which event Vendors and Purchasers are released from all their respective obligations under this Agreement, shall other than Sections 5.5 and 14.5. Any action to be taken by the Vendors pursuant to this Section 4.4, shall be taken jointly by them.

4.5 Purchasers' Closing Conditions

In addition to Section 4.8, the obligation of Purchasers to purchase the Partnership Interests from Vendors under this Agreement is subject to the satisfaction of or compliance with, at or prior to the Closing Date, each of the following conditions precedent:

(a) Representations and Warranties True:

All of the representations and warranties of Vendors contained in Section 6.1 shall be true and correct in all material respects at and as of the Closing Date with the same effect as if made at and as of the Closing Date (unless another date is specified).

(b) Performance of Obligations:

Vendors shall have performed and satisfied all obligations, covenants and agreements required by this Agreement to be performed and satisfied in all material respects by Vendors on or prior to Closing.

(c) Certificate:

Purchasers shall have received a certificate of each Vendor dated as of the Closing Date confirming the truth and correctness of the representations and warranties of such Vendor and the performance of the obligations, covenants and agreements of such Vendor pursuant hereto.

(d) Release of Security:

Vendors shall have delivered to Purchasers the discharges or other assurances specified in Section 2.8.

(e) No Action or Proceeding:

No legal or regulatory action or proceeding shall be pending or threatened by any Person to enjoin, restrict or prohibit the Transaction.

(f) Financing:

Purchasers shall have completed the Financing.

(g) Regulatory Assurances:

The Partnership will have satisfied all deposit requirements imposed upon it and associated with the transfer of licenses for the Wells, pipelines and Facilities from the Petrobank Group.

(h) Competition Act Approval

The Competition Act Approval shall have been obtained on terms acceptable to Purchasers, acting reasonably.

(i) Supplemental Documents Delivered:

At or before the Closing Date, Vendors shall have tendered all of the following documents:

(i) a receipt for the amounts payable by the Purchasers on the Closing Date; and

(ii) the documents and records described in Section 4.2(a), to the extent that such are available at Closing.

(j) Prior Closings:

The transactions provided for in the Asset Conveyances shall have closed.

4.6 Purchasers' Benefit and Waiver

The conditions set forth or otherwise referenced in Section 4.5 are for the sole benefit of Purchasers and, except for Section 4.5(h), may, without prejudice to any of the rights of Purchasers hereunder (including reliance on or enforcement of any representations, warranties or covenants dealing with the subject of or similar to the condition waived), be waived by it in writing, in whole or in part, at any time. In case any of the said conditions shall not be complied with, or waived by Purchasers to the extent permitted hereby, at or before the Closing Date, Purchasers shall be entitled to rescind and terminate this Agreement by written notice to Vendors on the Closing Date in which event Vendors and Purchasers are released from all their obligations under this Agreement other than Sections 5.5 and 14.5. Any action to be taken by the Purchasers pursuant to this Section 4.6 shall be taken jointly by them.

4.7 Purchasers' Examination

Purchasers confirm that they have made their own estimate and appraisal of the extent and value of the reserves of the Petroleum Substances attributable to the Assets and have made their own independent examination, analysis, evaluation and verification of the interests of the Partnership in and to the Assets as per data, information and representations provided and made by Vendors or otherwise available to the Purchasers, and further have satisfied themselves as to the structure and obligations and benefits of the Partnership.

4.8 Parties to Exercise Diligence With Respect to Conditions

Each Party shall proceed diligently, honestly and in good faith and use all commercially reasonable efforts with respect to all matters within its control to satisfy the conditions referred to in Sections 4.3, 4.5 and 4.7, as applicable to it.

ARTICLE 5
ASSETS AND RECORDS REVIEWS

5.1 Access to Information

The Purchasers acknowledge that, subject to contractual restrictions related to disclosure or otherwise, Vendors have made or offered to make available to Purchasers prior to the execution hereof:

(a) <u>Title Documents</u>:

the Leases, agreements, contracts, other documents, correspondence and records affecting the current or prior title of the Partnership in and to the Assets and the construction, operation and maintenance thereof or otherwise relating to such Assets (the "Title Documents") as are in the possession of Vendors or to which they have reasonable access for inspection;

(b) <u>Technical and Operating Information</u>:

the relevant technical, operating and accounting reports, records, data or information relating to the current or prior interests in and to the Assets, together with the Wells and production records relating to such interests, including all of the agreements, reports and other documents comprising or pertaining to the current or prior interests of Petrobank or Partnership in and to the Miscellaneous Interests, (the "Data") as are in the possession of Vendors or to which they have reasonable access for inspection; and

(c) <u>Financial and Other Records</u>:

the books, accounts, records and other financial, operating, marketing and other data, documents, plans, reports and records relating to the Assets or the Partnership as Purchasers reasonably require in order to conduct their due diligence review of the Assets and the Partnership and its business and affairs and as are in the possession of Vendors or to which they have reasonable access for inspection.

5.2 Financial Matters

(a) Purchasers acknowledge that Vendors have provided Purchaser and its auditors with access to financial information or other information in the possession of Vendors (including without limitation source records, production records and invoices, and other financial statements and summaries previously prepared by

Vendors or their predecessors in title to either of them to the extent relating to the Assets) and reasonable access to its personnel during normal business hours (such access and financial information referred to in this Section 5.2 as the "Vendors' Financial Information") in order for the Purchasers or any of their Affiliates to comply with any Regulations or any securities regulator in connection with the filing by the Purchasers or any of their Affiliates of any public disclosure or other documents after the Closing.

(b) Following Closing, Vendors agree that upon the written request of either Purchaser that Vendors' Financial Information is required and further indicating the purpose of such request, Vendors will, to the extent required by the Regulations or any securities regulator, provide to such Purchaser and its auditors access to any applicable Vendors' Financial Information in the possession of Vendors relating to such interests and reasonable access to its personnel during normal business hours, to allow such Purchaser to prepare any such financial statements and to allow such Purchaser's auditors to express an audit opinion without reservation in respect of any financial statements prepared in respect of such interests.

(c) Any disclosure by either Purchaser of the Vendors' Financial Information shall be solely for the purposes set out in this Section 5.2 and only to the extent reasonably necessary to fulfill same.

(d) The Parties agree that Vendors shall, or shall cause, all financial administration relating to the Assets to be conducted through December 31, 2004.

5.3 Treatment of GST and PST

The Parties acknowledge that the administration of any PST or GST attributable to the Asset Conveyances have been addressed therein. If for any reason the CRA does not accept the process contemplated therein whereby a joint election is made under Section 167 of the ETA, Vendors before Closing, or Purchasers after Closing, shall cause the Partnership to pay all applicable PST and GST to Vendors or Sask Psp, as applicable and Vendors shall remit, or cause to be remitted, such PST and GST to the CRA. If any penalties or interest are assessed by the CRA against the Partnership for failure to pay the PST or GST within the prescribed times for payment, Vendors shall reimburse the Partnership therefor. There shall be no other recourse against Vendors or Sask Psp in respect of such PST or GST.

