

ARRANGEMENT AGREEMENT

Between

TWIN BUTTE ENERGY LTD.

and

BUFFALO RESOURCES CORP.

Effective August 18, 2009

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is dated effective as of the 18th day of August, 2009,

BETWEEN:

TWIN BUTTE ENERGY LTD., a corporation amalgamated under the Laws of the Province of Alberta (hereinafter referred to as "**Twin Butte**")

AND

BUFFALO RESOURCES CORP., a corporation amalgamated under the Laws of the Province of Alberta (hereinafter referred to as "**Buffalo**")

WHEREAS:

- A. the Parties desire to enter into this Agreement to implement the acquisition by Twin Butte of all of the outstanding Buffalo Shares;
- B. the Parties intend to carry out the transactions contemplated herein by way of an arrangement under the provisions of the ABCA; and
- C. the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto do hereby covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement (including the recitals hereto), unless there is something in the context or subject matter inconsistent therewith, the following defined terms have the meanings hereinafter set forth:

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Acquisition Proposal**" means, other than the Arrangement, any inquiry or the making of any offer or proposal to Buffalo or its securityholders from any Person or group of Persons "acting jointly or in concert" (within the meaning of MI 62-104) (or public announcement of an intention to do any of the foregoing) which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

- (i) an acquisition from Buffalo or its securityholders of any securities of Buffalo (other than on exercise of currently outstanding Buffalo Options or Buffalo Warrants) that, when taken together with the securities of Buffalo held by the proposed acquiror, would constitute more than 20% of the outstanding voting securities of Buffalo;

- (ii) any acquisition of a material amount of assets of Buffalo;
- (iii) an amalgamation, arrangement, merger, consolidation or other business combination involving Buffalo;
- (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving Buffalo; or
- (v) any other transaction, the consummation of which would or could reasonably be expected to materially impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to Twin Butte under this Agreement or the Arrangement;

except that for the purpose of the definition of "**Superior Proposal**", the references in this definition of "**Acquisition Proposal**" to "a material amount of assets" shall be deemed to be references to "all or substantially all of the assets";

"**affiliate**" has the meaning ascribed thereto in MI 62-104;

"**Applicable Canadian Securities Laws**", in the context that refers to one or more Persons, means, collectively, and as the context may require, the securities legislation of each of the provinces and territories of Canada, and the rules, regulations and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date that apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

"**Applicable Laws**", in the context that refers to one or more Persons, means the Laws that apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

"**Arrangement**" means the arrangement pursuant to Section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement;

"**Arrangement Resolution**" means the special resolution in respect of the Arrangement to be considered at the Buffalo Meeting;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under Subsection 193(10) of the ABCA to be sent to the Registrar after the Final Order has been granted, giving effect to the Arrangement;

"**ASC**" means the Alberta Securities Commission;

"**associate**" has the meaning ascribed thereto in MI 62-104;

"**Buffalo**" means Buffalo Resources Corp., a corporation amalgamated under the ABCA;

"**Buffalo Balance Sheet**" has the meaning ascribed thereto in Section 4.2(o);

"**Buffalo Board of Directors**" means the board of directors of Buffalo as it may be comprised from time to time;

"Buffalo Change of Control Payments" has the meaning ascribed thereto in Section 2.4(a), the full particulars of which have been disclosed by Buffalo to Twin Butte in the Buffalo Disclosure Letter;

"Buffalo Consulting Agreements" means the consulting services agreements, if any, entered into between Buffalo and certain parties, the details of which (including without limitation the parties thereto and the dates thereof) are set forth in the Buffalo Disclosure Letter;

"Buffalo Credit Facility" means the \$70.0 million revolving credit facility that Buffalo has with a syndicate of Canadian chartered banks;

"Buffalo Disclosure Letter" means the disclosure letter dated the date hereof from Buffalo to Twin Butte;

"Buffalo Employee Plans" has the meaning ascribed thereto in Section 4.2(jj);

"Buffalo Employees" means the employees of Buffalo all of whom have been disclosed by Buffalo to Twin Butte in the Buffalo Disclosure Letter;

"Buffalo Employment Agreements" means the employment agreements entered into between Buffalo and certain of the Buffalo Employees, the details of which (including without limitation the parties thereto and the dates thereof) are set forth in the Buffalo Disclosure Letter;

"Buffalo Fairness Opinion" has the meaning ascribed thereto in Section 4.2(ii);

"Buffalo Financial Statements" means, collectively,

- (i) the audited comparative financial statements of Buffalo as at and for the year ended December 31, 2008, together with the notes thereto and the auditors' report thereon; and
- (ii) the unaudited comparative financial statements of Buffalo as at and for the three month period ended March 31, 2009 and the six month period ended June 30, 2009, together with the notes thereto;

"Buffalo Information" means the information included or incorporated by reference in the Information Circular describing Buffalo and its business, operations and affairs and the matters to be considered at the Buffalo Meeting;

"Buffalo Meeting" means the special meeting of Buffalo Shareholders to be held to consider the Arrangement Resolution and related matters, including any adjournment(s) thereof;

"Buffalo's Net Debt" has the meaning ascribed thereto in Section 4.2(ll);

"Buffalo Non-Completion Event" has the meaning ascribed thereto in Section 6.2(a);

"Buffalo Non-Completion Fee" has the meaning ascribed thereto in Section 6.2(a);

"Buffalo Options" means, collectively, all rights to receive or acquire Buffalo Shares under options granted pursuant to the Buffalo Stock Option Plan, the full particulars of which have been disclosed by Buffalo to Twin Butte in the Buffalo Disclosure Letter;

"Buffalo Reserve Report" means the report prepared by PLA dated March 20, 2009 and effective December 31, 2008, evaluating the crude oil, natural gas liquids and natural gas reserves of Buffalo's properties and the present value of the estimated future net revenues associated with such reserves;

"Buffalo Shareholders" means the holders from time to time of Buffalo Shares;

"Buffalo Shares" means the common shares of Buffalo;

"Buffalo Stock Option Plan" means the stock option plan of Buffalo governing the issuance of Buffalo Options to directors, officers, employees and other service providers of Buffalo;

"Buffalo Support Agreements" means the support agreements substantially in the form set out in Schedule B hereto;

"Buffalo Termination Event" has the meaning ascribed thereto in Section 6.2(b);

"Buffalo Termination Fee" has the meaning ascribed thereto in Section 6.2(b);

"Buffalo Warrants" means all rights to receive or acquire Buffalo Shares pursuant to the issued and outstanding common share purchase warrants of Buffalo, the full particulars of which have been disclosed by Buffalo to Twin Butte in the Buffalo Disclosure Letter;

"Business Day" means a day other than a Saturday, Sunday or a day when banks in the City of Calgary, Alberta are not generally open for business;

"Closing Time" shall be 3:00 p.m. (Calgary time) on the Effective Date, unless otherwise agreed to by Twin Butte and Buffalo;

"Commissioner" means the Commissioner of Competition appointed under the Competition Act;

"Competition Act" means the *Competition Act*, R.S.C. 1985, c. C-34 (Canada), as amended;

"Competition Act Approval" means the Commission shall in respect of the Arrangement: (i) have issued an advance ruling certificate under Section 102 of the Competition Act; or (ii) have provided written confirmation that she does not at that time intend to make an application for an order under Section 92 of the Competition Act in respect of the Arrangement and have waived the notification obligations of Twin Butte and Buffalo under IX of the Competition Act, failing which waiver, any notification materials required under Part IX of the Competition Act shall have been filed and any applicable waiting period under Part IX of the Competition Act shall have expired or been earlier terminated;

"Confidentiality Agreement" means, collectively, (i) the confidentiality agreement dated April 14, 2009 between Buffalo and Twin Butte (as recipient of information); and (ii) the confidentiality agreement dated July 27, 2009 between Buffalo (as recipient of information) and Twin Butte;

"Court" means the Court of Queen's Bench of Alberta;

"Effective Date" means the date the Arrangement is effective under the ABCA;

"Effective Time" means the time when the Arrangement becomes effective pursuant to the ABCA;

"Environmental Laws" means, with respect to any Person or its business, activities, property, assets or undertaking, all federal, municipal or local Laws of any Governmental Entity or of any court, tribunal or

other similar body, relating to environmental or health matters in the jurisdictions applicable to such Person or its business, activities, property, assets or undertaking, including legislation governing the use and storage of Hazardous Substances;

"Final Order" means the order of the Court approving the Arrangement pursuant to Subsection 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"GAAP" has the meaning ascribed thereto in Section 1.7;

"Governmental Entity" means any: (a) federal, provincial, state, regional, municipal, local or other government or any governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency; (b) any subdivision, agent, commission, board or authority of any of the foregoing; or (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"Hazardous Substances" means any pollutant, contaminant, waste of any nature, hazardous substance, hazardous material, toxic substance, dangerous substance or dangerous good as defined, judicially interpreted or identified in any Environmental Laws;

"Interim Order" means the interim order of the Court under Subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the holding of the Buffalo Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"Information Circular" means the information circular to be sent by Buffalo to the Buffalo Shareholders in connection with the Buffalo Meeting, and, if the Twin Butte Meeting is called, to be sent by Twin Butte to the Twin Butte Shareholders;

"Issuance Resolution" means, if required, the ordinary resolution of the Twin Butte Shareholders approving the issuance of Twin Butte Shares pursuant to the Arrangement;

"ITA" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, each as amended from time to time;

"Kadence" means Kadence Limited Partnership;

"Kadence Asset Acquisition" means the acquisition by Buffalo of the Kadence Assets from Kadence as more particularly described in the Buffalo Disclosure Letter for a cash purchase price not to exceed \$7,700,000 plus the repayment by Buffalo of the advance of approximately \$800,000 made by Kadence to Buffalo on or about June 15, 2009, subject to standard closing adjustments;

"Kadence Assets" has the meaning given to such term in the Buffalo Disclosure Letter;

"Laws" means all laws, statutes, regulations, by-laws, statutory rules, orders, ordinances, protocols, codes, guidelines, notices, directions (including all Applicable Canadian Securities Laws and U.S. Securities Laws), and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Entity, statutory body or self-regulatory authority (including the TSX);

"Letter of Intent" means the non-binding letter of intent between Twin Butte and Buffalo dated July 31, 2009 and accepted July 31, 2009;

"Material Adverse Change" or "Material Adverse Effect" means, with respect to any Person, any change, effect, fact, circumstance, occurrence or event that, individually or in the aggregate, is, or would reasonably be expected to be, material and adverse to the business, operations, assets, results of operations, capitalization, financial condition or prospects of such Person or will, or would reasonably be expected to, prevent, materially delay or materially impair the ability of Twin Butte and Buffalo to consummate the transactions contemplated by this Agreement; provided that a Material Adverse Change or Material Adverse Effect shall not include any change, effect, fact, circumstance, occurrence or event relating to or resulting from:

- (i) general economic, financial, currency exchange, securities, credit or commodity market conditions in Canada or elsewhere;
- (ii) conditions affecting the oil and gas exploration, exploitation, development and production industry as a whole, and not specifically relating to any Person, including changes in Laws (including Tax Laws) and royalties;
- (iii) any decline in crude oil or natural gas prices on a current or forward basis;
- (iv) any matter which has been publicly disclosed prior to the date hereof or has been communicated in writing (which includes the Buffalo Disclosure Letter and the Twin Butte Disclosure Letter), in the case of Twin Butte, to Buffalo, and in the case of Buffalo, to Twin Butte on or prior to the date hereof; or
- (v) any changes or effects arising from matters permitted or contemplated by this Agreement (excluding any obligation to act in the ordinary course of business); or
- (vi) any actions taken (or omitted to be taken) at the written request, or with the written consent, of the Other Party;

and for these purposes a change, effect, fact, circumstance, occurrence or event shall be deemed to be a Material Adverse Change or have a Material Adverse Effect in respect of Buffalo if it might reasonably:

- (i) give rise to an aggregate remedial cost (including, without limitation, consequential loss and loss of profit) of more than \$500,000 in any individual instance, or more than \$5,000,000 collectively in any greater number of instances, or
- (ii) where no adequate remedy is reasonably available, result in a disruption in the ordinary conduct of the business of an aggregate cost properly attributable to such disruption (including, without limitation, consequential loss and loss of profit) of more than \$500,000;

and for these purposes a change, effect, fact, circumstance, occurrence or event shall be deemed to be a Material Adverse Change or have a Material Adverse Effect in respect of Twin Butte if it might reasonably:

- (i) give rise to an aggregate remedial cost (including, without limitation, consequential loss and loss of profit) of more than \$500,000 in any individual instance, or more than \$5,000,000 collectively in any greater number of instances, or
- (ii) where no adequate remedy is reasonably available, result in a disruption in the ordinary conduct of the business of an aggregate cost properly attributable to such disruption

(including, without limitation, consequential loss and loss of profit) of more than \$500,000;

"**McDaniel**" means McDaniel & Associates Consultants Ltd.;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"**MI 62-104**" means Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*;

"**Notice Period**" has the meaning ascribed thereto in Section 3.5(c);

"**Other Party**" (i) with respect to Twin Butte means Buffalo, and (ii) with respect to Buffalo means Twin Butte;

"**Parties**" means, collectively, the parties to this Agreement, and "**Party**" means any one of them, or where implied by the context, means Twin Butte or Buffalo, as the case may be;

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

"**PLA**" means Paddock Lindstrom & Associates Ltd.;

"**Plan of Arrangement**" means the plan of arrangement substantially in the form set out in Schedule A hereto, as such plan of arrangement may be amended or supplemented from time to time in accordance with Article 7 hereof and Article 6 thereof;

"**Public Record**" means all information filed by either Twin Butte or Buffalo, as the case may be, with any Securities Authority in compliance, or intended compliance, with any Applicable Canadian Securities Laws;

"**Registrar**" means the Registrar of Corporations for the Province of Alberta duly appointed under Section 263 of the ABCA;

"**related party**" has the meaning ascribed thereto in MI 61-101;

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities Authorities**" means the securities commissions or similar securities regulatory authorities in each of the provinces and territories of Canada and "**Securities Authority**" means any one of the Securities Authorities, as the case may be;

"**Subsidiary**" has the meaning ascribed thereto in the *Securities Act* (Alberta) (and, for greater certainty, includes all partnerships (general or limited) and trusts directly or indirectly owned by Twin Butte or Buffalo, as the case may be);

"**Superior Proposal**" has the meaning ascribed thereto in Section 3.5(b)(vi)(A);

"**Tax Returns**" shall mean all reports, estimates, elections, designations, forms, declarations of estimated tax, information statements and returns relating to, or required to be filed in connection with, any Taxes;

"Tax" or **"Taxes"** shall mean all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any federal, provincial, territorial, state, local or foreign government or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, unemployment insurance, social insurance taxes, sales and use taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, capital taxes, workers compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Twin Butte or Buffalo, as the case may be, is required to pay, withhold, remit or collect;

"TSX" means the Toronto Stock Exchange;

"Twin Butte" means Twin Butte Energy Ltd., a corporation amalgamated under the ABCA;

"Twin Butte Balance Sheet" has the meaning ascribed thereto in Section 4.1(o);

"Twin Butte Board of Directors" means the board of directors of Twin Butte as it may be comprised from time to time;

"Twin Butte Credit Facility" means the \$72.0 million revolving credit facility that Twin Butte has with a Canadian chartered bank;

"Twin Butte Disclosure Letter" means the disclosure letter dated the date hereof from Twin Butte to Buffalo;

"Twin Butte Financial Statements" means, collectively,

- (i) the audited comparative financial statements of Twin Butte as at and for the year ended December 31, 2008, together with the notes thereto and the auditors' report thereon, and
- (ii) the unaudited comparative financial statements of Twin Butte as at and for the three month period ended March 31, 2009 and the six month period ended June 30, 2009, together with the notes thereto;

"Twin Butte Information" means the information provided by Twin Butte for inclusion in, or incorporated by reference in, the Information Circular describing Twin Butte and its business, operations and affairs;

"Twin Butte Meeting" means, if required, the special meeting of Twin Butte Shareholders to be held to consider the Issuance Resolution, including any adjournment(s) thereof;

"Twin Butte's Net Debt" has the meaning ascribed thereto in Section 4.1(ii);

"Twin Butte Non-Completion Event" shall have the meaning ascribed thereto in Section 6.1(a);

"Twin Butte Non-Completion Fee" shall have the meaning ascribed thereto in Section 6.1(a);

"Twin Butte Reserve Report" means the report prepared by McDaniel dated March 11, 2009 and effective December 31, 2008 evaluating the crude oil, natural gas liquids and natural gas reserves of Twin Butte's properties and the present value of the estimated future net revenues associated with such reserves;

"Twin Butte Shareholders" means the holders from time to time of Twin Butte Shares;

"Twin Butte Shares" means the common shares of Twin Butte;

"Twin Butte Support Agreements" means the support agreements substantially in the form set out in Schedule C hereto;

"Twin Butte Termination Event" has the meaning ascribed thereto in Section 6.1(a)(iii);

"Twin Butte Termination Fee" has the meaning ascribed thereto in Section 6.1(a)(iii);

"U.S. Exchange Act" means the *United States Securities Exchange Act of 1934*, as amended;

"U.S. Securities Act" means the *United States Securities Act of 1933*, as amended; and

"U.S. Securities Laws" means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms **"this Agreement"**, **"hereof"**, **"herein"**, **"hereto"** and **"hereunder"** and similar expressions refer to this Arrangement Agreement (including the Schedules attached hereto) as may be amended, supplemented or modified, and not to any particular article, section, Schedule or other portion hereof.