5.4 Release

(a) The Purchasers hereby absolutely and forever release and discharge the Petrobank Group, and each of them from any claims or demands it or any other Person may have arising out or in any way relating to:

(i) Purchaser's failure to independently assess the Partnership or the Assets, and the respective values thereof for purposes of its negotiation of this Agreement and completion of the Transaction on the basis provided for herein; and

(ii) the provision of any information relating to the Assets or the Partnership, or the interpretation thereof, by Vendors which has been provided by Vendors for purposes of Purchasers' disclosure obligations.

(b) The provision of this Section 5.4(a)(i) shall not apply in respect of the representations and warranties set forth in Section 6.1.

5.5 Proprietary Information

The Parties acknowledge that all information disclosed to Purchasers by or on behalf of Vendors in connection with the Transaction is subject to the Confidentiality Agreement executed between Navigo and Petrobank dated as of August 13, 2004. If this Agreement terminates prior to Closing, the Parties acknowledge that either Purchasers' use and disclosure of such information shall remain subject to the terms and conditions of the Confidentiality Agreement. If Closing occurs, the obligations under the Confidentiality Agreement shall terminate in respect to all information pertaining to the Assets and the Partnership, but shall continue as provided in the Confidentiality Agreement in respect to any other information that has been provided to the Purchasers by or on behalf of the Vendors hereunder or as otherwise provided herein.

ARTICLE 6
REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1 Representations and Warranties of Vendors

Each of the Vendors hereby represents and warrants to the Purchasers that, as of the date hereof and as at the Closing Date or any other specified date, as applicable:

(a) Corporate/Partnership Standing:

In respect of Vendors:

(i) Petrobank is a body corporate duly incorporated and validly existing under the laws of its jurisdiction of incorporation, is registered in those jurisdictions in which the Assets are located, and has an office in Calgary, Alberta;

(ii) Sask Psp is a partnership formed under the laws of the Province of Alberta and has an office in Calgary, Alberta; and

(iii) PPP is a partnership formed under the laws of the Province of Alberta and has an office in Calgary, Alberta.

(b) Authority:

Each Vendor has taken all necessary actions and has all requisite power and authority, including its board of directors or other governing body or agency, to enter into this Agreement and to perform its obligations under this Agreement and any other agreements or instruments to be delivered hereunder, and this Agreement constitutes, and such other agreements or instruments will constitute legal, valid and binding obligations of each Vendor, enforceable against that Vendor in accordance with and subject to the terms set forth herein and therein.

(c) No Conflicts:

The consummation by each Vendor of the transactions contemplated by this Agreement will not violate or conflict with any of the constating documents, by-laws or other governing or organizing documents of either Vendor, or any provision of any material agreement or instrument to which either Vendor is a party or is bound, or any judgment, decree, order, statute, rule or regulation applicable to such Vendor.

(d) Canadian Resident:

Each Vendor is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada).

(e) Partnership:

The Partnership is a general partnership formed with effect on November 12, 2004 pursuant to the *Partnership Act* (Alberta), validly existing under the laws of Alberta and duly organized with the partnership power and authority to own its interests in and to the Assets and carry on its business;

(f) Partnership Agreement:

The Partnership Agreement is in full force and effect and is and shall be unamended, unless amended with the consent of the Purchasers, up to and including the Closing Date;

(g) No Other Partners:

Petrobank and PPP are now and at all times up to Closing shall be the only partners in the Partnership and since November 12, 2004 have been, the only partners in the Partnership;

(h) No New Partners:

There is no contract, option or other right binding on, or which at any time in the future may become binding on, any Vendor or the Partnership to issue any partnership interest in the Partnership or admit any Person as a partner of the Partnership, except this Agreement;

(i) Managing Partner:

Petrobank is now and at all times up to Closing shall be the managing partner of the Partnership and since November 12, 2004 Petrobank has been the managing partner of the Partnership;

(j) Asset Conveyances

The Asset Conveyances have been completed prior to Closing and are in full force and effect, other than the NPI Conveyance (which shall be effective on December 1, 2004), and are and shall be unamended, unless amended with the consent of the Purchasers, up to and including the Closing Date;

(k) Rights of First Refusal:

To Vendors' knowledge on the execution date hereof, except as disclosed in Schedule "O", there are no Rights of First Refusal applicable to the Asset Conveyances or any of them;

(l) Title to the Partnership Interests:

The Vendors have good and marketable title to the Partnership Interests, which shall at Closing be free and clear of all encumbrances and there is no contract, Right of First Refusal, option or other right which is now or may in the future become binding upon either Vendor to sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber the Partnership Interests, in whole or in part, other than this Agreement;

(m) Partnership Business:

At all times prior to Closing, the only activities or business of the Partnership has been the business conducted by it in connection with the acquisition of and the holding and operation of the Assets;

(n) No Distributions:

The Partnership has not declared, paid, made or agreed to pay or make any distributions;

(o) Investments:

The Partnership is not a party to or bound by any agreement of any nature to acquire any shares of any corporation, partnership interests in any partnerships or any other equity interests or to merge or consolidate with any other entity, to sell or acquire any assets or to acquire, capitalize or invest in any business;

(p) Canadian Partnership:

At all times prior to Closing the Partnership shall be a Canadian partnership (as defined in the *Income Tax Act* (Canada));

(q) Employees:

At no time prior to Closing shall the Partnership have had any employees and at Closing there shall be no contract or other arrangement binding on, or which at any time in the future may become binding on, the Partnership to hire any employees;

(r) No Liabilities:

As of the Time of Closing the Partnership shall not have any indebtedness for borrowed money and the Partnership shall not have any other liabilities that would be required to be shown as a liability on their balance sheets in accordance the Accounting Principles, other than liabilities incurred or accrued in the ordinary course of its business and as reflected by the Note;

(s) Futures Transactions:

There are no hedging, swaps, forward sales, futures or other derivative transactions to which the Partnership is a party or by which the Assets or the Partnership is subject or bound, either as principal or surety except as provided for in the Marketing Arrangements Agreement;

(t) Title:

Subject to subsection 6.1(jj), Vendors do not warrant title of the Partnership in and to the Assets, but do represent and warrant that:

(i) the Assets shall be, upon Closing, free and clear of any and all encumbrances and Security Interests created by, through or under the Vendors except for the Permitted Encumbrances, and neither Vendor has any knowledge of any circumstance, matter or thing whereby any of the Assets may be cancelled or terminated;

(ii) none of the Assets is subject to any material reduction or conversion or other alteration by reference to payout of any well, farm-out or otherwise through any right or interest granted by, through or under it, other than as set forth in Schedule “A” and Part III of Schedule “E”; and

(iii) subject to the other representations and warranties of Vendors pursuant to this Section and the rents, covenants, conditions and stipulations to be satisfied in the Leases and any other agreements pertaining to the Assets and on the lessee’s or holder’s part thereunder to be paid, performed and observed, the Partnership shall be entitled hold and enjoy the Lands (insofar as they pertain to the Assets) for the residue of the respective terms of the Leases, such other agreements relating to the Assets and all renewals or extensions thereof for the Partnership's own use and benefit without any interruption of or by either Vendor or any other Person whomsoever claiming by, through or under either Vendor;

(u) Fee Lands:

None of the interests of the Partnership in and to the Petroleum and Natural Gas Rights and the Lands that are included in the Assets and are fee simple title to Petroleum Substances are subject to any Lease or any option for or other agreement that may require the issuance of a Lease in favour of any Person, other than the Purchasers, except as set forth in Schedule "A";

(v) No Knowledge of Defaults:

Neither Vendor has received any notice of, and neither of them has any knowledge of, any material default or notice of material default relating to any agreement affecting the Assets or the Partnership Interests.

(w) No Lawsuits or Claims:

Neither Vendor has received any notice of, and to their knowledge, there are no material claims, proceedings, actions, lawsuits, administrative proceedings or governmental investigations in existence, contemplated or threatened by, against or with respect to the Partnership Interests or the Assets, except as disclosed in Schedules "D" and "F".

(x) Payment of Taxes:

Neither Vendor has received any demand for payment or notice of non-payment in respect to all rentals, royalties and all ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of the Assets or the production of Petroleum Substances from the Lands or the receipt of proceeds therefrom payable by either of the Vendors or Partnership prior to the Economic Date, other than income taxes and to their knowledge all such amounts have been properly paid and discharged.

(y) Compliance:

To Vendors' knowledge, the Vendors and the Partnership have complied with, performed, observed and satisfied, all material terms, conditions, obligations and liabilities which have arisen up to the date hereof and which are obligations of either Vendor or the Partnership under any of the provisions of any agreement affecting the Assets, or any existing statute, order, writ, injunction or decree of any governmental agency or court or under the Regulations relating to the Assets other than as identified in Part III of Schedule "E".

(z) AFEs:

There are no outstanding AFEs for which the applicable Vendor has not been completely billed and no outstanding cash calls with respect to the Assets which have been agreed to by either Vendor or the Partnership and for which the share attributable to the Assets is in excess of $25,000 and which the Partnership shall be responsible on or after Closing, other than the Scheduled AFEs or that are or have been administered in accordance with Section 8.1.

(aa) Production Sales Contracts:

There are no agreements for the purchase or sale of Petroleum Substances produced from the Lands or lands with which the Lands are pooled or unitized which cannot be terminated, without penalty, on 31 days' notice or less other than the Production Sales Contracts set forth in Schedule "B".

(bb) Operations:

During any period in which Petrobank or the Partnership were the operator of any Assets, operations conducted in connection with such Assets were or have been conducted, and during any period in which neither Petrobank nor the Partnership was the operator of any Assets, to Vendors' knowledge, operations conducted in connection with such Assets were or have been conducted, in accordance with good oil and gas field practice and all then existing laws, Regulations, directives, licences, permits, approvals and authorizations and it has not received any notice of the occurrence of a violation, breach or non-compliance, and Vendors have no knowledge that any violation breach or non-compliance thereof or therewith that is occurring or which has occurred (which has not been rectified), in respect of any operations relating to the Assets.

(cc) Prepaid Gas Obligations:

There are no Prepaid Gas Obligations pertaining to the Lands.

(dd) Environmental:

Neither Vendor nor the Partnership has:

(i) received any orders or directives under the Regulations which relate to environmental matters and which require any material work, repairs, construction or capital expenditures with respect to the Assets, where such orders or directives have not been complied with in all material respects prior to the date hereof;

(ii) received any demand or notice issued under the Regulations with respect to a breach of any environmental, health or safety law applicable to the Assets, including, without limitation, any Regulations respecting the use, storage, treatment, transportation or disposition of environmental contaminants, which demand or notice remains outstanding on the date hereof;

(iii) received any demand, notice or claim from any Person relating to any contamination, pollution or other damage to or adverse impacts on the environment or damage caused by the presence, storage, transportation, release, spill or emission of any substance relating to the Lands or the Assets; or

(iv) knowledge of any particular existing circumstance that it reasonably believes to be material and a reportable event under the Regulations pertaining to the Lands or the Assets;

except as set forth in Schedule "A" or Schedule "D".

(ee) Contract Operating Agreements:

In respect of those Assets operated by Petrobank or the Partnership, there are no Contract Operating Agreements other than those disclosed in Schedule "B".

(ff) Condition of Operated Tangibles:

To Vendors' knowledge, all Tangibles included in the Assets were constructed and installed and have been maintained and operated in accordance with generally accepted oil and gas field practices and in material compliance with the Regulations as they existed at the relevant time.

(gg) License Transfers:

Petrobank is eligible under the Regulations to transfer the applicable licenses for all Wells and Facilities and other Tangibles included in the Assets and that are operated by (and in the name of) the Partnership (assuming that the intended assignee would be an eligible assignee under the Regulations).

(hh) Finders' Fees:

Vendors have not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the Transaction for which Purchasers or the Partnership shall have any obligation or liability.

(ii) Area of Mutual Interest:

Except as identified in the Schedule "A", none of the Title Documents include an area of mutual interest or an area of exclusion that remains in effect as of the Economic Date.

(jj) Ownership of Tangibles:

The Partnership is the beneficial owner of the Tangibles described on Schedule "E", free and clear of all encumbrances, other than Permitted Encumbrances.

(kk) No Offset Obligations:

Except as identified on Schedule "A", neither Vendors nor the Partnership have received any notice from, or on behalf of, the applicable lessor under a Lease included in the Assets that such Lease is subject to an offset obligation, including an unsatisfied obligation to drill a well or surrender rights or an obligation to pay compensatory royalties.

(ll) Regulatory Production Allowables:

Except as identified in Part III of Schedule "E", neither Vendor nor the Partnership has received an notice that a Well included in the Assets has been produced in excess of regulatory production allowables, and to their knowledge there is no pending change in those production allowables, other that as may be generally applicable under the Regulations.