1.3 Number, etc.

Words importing the singular number include the plural and vice versa, words importing the use of any gender include all genders, and words importing persons include firms and corporations and vice versa.

1.4 Date for Any Action

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day in the place where an action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day in such place. Notwithstanding the foregoing, this provision does not apply to the time periods set out in Section 3.5.

1.5 Entire Agreement

This Agreement, the Buffalo Disclosure Letter, the Twin Butte Disclosure Letter and the Confidentiality Agreement constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, among the Parties with respect to the subject matter hereof, including without limitation the Letter of Intent.

1.6 Currency

All references to "\$" or sums of money that are referred to in this Agreement are expressed in lawful money of Canada, unless specified otherwise.

1.7 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under Canadian generally accepted accounting principles ("**GAAP**") and all determinations of an accounting nature that are required to be made shall be made in a manner consistent with GAAP.

1.8 Interpretation Not Affected by Party Drafting

The Parties hereto acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.

1.9 Knowledge

In this Agreement, whenever a representation or warranty is made on the basis of the knowledge or awareness of a Party, such knowledge or awareness consists only of the actual knowledge or awareness, as of the date of this Agreement, of the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Vice President Exploration, Vice President, Land, Vice President, Operations, Vice President, Engineering and Controller in the case of Buffalo and the President and Chief Executive Officer, Vice President, Finance, Chief Financial Officer and Corporate Secretary, Vice President, Exploration, Vice President, Engineering, Vice President, Production and Operations, Vice President, Land and Controller in the case of Twin Butte.

1.10 Schedules

The following Schedules attached hereto are incorporated into and form an integral part of this Agreement:

Schedule A – Plan of Arrangement

Schedule B – Form of Buffalo Support Agreement

Schedule C – Form of Twin Butte Support Agreement

ARTICLE 2 THE ARRANGEMENT

2.1 Plan of Arrangement

- (a) The Parties agree to carry out the Arrangement pursuant to which, among other things, holders of Buffalo Shares shall receive, for each Buffalo Share held, 0.70 of a Twin Butte Share, all as more particularly described in the Plan of Arrangement.

- (b) The Arrangement shall be structured such that, assuming the Court approves the Arrangement, the issuance of the Twin Butte Shares to the Buffalo Shareholders under the Arrangement will not require registration under the U.S. Securities Act, in reliance on Section 3(a)(10) of the *U.S. Securities Act*.
- (c) Buffalo shall, with assistance from and the participation of Twin Butte, file, proceed with and diligently prosecute an application for the Interim Order providing for, among other things, the calling and holding of the Buffalo Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement Resolution and related matters to be considered at the Buffalo Meeting.
- (d) Provided all necessary approvals for the Arrangement Resolution are obtained from the Buffalo Shareholders and, if required by the TSX, all necessary approvals for the Issuance Resolution are obtained from the Twin Butte Shareholders, Buffalo shall, with assistance from and the participation of Twin Butte, submit the Arrangement to the Court and apply for the Final Order, on terms acceptable to the Parties, acting reasonably, and shall diligently prosecute an application for the Final Order.
- (e) Upon issuance of the Final Order and subject to the conditions precedent in Article 5, each of Twin Butte on the one hand and Buffalo on the other hand shall execute and deliver such closing documents and instruments and forthwith proceed at the Closing Time to file the Articles of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement with the Registrar pursuant to Subsection 193(10) of the ABCA, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any further act or formality.

2.2 Interim Order

The Interim Order shall provide that:

- (a) the securities of Buffalo for which holders shall be entitled to vote on the Arrangement Resolution at the Buffalo Meeting shall be the Buffalo Shares;
- (b) each Buffalo Shareholder shall be entitled to one vote for each Buffalo Share held by such holder; and
- (c) the requisite majority for the approval of the Arrangement Resolution shall be two-thirds of the votes cast by the Buffalo Shareholders present in person or by proxy at the Buffalo Meeting.

2.3 Information Circular and Meeting

As promptly as practicable following the execution of this Agreement and in compliance with the Interim Order and Applicable Laws, including Applicable Canadian Securities Laws and applicable U.S. Securities Laws, Buffalo and Twin Butte shall: (i) prepare the Information Circular and cause such circular to be mailed to the Buffalo Shareholders and, if Twin Butte Shareholder approval is required, the Twin Butte Shareholders and filed with applicable Securities Authorities, other regulatory authorities and other Governmental Entities in all jurisdictions where the same is required to be mailed and filed; and (ii) call and give notice of the Buffalo Meeting and, if Twin Butte Shareholder approval is required, the Twin Butte Meeting.

2.4 Employees, Buffalo Options, Buffalo Warrants

- (a) Buffalo has disclosed in the Buffalo Disclosure Letter Buffalo's *bona fide* good faith estimate, having regard to the assumptions set forth therein for all employees, of all obligations of Buffalo pursuant to all employment or consulting services agreements, termination, change of control, severance and retention plans (for certainty excluding any retention plans or payments established by or agreed to be paid by Twin Butte) or policies for severance, termination or change of control payments or any other payments (including obligations or payments that arise by law and not by any written or oral agreement to which Buffalo is a party) related to any Buffalo incentive plan (including, without limitation, the Buffalo Employment Agreements, the Buffalo Consulting Agreements and the Buffalo Option Plan) arising out of or in connection with the Arrangement (collectively, the "**Buffalo Change of Control Payments**"). For greater certainty, no accrued bonuses shall be payable to any Buffalo Employees. Without limiting the generality of the foregoing or anything else contained herein, the Buffalo Disclosure Letter discloses the following information in respect of the Buffalo Change of Control Payments: the name of each individual entitled to a payment; a description of the agreement or plan under which the payment arises and relevant section references; the total amount of each individual's payment; and the method of calculating such payment. The Parties agree that the Buffalo Change of Control Payments shall be paid by Buffalo immediately following the Effective Time concurrent with the execution of a full and final release from the payee in such form as is acceptable to Twin Butte, acting reasonably.
- (b) The Parties agree that the Buffalo Board of Directors may approve the vesting of all outstanding Buffalo Options (other than Buffalo Options which the Buffalo Board of Directors determines should not vest) effective immediately prior to the Effective Time and conditional upon the subsequent consummation of the Arrangement (or, if required, amend any outstanding Buffalo Options to accelerate the vesting of such options effective immediately prior to the Effective Time and conditional upon the subsequent consummation of the Arrangement) in order that all such outstanding Buffalo Options shall be fully vested and may be exercised in accordance with their terms. A holder of Buffalo Options that are the subject of accelerated vesting and that are exercised conditional upon the subsequent completion of the Arrangement shall be issued Buffalo Shares from treasury effective immediately prior to the Effective Time, which Buffalo Shares shall subsequently be exchanged for Twin Butte Shares pursuant to the Arrangement on the same basis as all other outstanding Buffalo Shares. All of the Buffalo Options not exercised prior to the Effective Time will be terminated (pursuant to contract or the Arrangement) for consideration of \$0.01 per Buffalo Option. The Parties agree that Buffalo shall not make any cash payments in exchange for the cancellation of unexercised Buffalo Options other than the foregoing. The Buffalo Disclosure Letter sets forth full particulars of Buffalo Options outstanding as of the date hereof, including without limitation the following: the names of the holders of Buffalo Options; the date of grant and the date of expiry of all Buffalo Options; the exercise price of each Buffalo Option; and the number of Buffalo Options held by each Person.
- (c) The Parties acknowledge and agree that pursuant to Section 4.1(b) of the warrant indenture dated as of May 9, 2008 between Buffalo and Computershare Trust Company of Canada following the Effective Time, the holders of Buffalo Warrants shall be entitled to acquire 0.7 of a Twin Butte Share for each Buffalo Warrant held (in lieu of the one Buffalo Share pursuant to which each Buffalo Warrant is currently exercisable for) at an exercise price of \$1.50 per 0.7 of a Twin Butte Share (or \$2.14 per Twin Butte Share) and in that regard Twin Butte shall enter into a supplemental indenture with Computershare Trust Company of Canada providing for such adjustment.

2.5 Effective Date

The Arrangement shall become effective at the Effective Time on the Effective Date. The Parties shall use their reasonable commercial efforts to cause the Effective Date to occur as soon as reasonably practicable and in any event by November 16, 2009.

ARTICLE 3 COVENANTS

3.1 Covenants of Twin Butte

From the date hereof until the Effective Date or termination of this Agreement, except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws, Twin Butte covenants and agrees that:

- (a) Twin Butte's affairs and the business of Twin Butte shall be conducted in the usual and ordinary course consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property); provided that, subject to Section 3.1(c), this Section 3.1(a) shall not restrict Twin Butte from entering into or performing any contract, agreement, commitment or arrangement with respect to the acquisition or disposition of, or resolving to acquire or dispose of, any oil and/or natural gas assets, properties or related assets or of securities of any person engaged in the oil and/or natural gas and/or related business in any manner, or conducting any financing activities in any manner, or taking any action that is not in the usual and ordinary course or that is not consistent with past practices, provided that in respect of any of the foregoing, the doing of any such action would not reasonably be expected to have a Material Adverse Effect on Twin Butte and provided further that Twin Butte agrees to keep Buffalo fully informed in respect of any such actions;
- (b) Twin Butte shall not, directly or indirectly, do or permit to occur any of the following: (i) declare, set aside or pay any dividend or distribution or make any other payment (whether in cash, Twin Butte Shares or other securities or property) in respect of its outstanding securities; (ii) split, combine, consolidate or reclassify any of the outstanding Twin Butte Shares; (iii) adopt a plan of liquidation or resolutions providing for its liquidation or dissolution; (iv) amend its constating documents; or (v) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- (c) Twin Butte will not, without prior consultation with and the prior written consent of Buffalo (such consent not to be unreasonably withheld), directly or indirectly, do or permit to occur any of the following: (i) reorganize, amalgamate, merge or otherwise combine Twin Butte with any other Person; (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, trust, partnership or other business organization; (iii) authorize, recommend or propose any release or relinquishment of any material contract right; or (iv) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document;
- (d) Twin Butte shall not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any

time prior to completion of the Arrangement or termination of this Agreement, whichever first occurs;

- (e) Twin Butte shall promptly notify Buffalo in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Twin Butte, threatened, financial or otherwise) in its business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, or of any change in any representation or warranty provided by Twin Butte in this Agreement, and Twin Butte shall in good faith discuss with Buffalo any change (actual, anticipated, contemplated, or to the knowledge of Twin Butte, threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to Buffalo pursuant to this provision;
- (f) Twin Butte shall ensure that it has available funds under the Twin Butte Credit Facility or its lines of credit or other bank facilities to permit the payment of the maximum amount which may be required by Section 6.2 having regard to its other liabilities and obligations, and shall take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount when required;
- (g) Twin Butte shall use its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.3 as soon as reasonably practicable following execution of this Agreement to the extent that the satisfaction of the same is within the control of Twin Butte;
- (h) Twin Butte will assist Buffalo in the preparation of the Information Circular (or, if Twin Butte Shareholder approval is required, prepare the Information Circular in conjunction with Buffalo) and provide, in a timely manner, all information as may be reasonably requested by Buffalo with respect to Twin Butte and its directors and officers for inclusion in the Information Circular and any amendments or supplements thereto (including, without limitation, the required pro forma financial statements giving effect to Twin Butte's acquisition of all of the outstanding Buffalo Shares), in each case complying in all material respects with all Applicable Laws and to enable Buffalo to meet the standard referred to in Section 3.3(q) with respect to Twin Butte, the Arrangement and the transactions to be considered at the Buffalo Meeting;
- (i) if Twin Butte Shareholder approval is required, Twin Butte shall call and hold the Twin Butte Meeting, shall provide notice to Buffalo of the Twin Butte Meeting and allow Buffalo's representatives to attend such meeting;
- (j) if Twin Butte Shareholder approval is required, subject to compliance by Buffalo with Section 3.3(o), Twin Butte will ensure that the Information Circular provides Twin Butte Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and will set out the Buffalo Information in the Information Circular in the form approved by Buffalo, and shall include or incorporate by reference, without limitation: (i) any financial statements in respect of prior acquisitions made by Twin Butte that are required to be included therein in accordance with Applicable Laws; and (ii) the recommendation of the Twin Butte Board of Directors that the Twin Butte Shareholders vote in favour of the Issuance Resolution provided that, notwithstanding the covenants of Twin Butte in this subsection, prior to the completion of the Arrangement, the Twin Butte Board of Directors may withdraw, modify or change the recommendation regarding the Issuance Resolution if, in the opinion of the Twin Butte Board of Directors acting reasonably, having received the advice of its outside legal counsel which is reflected in minutes of the meeting of the Twin Butte Board of Directors, such withdrawal, modification or change is required to act in a manner consistent with the fiduciary

duties of the Twin Butte Board of Directors and, if applicable, provided the Twin Butte Board of Directors shall have complied with the provisions Section 6.2;

- (k) Twin Butte shall indemnify and save harmless Buffalo and the directors, officers and agents of Buffalo from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Buffalo, or any director, officer or agent thereof, may be subject or which Buffalo, or any director, officer or agent thereof may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any misrepresentation or alleged misrepresentation in the Information Circular or in any material filed by Twin Butte or on behalf of Twin Butte in compliance or intended compliance with any Applicable Laws;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in the Information Circular or in any material filed by or on behalf of Twin Butte in compliance or intended compliance with Applicable Canadian Securities Laws and U.S. Securities Laws, which prevents or restricts the trading in the Twin Butte Shares; and
 - (iii) Twin Butte not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that Twin Butte shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon (A) any misrepresentation or alleged misrepresentation that is not contained solely within the Twin Butte Information included in the Information Circular, or (B) the negligence of Buffalo;

- (l) except for non-substantive communications with securityholders, Twin Butte will furnish promptly to Buffalo or Buffalo's counsel a copy of each notice, report, schedule or other document delivered, filed or received by Twin Butte in connection with: (i) the Arrangement; (ii) if Twin Butte Shareholder approval is required, the Twin Butte Meeting; (iii) any filings under Applicable Laws in connection with the transactions contemplated hereby; and (iv) any dealings with Governmental Entities in connection with the transactions contemplated hereby;
- (m) if Twin Butte Shareholder approval is required, subject to compliance by Buffalo with Section 3.3(o), Twin Butte shall use its reasonable commercial efforts to mail as soon as practicable on or before September 14, 2009 (or such other date as Buffalo and Twin Butte may agree to) and in any event on or before October 19, 2009, the Information Circular to Twin Butte Shareholders and other Persons in accordance with Applicable Law;
- (n) if Twin Butte Shareholder approval is required, Twin Butte shall, use its reasonable commercial efforts to on or before October 14, 2009 (or such other date as Buffalo and Twin Butte may agree to) and in any event on or before November 16, 2009, convene the Twin Butte Meeting in accordance with Applicable Law;
- (o) if Twin Butte Shareholder approval is required, Twin Butte shall solicit proxies to be voted at the Twin Butte Meeting in favour of matters to be considered at the Twin Butte Meeting, including the Issuance Resolution, provided that Twin Butte may, but shall not be required to, with the prior

written consent of Buffalo, engage an information agent or a proxy solicitation agent for such purpose and shall advise Buffalo as reasonably requested, and on a daily basis on each of the last seven Business Days prior to the Twin Butte Meeting, as to the aggregate tally of the proxies and votes received in respect of the Issuance Resolution;

- (p) if Twin Butte Shareholder approval is required, Twin Butte shall conduct the Twin Butte Meeting in accordance with the articles, by-laws, and other constating documents of Twin Butte and any instrument governing the Twin Butte Meeting, as applicable, and as otherwise required by Applicable Laws;
- (q) Twin Butte will make all necessary filings and applications under Applicable Canadian Securities Laws, required to be made on the part of Twin Butte in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such Applicable Laws;
- (r) prior to the mailing of the Information Circular, Twin Butte will make application to the TSX to list the Twin Butte Shares that will be issuable to the Buffalo Shareholders pursuant to the Arrangement and use its reasonable commercial efforts to obtain approval from the TSX, subject only to customary conditions, for the listing of such Twin Butte Shares on the TSX;
- (s) Twin Butte shall not take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might reasonably be expected to directly or indirectly interfere with or affect the consummation of the Arrangement, and Twin Butte shall take all reasonable commercial actions to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (t) as soon as practicable following the Closing Time, Twin Butte shall take such steps that are necessary for the Twin Butte Board of Directors to appoint William Trickett and Murray Sinclair as additional members of the Twin Butte Board of Directors in accordance with the provisions of the ABCA and Twin Butte's articles;
- (u) Twin Butte shall use its reasonable commercial efforts to obtain the consent of any third parties required by Twin Butte for the transactions contemplated hereby and provide the same to Buffalo on or prior to the Effective Date; and
- (v) Twin Butte will comply with and carry out the terms of, and all obligations under, the Interim Order, Final Order and Plan of Arrangement applicable to it.

3.2 Additional Covenants of Twin Butte

Twin Butte further covenants and agrees that Buffalo shall be entitled to secure directors' and officers' liability insurance for Buffalo's present and former directors and officers, covering claims made prior to and within five years after the Effective Date and on a "trailing" or "run off" basis, which has scope and coverage substantially equivalent in scope and coverage to that provided by Buffalo's current directors' and officers' insurance policy. Alternatively, Twin Butte may notify Buffalo prior to the Effective Date that such coverage is to be provided under Twin Butte's officer's and directors' liability insurance, provided such insurance has scope and coverage substantially equivalent in scope and coverage to that provided by Buffalo's current directors' and officers' insurance policy, in which case the foregoing shall apply mutatis mutandis to Twin Butte's coverage in respect thereof and Twin Butte agrees to provide satisfactory evidence to Buffalo of the terms and existence of such coverage. Twin Butte agrees to maintain any such insurance in place and agrees not to take any action, or to cause Buffalo to take any

action, to terminate such directors' and officers' liability insurance or any indemnity agreements in favour of current directors and officers of Buffalo in place prior to the date hereof and in the form disclosed to Twin Butte prior to the date hereof.

3.3 Covenants of Buffalo

From the date hereof until the Effective Date or termination of this Agreement, except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws, Buffalo covenants and agrees that:

- (a) Buffalo's affairs and the business of Buffalo shall be conducted only in the usual and ordinary course consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and it shall use reasonable commercial efforts to maintain and preserve its business, assets and advantageous business relationships;
- (b) Buffalo shall not, directly or indirectly, do or permit to occur any of the following: (i) amend its constating documents; (ii) declare, set aside or pay any dividend or distribution or make any other payment (whether in cash, securities or other property) in respect of its outstanding securities; (iii) issue or agree to issue, grant, sell or pledge any Buffalo Shares or other securities of Buffalo including, without limitation, securities convertible into or exchangeable or exercisable for Buffalo Shares, or otherwise evidencing a right to acquire Buffalo Shares, other than the issuance of Buffalo Shares pursuant to the exercise of the currently outstanding Buffalo Options or Buffalo Warrants as of the date hereof; (v) redeem, purchase or otherwise acquire any of the outstanding Buffalo Shares or other securities; (vi) split, combine, consolidate or reclassify any of the Buffalo Shares or other securities of Buffalo; (vii) adopt a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization; (viii) adopt, implement or enter into any shareholder rights plan or similar plan (or resolve to do so); or (ix) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- (c) Buffalo will not, without prior consultation with and the prior written consent of Twin Butte (such consent not to be unreasonably withheld), directly or indirectly, do or permit to occur any of the following: (i) sell, pledge, dispose of or encumber any assets, except for production in the ordinary course, for consideration in excess of \$10,000 individually or \$50,000 in the aggregate; (ii) expend or commit to expend more than \$50,000 individually or \$250,000 in the aggregate with respect to any capital expenditures, except for capital expenditures that are pre-approved in writing by Twin Butte and disclosed in the Buffalo Disclosure Letter; (iii) expend or commit to expend any amounts with respect to any operating expenses other than in the ordinary course of business and consistent with past practice or pursuant to the Arrangement; (iv) reorganize, amalgamate, merge or otherwise combine Buffalo with any other Person; (v) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, trust, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer; (vi) other than the Kadence Asset Acquisition, purchase any property or acquire any assets with an acquisition cost in excess of \$25,000 individually or \$250,000 in the aggregate (and for greater certainty, Buffalo shall not take any action at any Crown or other land sale or auction); (vii) incur any indebtedness for borrowed money except pursuant to the Buffalo Credit Facility and provided that the use of such funds drawn down are in compliance with the other provisions of this Section 3.3(c), or incur any other material indebtedness, liability or obligation or issue any debt securities or

assume, guarantee, endorse or otherwise become responsible for the obligations of any other individual or entity, or make any loans or advances, other than in respect of fees and expenses that are incurred and are payable in connection with the Arrangement, which fees and expenses shall not exceed the amounts set forth in the Buffalo Disclosure Letter; (viii) authorize, recommend or propose any release or relinquishment of any material contract right; (ix) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material license, lease, contract, production sharing agreement, government land concession or other material document; (x) pay, discharge, satisfy or settle any material claims, disputes, liabilities or obligations other than as reflected or reserved against in the Buffalo Financial Statements or otherwise in the ordinary course of business and agreed to by Twin Butte, acting reasonably; (xi) enter into or terminate any hedges, swaps or other financial instruments or like transactions; (xii) enter into any agreements for the sale of production having a term of more than 30 days; (xiii) enter into any consulting or contract operating agreement that cannot be terminated on 30 days or less notice without penalty; (xiv) enter into any agreement that provides for an area of mutual interest or an area of exclusion; or (xv) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;

- (d) except so as to permit the acceleration of the vesting and payment for termination of Buffalo Options as contemplated by Section 2.4, Buffalo shall not adopt or amend or make any contribution to any bonus, employee benefit, profit sharing, stock option, stock purchase, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, program, agreement, fund or arrangement for the benefit of employees (or amend any rights thereunder), except as is necessary to comply with Applicable Laws or with respect to existing provisions of any such plans, programs, agreements, funds or arrangements;
- (e) except pursuant to the Buffalo Change of Control Payments as disclosed by Buffalo to Twin Butte in the Buffalo Disclosure Letter and subject to Section 2.4, Buffalo shall not make any payment to any employee, consultant, officer or director outside of their ordinary and usual compensation for services provided (including, without limitation, any accrued bonus);
- (f) except to make the Buffalo Change of Control Payments and to permit accelerated vesting and payment for termination of unexercised Buffalo Options as contemplated in Section 2.4, Buffalo shall not: (i) grant any officer, director, employee or consultant an increase in compensation in any form; (ii) grant any general salary increase; (iii) grant or pay any bonus to any officer, director, employer or consultant; (iv) take any action with respect to the amendment or grant of any "change of control", severance, retention or termination pay policies or arrangements for any directors, officers, employees or consultants; or (v) advance any loan to any officer, director or any other party;
- (g) Buffalo shall use its reasonable commercial efforts to cause its current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect, and Buffalo will pay all premiums in respect of such insurance policies that become due after the date hereof, and Buffalo shall consult with Twin Butte with respect to all such matters prior to taking any action in respect thereof;
- (h) other than as contemplated by Section 2.4, Buffalo shall not pay the holders of Buffalo Options and Buffalo Warrants any other consideration nor shall it make any amendment to outstanding

Buffalo Options and Buffalo Warrants, and it shall use its reasonable commercial efforts to cause the exercise, cancellation, termination, expiry or surrender of the Buffalo Options prior to the Effective Time as contemplated by Section 2.4(b);

- (i) Buffalo shall use its reasonable commercial efforts to deliver to Twin Butte, on or prior to the date that is three Business Days prior to the date that the Information Circular is mailed to the Buffalo Shareholders, executed agreements with each holder of Buffalo Options wherein such holder agrees that such securityholder shall, conditional upon completion of the Arrangement, surrender any and all unexercised Buffalo Options held by the securityholder to Buffalo for cancellation for consideration of \$0.01 per Buffalo Option, such agreements to be in form reasonably satisfactory to Twin Butte; provided, however, that if Buffalo is unable to obtain such agreements from all holders of Buffalo Options, Buffalo shall agree to amend this Agreement (including the Plan of Arrangement) in such a manner satisfactory to Twin Butte to provide that Buffalo Options that are unexercised immediately prior to the Effective Time shall be cancelled or terminated in consideration of \$0.01 per Buffalo Option, in accordance with the Plan of Arrangement;
- (j) Buffalo shall not take any action that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to completion of the Arrangement or termination of this Agreement, whichever first occurs;
- (k) Buffalo shall promptly notify Twin Butte in writing of any material change (actual, anticipated, contemplated or, to the knowledge of Buffalo, threatened, financial or otherwise) in its business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, or of any change in any representation or warranty provided by Buffalo in this Agreement, and Buffalo shall in good faith discuss with Twin Butte any change (actual, anticipated, contemplated, or to the knowledge of Buffalo, threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to Twin Butte pursuant to this provision;
- (l) Buffalo shall ensure that it has available funds under the Buffalo Credit Facility or its lines of credit or other bank facilities to permit the payment of the maximum amount which may be required by Section 6.1 having regard to its other liabilities and obligations, and shall take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount when required, provided, however, that any expenditure by Buffalo which has been consented to in writing by Twin Butte pursuant to Section 3.3(c) or otherwise which results in Buffalo not having such available funds shall be deemed not to be a breach of this Agreement;
- (m) Buffalo shall use its reasonable commercial efforts to obtain the consent of its bankers (if required) and any other third party consents required for the transactions contemplated hereby and provide the same to Twin Butte on or prior to the Effective Date;
- (n) Buffalo shall use its reasonable commercial efforts to satisfy or cause satisfaction of the conditions set forth in Sections 5.1 and 5.2 as soon as reasonably practicable following execution of this Agreement to the extent that the satisfaction of the same is within the control of Buffalo;
- (o) if Twin Butte Shareholder approval is required, Buffalo will provide to Twin Butte, in a timely manner, all information as may be reasonably requested by Twin Butte with respect to Buffalo and its directors and officers for inclusion in the Information Circular and any amendments or supplements thereto, in each case complying in all material respects with all Applicable Laws;

- (p) Buffalo shall call and hold the Buffalo Meeting as contemplated herein, shall provide notice to Twin Butte of the Buffalo Meeting and allow Twin Butte's representatives to attend such meeting;
- (q) subject to compliance by Twin Butte with Section 3.1(h), Buffalo will ensure that the Information Circular provides Buffalo Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and will set out the Twin Butte Information in the Information Circular in the form approved by Twin Butte, and shall include or incorporate by reference, without limitation: (i) any financial statements in respect of prior acquisitions made by Buffalo that are required to be included therein in accordance with Applicable Laws; (ii) the determination of the Buffalo Board of Directors that the Arrangement is fair to Buffalo Shareholders and is in the best interests of Buffalo and Buffalo Shareholders, and include the recommendation of the Buffalo Board of Directors that the Buffalo Shareholders vote in favour of the Arrangement Resolution; and (iii) the Buffalo Fairness Opinion dated as of the date of the Information Circular that the consideration to be received by the Buffalo Shareholders under the Arrangement is fair, from a financial point of view, to Buffalo Shareholders; provided that, notwithstanding the covenants of Buffalo in this subsection, prior to the completion of the Arrangement, the Buffalo Board of Directors may withdraw, modify or change the recommendation regarding the Arrangement if, in the opinion of the Buffalo Board of Directors acting reasonably, having received the advice of its outside legal counsel which is reflected in minutes of the meeting of the Buffalo Board of Directors, such withdrawal, modification or change is required to act in a manner consistent with the fiduciary duties of the Buffalo Board of Directors and, if applicable, provided the Buffalo Board of Directors shall have complied with the provisions of Sections 3.5 and 6.1;
- (r) Buffalo shall indemnify and save harmless Twin Butte and the directors, officers and agents of Twin Butte, as applicable, from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Twin Butte, or any director, officer or agent thereof, may be subject or which Twin Butte, or any director, officer or agent thereof may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any misrepresentation or alleged misrepresentation in the Information Circular or in any material filed by or on behalf of Buffalo in compliance or intended compliance with any Applicable Laws;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in the Information Circular or in any material filed by or on behalf of Buffalo in compliance or intended compliance with Applicable Canadian Securities Laws and U.S. Securities Laws, which prevents or restricts the trading in the Buffalo Shares; and
 - (iii) Buffalo not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that Buffalo shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon (A) any misrepresentation or alleged misrepresentation based solely on the Twin Butte Information included in the Information Circular, or (B) the negligence of Twin Butte;

- (s) except for non-substantive communications with securityholders, Buffalo will furnish promptly to Twin Butte or Twin Butte's counsel a copy of each notice, report, schedule or other document delivered, filed or received by Buffalo in connection with: (i) the Arrangement; (ii) the Buffalo Meeting; (iii) any filings under Applicable Laws in connection with the transactions contemplated hereby; and (iv) any dealings with Governmental Entities in connection with the transactions contemplated hereby;
- (t) subject to compliance by Twin Butte with Section 3.1(j), Buffalo shall use its reasonable commercial efforts to mail as soon as practicable on or before September 14, 2009 (or such other date as Buffalo and Twin Butte may agree to) and in any event on or before October 19, 2009, the Information Circular to Buffalo Shareholders and other Persons required by the Interim Order and in accordance with Applicable Law and the Interim Order;
- (u) Buffalo shall, use its reasonable commercial efforts to on or before October 14, 2009 (or such other date as Buffalo and Twin Butte may agree to) and in any event on or before November 16, 2009, convene the Buffalo Meeting as ordered by the Interim Order;
- (v) Buffalo shall solicit proxies to be voted at the Buffalo Meeting in favour of matters to be considered at the Buffalo Meeting, including the Arrangement Resolution, provided that Buffalo may, but shall not be required to, with the prior written consent of Twin Butte, engage an information agent or a proxy solicitation agent for such purpose and shall advise Twin Butte as reasonably requested, and on a daily basis on each of the last seven Business Days prior to the Buffalo Meeting, as to the aggregate tally of the proxies and votes received in respect of the Arrangement Resolution;
- (w) Buffalo shall conduct the Buffalo Meeting in accordance with the articles, by-laws, and other constating documents of Buffalo and any instrument governing the Buffalo Meeting (including, without limitation, the Interim Order), as applicable, and as otherwise required by Applicable Laws;
- (x) Buffalo will make all necessary filings and applications under Applicable Canadian Securities Laws required to be made on the part of Buffalo in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such Applicable Laws;
- (y) Buffalo shall promptly advise Twin Butte of the number of Buffalo Shares for which Buffalo receives notices of dissent or written objections to the Arrangement Resolution and provide Twin Butte with copies of such notices and written objections;
- (z) Buffalo will cooperate with Twin Butte in making application to the TSX to list the Twin Butte Shares that will be issuable to the Buffalo Shareholders pursuant to the Arrangement on the TSX;
- (aa) Buffalo shall use its reasonable commercial efforts to cause the resignation of all of the directors and officers of Buffalo at the Effective Time and to cause such directors and officers to provide releases (subject to the payment of the Buffalo Change of Control Payments (if not yet made) in the case of officers, indemnities and insurance) in form and substance satisfactory to Twin Butte and to fill the resulting vacancies with designees of Twin Butte and will cooperate with Twin Butte to provide an orderly transition of control of management of Buffalo;
- (bb) Buffalo shall not take any action, refrain from taking any action, permit any action to be taken or not taken, inconsistent with this Agreement, which might reasonably be expected to directly or

indirectly interfere or affect the consummation of the Arrangement, and Buffalo shall take all reasonable commercial actions to give effect to the transactions contemplated by this Agreement and the Arrangement;

- (cc) Buffalo shall use its reasonable commercial efforts to obtain the consent of any third parties required by Buffalo for the transactions contemplated hereby and provide the same to Twin Butte on or prior to the Effective Date; and
- (dd) Buffalo will comply with and carry out the terms of, and all obligations under, the Interim Order, Final Order and Plan of Arrangement applicable to it.

3.4 Mutual Covenants Regarding the Arrangement

From the date hereof until the Effective Date, each of Twin Butte and Buffalo will use its reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable commercial efforts:

- (a) to obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases and other contracts;
- (b) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) to effect all necessary registrations and filings and submissions of information requested by Governmental Entities or required to be effected by it in connection with the Arrangement, including, without limitation, the Competition Act, if required, and to obtain all necessary consents, waivers and approvals required to be obtained by it in connection with the Arrangement and each of Twin Butte and Buffalo will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the Other Party of their obligations under this Section 3.4 including, without limitation, assisting with the preparation and filing of any applications and continuing to provide reasonable access to information and to maintain ongoing communications as between officers of Twin Butte and Buffalo, subject in all cases to the Confidentiality Agreement. Without limiting the generality of the foregoing, to the extent Competition Act Approval represents a condition precedent under Section 5.1(i), each of Twin Butte and Buffalo shall (i) furnish to the other such information and assistance as the other may reasonably request in connection with its preparation of any filing or submission necessary or advisable; (ii) keep the other apprised in a prompt manner of the status of any inquiry or request for additional information from the Commissioner and comply promptly with any such inquiry or request; and (iii) use commercially reasonable efforts to obtain Competition Act Approval as promptly as possible. Twin Butte and Buffalo shall each pay their respective fees required under the Competition Act;
- (d) to promptly notify the Other Party of any communications from or with any Governmental Entity with respect to the Arrangement and ensuring to the extent permitted by Law or Governmental Entity that each of the Parties is entitled to attend any meetings with or other appearances before any Governmental Entity with respect to the Arrangement;

- (e) to consult and cooperate with one another in connection with all analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party to any governmental Entity in connection with the Arrangement, including for greater certainty providing the Other Party with a copy of any such materials in draft form, giving such Other Party a reasonable opportunity to discuss its content before it is filed with the relevant Governmental Entity, and taking account of all reasonable comments made by such Other Party, subject in all cases to Applicable Laws and to the Confidentiality Agreement;
- (f) to consult and cooperate in all respects with the Other Party in defending all lawsuits and other proceedings by or before any Governmental Entity challenging this Agreement or the consummation of the Arrangement; and
- (g) to cooperate with one another and each other's tax advisors in structuring the Arrangement in a tax effective manner, provided that neither Buffalo nor Twin Butte shall be obligated to consent or agree to any structuring that has the effect of changing the consideration to be received under the Arrangement by the Buffalo Shareholders.