(mm) Provision of Material Information:

Prior to the date hereof:

(i) Vendors have made all reasonable enquires and searches for Title Documents, Data and other material documents and information relating to the Assets and the Partnership; and

(ii) to Vendors' knowledge, Vendors have made available to Purchasers, its employees, agents and solicitors, all Title Documents and Data insofar as such documents and information are known to Vendors and are in control of either Vendor, and to their knowledge there are no other documents or information relating to the Assets that would, in the aggregate be material to the interests of the Partnership in and to the Assets taken as a whole.

6.2 Limitation of Representations and Warranties

(a) Vendors make no representations or warranties except as expressly set forth in Section 6.1 and in particular, and without limiting the generality of the foregoing, each Vendor hereby negates any and all representations or warranties, whether contained in any information memorandum or otherwise, except for those set forth above in Section 6.1, with respect to any matter including, without limitation:

(i) any data or information supplied by or on behalf of Vendors in connection therewith;

(ii) the quality, quantity or recoverability of Petroleum Substances within, upon or under the Lands or lands pooled or unitized therewith;

(iii) the value of the Assets or the future cash which may be derived therefrom;

(iv) the quality, condition, fitness or merchantability of any tangible, depreciable equipment or property which are included in the Assets;

(v) any engineering, geological information or interpretations thereof, or any economic evaluations respecting the Assets; and

(vi) title to the Assets, including Title Defects.

(b) Except to the extent that it has relied upon the representations and warranties contained in Section 6.1, Purchasers acknowledge and confirm that they have performed their own due diligence and have not relied on any data, information or advice from either of the Vendors, their officers, directors, agents, consultants and advisors with respect to any or all of the matters specifically enumerated in this Section in connection with the purchase of the Partnership Interests pursuant hereto. In addition, Purchasers specifically acknowledge and confirm that in agreeing to enter into and to consummate the Transaction, they have relied, and will continue to rely, upon their own engineering and other evaluations and projections as the same relate to the Assets, on their own inspection of all other physical property and assets which comprise such Assets and on their own examination and evaluation of the Title Documents.

6.3 Representations and Warranties of Purchasers

Each of the Purchasers hereby represents and warrants to the Vendors that, as of the date hereof and as at the Closing Date or any other specified date, as applicable:

(a) Standing:

Navigo is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is registered in those jurisdictions in which the Assets are located and the Trust is a trust duly constituted, formed and organized under, and governed by, the laws of the Province of Alberta.

(b) Authority:

Each Purchaser has:

(i) all requisite power, capacity and authority, including in the case of Navigo, its board of director approval, and in the case of the Trust, trustee approval, to enter into this Agreement and any other agreements, documents and instruments to be delivered by it in connection with the Transaction; and

(ii) has taken all necessary actions and is duly authorized to perform its respective obligations under this Agreement and any such other agreements, documents and instruments to be delivered hereunder and to own the Partnership Interests and this Agreement constitutes and such other agreements will, upon execution and delivery, constitute legal, valid and binding and obligations of each Purchaser, enforceable against each Purchaser in accordance with and subject to the terms set forth herein and therein.

(c) No Conflicts:

The execution, delivery consummation and performance by each Purchaser of the transactions contemplated by this Agreement will not violate or conflict with any of the constating documents or governing documents of either Purchaser or any provision of any material agreement or instrument to which either Purchaser is a party or is bound, or any judgment, decree, order, statute, rule or regulation applicable to either Purchaser.

(d) Investment Canada:

Each Purchaser is a "Canadian" within the meaning of the *Investment Canada Act* (Canada).

(e) Regulatory Approvals for Transfers:

To the extent that it is applicable, there are no restrictions imposed by any Regulations or any regulatory body having jurisdiction over the Assets on the transfer of the licenses, permits or other approvals from a Vendor to the applicable Purchaser and neither Purchaser has any reason to believe that such transfers will be delayed or not approved by such regulatory body.

(f) Licenses:

Navigo meets all qualification requirements of all governmental agencies and under the Regulations to have the licenses for the Wells, Facilities and other Tangibles (for which a Vendor is the licensee) transferred to Navigo (whether or not all such licenses are to be transferred to a Purchaser) and Navigo shall timely satisfy all deposit requirements associated with such Wells, Facilities and Tangibles under applicable Regulations.

(g) Finders' Fees:

Purchasers have not incurred any liability, contingent or otherwise, for brokers' or finders' fees in respect of the transactions contemplated herein for which Vendors shall have any liability or responsibility whatsoever.

6.4 Survival of Representations and Warranties

Each Party acknowledges that the other may rely on the representations and warranties made by such Party pursuant to Section 6.1 or 6.3, as the case may be. The representations and warranties in Sections 6.1 and 6.3 shall, unless otherwise stated, be true on the Economic Date, and shall be true on the Closing Date (unless other dates are specified), and such representations and warranties shall continue in full force and effect and shall survive Closing for a period of 12 months for the benefit of the Party for which such representations and warranties were made. In the absence of fraud, however, no claim or action shall be commenced with respect to a breach of any such representation or warranty, unless, within such period, written notice specifying such breach in reasonable detail has been provided to the Party which made such representation or warranty.

ARTICLE 7
INDEMNITIES

7.1 Vendors' Indemnity

Subject to Sections 7.3 and 7.4, and provided Closing has occurred, Vendors will:

(a) be liable to Purchasers for all Losses and Liabilities sustained or incurred by Purchasers or the Partnership or any of their directors, officers, agents and employees; and, in addition

(b) indemnify and hold harmless Purchasers and the Partnership and all directors, officers, agents and employees of Purchasers for all Losses and Liabilities suffered or incurred by any of them;

arising from or as a direct result of:

(i) any of the representations and warranties of Vendors in this Agreement being untrue;

(ii) any of the Vendors breaching or otherwise failing to perform any covenant hereunder;

(iii) any matter attributable to the Assets and occurring or accruing prior to the Economic Date;

except to the extent:

(iv) caused by the gross negligence or wilful misconduct of either Purchaser, any of their Affiliates or any of their respective directors, officers, agents, employees or assigns; or

(v) that Vendors are entitled to indemnification in respect to such Claims by Purchasers pursuant to Section 7.2.

In the absence of fraud, no claim or action may be commenced by Purchasers under Sections 7.1(b)(i) or (ii) unless, within 12 months following the Closing Date, Notice describing the indemnified Losses and Liabilities in reasonable detail has been provided to Vendors.