3.5 Buffalo Covenants Regarding Non-Solicitation

- (a) Buffalo shall immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any advisors or other parties on its behalf), if any, with any parties conducted before the date of this Agreement with respect to any Acquisition Proposal and shall immediately request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Buffalo relating to an Acquisition Proposal and shall use reasonable commercial efforts to ensure that such requests are honoured.
- (b) Buffalo shall not, directly or indirectly, do or authorize or permit any of its officers, directors, employees or consultants or any financial advisor, expert or other representative retained by it to do, any of the following:
 - (i) solicit, assist, knowingly facilitate, initiate or encourage any Acquisition Proposal;
 - (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
 - (iii) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder;
 - (iv) withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in any manner adverse to Twin Butte, the approval or recommendation of the Buffalo Board of Directors or any committee thereof of this Agreement or the Arrangement; or
 - (v) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal (or propose publicly to do any of the foregoing);

provided, however, that notwithstanding any other provision hereof, Buffalo and its officers, directors and advisors may:

- (vi) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of this Agreement, or any other breach of this Section 3.5, by Buffalo or any of its officers, directors or employees or any financial advisor, expert or other representative retained by it) seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill agreement substantially similar to the Confidentiality Agreement (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to Twin Butte as set out below), may furnish to such third party information concerning Buffalo and its business, properties and assets, in each case if, and only to the extent that:
 - (A) the third party has first made a written *bona fide* Acquisition Proposal or publicly announced a *bona fide* Acquisition Proposal which the Buffalo Board of Directors determines in good faith: (1) that funds or other consideration necessary for the consummation of such Acquisition Proposal are available or that adequate financing arrangements will be in place to ensure that the third party will have the funds necessary for the consummation of the Acquisition Proposal; (2) (after consultation with its financial advisor) would, if consummated in accordance with its terms, result in a transaction financially superior for Buffalo Shareholders than the transaction contemplated by this Agreement; (3) is reasonably capable of completion in accordance with its terms taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal; and (4) after receiving the advice of outside counsel as reflected in minutes of the Buffalo Board of Directors, that the taking of such action is necessary for the Buffalo Board of Directors in the discharge of its fiduciary duties under Applicable Laws (a "**Superior Proposal**"); and
 - (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, Buffalo provides prompt notice to Twin Butte to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such Person together with a copy of the confidentiality agreement referenced above and, if not previously provided to Twin Butte, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that Buffalo shall notify Twin Butte orally as soon as practicable and in writing within 24 hours of the receipt thereof, of any inquiries, offers or proposals with respect to a Superior Proposal (which written notice shall include, without limitation, a copy of any such proposal (and any amendments or supplements thereto), the identity of the Person making it, copies of all information provided to such Party (if not previously provided to Twin Butte), and all other information requested by Twin Butte), and Buffalo shall keep Twin Butte informed of the status and details of any such inquiry, offer or proposal and answer Twin Butte's questions with respect thereto to the best of its ability; and
- (vii) comply with MI 62-104 and similar provisions under Applicable Canadian Securities Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and

- (viii) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, the Buffalo Board of Directors shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated by Section 3.5(c) and after receiving the written advice of outside counsel as reflected in minutes of the Buffalo Board of Directors, that the taking of such action is necessary for the Buffalo Board of Directors in the discharge of its fiduciary duties under Applicable Laws and Buffalo complies with its obligations set forth in Section 3.5(c) and terminates this Agreement in accordance with Section 8.1(d) and concurrently therewith pays the amount required by Section 6.1 to Twin Butte.
- (c) Buffalo shall give Twin Butte, orally and in writing, a period of 72 hours from the time such notice is provided by Buffalo to Twin Butte (the "**Notice Period**") of any decision by the Buffalo Board of Directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall confirm that the Buffalo Board of Directors has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal, and shall include a true and complete copy of such Superior Proposal and any amendments thereto. During such Notice Period, Buffalo agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such Notice Period Buffalo shall, and shall cause its financial and legal advisors to, negotiate in good faith with Twin Butte and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Buffalo to proceed with the Arrangement as amended rather than the Superior Proposal. In the event Twin Butte agrees to amend this Agreement and the Arrangement to provide Buffalo Shareholders with a value per Buffalo Share equal to or having a value greater than the value per Buffalo Share provided in the Superior Proposal and so advises the Buffalo Board of Directors prior to the expiry of such Notice Period, the Buffalo Board of Directors shall not, accept, recommend, approve or enter into any agreement to implement such Superior Proposal, shall not release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement, and Buffalo and Twin Butte shall enter into an amended version of this Agreement to give effect to such amendment. In the event that Buffalo provides the notice contemplated by this Section 3.5(c) on a date that is less than five Business Days prior to the Buffalo Meeting, Twin Butte shall be entitled to require Buffalo to adjourn or postpone the Buffalo Meeting to a date that is not more than ten Business Days after the date of such notice. The Buffalo Board of Directors shall promptly reaffirm its recommendation of the Arrangement by press release after: (i) any Acquisition Proposal (which is determined not to be a Superior Proposal) is publicly announced or made; or (ii) the Buffalo Board of Directors determines that a proposed amendment to the terms of the Arrangement and this Agreement would result in an Acquisition Proposal no longer being a Superior Proposal.
- (d) Buffalo and Twin Butte agree that all information that may be provided to Twin Butte by Buffalo with respect to any Superior Proposal pursuant to this Section 3.5 shall be treated as if it were "Confidential Information" as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.
- (e) Each Party shall ensure that its officers, directors and employees and any investment bankers or other advisors or representatives retained by it are aware of the provisions of this Section 3.5

applicable to such Party. Each Party shall be responsible for any breach of this Section 3.5 by such Party's officers, directors, employees, investment bankers, advisers or representatives.

3.6 Provision of Information; Access; Interim Operations

From and after the date hereof, Buffalo shall provide Twin Butte and its representatives access, during normal business hours and at such other time or times as Twin Butte may reasonably request, to its premises (including field offices and sites), books, contracts, records, computer systems, properties, employees and management personnel and shall furnish promptly to Twin Butte all information concerning its business, properties and personnel as Twin Butte may reasonably request, which information shall remain subject to the Confidentiality Agreement, in order to permit Twin Butte to be in a position to expeditiously and efficiently integrate the business and operations of Buffalo immediately upon but not prior to the Effective Date. Buffalo and the officers of Buffalo shall consult with Twin Butte and its officers and employees (as they may reasonably request) in respect of the day to day operations of Buffalo and to ensure that Twin Butte is fully apprised in a timely manner of any circumstance, action, occurrence or event occurring or arising after the date hereof that would be relevant material to approve an operator of the business and operations of Buffalo. Buffalo shall permit: (i) Twin Butte and its representatives to have reasonable access to Buffalo's premises, field operations, records, computer systems and employees; (ii) Twin Butte and its representatives to interview employees of Buffalo for the purposes of determining which employees will be retained after completion of the Arrangement; and (iii) Twin Butte and its representatives to be informed of the operations of Buffalo to ensure compliance with Section 3.3 hereof.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Twin Butte

Twin Butte hereby makes the representations and warranties set forth in this Section 4.1 to and in favour of Buffalo and acknowledges that Buffalo is relying upon such representations and warranties in connection with the matters contemplated by this Agreement.

- (a) Organization and Qualification. Twin Butte is a corporation duly amalgamated and validly existing under the Laws of its jurisdiction of amalgamation and has the requisite corporate power and authority to own its assets as now owned and to carry on its business as now conducted. Twin Butte is duly registered to conduct its affairs or do business, as applicable, in each jurisdiction in which the character of its assets, owned or leased, or the nature of its activities makes such registration necessary, except where the failure to be so registered would not have a Material Adverse Effect on Twin Butte.
- (b) Authority Relative to this Agreement. Twin Butte has the requisite corporate power and authority to execute this Agreement and has the corporate power and authority to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Twin Butte of the Arrangement have been duly authorized by the Twin Butte Board of Directors and subject to the approval of the TSX, the approval of the Twin Butte Shareholders, if required by the TSX, and any requirements under the Competition Act, no other proceedings on the part of Twin Butte are necessary to authorize this Agreement or the Arrangement. This Agreement has been duly executed and delivered by Twin Butte and constitutes a legal, valid and binding obligation of Twin Butte enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other Laws of general application relating to or affecting rights of creditors and

that equitable remedies, including specific performance, are discretionary and may not be ordered.

(c) No Violations. Except as contemplated by this Agreement:

- (i) neither the execution and delivery of this Agreement by Twin Butte nor the consummation of the Arrangement nor compliance by Twin Butte with any of the provisions hereof will: (A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any encumbrance upon any of the properties or assets of Twin Butte or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of (1) the articles, by-laws or other constituting documents of Twin Butte, or (2) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Twin Butte is a party or to which it, or any of its properties or assets, may be subject or by which Twin Butte is bound; or (B) subject to compliance with applicable statutes and regulations, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Twin Butte or any of its properties or assets (except, in the case of each of clauses (A) and (B) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of encumbrances which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect on Twin Butte, or significantly impede, materially delay or materially impair the ability of Twin Butte to consummate the Arrangement); or (C) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on Twin Butte; and
- (ii) other than in connection with or in compliance with the provisions of Applicable Laws or which are required to be filed post-Arrangement, (A) there is no legal impediment to Twin Butte's consummation of the Arrangement, and (B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of Twin Butte in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not have a Material Adverse Effect on Twin Butte, or significantly impede, materially delay or materially impair the ability of Twin Butte to consummate the Arrangement.

(d) Litigation. Except as set forth in the Twin Butte Disclosure Letter, there are no actions, suits or proceedings in existence or pending or, to the knowledge of Twin Butte, threatened or for which there is a reasonable basis, affecting or that would reasonably be expected to affect Twin Butte or affecting or that would reasonably be expected to affect any of its property or assets at law or equity or before or by any court or Governmental Entity which action, suit or proceeding involves a possibility of any judgment against or liability of Twin Butte which, if successful, could reasonably be expected to have a Material Adverse Effect on Twin Butte, or would significantly impede, materially delay or materially impair the ability of Twin Butte to consummate the Arrangement.

(e) Taxes, etc.

- (i) All Tax Returns required to be filed by or on behalf of Twin Butte have been duly filed on a timely basis and such Tax Returns are correct in all material respects. All Taxes shown to be payable on the Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and no other Taxes are payable by Twin Butte with respect to items or periods covered by such Tax Returns.
- (ii) Twin Butte has paid or provided adequate accruals for Taxes in the Twin Butte Financial Statements including income taxes and related future taxes, if applicable, for such periods, in conformity with GAAP, and has duly and timely paid all Taxes, including all instalments on account of Taxes for the current year, that are due and payable whether or not assessed by any appropriate Governmental Entity.
- (iii) Twin Butte has made available to Buffalo true and complete copies of: (A) material portions of income tax audit reports, statement of deficiencies, closing or other agreements or correspondence concerning assessments or audits pursuant to which a taxing authority has proposed amendments to previously filed Tax Returns received by, or on behalf of, Twin Butte (or any predecessor of Twin Butte) relating to the Taxes; and (B) any material federal, provincial, state, local or foreign income or franchise Tax Returns for Twin Butte (or any predecessor of Twin Butte).
- (iv) No material deficiencies exist or have been asserted with respect to Taxes of Twin Butte.
- (v) Twin Butte is not a party to any action or proceeding for assessment or collection of Taxes, nor, to the knowledge of Twin Butte, has such an event been asserted or threatened against Twin Butte or any of its assets that would have a Material Adverse Effect on Twin Butte. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Tax Returns of Twin Butte. No audit by tax authorities of Twin Butte is in process or pending, to the knowledge of Twin Butte, which could result in or could result in the reassessment of Taxes owing by Twin Butte or an adjustment to Twin Butte's tax pools.
- (vi) Twin Butte's good faith estimate of the aggregate tax pools of Twin Butte is not less than \$190 million as set forth in the Twin Butte Disclosure Letter. For the purposes of this provision, "aggregate tax pools" means, in respect of Twin Butte, the total of the following balances as at December 31, 2008: undepreciated capital cost of all classes of depreciable property, cumulative Canadian exploration expense balance, cumulative Canadian development expense balance, cumulative oil and gas property expense balance, previously undeducted non-capital loss carry-forward balances for each year, cumulative eligible capital balance and previously undeducted financing expense balance for the purpose of paragraph 20(1)(e) of the ITA, as all such terms are defined for the purpose of the ITA and the *Alberta Corporate Tax Act*, and as more particularly disclosed by Twin Butte to Buffalo in the Twin Butte Disclosure Letter.
- (vii) Twin Butte has withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the ITA all amounts required by law and will continue to do so until the Effective Date and has remitted such withheld amounts within the prescribed periods to the appropriate governmental authority; Twin Butte has remitted all Canada Pension Plan contributions, employment insurance premiums and other Taxes payable by it in respect

of its employees and has or will have remitted such amounts to the proper governmental authority within the time required by applicable law; Twin Butte has charged, collected and remitted on a timely basis all Taxes as required by applicable law on any sale, supply or delivery whatsoever, made by them.

- (f) Reporting Issuer Status. Twin Butte is a reporting issuer (where such concept exists) in each of the provinces of Canada and is in material compliance with all Applicable Canadian Securities Laws therein. The Twin Butte Shares are listed and posted for trading on the TSX and Twin Butte is in material compliance with the rules of the TSX.
- (g) Capitalization. The authorized capital of Twin Butte consists of an unlimited number of Twin Butte Shares and an unlimited number of preferred shares, issuable in series. As of the date hereof, there were issued and outstanding 55,358,393 Twin Butte Shares and nil preferred shares. Other than options to acquire 2,865,000 Twin Butte Shares, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Twin Butte of any securities of Twin Butte (including Twin Butte Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Twin Butte (including Twin Butte Shares); provided that nothing in this Agreement shall prevent or otherwise restrict Twin Butte from issuing, or agreeing to issue, additional equity or debt securities at any time following the date of this Agreement with the consent of Buffalo, not to be unreasonably withheld, and any such issuance or agreement in compliance with the foregoing shall not constitute a breach by Twin Butte of any provisions of this Agreement. All outstanding Twin Butte Shares have been duly authorized and validly issued, are fully paid and non-assessable.
- (h) No Subsidiaries. Twin Butte has no Subsidiaries.
- (i) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Twin Butte Shares or any other securities of Twin Butte has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Twin Butte, are contemplated or threatened under any Applicable Laws or by any other regulatory authority.
- (j) Material Agreements. Other than as disclosed in Twin Butte's Annual Information Form for the year ended December 31, 2008 under the heading "Material Contracts" and Twin Butte's office lease, as at the date hereof, there are no material contracts or agreements to which Twin Butte is a party or by which it is bound. For the purposes of this subsection, any contract or agreement pursuant to which Twin Butte will, or may reasonably be expected to, result in a requirement of Twin Butte to expend more than an aggregate of \$500,000 or receive or be entitled to receive revenue of more than \$1,000,000 in either case in the next 12 months, or is out of the ordinary course of business of Twin Butte, shall be considered to be material.
- (k) Filings. Twin Butte has filed all documents required to be filed by it with all applicable Governmental Entities except where the failure to so file would not have a Material Adverse Effect on Twin Butte and all such documents were, as of their respective dates, in compliance in all material respects with all Applicable Laws.
- (l) No Material Adverse Change. Since December 31, 2008, other than as disclosed in the Public Record: (i) Twin Butte has conducted its business only in the ordinary and normal course; (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material

to Twin Butte has been incurred other than in the ordinary course of business; and (iii) there has not been any Material Adverse Change in respect of Twin Butte.

- (m) Books and Records. The records and minute books of Twin Butte have been maintained substantially in accordance with all Applicable Laws and are complete and accurate in all material respects.
- (n) Reports. The Public Record of Twin Butte does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading and complied in all material respects with all Applicable Laws. Since December 31, 2008, Twin Butte has not filed any material change reports which continue to be confidential. The Twin Butte Financial Statements and other financial statements of Twin Butte included or incorporated by reference in such forms, statements, prospectuses and other offering documents were prepared in accordance with GAAP consistently applied and present fairly in accordance with GAAP the financial position, results of operations and changes in the financial position of Twin Butte as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments) and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of Twin Butte. Since December 31, 2008, there has been no material change in Twin Butte's accounting policies, except as described in the notes to the Twin Butte Financial Statements.
- (o) Absence of Undisclosed Liabilities. Twin Butte has no material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Twin Butte Financial Statements (the "**Twin Butte Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Twin Butte Balance Sheet under GAAP;
 - (iii) those incurred in the ordinary course of business since the date of the Twin Butte Balance Sheet and consistent with past practice; and
 - (iv) those incurred in connection with the execution of this Agreement;

which would reasonably be expected to have a Material Adverse Effect on Twin Butte.

- (p) Information to Independent Engineers. Twin Butte has no reason to believe that the Twin Butte Reserve Report was not accurate in all material respects as at the effective date of such report and, except for any impact of changes in commodity prices, which may or may not be material, Twin Butte has no knowledge of a Material Adverse Change in the production, costs, price, reserves, estimates of future net production revenues or other relevant information from that disclosed in the Twin Butte Reserve Report. Twin Butte has provided to McDaniel all material information concerning land descriptions, well data, facilities and infrastructure, ownership and operations, future development plans and historical technical and operating data respecting the principal oil and gas assets of Twin Butte, in each case as at the effective date of the Twin Butte Reserve Report and, in particular, all material information respecting the interests of Twin Butte in its principal oil and gas assets and royalty burdens and net profits interest burdens thereon, and such information was accurate and correct in all material respects as at the date thereof and did

not omit any information necessary to make any such information provided not misleading as at the date thereof and there has been no Material Adverse Change in any of the material information so provided since the date thereof.

- (q) Environmental. To Twin Butte's knowledge, there has not occurred any material spills, emissions or pollution on any property of Twin Butte, nor has Twin Butte been subject to any stop orders, control orders, clean-up orders or reclamation orders under applicable Environmental Laws, any of which might reasonably be expected to have a Material Adverse Effect on Twin Butte. All operations of Twin Butte have been and are now being conducted in compliance with all applicable Environmental Laws, except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect on Twin Butte. Twin Butte is not subject to or aware of and has not received:
 - (i) any orders or directives under Applicable Laws that relate to environmental, health or safety matters and that require or may require, any work, repairs, construction or capital expenditures with respect to Twin Butte's oil and gas assets, where such orders or directives have not been complied with in all material respects; or
 - (ii) any demand or notice under Applicable Laws with respect to the breach of any Environmental Laws applicable to Twin Butte's oil and gas assets, including, without limitation, respecting the use, storage, treatment, transportation or disposition of any Hazardous Substances.
- (r) Title. Although it does not warrant title, Twin Butte has no knowledge and is not aware of any defects, failures or impairments in the title of Twin Butte to its assets, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which in aggregate, could have a Material Adverse Effect on: (i) the quantity and pre-tax present worth values of its assets; (ii) the current production volumes of Twin Butte; or (iii) the current consolidated cash flow of Twin Butte.
- (s) Licences. Twin Butte has obtained and is in compliance with all licences, permits, certificates, consents, orders, grants and other authorizations of or from any Governmental Entity necessary to conduct its businesses as they are now being or are proposed to be conducted, other than such licences, permits, certificates, consents, orders, grants and other authorizations the absence of which, or the non-compliance with which, would not have a Material Adverse Effect on Twin Butte.
- (t) Compliance with Laws. Twin Butte has complied with and is in compliance with all Laws applicable to the operation of its business, except where such non-compliance would not have a Material Adverse Effect on Twin Butte or on the ability of Twin Butte to consummate the Arrangement.
- (u) Long Term and Derivative Transactions. Other than as disclosed in the Public Record, as of the date hereof, Twin Butte has no obligations or liabilities, direct or indirect, vested or contingent in respect of any rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, production sales transactions having terms greater than 90 days or any other similar transactions (including any option with respect to any of such transactions) or any combination of such transactions.

- (v) Insurance. Policies of insurance are in force as of the date hereof naming Twin Butte as an insured that adequately cover all risks as are customarily covered by like-size oil and gas producers in the industry in which Twin Butte operates. All such policies shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement.
- (w) Indebtedness To and By Officers, Directors and Others. Twin Butte is not indebted to any of the directors, officers, employees or consultants or any of their respective associates or affiliates or other parties not at arm's length to Twin Butte, except for amounts due as normal compensation or reimbursement of ordinary business expenses, nor is there any indebtedness owing by any such parties to Twin Butte.
- (x) No Limitation. There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which Twin Butte is a party or by which it is otherwise bound that would now or hereafter in any way limit the business or operations of Twin Butte in a particular manner or to a particular locality or geographic region or for a limited period of time.
- (y) No Defaults under Applicable Laws, Leases and Agreements.
 - (i) Twin Butte has not received notice of any default, production penalty or similar production restriction of any nature under any of the leases and other title and operating documents or any other agreement or instrument, pertaining to Twin Butte's oil and gas assets to which Twin Butte is a party or by or to which Twin Butte or any such assets are bound or subject, or under any Applicable Laws pertaining to Twin Butte's oil and gas assets.
 - (ii) To its knowledge:
 - (A) Twin Butte is in good standing under all, and is not in default under any; and
 - (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

Applicable Laws pertaining to its oil and gas assets, except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on Twin Butte.
 - (iii) To its knowledge:
 - (A) Twin Butte is in good standing under all, and is not in default under any; and
 - (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

leases and other title and operating documents or any other agreements and instruments pertaining to its oil and gas assets to which it is a party or by or to which it or such assets are bound or subject and, to its knowledge, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other

agreements and instruments is in default thereunder except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on Twin Butte.

- (z) No Encumbrances. Except pursuant to the Twin Butte Credit Facility, Twin Butte has not encumbered or alienated its interest in its oil and gas assets or agreed to do so and such assets are free and clear of all encumbrances, except for those arising in the ordinary course of business, which are not material in the aggregate.
- (aa) No Reduction of Interests. Except as is reflected in the Twin Butte Reserve Report or as set forth in the Twin Butte Disclosure Letter, none of Twin Butte's oil and gas assets are subject to reduction by reference to payout of or production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Twin Butte, which would in the aggregate have a Material Adverse Effect on Twin Butte.
- (bb) Royalties, Rentals and Taxes Paid. Other than as disclosed in the Twin Butte Disclosure Letter, all royalties, and all ad valorem, property, production, severance and similar taxes, assessment and rentals payable on or before the date hereof and based on, or measured by, Twin Butte's ownership of its oil and gas assets, the production of petroleum substances from its oil and gas assets or the receipt of proceeds therefrom under the leases and other title and operating documents pertaining to Twin Butte's oil and gas assets and all ad valorem, property, production, severance and similar taxes and assessments based upon or measured by the ownership of such assets or the production of petroleum substances derived therefrom or allocated thereto or the proceeds of sales thereof payable on or before the date hereof have been properly paid in full and in a timely manner except to the extent that such non-payment would not in the aggregate have a Material Adverse Effect on Twin Butte.
- (cc) Production Allowables and Production Penalties.
 - (i) None of the wells in which Twin Butte holds an interest has been produced in excess of applicable production allowables imposed by any Applicable Law or any Governmental Entity and Twin Butte has no knowledge of any impending change in production allowables imposed by any Applicable Law or any Governmental Entity that may be applicable to any of the wells in which it holds an interest, other than changes of general application in the jurisdiction in which such wells are situate; except, in either case, to the extent that such events would not in the aggregate have a Material Adverse Effect on Twin Butte.
- (dd) Operation and Condition of Wells. All wells in which Twin Butte holds an interest:
 - (i) for which Twin Butte was or is operator, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada; and
 - (ii) for which Twin Butte was not or is not operator, to its knowledge, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada;

except, in either case, to the extent that such non-compliance with prudent oil and gas industry practices would not in the aggregate have a Material Adverse Effect on Twin Butte.

(ee) Operation and Condition of Tangibles. Twin Butte's tangible depreciable property used or intended for use in connection with its oil and gas assets:

- (i) for which Twin Butte was or is operator, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada during all periods in which Twin Butte was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and
- (ii) for which Twin Butte was not or is not operator, to its knowledge, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada during all periods in which Twin Butte was not operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business;

except to the extent that such non-compliance with prudent oil and gas industry practices or failure to be in good condition and repair would not in the aggregate have a Material Adverse Effect on Twin Butte.

(ff) Outstanding Acquisitions and Dispositions. Twin Butte has no rights to purchase or obligations to sell or otherwise dispose of assets, properties or undertakings other than its production to third parties under any agreements.

(gg) No Insider Rights. No director, officer, insider or other party not at arm's length to Twin Butte has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, carried interest, participation interest or any other interest whatsoever, in any properties of Twin Butte.

(hh) Twin Butte Shares Issued Pursuant to Arrangement. The Twin Butte Shares to be issued pursuant to the Plan of Arrangement, will, upon issuance, be duly and validly issued as fully paid and non-assessable shares of Twin Butte.

(ii) Debt. As of June 30, 2009, Twin Butte's Net Debt did not exceed \$43.3 million, provided that for these purposes "**Twin Butte's Net Debt**" means long-term debt and current liabilities, less current assets, including, working capital deficiency and cash taxes payable, but excluding option proceeds.

(jj) Production. Twin Butte's net production for the month of June 2009 was not less than 2,850 barrels of oil equivalent ("**boe**") per day of natural gas, oil and natural gas liquids. As at July 31, 2009, Twin Butte's average net daily production was not less than 2,850 boe per day of natural gas, oil and natural gas liquids. For the purposes of the foregoing, a boe conversion ratio of six thousand cubic feet of gas for one boe shall be used when converting natural gas to boes and net production is defined as working interest corporate sales production.

(kk) Brokers and Finders. Other than as set forth in the Twin Butte Disclosure Letter, Twin Butte has not retained nor will it retain any financial advisor, broker, agent or finder or pay, or agree to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated.

- (ll) Guarantees and Indemnification. Twin Butte is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of Twin Butte, Applicable Laws or standard indemnity agreements and other than standard indemnity agreements in underwriting, agency and financial advisory agreements) or any like commitment in respect of the obligations, liabilities (contingent or otherwise) or indebtedness of any other Person.
- (mm) Off-Balance Sheet Arrangements. Twin Butte does not have any "off-balance sheet arrangements" as such term is defined under GAAP.
- (nn) Board Approval. The Twin Butte Board of Directors has unanimously approved this Agreement and has resolved to unanimously recommend approval of the issuance of Twin Butte Shares pursuant to the Arrangement by Twin Butte Shareholders if Twin Butte Shareholder approval is required.
- (oo) Not Non-Canadian. Twin Butte is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada).
- (pp) Disclosure. To the knowledge of Twin Butte, Twin Butte has not withheld from Buffalo any material information or documents concerning Twin Butte or its assets or liabilities during the course of Buffalo's review of Twin Butte and its assets. No representation or warranty contained herein and no statement contained in any schedule or other disclosure document provided or to be provided to Buffalo by Twin Butte pursuant hereto (including, without limitation, any matter disclosed in writing by Twin Butte to Buffalo prior to the date hereof (including, without limitation, the Twin Butte Disclosure Letter)) contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.

4.2 Representations and Warranties of Buffalo

Buffalo hereby makes the representations and warranties set forth in this Section 4.2 to and in favour of Twin Butte and acknowledges that Twin Butte is relying upon such representations and warranties in connection with the matters contemplated by this Agreement.

- (a) Organization and Qualification. Buffalo is a corporation duly amalgamated and validly existing under the Laws of its jurisdiction of amalgamation and has the requisite corporate power and authority to own its assets as now owned and to carry on its business as now conducted. Buffalo is duly registered to conduct its affairs or do business, as applicable, in each jurisdiction in which the character of its assets, owned or leased, or the nature of its activities makes such registration necessary, except where the failure to be so registered would not have a Material Adverse Effect on Buffalo.
- (b) Authority Relative to this Agreement. Buffalo has the requisite corporate power and authority to execute this Agreement, and has the corporate power and authority to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Buffalo of the Arrangement have been duly authorized by the Buffalo Board of Directors and, subject to the requisite approval of the Buffalo Shareholders, the Court and any requirements under the Competition Act, no other proceedings on the part of Buffalo is necessary to authorize this Agreement or the Arrangement. This Agreement has been duly executed and delivered by Buffalo and constitutes a legal, valid and binding obligation of Buffalo enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by

bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

- (c) No Subsidiaries. Buffalo has no Subsidiaries.
- (d) No Violations. Except as contemplated by this Agreement:
 - (i) neither the execution and delivery of this Agreement by Buffalo nor the consummation of the Arrangement nor compliance by Buffalo with any of the provisions hereof will: (A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any encumbrance upon any of the properties or assets of Buffalo or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of (1) the articles, by-laws, or other constating document of Buffalo, or (2) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Buffalo is a party or to which it, or any of its properties or assets, may be subject or by which Buffalo is bound; or (B) subject to compliance with applicable statutes and regulations, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Buffalo or any of its properties or assets (except, in the case of each of clauses (A) and (B) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of encumbrances which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect on Buffalo, or significantly impede, materially delay or materially impair the ability of Buffalo to consummate the Arrangement); or (C) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on Buffalo; and
 - (ii) other than in connection with or in compliance with the provisions of Applicable Laws or which are required to be filed post-Arrangement, and except for the requisite approval of Buffalo Shareholders and the Court, (A) there is no legal impediment to Buffalo's consummation of the Arrangement, and (B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of Buffalo in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not have a Material Adverse Effect on Buffalo, or significantly impede, materially delay or materially impair, the ability of Buffalo to consummate the Arrangement.
- (e) Litigation. Other than as set forth in the Buffalo Disclosure Letter, there are no actions, suits or proceedings in existence or pending or, to the knowledge of Buffalo, threatened or for which there is a reasonable basis, affecting or that would reasonably be expected to affect Buffalo or affecting or that would reasonably be expected to affect any of its property or assets at law or equity or before or by any court or Governmental Entity which action, suit or proceeding involves a possibility of any judgment against or liability of Buffalo which, if successful, would have a Material Adverse Effect on Buffalo, or would significantly impede, materially delay or materially impair the ability of Buffalo to consummate the Arrangement.

(f) Taxes, etc. Other than as set forth in the Buffalo Disclosure Letter,

- (i) all Tax Returns required to be filed by or on behalf of Buffalo have been duly filed on a timely basis and such Tax Returns are correct in all material respects. All Taxes shown to be payable on such Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and no other Taxes are payable by Buffalo with respect to items or periods covered by such Tax Returns;
- (ii) Buffalo has paid or provided adequate accruals for Taxes in the Buffalo Financial Statements, including income taxes and related future taxes, if applicable, for such periods, in conformity with GAAP, and has duly and timely paid all Taxes, including all instalments on account of Taxes for the current year, that are due and payable whether or not assessed by any appropriate Governmental Entity;
- (iii) Buffalo has made available to Twin Butte true and complete copies of: (A) material portions of income tax audit reports, statement of deficiencies, closing or other agreements or correspondence concerning assessments or audits pursuant to which a taxing authority has proposed amendments to previously filed Tax Returns received by, or on behalf of, Buffalo (or any predecessor of Buffalo) relating to the Taxes; and (B) any material federal, provincial, state, local or foreign income or franchise Tax Returns for Buffalo (or any predecessor of Buffalo);
- (iv) no material deficiencies exist or have been asserted with respect to Taxes of Buffalo;
- (v) Buffalo is not a party to any action or proceeding for assessment or collection of Taxes, nor, to the knowledge of Buffalo, has such an event been asserted or threatened against Buffalo or any of its assets that would have a Material Adverse Effect on Buffalo. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Tax Returns of Buffalo. No audit by tax authorities of Buffalo (or any predecessor of Buffalo) is in process or pending, to the knowledge of Buffalo which could result in or could result in the reassessment of Taxes owing by Buffalo or an adjustment to Buffalo's tax pools;
- (vi) Buffalo's good faith estimate of the aggregate tax pools of Buffalo is not less than \$94.0 million as set forth in the Buffalo Disclosure Letter. For the purposes of this provision, "aggregate tax pools" means, in respect of Buffalo, the total of the following balances for the taxation year ended December 31, 2008: undepreciated capital cost of all classes of depreciable property, cumulative Canadian exploration expense balance, cumulative Canadian development expense balance, cumulative oil and gas property expense balance, previously undeducted non-capital loss carry-forward balances for each year, cumulative eligible capital balance and previously undeducted financing expense balance for the purpose of paragraph 20(1)(e) of the ITA, as all such terms are defined for the purpose of the ITA and the *Alberta Corporate Tax Act*, and as more particularly disclosed by Buffalo to Twin Butte in the Buffalo Disclosure Letter; and
- (vii) Buffalo has withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the ITA all amounts required by law and will continue to do so until the Effective Date and has remitted such withheld amounts within the prescribed periods to the appropriate governmental authority; Buffalo has remitted all Canada Pension Plan contributions, employment insurance premiums and other Taxes payable by it in respect of its employees and has or will have remitted such amounts to the proper governmental

authority within the time required by applicable law; Buffalo has charged, collected and remitted on a timely basis all Taxes as required by applicable law on any sale, supply or delivery whatsoever, made by them.