7.2 General Indemnity — Purchasers

Subject to Section 7.1 and provided Closing has occurred, each Purchaser will, on a joint and several basis:

(a) be liable to Vendors for such Purchaser's Proportionate Share of any Losses and Liabilities sustained or incurred by Vendors or any of their respective directors, officers, agents and employees; and, in addition

(b) indemnify and hold harmless Vendors and all directors, officers, agents and employees of Vendors from and against such Purchaser's Proportionate Share of any Losses and Liabilities suffered or incurred by any of them

as a direct result of:

(i) any of the representations and warranties of Purchasers in this Agreement being untrue;

(ii) Purchasers breaching or otherwise failing to perform any of covenant hereunder; or

(iii) any matter attributable to the Partnership or to the Assets and occurring or accruing on or after the Economic Date;

except to the extent:

(iv) caused by the gross negligence or wilful misconduct of either Vendor, or any of their respective directors, officers, agents or employees; or

(v) that Purchasers are entitled to indemnification in respect to such Claims by Vendors pursuant to Section 7.1.

In the absence of fraud, no claim or action may be commenced by either Vendor under Sections 7.2(b)(i) or (ii) unless, within 12 months following the Closing Date, Notice describing the indemnified Losses and Liabilities in reasonable detail has been provided to Purchasers.

7.3 Environmental Indemnities

The Purchasers acknowledge that they have been provided with the right and the opportunity to conduct due diligence investigations with respect to existing or potential Environmental Liabilities pertaining to the interests of the Partnership and the Assets and that Purchasers are familiar with the condition thereof including, without limitation, the past and present use of the Lands and the Tangibles included in the Assets. In addition to Section 7.2, and notwithstanding any other provision herein other than the representations and warranties given in Section 6.1 and Vendors' obligations under Section 7.1, Purchasers agree that none of the Petrobank Group shall have any liability whatsoever for any Environmental Liabilities. In this regard, and providing Closing occurs, each of the Purchasers shall, or shall cause the Partnership to, assume and be liable for and indemnify and defend on a joint and several basis, the Petrobank Group, and their respective directors, officers, employees, agents or representatives from and against any and all Claims which any of them may sustain, pay or incur with respect to all matters attributable to any and all Environmental Liabilities howsoever and whenever arising and regardless of the date from which they occurred, and for all damages, payments, costs and expenses (including, but not limited to, costs on a solicitor and client basis) arising out of or in any way relating thereto. This liability and indemnity shall apply without limit and without regard to cause or causes, including without limitation the negligence, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful or wanton misconduct of any of the Petrobank Group or Purchasers or any other Person or otherwise. Purchasers acknowledge and agree that they shall not be entitled to any rights or remedies as against any of the Petrobank Group or any of their respective directors, officers, employees, agents or representatives with respect to Environmental Liabilities for which they are liable to indemnify any of the Petrobank Group or any of their respective directors, officers, employees, agents or representatives hereunder under the Regulations, at common law or otherwise including, without limitation, the right to name any of the Petrobank Group or any of their respective directors, officers, employees, agents or representatives as a third party to any action commenced by any Person against a Purchaser. Nothing herein contained shall prejudice any claims or remedies that either Vendors may have against Purchasers in relation to any Claim or remedy to which this Agreement does not otherwise apply and not relating to the subject matter hereof.

7.4 Limitation on Vendors' Aggregate Liability

The aggregate of the indemnities and liabilities of Vendors under this Agreement, including without limitation, any claims for breach of covenants, representations or warranties or matters relating thereto, shall not exceed the Purchase Price.

7.5 No Merger

(a) The representations and warranties set forth in Sections 6.1 and 6.3 shall be deemed to apply, as applicable, to all assignments, conveyances, transfers and documents conveying the Partnership Interests from Vendors to Purchasers and there shall not be any merger of any representation or warranty in such assignments, transfers or documents notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

(b) The liabilities and indemnities created in this Article shall be deemed to apply to, and shall not merge in, any assignments, transfers, conveyances, novations, trust agreements and other documents conveying any of the Partnership Interests from Vendors to Purchasers, notwithstanding the terms of any such documents or any rule of law or equity to the contrary.

7.6 Duplicate Remedies Avoided

The Parties confirm their understanding and agreement that the representations, warranties and indemnities provided by Vendors herein shall supersede those applicable under the Asset Conveyances if Closing occurs, the intention being to avoid duplicate or alternative remedies. At Closing, Vendors shall provide confirming documentation from Sask Psp in this regard.

ARTICLE 8
INTERIM AND POST-CLOSING MATTERS

8.1 Interim Operations

(a) Interim Operations:

Following execution of this Agreement and until the Closing Date, to the extent that the nature of Vendors' or the Partnership's interests permit, and subject to all other agreements applicable to the Assets, Vendors shall, or shall cause the Partnership to, use all commercially reasonable efforts to:

(i) maintain the interests of the Partnership and the Assets (or cause such Assets to be maintained) in a proper and prudent manner in accordance with good and prudent oil and gas industry practices and the Regulations, licenses, permits, approvals and authorizations;

(ii) perform and comply with (or cause to be performed or complied with) all material covenants and conditions contained in the Title Documents and all other agreements relating to the interests of the Partnership in and to the Assets;

(iii) comply with the Regulations; and

(iv) forthwith provide to Purchasers all AFEs, notices, mail ballots, specific information and other documents that either Vendor receives respecting the Assets, and all responses by either Vendor to such AFEs, notices, mail ballots, specific information and other documents;

where, in each case, failure to do so would have an adverse effect on the interests of the Partnership or the Vendors in and to the Assets, or make any representation or warranty of Vendors untrue, inaccurate or misleading.

(b) Actions by Vendors:

Notwithstanding subsection 8.1(a), but subject to Section 8.1(e), from the date hereof to Closing, Vendors shall not (and when applicable, shall not permit the Partnership to), without the prior written consent of Purchasers acting reasonably:

(i) assume or make any new commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which the Partnership's share is in excess of Twenty Five Thousand ($25,000.00) Dollars, except in case of emergency or in respect of amounts which either Vendor may be committed to expend or deemed to authorize for expenditure without its consent and Vendors shall notify Purchasers in the case of such expenditure;

(ii) surrender or abandon any of the Assets unless required by the Regulations;

(iii) amend or terminate any Title Documents or other material agreement or instrument relating to the Assets or the Partnership or enter into any new material agreement or commitment relating to the Assets or the Partnership other than the NPI pursuant to the NPI Conveyance;

(iv) sell, encumber or otherwise dispose of any of the Assets or any interest therein, except sales of production of Petroleum Substances in the ordinary course of business produced from the Lands or lands pooled or unitized therewith; or

(v) exercise any pre-emptive right of purchase or area of mutual interest option arising from or relating to the Assets.

It is also acknowledged by Purchasers that, notwithstanding the foregoing, certain agreements may bind Vendors or the Partnership to take actions and make or pay for expenditures, notwithstanding that Vendors or the Partnership may not have voted in favour of or may have voted against a particular expenditure or expenditures, and in such circumstances Purchasers are hereby deemed to have consented to any such action or expenditures, whether or not the foregoing obligations have been complied with.