- (g) Reporting Issuer Status. Buffalo is a reporting issuer in British Columbia, Alberta, Saskatchewan and Ontario and is in material compliance with all Applicable Canadian Securities Laws therein. The Buffalo Shares are listed and posted for trading on the TSX Venture Exchange and Buffalo is in material compliance with the rules of the TSX Venture Exchange.
- (h) Capitalization. As of the date hereof, the authorized capital of Buffalo consists of an unlimited number of Buffalo Shares. As of the date hereof, there are issued and outstanding 77,611,346 Buffalo Shares. Other than 5,230,000 Buffalo Shares issuable pursuant to the Buffalo Options and 11,000,000 Buffalo Shares issuable pursuant to Buffalo Warrants, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Buffalo of any securities of Buffalo (including Buffalo Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Buffalo (including Buffalo Shares) (and for greater certainty, Buffalo has not adopted any shareholder rights plan or similar plan). All outstanding Buffalo Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all Buffalo Shares issuable pursuant to the Buffalo Options and Buffalo Warrants in accordance with their respective terms will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights.
- (i) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of the Buffalo Shares or any other securities of Buffalo has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Buffalo, are contemplated or threatened under any Applicable Laws or by any other regulatory authority.
- (j) Material Agreements. Other than as set forth in the Buffalo Disclosure Letter, as at the date hereof, there are no material contracts or agreements to which Buffalo is a party or by which it is bound. For the purposes of this subsection, any contract or agreement pursuant to which Buffalo will, or may reasonably be expected to, result in a requirement of Buffalo to expend more than an aggregate of \$500,000 or receive or be entitled to receive revenue of more than \$1,000,000 in either case in the next 12 months, or is out of the ordinary course of business of Buffalo, shall be considered to be material.
- (k) Filings. Buffalo has filed all documents required to be filed by it with all applicable Governmental Entities except when the failure to so file would not have a Material Adverse Effect on Buffalo and all such documents were, as of their respective dates, in compliance in all material respects with all Applicable Laws.
- (l) No Material Adverse Change. Since December 31, 2008, other than as disclosed in the Public Record: (i) Buffalo has conducted its business only in the ordinary and normal course; (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Buffalo, has been incurred other than in the ordinary course of business; and (iii) there has not been any Material Adverse Change in respect of Buffalo.

- (m) Books and Records. The records and minute books of Buffalo have been maintained substantially in accordance with all Applicable Laws and are complete and accurate in all material respects.
- (n) Reports. The Public Record of Buffalo does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading and complied in all material respects with all Applicable Laws. Since December 31, 2008, Buffalo has not filed any material change reports which continue to be confidential. The Buffalo Financial Statements and other financial statements of Buffalo included or incorporated by reference in such forms, statements, prospectuses and other offering documents were prepared in accordance with GAAP consistently applied, and present fairly in accordance with GAAP the financial position, results of operations and changes in financial position of Buffalo as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments) and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of Buffalo. Since December 31, 2008, there has been no material change in Buffalo's accounting policies, except as described in the notes to the Buffalo Financial Statements.
- (o) Absence of Undisclosed Liabilities. Buffalo has no material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Buffalo Financial Statements (the "**Buffalo Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Buffalo Balance Sheet under GAAP;
 - (iii) those incurred in the ordinary course of business since the date of the Buffalo Balance Sheet and consistent with past practice; and
 - (iv) those incurred in connection with the execution of this Agreement;which would reasonably be expected to have a Material Adverse Effect on Buffalo.
- (p) Information to Independent Engineer. Buffalo has no reason to believe that the Buffalo Reserve Report was not accurate in all material respects as at the effective date of the Buffalo Reserve Report and, except for any impact of changes in commodity prices, which may or may not be material, Buffalo has no knowledge of a Material Adverse Change in the production, costs, price, reserves, estimates of future net production revenues or other relevant information from that disclosed in those reports. Buffalo has provided to PLA all material information concerning land descriptions, well data, facilities and infrastructure, ownership and operations, future development plans and historical technical and operating data respecting the principal oil and gas assets of Buffalo, in each case as at the effective date of the Buffalo Reserve Report and, in particular, all material information respecting the interests of Buffalo in its principal oil and gas assets and royalty burdens and net profits interest burdens thereon, and such information was accurate and correct in all material respects as at the date thereof and did not omit any information necessary to make any such information provided not misleading as at the date thereof and there has been no Material Adverse Change in any of the material information so provided since the date thereof.

- (q) Environmental. To Buffalo's knowledge, there has not occurred any material spills, emissions or pollution on any property of Buffalo, nor has Buffalo been subject to any stop orders, control orders, clean-up orders or reclamation orders under applicable Environmental Laws, any of which might reasonably be expected to have a Material Adverse Effect on Buffalo. All operations of Buffalo have been and are now being conducted in compliance with all applicable Environmental Laws, except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect on Buffalo. Buffalo is not subject to or aware of and has not received:
- (i) any orders or directives under Applicable Laws that relate to environmental, health or safety matters and that require, or may require, any work, repairs, construction or capital expenditures with respect to Buffalo's oil and gas assets, where such orders or directives have not been complied with in all material respects; or
 - (ii) any demand or notice under Applicable Laws with respect to the breach of any Environmental Laws applicable to Buffalo's oil and gas assets, including, without limitation, respecting the use, storage, treatment, transportation or disposition of any Hazardous Substances.
- (r) Title. Although it does not warrant title, Buffalo has no knowledge and is not aware of any defects, failures or impairments in the title of Buffalo to its assets, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which in aggregate, could have a Material Adverse Effect on: (i) the quantity and pre-tax present worth values of such assets; (ii) the current production volumes of Buffalo; or (iii) the current consolidated cash flow of Buffalo.
- (s) Licences. Buffalo has obtained and is in compliance with all licences, permits, certificates, consents, orders, grants and other authorizations of or from any Governmental Entity necessary to conduct its businesses as they are now being or are proposed to be conducted, other than such licences, permits, certificates, consents, orders, grants and other authorizations the absence of which, or the non-compliance with which, would not have a Material Adverse Effect on Buffalo.
- (t) Compliance with Laws. Buffalo has complied with and is in compliance with all Laws applicable to the operation of its business, except where such non-compliance would not have a Material Adverse Effect on Buffalo or on the ability of Buffalo to consummate the Arrangement.
- (u) Long Term and Derivative Transactions. As of the date hereof, Buffalo has no obligations or liabilities, direct or indirect, vested or contingent in respect of any rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, production sales transactions having terms greater than 90 days or any other similar transactions (including any option with respect to any of such transactions) or any combination of such transactions.
- (v) Insurance. Policies of insurance are in force as of the date hereof naming Buffalo as an insured that adequately cover all risks as are customarily covered by like-size oil and gas producers in the industry in which Buffalo operates. All such policies shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement.

- (w) Indebtedness To and By Officers, Directors and Others. Other than as set forth in the Buffalo Disclosure Letter, Buffalo is not indebted to any of the directors, officers, employees or consultants or any of their respective associates or affiliates or other parties not at arm's length to Buffalo, except for amounts due as normal compensation or reimbursement of ordinary business expenses, nor is there any indebtedness owing by any such parties to Buffalo.
- (x) No Limitation. Other than as set forth in the Buffalo Disclosure Letter, there is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which Buffalo is a party or by which it is otherwise bound that would now or hereafter in any way limit the business or operations of Buffalo in a particular manner or to a particular locality or geographic region or for a limited period of time.
- (y) No Defaults under Applicable Laws, Leases and Agreements.
 - (i) Buffalo has not received notice of any default, production penalty or similar production restriction of any nature under any of the leases and other title and operating documents or any other agreement or instrument, pertaining to Buffalo's oil and gas assets to which Buffalo is a party or by or to which Buffalo or any such assets are bound or subject, or under any Applicable Laws pertaining to Buffalo's oil and gas assets.
 - (ii) To its knowledge:
 - (A) Buffalo is in good standing under all, and is not in default under any; and
 - (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

Applicable Laws pertaining to its oil and gas assets, except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on Buffalo.
 - (iii) To its knowledge:
 - (A) Buffalo is in good standing under all, and is not in default under any; and
 - (B) there is no existing condition, circumstance or matter which constitutes or which, with the passage of time or the giving of notice, would constitute a default under any,

leases and other title and operating documents or any other agreements and instruments pertaining to its oil and gas assets to which it is a party or by or to which it or such assets are bound or subject and, to its knowledge, all such leases, title and operating documents and other agreements and instruments are in good standing and in full force and effect and none of the counterparties to such leases, title and operating documents and other agreements and instruments is in default thereunder except to the extent that such defaults would not in the aggregate have a Material Adverse Effect on Buffalo.
- (z) No Encumbrances. Except pursuant to the Buffalo Credit Facility or as set forth in the Buffalo Disclosure Letter, Buffalo has not encumbered or alienated its interest in its oil and gas assets or agreed to do so and such assets are free and clear of all encumbrances, except for those arising in the ordinary course of business, which are not material in the aggregate.

- (aa) No Reduction of Interests. Except as is reflected in the Buffalo Reserve Report or as set forth in the Buffalo Disclosure Letter, none of Buffalo's oil and gas assets are subject to reduction by reference to payout of or production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Buffalo, which would in the aggregate have a Material Adverse Effect on Buffalo.
- (bb) Royalties, Rentals and Taxes Paid. All royalties, and all ad valorem, property, production, severance and similar taxes, assessment and rentals payable on or before the date hereof and based on, or measured by, Buffalo's ownership of its oil and gas assets, the production of petroleum substances from its oil and gas assets or the receipt of proceeds therefrom under the leases and other title and operating documents pertaining to Buffalo's oil and gas assets and all ad valorem, property, production, severance and similar taxes and assessments based upon or measured by the ownership of such assets or the production of petroleum substances derived therefrom or allocated thereto or the proceeds of sales thereof payable on or before the date hereof have been properly paid in full and in a timely manner except to the extent that such non-payment would not in the aggregate have a Material Adverse Effect on Buffalo.
- (cc) Production Allowables and Production Penalties.
 - (i) None of the wells in which Buffalo holds an interest has been produced in excess of applicable production allowables imposed by any Applicable Law or any Governmental Entity and Buffalo has no knowledge of any impending change in production allowables imposed by any Applicable Law or any Governmental Entity that may be applicable to any of the wells in which it holds an interest, other than changes of general application in the jurisdiction in which such wells are situate; except, in either case, to the extent that such events would not in the aggregate have a Material Adverse Effect on Buffalo.
- (dd) Operation and Condition of Wells. All wells in which Buffalo holds an interest:
 - (i) for which Buffalo was or is operator, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada; and
 - (ii) for which Buffalo was not or is not operator, to its knowledge, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada;

except, in either case, to the extent that such non-compliance with prudent oil and gas industry practices would not in the aggregate have a Material Adverse Effect on Buffalo.
- (ee) Operation and Condition of Tangibles. Buffalo's tangible depreciable property used or intended for use in connection with its oil and gas assets:
 - (i) for which Buffalo was or is operator, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada during all periods in which Buffalo was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and

- (ii) for which Buffalo was not or is not operator, to its knowledge, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada during all periods in which Buffalo was not operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business;

except to the extent that such non-compliance with prudent oil and gas industry practices or failure to be in good condition and repair would not in the aggregate have a Material Adverse Effect on Buffalo.

- (ff) Outstanding AFEs. Other than as set forth in the Buffalo Disclosure Letter, there are no outstanding authorizations for expenditure pertaining to any of Buffalo's oil and gas assets or any other commitments, approvals or authorizations pursuant to which an expenditure may be required to be made in respect of such assets.
- (gg) Area of Mutual Interest. Other than as set forth in the Buffalo Disclosure Letter, none of Buffalo's oil and gas assets is subject to an agreement that provides for an area of mutual interest or an area of exclusion.
- (hh) Outstanding Acquisitions and Dispositions. Other than the Kadence Asset Acquisition, Buffalo has no rights to purchase or obligations to sell or otherwise dispose of assets, properties or undertakings other than its production to third parties under any agreements.
- (ii) Fairness Opinion. The Buffalo Board of Directors received a verbal opinion on August 18, 2009 from Cormark Securities Inc. that the consideration to be received by Buffalo Shareholders in connection with the Arrangement is fair, from a financial point of view, to the Buffalo Shareholders, and expects to receive a written fairness opinion to the same effect prior to the mailing of the Information Circular for inclusion therein (the "**Buffalo Fairness Opinion**").
- (jj) Employee Benefit Plans. Buffalo has made available to Twin Butte prior to the date hereof, true, complete and correct copies of each employee benefits or stock savings or option plan (the "**Buffalo Employee Plans**"), each of which is listed in the Buffalo Disclosure Letter, covering active, former or retired employees of Buffalo, any related trust agreement, annuity or insurance contract or other funding vehicle, and: (i) each Buffalo Employee Plan has been maintained and administered in material compliance with its terms and is, to the extent required by Applicable Law or contract, fully funded without having any deficit or unfunded actuarial liability or adequate provision has been made therefore; (ii) all required material employer contributions under any such plans have been made and the applicable funds have been funded in accordance with the terms thereof; (iii) each Buffalo Employee Plan that is required or intended to be qualified under Applicable Law or registered or approved by a governmental agency or authority has been so qualified, registered or approved by the appropriate governmental agency or authority, and nothing has occurred since the date of the last qualification, registration or approval to materially adversely affect, or cause, the appropriate governmental agency or authority to revoke such qualification, registration or approval; (iv) to the knowledge of Buffalo, there are no pending or anticipated material claims against or otherwise involving any of the Buffalo Employee Plans and no suit, action or other litigation has been brought against or with respect to any Buffalo Employee Plan; (v) all material contributions, reserves or premium payments required to be made to the Buffalo Employee Plans have been made or provided for; (vi) Buffalo has no material obligations for retiree health and life benefits under any Buffalo Employee Plan; and (vii) Buffalo has provided adequate accruals in the Buffalo Financial Statements in accordance with GAAP for the periods ended as of the dates of the Buffalo Balance Sheets

contained therein (or such amounts are fully funded) for all pension or other employee benefit obligations of Buffalo arising under or relating to each of the pension or retirement income plans or other employee benefit plans or agreements or policies maintained by or binding on Buffalo.

- (kk) No Insider Rights. Other than as set forth in the Buffalo Disclosure Letter, no director, officer, insider or other party not at arm's length to Buffalo has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, carried interest, participation interest or any other interest whatsoever, in any properties of Buffalo.
- (ll) Debt. As of June 30, 2009, Buffalo's Net Debt did not exceed \$55.0 million, provided that for these purposes "**Buffalo's Net Debt**" means long-term debt and current liabilities, less current assets, including, working capital deficiency and cash taxes payable, but excluding option proceeds. For greater certainty, this figure is exclusive of the cash call of approximately \$800,000 paid by Kadence to Buffalo and the cash purchase price payable by Buffalo for the Kadence Asset Acquisition. Buffalo shall be responsible for additional capital associated with Kadence's interest in the six wells drilling at Frog Lake in June 2009.
- (mm) Production. Buffalo's net daily production for the month of June 2009, excluding Pincher Creek and Kadence, was not less than 2,650 boe per day of natural gas, oil and natural gas liquids. As at July 31, 2009, Buffalo's net daily production, excluding Pincher Creek and Kadence, was not less than 2,650 boe per day of natural gas, oil and natural gas liquids. As at July 31, 2009, Buffalo's net sales rate at Pincher Creek was not less than 600 boe/d and Kadence's net sales production on Buffalo lands was not less than 270 boe per day. For the purposes of the foregoing, a boe conversion ratio of six thousand cubic feet of gas for one boe shall be used when converting natural gas to boes and net production is defined as working interest corporate sales production.
- (nn) Flow Through Obligations. Buffalo (whether on its own account or on account of one or more of its predecessors) does not have any outstanding obligations to incur and/or renounce any Canadian exploration expenses or Canadian development expenses (each as defined in the ITA) to any purchaser of Buffalo Shares or any other securities of Buffalo (or any securities of its predecessor) that have not yet been fully expended and renounced and reflected in the Buffalo Financial Statements. Buffalo (and its predecessor) have made all necessary filings with applicable Governmental Entities (including without limitation the Canada Revenue Agency) in respect of the aforementioned flow through obligations and none of such entities has received notification from any Governmental Entity that such filings are inaccurate or incomplete or are otherwise unsatisfactory in any way.
- (oo) Brokers and Finders. Buffalo has not retained nor will it retain any financial advisor, broker, agent or finder or pay, or agree to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that Cormark Securities Inc. has been retained by Buffalo as its financial advisor in connection with certain matters including the transactions contemplated hereby, and a true and complete copy of the engagement agreement between Buffalo and Cormark Securities Inc. has been provided to Twin Butte. The amount of all fees payable to Cormark Securities Inc. under such agreement (whether paid before or after the date hereof) shall not exceed the amounts set forth in the financial advisory agreement provided to Twin Butte. After the payment of such financial obligations to Cormark Securities Inc., Buffalo will not have any continuing obligations to such advisors other than those related to indemnification, confidentiality and the payment of reasonable out-of-pocket expenses.