(c) Permitted Actions by Vendors:

Notwithstanding anything contained in this Agreement, from the date hereof to Closing, Vendors shall (and when applicable, shall cause the Partnership to):

(i) continue to maintain in full force and effect all policies of insurance or renewals thereof now in effect, take out such additional insurance as may be reasonably requested by Purchasers, all at Purchasers' expense, and give all notices and present all claims under all policies of insurance in a due and timely fashion; and

(ii) pay and discharge Vendors' or Partnership's liabilities in the ordinary course relating to the Assets.

(d) Marketing Arrangements Agreement:

Purchasers hereby acknowledge that the production of Petroleum Substances from the Assets shall be subject to the terms of the Marketing Arrangements Agreement all on the basis provided for therein, and Purchasers covenant and agree that any new marketing, hedging or other similar arrangements or transactions in respect of those Assets which are subject to agreements referenced in the Marketing Arrangements Agreement that continue beyond Closing shall not become effective until January 1, 2005.

(e) Purchasers' Approvals:

If an operation or the exercise of any option respecting any of the Assets is proposed in circumstances which would require the consent of Purchasers under this Section 8.1 (a "Proposal"):

(i) Vendors shall promptly give notice of the Proposal to Purchasers, including reasonable particulars and Vendors' recommendation relating to the Proposal;

(ii) Purchasers will advise Vendors, not later than two Business Days prior to the time at which Petrobank or the Partnership is required to make its election for the Proposal, if Purchasers wish Petrobank to exercise or to cause the Partnership to exercise its rights on behalf of Purchasers, provided that failure to make that election within that period shall be deemed to be Purchasers' election to accept Vendors' recommendation for the Proposal;

(iii) Petrobank will make or cause the Partnership to make the election authorized by Purchasers for the Proposal;

(iv) an election by Purchasers not to participate in a Proposal will not result in any reduction of the Purchase Price if the Partnership's interest in any Assets is terminated or altered as a result of the election, and such termination or alteration shall not constitute a Title Defect or a breach of Vendors' representations and warranties hereunder; and

(v) Vendors may require Purchasers to advance or otherwise secure any cost to be incurred by Petrobank or Partnership on behalf of Purchasers under this provision in such manner as may be reasonably appropriate in the circumstances. Any such advance shall not be considered for purposes of calculating the Financial Adjustment.

(f) Partnership:

Vendors agree that in respect of the Partnership they shall:

(i) cause it to have a fiscal year end of November 30 with the first such year end being November 30, 2004; and

(ii) establish and maintain through Closing financial books of account.

(g) On-Going Disclosure:

Vendors shall provide Purchasers with copies of all notices, correspondence and other information relating to the Partnership or to the Assets and the operation thereof received by either Vendors during the period from the date hereof to Closing promptly after the receipt of same. In addition, Vendors shall disclose to Purchasers in reasonable detail all material matters relating to the Partnership or to the Assets, or the operation thereof, of which either Vendor becomes aware after the date of this Agreement, including updates of any relevant disclosures made by either Vendor in respect to the Assets herein or any matter which would make any of Vendors' representations or warranties untrue, incorrect or misleading in any material respect.

8.2 Rights of First Refusal

(a) If any of the Assets are subject to any Right of First Refusal which has not been waived prior to the date hereof, following the execution hereof Vendors shall identify for the Purchasers which of the Assets are subject to a Right of First Refusal and issue all notices that are required thereunder. If any Right of First Refusal for which Petrobank is required to issue such a notice requires that there be an allocation of the purchase price paid by the Partnership therefor, Vendors shall notify Purchasers of such requirement. Purchasers shall propose to Vendors an amount for such allocation, together with a reasonably detailed description of the basis and calculation by which Purchasers determined such amount. Unless Vendors believe said allocation to be unfair or unreasonable in the particular context, such amount shall be used for the allocation in the notice to the holder of such Right of First Refusal. To the extent any applicable Right of First Refusal has not been resolved prior to Closing, the Parties shall cooperate and diligently pursue resolution thereof after Closing.

(b) Purchasers shall indemnify and save the Petrobank Group, Vendors and each of them harmless from and against any Losses and Liabilities that any of them may suffer or incur in connection with any claim made by a holder of any Right of First Refusal for which a notice containing a price allocation provided by Purchasers has been issued on the basis provided in or contemplated by Section 8.2(a), but only insofar as such Losses and Liabilities arise directly from or are attributable to such allocation.

(c) Each notice issued pursuant to Section 8.2(a) shall request that the holder of a Right of First Refusal waive its rights thereunder and grant any consent to the applicable transaction to which the Right of First Refusal applies.

(d) If the holder of any Right of First Refusal exercises such right to acquire any Assets, the consideration received from the sale thereof shall be paid to and received by the Partnership. The Financial Adjustment shall not be affected in respect thereof in such circumstances.

8.3 Competition Act Approval

(a) Vendors and Purchasers shall co-operate with and provide reasonable assistance to each other in the preparation of documents reasonably necessary for the Competition Act Approval. Purchasers shall have primary responsibility for the preparation of each application and filing for the Competition Act Approval and shall provide the Vendors a copy of each such application and filing for their review prior to the submission thereof.

(b) Purchasers shall provide Vendors with a copy of the Competition Act Approval promptly upon receipt of same.

(c) Purchasers shall pay 50% and Vendors shall pay 50% of all applicable governmental filing fees and charges, including any GST thereon, payable in connection with the obtaining the Competition Act Approval.

8.4 Post-Closing Administration

Following Closing and to the extent Purchasers wish to be recognized by Third Parties under the Title Documents or otherwise recognized as the holder of any of the Assets, the following will apply to such interests until the recognition has been effected:

(a) the provisions of Section 8.1 continue to apply, *mutatis mutandis*;

(b) Vendors will forthwith provide to Purchasers all AFEs, notices, mail ballots, specific information and other documents either Vendor receives respecting such interests, and will respond to such AFEs, notices, mail ballots, specific information and other documents pursuant to the written instructions of Purchasers, if received on a timely basis, provided that Vendors may refuse to follow instructions that they reasonably believes to be unlawful, unethical or in conflict with an applicable contract by providing notice to that effect to Purchasers in a timely manner;

(c) After December 31, 2004, Vendors will deliver to Purchasers all revenues, proceeds and other benefits received by Vendors respecting such interests, other than those accruing to Vendors' benefit pursuant to Article 3, less the applicable royalties, operating costs, treating, gathering, processing and transportation expenses and those other costs and expenses directly relating to such interests and the production of Petroleum Substances, such delivery to be made within ten (10) days of the end of the month in which the benefits are received, but only to the extent that same have actually been paid or will be paid by Vendors' on Purchasers' behalf, together with Vendors' reasonable expenses;