- (pp) Employment and Officer Obligations. Other than the Buffalo Employment Agreements, the Buffalo Consulting Agreements, Buffalo's existing employee health and benefit plans and the Buffalo Stock Option Plan (the particulars of which have each been disclosed in the Buffalo Disclosure Letter), there are no other written employment or consulting services agreements, termination, severance and retention plans or policies of Buffalo. The obligations of Buffalo under all of Buffalo's employment or consulting services agreements (including without limitation the Buffalo Employment Agreements and the Buffalo Consulting Agreements), termination, severance plans or policies for severance or termination payments or any other payments related to any Buffalo incentive plan, arising out of or in connection with the Arrangement, shall not exceed \$2.65 million, which amounts represent Buffalo's good faith estimate of such amounts based on the assumptions contained therein. For greater certainty, any amounts payable to a Buffalo Employee pursuant to common law requirements upon termination of such employee are not included.
- (qq) Employment Matters. Buffalo is in material compliance with all Applicable Laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labour practices. No employee or independent contractor of Buffalo is on short-term or long-term disability benefits or, to its knowledge, in the process of applying for short-term or long-term disability benefits. With respect to any Buffalo Employee or independent contractor of Buffalo whose employment has been terminated within two years prior to the date of this Agreement, all amounts owing in respect of such termination (whether as salary, benefits, bonuses, severance, retention or termination pay) have been paid and no such Buffalo Employee or independent contractor has made or, to its knowledge, has any legal basis to make, any claim for further payment, whether in respect of salary, human rights breach, benefits, severance or termination payment or otherwise. Buffalo has not agreed to recognize any union or other collective bargaining representative, nor has any other union or other collective bargaining representative been certified as the exclusive bargaining representative of any Buffalo Employees or consultants, and Buffalo is not a party to, or bound by, any collective bargaining agreement or any other labour contract applicable to any employees. To the knowledge of Buffalo, no union organizational campaign or representation petitions are currently pending with respect to any Buffalo Employees. There is no labour strike or labour dispute, slowdown, lockout or stoppage actually pending or to the knowledge of Buffalo, threatened against or affecting Buffalo, and Buffalo has not experienced any labour strikes or labour disputes, slowdowns, lockouts or stoppages within the last three years.
- (rr) Transaction Costs. Buffalo reasonably estimates that all transaction costs (including all legal, financial, accounting and other advisors of Buffalo and any other costs and expenses of Buffalo of the transaction contemplated hereby), other than Buffalo Change of Control Payments and any other amounts referred to in Section 4.2(pp) hereof, will not exceed \$2.5 million and particulars of such transaction costs are set forth in the Buffalo Disclosure Letter.
- (ss) No Bonuses. There are no accrued bonuses payable to any Buffalo Employees or to any directors or consultants of Buffalo.
- (tt) Confidentiality Agreement. All agreements entered into by Buffalo with Persons other than Twin Butte regarding the confidentiality of information provided to such Persons or reviewed by such Persons with respect to the sale of Buffalo or a substantial portion of its assets or any other business combination or similar transaction with another party are set forth in the Buffalo Disclosure Letter and, other than as set forth in the Buffalo Disclosure Letter, are in substantially the form of the Confidentiality Agreement and Buffalo has not waived the standstill or other provisions of any of such agreements.

- (uu) Place of Principal Offices. The principal offices of Buffalo are not located within the United States.
- (vv) Foreign Private Issuer. Buffalo is a "foreign private issuer" within the meaning of Rule 405 of Regulation C adopted by the SEC under the U.S. Securities Act.
- (ww) Investment Company. Buffalo is not registered as an investment company pursuant to the United States Investment Company Act of 1940, as amended.
- (xx) Hart-Scott-Rodino Act. Buffalo, including all entities "controlled by" Buffalo for purposes of the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended, does not hold assets located in the United States with a fair market value in excess of U.S. \$65.2 million in the aggregate and, during the 12 month period ended December 31, 2008, did not make sales in or into the United States in excess of U.S. \$65.2 million in the aggregate. For purposes of the foregoing, the term "United States" shall include the several States, the territories, possessions, and commonwealths of the United States, and the District of Columbia;
- (yy) No Securities Registered under U.S. Exchange Act. As of the date of this Agreement, the Buffalo Shares are a class of securities not registered pursuant to Section 12 of the U.S. Exchange Act and no other class of Buffalo securities are so registered;
- (zz) Guarantees and Indemnification. Buffalo is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of Buffalo, Applicable Laws or standard indemnity agreements and other than standard indemnity agreements in underwriting, agency and financial advisory agreements) or any like commitment in respect of the obligations, liabilities (contingent or otherwise) or indebtedness of any other Person.
- (aaa) Off-Balance Sheet Arrangements. Buffalo does not have any "off-balance sheet arrangements" as such term is defined under GAAP.
- (bbb) No Shareholder Rights Plan. Buffalo is not a party to and, prior to the Effective Date, Buffalo will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Buffalo Shares or other securities of Buffalo or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the Arrangement, other than the Buffalo Change of Control Payments and pursuant to the terms of Buffalo Options.
- (ccc) No Escrow. To the knowledge of Buffalo, none of the Buffalo Shares are the subject of any escrow, voting trust or other similar agreement.
- (ddd) No Bad Accounts. Other than as set forth in the Buffalo Disclosure Letter, to the knowledge of Buffalo, all of its accounts receivable in any material amount are collectible.
- (eee) Board Approval. The Buffalo Board of Directors has approved the Arrangement and this Agreement, has determined that the Arrangement is in the best interests of Buffalo and the Buffalo Shareholders, and has determined that the Arrangement is fair to Buffalo Shareholders and has resolved to recommend approval of the Arrangement by Buffalo Shareholders.
- (fff) No Collateral Benefit. Buffalo has determined that there will not be a "collateral benefit" as such term is defined in MI 61-101 as a result of the Arrangement.

- (ggg) Disclosure. To the knowledge of Buffalo, Buffalo has not withheld from Twin Butte any material information or documents concerning Buffalo or its assets or liabilities during the course of Twin Butte's review of Buffalo and its assets. No representation or warranty contained herein and no statement contained in any schedule or other disclosure document provided or to be provided to Twin Butte by Buffalo pursuant hereto (including, without limitation, any matter disclosed in writing by Buffalo to Twin Butte prior to the date hereof (including, without limitation, in the Buffalo Disclosure Letter)) contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.

4.3 Privacy Issues

- (a) For the purposes of this Section 4.3, the following definitions shall apply:
- (i) "**applicable law**" means, in relation to any Person, transaction or event, all applicable provisions of Laws by which such Person is bound or having application to the transaction or event in question, including applicable privacy laws;
 - (ii) "**applicable privacy laws**" means any and all Applicable Laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);
 - (iii) "**authorized authority**" means, in relation to any Person, transaction or event, any (a) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event; and
 - (iv) "**Personal Information**" means information about an individual transferred to a Party by another Party in accordance with this Agreement and/or as a condition of the Arrangement.
- (b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use and disclosure of Personal Information acquired by or disclosed to either Party pursuant to or in connection with this Agreement (the "**Disclosed Personal Information**").
- (c) Neither Party shall use the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement.
- (d) Each Party acknowledges and confirms that the disclosure of Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Arrangement, and that the disclosure of Personal Information relates solely to the carrying on of the business and the completion of the Arrangement.

- (e) Each Party acknowledges and confirms that it has and shall continue to employ appropriate technology and procedures in accordance with applicable law to prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.
- (f) Each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder. Each Party shall ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective Party who have a bona fide need to access such information in order to complete the Arrangement.
- (g) Each Party shall promptly notify the Other Party of all inquiries, complaints, requests for access, and claims of which the Party is made aware in connection with the Disclosed Personal Information. The Parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, and claims.
- (h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the counterparty shall forthwith cease all use of the Personal Information acquired by the counterparty in connection with this Agreement and will return to the Party or, at the Party's request, destroy in a secure manner the Disclosed Personal Information (and any copies).

ARTICLE 5

CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Time or such other time specified, of the following conditions, any of which may be waived by the mutual consent of such Parties without prejudice to their right to rely on any other of such conditions:

- (a) on or prior to October 16, 2009, the Interim Order shall have been granted in form and substance satisfactory to each of Twin Butte and Buffalo, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Twin Butte and Buffalo, acting reasonably, on appeal or otherwise;
- (b) the Arrangement Resolution shall have been passed by the holders of Buffalo Shares on or prior to November 16, 2009 in accordance with the Interim Order and in form and substance satisfactory to each of Twin Butte and Buffalo, acting reasonably;
- (c) if required by the TSX, the Twin Butte Shareholders shall have passed the Issuance Resolution on or prior to November 16, 2009 in the manner required by the TSX;
- (d) on or prior to November 16, 2009, the Final Order shall have been granted in form and substance satisfactory to Twin Butte and Buffalo, acting reasonably;

- (e) the Articles of Arrangement to be filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of Twin Butte and Buffalo, acting reasonably;
- (f) the Arrangement shall have become effective on or prior to November 16, 2009;
- (g) all required domestic regulatory, governmental and third party approvals and consents in respect of the completion of the Arrangement shall have been obtained on terms and conditions satisfactory to Twin Butte and Buffalo, each acting reasonably, including all applicable domestic and foreign statutory and regulatory waiting periods shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period;
- (h) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any domestic court, tribunal or Governmental Entity or other regulatory or administrative agency or commission by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of Law, and no Law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of Law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Twin Butte or Buffalo (as applicable), acting reasonably, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transaction contemplated herein; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (i) if Part IX of the Competition Act applies to the Arrangement, Competition Act Approval has been obtained; and
- (j) the TSX shall have approved, subject only to customary conditions, the issuance of all of the Twin Butte Shares issuable pursuant to the Arrangement on terms and conditions satisfactory to Twin Butte and Buffalo, each acting reasonably.

The foregoing conditions are for the mutual benefit of Buffalo and Twin Butte and may be asserted by Buffalo and Twin Butte regardless of the circumstances and may be waived by Buffalo and Twin Butte (with respect to such Party) in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Buffalo or Twin Butte may have.

5.2 Additional Conditions to Obligations of Twin Butte

The obligations of Twin Butte to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Time or such other time specified, of the following conditions:

- (a) directors of Buffalo and their affiliates holding not less than 4.0% of the Buffalo Shares shall have entered into and continue to be bound by the Buffalo Support Agreements;
- (b) Buffalo shall have mailed the Information Circular and other documentation required in connection with the Buffalo Meeting to the Buffalo Shareholders on or before October 19, 2009 unless the failure to meet such deadline is due to the failure of Twin Butte to meet any of its obligations set forth in Sections 3.1(h) and 3.1(j);

- (c) Buffalo shall have furnished Twin Butte with:
 - (i) certified copies of the resolutions duly passed by the Buffalo Board of Directors approving this Agreement and the consummation of the transactions contemplated hereby and recommending that Buffalo Shareholders vote in favour of the Arrangement Resolution; and
 - (ii) certified copies of the resolutions of Buffalo Shareholders duly passed at the Buffalo Meeting, approving the Arrangement Resolution;
- (d) the representations and warranties made by Buffalo in this Agreement shall be true and correct as of the Effective Time as if made on and as of such date (without giving effect to any materiality qualifiers contained therein) (except to the extent such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by this Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Change in respect of Buffalo or would not, or would not reasonably be expected to, materially impede completion of the Arrangement, and Buffalo shall have provided to Twin Butte a certificate of two senior officers certifying such accuracy on the Effective Time; provided that Buffalo shall be entitled to cure any breach of a representation and warranty within three Business Days after receipt of written notice thereof from Twin Butte (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009), and Twin Butte shall have no knowledge to the contrary;
- (e) no Material Adverse Change shall have occurred with respect to Buffalo from and after the date hereof and prior to the Effective Time;
- (f) Buffalo shall have complied in all material respects with its covenants and obligations herein, except where the failure to comply in all material respects with its covenants and obligations, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Change in respect of Buffalo or would not, or would not reasonably be expected to, materially impede completion of the Arrangement, and Buffalo shall have provided to Twin Butte a certificate of two senior officers certifying compliance with such covenants and obligations; provided that Buffalo shall be entitled to cure any breach of a covenant or obligation within three Business Days after receipt of written notice thereof from Twin Butte (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009);
- (g) all outstanding Buffalo Options that are unexercised immediately prior to the Effective Time shall be cancelled or terminated in consideration of \$0.01 per Buffalo Option;
- (h) immediately prior to the Effective Time: (A) the aggregate number of Buffalo Shares issued and outstanding shall not exceed 77,611,346 prior to the issuance of up to 320,000 additional Buffalo Shares which may be issued pursuant to the exercise of "in-the-money" Buffalo Options; (B) there shall be no other shares or other securities in the capital of Buffalo outstanding; and (C) no person shall have any agreement or option or any right or privilege (whether by law, pre-emptive right, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any unissued Buffalo Shares or other equity interests in Buffalo other than the Buffalo Warrants;

- (i) Twin Butte shall have received (i) resignations in form satisfactory to Twin Butte, acting reasonably, from the directors of Buffalo, and (ii) resignations and releases, in form satisfactory to Twin Butte, acting reasonably, from the officers of Buffalo to Twin Butte and Buffalo (to be received in consideration for Buffalo providing industry-standard releases to each such officers in form satisfactory to Twin Butte, acting reasonably), which releases shall contain exceptions for any fraud, negligence and wilful misconduct on the part of the officer and for amounts or obligations owing to, or which may be owed to, such officers pursuant to indemnity or directors' and officers' insurance or in respect of Buffalo Change of Control Payments (if not paid);
- (j) the obligations of Buffalo under all employment or consulting services agreements (including without limitation the Buffalo Employment Agreements and the Buffalo Consulting Agreements), severance or retention obligations, plans or policies, termination or bonus payments or any other payments related to any Buffalo incentive plan, arising out of or in connection with the Arrangement shall not exceed \$2.65 million in the aggregate, and Buffalo shall have provided to Twin Butte a certificate of two senior officers certifying the amount of such transaction costs and Buffalo's compliance with such condition precedent;
- (k) all fees, costs and expenses incurred by Buffalo in connection with this Agreement and the transactions contemplated hereby, including without limitation all financial advisory fees (including the cost of the Buffalo Fairness Opinion) and expenses, costs and expenses incurred in connection with the legal and other professional fees and disbursements but excluding the amounts referred to in Section 5.2(j) hereof, shall not exceed \$2.5 million in the aggregate, and Buffalo shall have provided to Twin Butte a certificate of two senior officers certifying the amount of such transaction costs and Buffalo's compliance with such condition precedent;
- (l) holders of not greater than 5% of the outstanding Buffalo Shares shall have validly exercised rights of dissent in respect of the Arrangement that have not been withdrawn as of the Effective Time;
- (m) Twin Butte shall be satisfied, acting reasonably, that the issuance of the Twin Butte Shares issuable to Buffalo Shareholders pursuant to the Arrangement will not require registration under the U.S. Securities Act, in reliance on Section 3(a)(10) of the *U.S. Securities Act*, or any state securities laws;
- (n) Twin Butte shall have received a copy of the consent of Buffalo's bankers to the Arrangement and the consummation thereof on a basis acceptable to Twin Butte, acting reasonably;
- (o) Twin Butte shall be satisfied that the Buffalo Credit Facility shall remain in effect at existing terms until the earlier of the Effective Date and October 31, 2009;
- (p) Twin Butte shall be satisfied that no material rights of first refusal on Buffalo's lands are triggered as a result of the transactions contemplated by this Agreement; and
- (q) Buffalo shall have entered into an asset purchase agreement with Kadence providing for the Kadence Asset Acquisition effective as of June 1, 2009 and the Kadence Asset Acquisition shall have closed or Twin Butte shall be satisfied that the Kadence Asset Acquisition shall be closing concurrently with the Arrangement. Kadence shall be responsible for all capital and operating costs up to the effective date. For clarity the cash call of approximately \$800,000 paid by Kadence to Buffalo for the June 2009 drilling shall be returned to Kadence and will not be part of the closing adjustments.

The conditions in this Section 5.2 are for the exclusive benefit of Twin Butte and may be asserted by Twin Butte regardless of the circumstances or may be waived by Twin Butte in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Twin Butte may have.