(d) Vendors will, as agents of Purchasers, deliver all such agreements, notices and other documents as Purchasers may reasonably request in respect of its ownership of such interests;

(e) Vendors shall be deemed to be the agents of Purchasers pursuant to this provision and Purchasers ratifies all actions taken, or refrained from being taken, by Vendors under this Section in that capacity, with the intention that all those actions and omissions will be deemed to be those of Purchasers, except to the extent Vendors' actions constitute gross negligence or wilful misconduct; and

(f) Purchasers will be liable to and, in addition, indemnify Vendors and each of their directors, officers, agents and employees against all Claims arising from or attributable to Vendors maintaining any Assets or exercising rights as Purchasers' agent under this Section, insofar as those Claims are not a direct result of the gross negligence or wilful misconduct of either Vendor or any of their directors, officers, agents or employees. An act or omission will not be regarded as gross negligence or wilful misconduct under this Section to the extent it was done or omitted in accordance with Purchasers' instructions or concurrence.

(g) Purchasers covenant and agree with Vendors that Purchasers shall maintain and continue the Partnership with no material reduction in the Assets for a period of not less than one (1) year following the Closing Date.

8.5 NPI Conveyance

The NPI shall be conveyed by Petrobank to the Partnership with effect on December 1, 2004 pursuant to the NPI Conveyance.

8.6 Freehold Mineral Taxes

Petrobank shall be responsible for preparing and submitting the freehold mineral tax submission for the year ending December 31, 2004 and will invoice Purchasers for all such taxes owing other than those relating to Petrobank's working interest share of freehold mineral taxes for the period from January 1, 2004 to the day immediately preceding the Economic Date. Purchasers shall pay, or shall cause the Partnership to pay, an amount equal to such liability upon receipt of the invoice from Petrobank setting out such amount and reasonable particulars within ten (10) days of the receipt thereof.

ARTICLE 9
CONSENTS

9.1 Consents

If the Transaction requires the consent of any Third Party, Vendors shall timely serve all required requests to obtain such consents on the applicable Third Parties. Vendors shall use all commercially reasonable efforts to obtain and deliver all such consents at the Closing and shall cooperate with Purchasers to obtain, following Closing, any consents which were not obtained prior to Closing.

ARTICLE 10
NOTICE

10.1 Service Of Notice

The Parties agree that any notices that may be given by or to either or both Vendors shall be given by or to Petrobank and any notices that may be given by or to either or both Purchasers shall be given by or to Navigo. Notwithstanding anything to the contrary contained herein, all notices required or permitted hereunder (a "Notice") shall be in writing. Any Notice to be given hereunder shall be deemed to be served properly if served in any of the following methods:

(a) personally, by delivering the notice to the Party on which it is to be served at that Party's address for service. Personally served Notices shall be deemed to be received by the addressee when actually delivered as aforesaid, provided that such delivery shall be during normal business hours on any Business Day. If a Notice is not delivered on such a day or is delivered after the addressee's normal business hours, such Notice shall be deemed to have been received by such Party at the commencement of the next ensuing Business Day following the time of the delivery; or

(b) by facsimile (or by any other like method by which an electronic message may be sent) directed to the Party on which it is to be served at that Party's address for service of Notices pursuant hereto. A Notice so served shall be deemed received by the addressee when actually received by it, if received within normal business hours on any Business Day or at the commencement of the next ensuing Business Day following transmission if such notice is not received during such normal business hours.

10.2 Addresses For Notices

The address for service of Notices hereunder of each of the Parties shall be as follows:

VENDORS

c/o Petrobank Energy and Resources Ltd.
2600, 240 — 4th Avenue S.W.
Calgary, Alberta T2P 4H4

Attention: Land Manager
Fax: (403) 266-5794

PURCHASERS:

c/o Navigo Energy Inc.
2500, 205 – 5 Avenue S.W.
Calgary, Alberta T2P 2V7

Attention: Vice President, Business Development and Land
Fax: (403) 215-3789

10.3 Right To Change Address

A Party may change its address for service by Notice to the other Parties, and such changed address for service thereafter shall be effective for all purposes of this Agreement.

ARTICLE 11
WAIVER

11.1 Waiver Must Be In Writing

No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

ARTICLE 12
ASSIGNMENT

12.1 Assignments Before Closing

Prior to Closing, no Party may assign its interest in or under this Agreement or to the Assets or Partnership Interests, as the case may be, without the prior written consent of the other Party.

12.2 Assignments By Purchasers After Closing

No assignment, transfer or other disposition of this Agreement or all or any portion of the Partnership Interests or interests in and to the Assets by a Purchaser after Closing shall relieve such Purchaser from its obligations to Vendors herein. Vendors shall have the option to claim payment or performance of such obligations from such Purchaser or the assignee or transferee, and to bring proceedings in the event of default against either or all of them, provided that nothing herein shall entitle Vendors to receive duplicate payment or performance of the same obligation.

ARTICLE 13
DISPUTE RESOLUTION

13.1 Arbitration

In the event of any dispute between the Parties relating to Sections 3.4 or 14.5 of this Agreement which is specified in this Agreement to be a matter which may be referred by either Party to arbitration, then either Party shall be entitled to refer the matter to a single arbitrator qualified by education and experience to determine the matter in question. Any such arbitration, including the selection of the arbitrator, shall be governed by the *Arbitration Act*

(Alberta) and the regulations thereunder as amended from time to time. The decision of any such arbitrator shall be final and binding on the Parties. The costs and expenses related to any such arbitration shall be borne and paid as determined by the arbitrator appointed hereunder. Each Party agrees that it will not be entitled to bring a lawsuit concerning any dispute that is referable to arbitration under Section 3.4 or 14.5 of this Agreement. For the purposes of any such arbitration, the Vendors shall be considered to be a single party and the Purchasers shall be considered to be a single party.

ARTICLE 14
GENERAL

14.1 Further Assurances

At Closing and thereafter, as may be necessary and without further consideration, the Parties shall in a timely manner execute, acknowledge and deliver such other documents, novations, instruments and agreements and shall do such other things as may be necessary or desirable to carry out their respective obligations under this Agreement, or to more fully assure the acquisition by and conveyance to Purchasers of the Partnership Interests in accordance herewith.

14.2 Governing Law

This Agreement shall be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta. Each Party accepts and hereby irrevocably and unconditionally consents to submit to the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom for any actions, suits or proceedings occurring out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any action, suit or proceeding relating thereto except in such courts) other than those matters expressly agreed to be arbitrated hereunder. The Parties hereby irrevocably and unconditionally waive any objection to the venue of any actions, suits or proceedings arising out of this Agreement or the transaction contemplated hereby being in the courts of the Province of Alberta and further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

14.3 Time

Time shall be of the essence in this Agreement.

14.4 Press Releases

The Parties shall cooperate with each other in relaying to Third Parties information concerning this Agreement and the transactions contemplated herein, and shall discuss drafts of all press releases and other releases of information for dissemination to the public pertaining hereto. However, nothing in this Section shall prevent a Party from furnishing any information to any governmental agency or regulatory authority or to the public, insofar only as is required by the Regulations or stock exchange rules applicable to such Party or its Affiliate; provided always that a Party which proposes to make such a public disclosure shall, to the extent reasonably possible, provide the other Party with a draft of such statement in sufficient time prior to its release to enable such other Party to review such draft and advise that Party of any comments it may have with respect thereto.

14.5 Consequences of Termination

(a) If this Agreement is terminated on or prior to Closing Date, then Purchasers shall promptly return to Vendors all materials delivered to Purchasers by Vendors hereunder, together with all copies and other recordings of them that may have been made by or for Purchasers, and:

(i) if this Agreement is terminated by Vendors pursuant to Section 4.4 or by Purchasers pursuant to Section 4.6 as a consequence of the conditions in Section 4.5(f) or 4.3 not being satisfied, and (A) neither Vendor was then in default of its obligations under this Agreement; and (B) Purchasers did not then have the concurrent right to terminate this Agreement (other than as a consequence of the condition in Section 4.5(f) not being satisfied); then Vendors shall be entitled to retain the Deposit as liquidated damages, and not a penalty, being the Parties' genuine pre-estimate of Vendors' damages suffered as a result of such termination in such circumstances; and

(ii) if this Agreement is terminated for any reason other than a termination hereof by the Vendors as provided in Section 14.5(a)(i), then Vendors shall refund the Deposit to the Purchasers in full within three (3) Business Days of such termination.

(b) Vendors shall pay to Purchasers a break fee (the "Break Fee") of Five Million ($5,000,000.00) Dollars if:

(i) the Vendors enter into negotiations with a Third Party on or before December 15, 2004, with a view to disposition of their interests in the Assets either directly or indirectly through a corporate, partnership or other similar sale transaction; or

(ii) prior to Closing, Purchasers, acting reasonably, have identified any material adverse financial consequences ("Financial Consequences") to the value of the Partnership resulting from the failure of those representations and warranties set forth in Section 6.1, or the failure of Vendors to satisfy their obligations under Section 4.5(b), full particulars of such Financial Consequences having been provided to Vendors by Notice prior to Closing, and such Financial Consequences have a value of not less than Ten Million ($10,000,000.00) Dollars, provided that:

A) the value of any Title Defects;

B) the value of any Environmental Liabilities; and

C) the value of any discrepancies, errors or other failure or inaccuracy of any technical data or information provided by Vendors or on their behalf to Purchasers;

other than those arising out of an express representation and warranty provided for in Section 6.1 shall not be taken into account for purposes hereof. Payment of the Break Fee pursuant hereto shall be considered liquidated damages and not a penalty, being the Parties' genuine pre-estimate of Purchasers' damage suffered in such circumstances. If Vendors do not agree with Purchasers' assessment of the Financial Consequences, the matter shall be referred to arbitration pursuant to Section 13.1, provided that the form of arbitration shall be "baseball", whereby the arbitrator is required to select either Vendors' or Purchasers' submission on the amount of the Financial Consequences.

(c) Except for the foregoing payments, if applicable, and for Purchasers' obligations pursuant to Section 5.5, following any termination of this Agreement prior to Closing none of the Parties shall have any further rights or obligations under or in respect to, and shall be excused from any further performance of, this Agreement following such termination.

14.6 Entire Agreement and Amendments

This Agreement, including the Schedules to this Agreement, constitutes the entire agreement between the Parties hereto and there are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof except as expressly set forth in this Agreement and in any agreement or document delivered pursuant to this Agreement. This Agreement supersedes and replaces any and all prior agreements, understandings, negotiations and discussions between the Parties hereto relating to the sale and purchase of the Partnership Interests including but not limited to the Letter of Intent, and may be amended, supplemented, waived, modified or terminated only by written instrument signed by the Parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

14.7 Remedies Exclusive

The remedies provided herein are the Parties' exclusive remedies for the matters contemplated in this Agreement, including the termination hereof, and each Party waives, and covenants that it shall not assert or claim, any further remedies, whether at law or in equity, in respect to such matters.

14.8 Signs and Notifications

After Closing, Purchasers shall ensure that any signs that indicate the ownership or operation of the Assets by either or both of the Vendors are promptly removed. Any such removal shall be completed within three months of Closing and Purchasers shall, within three months of the Closing Date, confirm same to the Vendors.

14.9 Waiver of the Land Contract (Actions) Act

The *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action (as defined in that statute) with respect to this Agreement.

14.10 Waiver of the Limitations of Civil Rights Act

The *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to this Agreement, or any mortgage, charge or other security for the payment of money made, given or created by this Agreement, or any agreement or instrument renewing or extending or collateral to this Agreement, or the rights, powers or remedies of Vendors under this Agreement.

14.11 Limitations Act

Subject to any limitation period specifically prescribed in this Agreement, the Parties expressly agree, as is permitted by the *Limitations Act*, R.S.A. 2000, C. L-12, to extend the two year time period provided for under section 3(1)(a) thereof, to a period of four years.

14.12 Execution and Delivery

This Agreement may be executed in as many counterparts as are necessary and all executed counterparts together shall constitute one agreement. Delivery of this Agreement may be effected by facsimile transmission of the execution page hereof duly executed by the delivering Party to the other Parties. A Party delivering this Agreement by facsimile transmission shall forthwith cause original executed copies hereof to the other Parties provided however that any failure to do so shall not affect the enforceability hereof against that Party.

14.13 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their respective successors and permitted assigns.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement effective as of the date first written above.

PETROBANK ENERGY AND RESOURCES LTD.

Per: ______________________

Name:
Title:

PETROBANK PRODUCTION PARTNERSHIP, by its managing partner, Petrobank Energy and Resources Ltd.

Per: ______________________

Name:
Title:

NAVIGO ENERGY INC.

Per: ______________________

Name:
Title:

NAVIGO1 TRUST, by its trustee 1133004 Alberta Ltd.

Per: ______________________

Name:
Title:

DUE TO THE VOLUME AND FILE SIZE OF THE SCHEDULES ATTACHED TO THIS AGREEMENT, A PAPER COPY HAS BEEN FILED WITH THE ALBERTA SECURITIES COMMISSION AND CAN BE VIEWED AT THEIR OFFICES LOCATED ON THE FOURTH FLOOR, 300 - 5TH AVENUE SW, CALGARY, ALBERTA.