5.3 Additional Conditions to Obligations of Buffalo

The obligations of Buffalo to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Time or such other time specified, of the following conditions:

- (a) if Twin Butte Shareholder approval is required, each of the directors of Twin Butte and their affiliates shall have entered into and continue to be bound by the Twin Butte Support Agreements;
- (b) if Twin Butte Shareholder approval is required, Twin Butte shall have mailed the Information Circular and other documentation required in connection with the Twin Butte Meeting to the Twin Butte Shareholders on or before October 19, 2009 unless the failure to meet such deadline is due to the failure of Buffalo to meet any of its obligations set forth in Sections 3.3(o) and 3.3(q);
- (c) Twin Butte shall have furnished Buffalo with:
 - (i) certified copies of the resolutions duly passed by the Twin Butte Board of Directors approving this Agreement and the consummation of the transactions contemplated hereby and, if Twin Butte Shareholder approval is required, recommending that Twin Butte Shareholders vote in favour of the Issuance Resolution; and
 - (ii) if Twin Butte Shareholder approval is required, certified copies of the Issuance Resolution duly passed at the Twin Butte Meeting;
- (d) the representations and warranties made by Twin Butte in this Agreement shall be true and correct as of the Effective Time as if made on and as of such date (without giving effect to any materiality qualifiers contained therein) (except to the extent such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by this Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Change in respect of Twin Butte or would not, or would not reasonably be expected to, materially impede completion of the Arrangement, and Twin Butte shall have provided to Buffalo a certificate of two senior officers certifying such accuracy on the Effective Time; provided that Twin Butte shall be entitled to cure any breach of a representation and warranty within three Business Days after receipt of written notice thereof from Buffalo (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009), and Buffalo shall have no knowledge to the contrary;
- (e) no Material Adverse Change shall have occurred with respect to Twin Butte from and after the date hereof and prior to the Effective Time;
- (f) Twin Butte shall have complied in all material respects with its covenants and obligations herein, except where the failure to comply in all material respects with its covenants and obligations, individually or in the aggregate, would not result or would not reasonably be expected to result in

a Material Adverse Change in respect of Twin Butte or would not, or would not reasonably be expected to, materially impede completion of the Arrangement, and Twin Butte shall have provided to Buffalo a certificate of two senior officers certifying compliance with such covenants and obligations; provided that Twin Butte shall be entitled to cure any breach of a covenant or obligation within three Business Days after receipt of written notice thereof from Buffalo (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009);

- (g) Buffalo shall have secured directors' and officers' liability insurance for Buffalo's present and former directors and officers, covering claims made prior to and within five years after the Effective Date and on a "trailing" or "run off" basis, which has scope and coverage substantially equivalent in scope and coverage to that provided by Buffalo's current directors' and officers' insurance policy or Twin Butte has secured such coverage to be provided under Twin Butte's officer's and directors' liability insurance, provided such insurance has scope and coverage substantially equivalent in scope and coverage to that provided by Buffalo's current directors' and officers' insurance policy and Twin Butte has provided evidence of the terms and existence of such coverage satisfactory to Buffalo, in which case the foregoing shall apply *mutatis mutandis* to Twin Butte's coverage in respect thereof; and
- (h) Buffalo shall be satisfied that the Twin Butte Credit Facility shall remain in effect at existing terms until October 31, 2009.

The conditions in this Section 5.3 are for the exclusive benefit of Buffalo and may be asserted by Buffalo regardless of the circumstances or may be waived by Buffalo in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Buffalo may have.

5.4 Notice and Effect of Failure to Comply with Conditions

- (a) Each of Twin Butte and Buffalo shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any of the representations or warranties of any Party contained herein to be untrue or inaccurate in any material respect; or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder; provided, however, that no such notification will affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.
- (b) If any of the conditions precedent set forth in Section 5.1, 5.2 or 5.3 hereof shall not be complied with or waived by the Party or Parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a Party for whose benefit the condition precedent is provided may rescind and terminate this Agreement as provided in Section 8.1(b) hereof; provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the Party intending to rely thereon has delivered a written notice to the Other Party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition precedent. More than one such notice may be delivered by a Party.

5.5 Satisfaction of Conditions

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6 AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS

6.1 Twin Butte Damages

- (a) If at any time after the execution of this Agreement and prior to its termination:
- (i) the Buffalo Board of Directors (i) fails to recommend that Buffalo Shareholders vote in favour of the Arrangement Resolution, (ii) withdraws or changes any of its recommendations or determinations referred to in Section 3.3(q) and Section 4.2(eee) in a manner adverse to the Arrangement or to Twin Butte or shall have resolved to do so prior to the Effective Date, or (iii) fails to publicly reconfirm any such recommendation within two Business Days after receiving the written request of Twin Butte, acting reasonably, to do so (provided that the foregoing shall not apply to any request made during any Notice Period);
 - (ii) the Buffalo Board of Directors shall have recommended that holders of Buffalo Shares deposit their Buffalo Shares under, or vote in favour of, or otherwise accept an Acquisition Proposal other than the Arrangement;
 - (iii) prior to the date of the Buffalo Meeting, another *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the Buffalo Shareholders or to Buffalo and is not withdrawn prior to the Buffalo Meeting and the Buffalo Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval and such Acquisition Proposal is completed within 180 days of the Buffalo Meeting; or
 - (iv) Buffalo accepts, recommends, approves or enters into an agreement with respect to an Acquisition Proposal (other than this Agreement or a confidentiality agreement contemplated by Section 3.5(b)(vi)) prior to the Effective Time;

(each of the above being a "**Twin Butte Non-Completion Event**"), then Buffalo shall pay to Twin Butte \$4.0 million (the "**Twin Butte Non-Completion Fee**") in immediately available funds to an account designated by Twin Butte within two Business Days after the first to occur of the events described above, and after such event but prior to payment of such amount, Buffalo shall be deemed to hold such funds in trust for Twin Butte. Buffalo shall only be obligated to pay one Twin Butte Non-Completion Fee pursuant to this Section 6.1(a).

- (b) Provided that there is no material breach of a representation or warranty by Twin Butte or material non-performance by Twin Butte of any covenant (excluding the breach of a covenant where Twin Butte is precluded from satisfying its obligations through action or omission of Buffalo), if at any time after the execution of this Agreement and prior to its termination:
- (i) Buffalo is in breach of any of its covenants or obligations made in this Agreement, which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to Buffalo or materially impedes or would

reasonably be expected to impede the completion of the Arrangement, and Buffalo fails to cure such breach within five Business Days after receipt of written notice thereof from Twin Butte (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009); or

- (ii) Buffalo is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to Buffalo or materially impedes or would reasonably be expected to impede the completion of the Arrangement, and Buffalo fails to cure such breach within five Business Days after receipt of written notice thereof from Twin Butte (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009);

(each of the above being a "**Twin Butte Termination Event**"), then Buffalo shall pay to Twin Butte \$1.5 million (the "**Twin Butte Termination Fee**") in immediately available funds to an account designated by Twin Butte within two Business Days after the first to occur of the events described above, and after such event but prior to payment of such amount, Buffalo shall be deemed to hold such funds in trust for Twin Butte. Buffalo shall only be obligated to pay one Twin Butte Termination Fee pursuant to this Section 6.1(b).

- (c) Notwithstanding the foregoing, upon the occurrence of a Twin Butte Non-Completion Event or Twin Butte Termination Event, if Buffalo does not have sufficient available funds to pay the Twin Butte Non-Completion Fee or Twin Butte Termination Fee, as the case may be, within the time required by this Agreement, then Twin Butte shall have the right to require Buffalo to sell the Kadence Assets to Twin Butte on the date on which such Twin Butte Non-Completion Fee or Twin Butte Termination Fee, as the case may be, is payable, for a purchase price equal to the purchase price paid by Buffalo for the Kadence Assets pursuant to the Kadence Asset Acquisition (excluding any repayment of advances) net of the Twin Butte Non-Completion Fee or Twin Butte Termination Fee, as the case may be, which purchase price shall be paid by Twin Butte to Buffalo on the date of closing of such acquisition of the Kadence Assets in immediately available funds to an account designated by Buffalo.

6.2 Buffalo Damages

- (a) If Twin Butte Shareholder approval is required and at any time after the execution of this Agreement and prior to its termination the Twin Butte Board of Directors (i) fails to recommend that Twin Butte Shareholders vote in favour of the Issuance Resolution, (ii) withdraws or changes any of its recommendations or determinations referred to in Section 3.1(j) and Section 4.1(kk) in a manner adverse to the Arrangement or to Buffalo or shall have resolved to do so prior to the Effective Date, (iii) fails to publicly reconfirm any such recommendation within two Business Days after receiving the written request of Buffalo to do so, or (iv) Twin Butte fails to submit the Issuance Resolution to the Twin Butte Shareholders for their approval (a "**Buffalo Non-Completion Event**"), then Twin Butte shall pay to Buffalo \$4.0 million (the "**Buffalo Non-Completion Fee**") in immediately available funds to an account designated by Buffalo within two Business Days after the occurrence of the event described above, and after such event but prior to payment of such amount, Twin Butte shall be deemed to hold such funds in trust for Buffalo.

- (b) Provided that there is no material breach of a representation or warranty by Buffalo or material non-performance by Buffalo of any covenant (excluding the breach of a covenant where Buffalo is precluded from satisfying its obligations through action or omission of Twin Butte), if at any time after the execution of this Agreement and prior to its termination:
- (i) Twin Butte is in breach of any of its covenants or obligations made in this Agreement, which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to Twin Butte or materially impedes or would reasonably be expected to impede the completion of the Arrangement, and Twin Butte fails to cure such breach within five Business Days after receipt of written notice thereof from Buffalo (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009); or
 - (ii) Twin Butte is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to Twin Butte or materially impedes or would reasonably be expected to impede the completion of the Arrangement, and Twin Butte fails to cure such breach within five Business Days after receipt of written notice thereof from Buffalo (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009);

(each of the above being a "**Buffalo Termination Event**"), then Twin Butte shall pay to Buffalo \$1.5 million (the "**Buffalo Termination Fee**") in immediately available funds to an account designated by Buffalo within two Business Days after the first to occur of the events described above, and after such event but prior to payment of such amount, Twin Butte shall be deemed to hold such funds in trust for Buffalo. Twin Butte shall only be obligated to pay one Buffalo Termination Fee pursuant to this Section 6.2(b).

6.3 Liquidated Damages

Buffalo and Twin Butte acknowledge and agree that all of the payment amounts set out in Sections 6.1 and 6.2 are payments of liquidated damages which are a genuine pre-estimate of the damages which the party entitled to such damages will suffer or incur as a result of the event giving rise to such damages and are not penalties. Each Party irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the Parties agree that the payment of the applicable amount pursuant to this Article 6 is the sole monetary remedy of the Party receiving such payment, provided however that this limitation shall not apply in the event of fraud or wilful breach of this Agreement by a Party. Nothing herein shall preclude a party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement, the Confidentiality Agreement or otherwise to obtain specific performance of any of such act, covenants or agreements, without the necessity of posting bond or security in connection therewith.

ARTICLE 7 AMENDMENT

7.1 Amendment of Agreement

This Agreement (excluding the Plan of Arrangement) may at any time and from time to time before or after the holding of the Buffalo Meeting be amended by written agreement of the Parties hereto without, subject to Applicable Law, further notice to or authorization on the part of the Buffalo Shareholders or Twin Butte Shareholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment which is agreed to after the Parties are granted the Interim Order by the Court may reduce or materially adversely affect the consideration to be received by Buffalo Shareholders without approval by the Buffalo Shareholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

7.2 Amendment of Plan of Arrangement

- (a) The Parties may by mutual agreement amend the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) filed with the Court and, if made following the Buffalo Meeting, approved by the Court; and (iii) communicated to holders of Buffalo Shares if and as required by the Court.
- (b) Other than as may be required under the Interim Order, any amendment to the Plan of Arrangement may be proposed by Buffalo or Twin Butte at any time prior to or at the Buffalo Meeting (provided that the Other Party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Buffalo Meeting, shall become part of the Plan of Arrangement for all purposes.
- (c) Any amendment to the Plan of Arrangement that is approved by the Court following the Buffalo Meeting shall be effective only if it is consented to by each of the Parties.
- (d) Any amendment to the Plan of Arrangement may be made following the Effective Time by Buffalo and Twin Butte, provided that it is not adverse to the financial or economic interests of any former holder of Buffalo Shares.

ARTICLE 8 TERMINATION

8.1 Termination

This Agreement may be terminated at any time prior to the Effective Time:

- (a) by mutual written consent of Twin Butte and Buffalo;
- (b) as provided in Section 5.4(b), provided that the Party seeking to terminate this Agreement shall not be in material breach of any of its representations or warranties or material non-performance of any of its covenants and if a Twin Butte Non-Completion Fee, Twin Butte Termination Fee, Buffalo Non-Completion Fee or Buffalo Termination Fee, as the case may be, shall be payable by such Party, such fee shall have been paid;
- (c) by Twin Butte, upon the occurrence of a Twin Butte Non-Completion Event or Twin Butte Termination Event as provided in Section 6.1;
- (d) by Buffalo, upon the occurrence of a Twin Butte Non-Completion Event as provided in Section 6.1(a)(iv) in respect of an Acquisition Proposal that is a Superior Proposal (carried out in accordance with Section 3.5(b)(viii) and provided Buffalo has complied with its obligations set forth in Section 3.5(c)) and Buffalo shall have made the payment to Twin Butte of the amount required by Section 6.1(a);
- (e) by Twin Butte, upon the occurrence of a Buffalo Non-Completion Event as provided in Section 6.2(a), provided Twin Butte shall have made the payment to Buffalo of the amount required by Section 6.2(a);
- (f) by Buffalo, upon the occurrence of a Buffalo Non-Completion Event or Buffalo Termination Event as provided in Section 6.2;
- (g) by Twin Butte, if a Material Adverse Change in respect of Buffalo shall have occurred after the date of this Agreement;
- (h) by Buffalo, if a Material Adverse Change in respect of Twin Butte shall have occurred after the date of this Agreement;
- (i) by Twin Butte, if Buffalo shall be in breach of any of its covenants, agreements or representations and warranties contained herein that would have a Material Adverse Effect on Buffalo or would, or would reasonably be expected to, materially impede completion of the Arrangement and Buffalo fails to cure such breach within five (5) Business Days after receipt of written notice hereof from Twin Butte (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009); and
- (j) by Buffalo if Twin Butte shall be in breach of any of its covenants, agreements or representations and warranties contained herein that would have a Material Adverse Effect on Twin Butte or would, or would reasonably be expected to, materially impede completion of the Arrangement and Twin Butte fails to cure such breach within five (5) Business Days after receipt of written notice hereof from Buffalo (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond November 16, 2009).

In the event of the termination of this Agreement in the circumstances set out in paragraphs (a) through (j) of this Section 8.1, this Agreement shall forthwith become void and neither Party shall have any liability or further obligation to the Other Party hereunder other than for a breach of this Agreement prior to termination and, except with respect to the obligations set forth in Article 6 and

Section 4.3 and 10.4 and any right of payment under Article 6 and each Party's obligations in the Confidentiality Agreement which shall survive such termination.

ARTICLE 9 NOTICES

9.1 Notices

All notices that may or are required to be given pursuant to any provision of this Agreement are to be given or made in writing and served personally or sent by telecopy or email:

(a) in the case of Buffalo, to:

Buffalo Resources Corp.
410, 396 – 11th Avenue S.W.
Calgary, Alberta T2R 0C5

Attention: President and Chief Executive Officer
Facsimile: (403) 252-1399
Email: btrickett@buffaloresources.com

with a copy to:

McCarthy Tétrault LLP
Suite 3300, 421 - 7th Avenue S.W.
Calgary, Alberta T2P 4K9

Attention: Michael J. Bennett
Facsimile: (403) 260-3501
Email: mbennett@mccarthy.ca

(b) in the case of Twin Butte, to:

Twin Butte Energy Ltd.
600, 324 – 8th Avenue S.W.
Calgary, Alberta T2P 2Z2

Attention: President and Chief Executive Officer
Facsimile: (403) 215-2055
Email: jsaunders@twinbutteenergy.com

with a copy to:

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.
Calgary, Alberta T2P 3N9

Attention: Fred Davidson
Facsimile: (403) 260-0355
Email: fdd@bdplaw.com

or such other address as the Parties may, from time to time, advise to the other Parties hereto by notice in writing. The date or time of receipt of any such notice will be deemed to be the date of delivery or the time such telecopy or email is received.

ARTICLE 10 GENERAL

10.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the Parties.

10.2 Assignment

No Party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the Other Party.

10.3 Disclosure

Each Party shall receive the prior consent, not to be unreasonably withheld, of the Other Party prior to issuing or permitting any director, officer, employee or agent to issue any press release or other written statement with respect to this Agreement or the transactions contemplated hereby. Notwithstanding the foregoing, if either Party is required by law or administrative regulation or regulatory requirement to make any disclosure relating to the transactions contemplated herein, such disclosure may be made, but that Party will consult with the Other Party as to the wording of such disclosure prior to its being made.

10.4 Costs

Except as contemplated herein (including Section 6.1), each Party hereto covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby, whether or not the Arrangement is completed.

10.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

10.6 Further Assurances

Each Party shall, from time to time and at all times hereafter, at the request of the Other Party, but without further consideration, do all such further acts, and execute and deliver all such further

documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.7 Time of Essence

Time shall be of the essence of this Agreement.

10.8 Governing Law

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Alberta and the Parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

10.9 Waiver

No waiver by any Party shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

10.10 Third Party Beneficiaries

The provision of Sections 3.1(k), 3.2, 3.3(r) and 5.3(g) are: (i) intended for the benefit of persons other than Twin Butte and Buffalo, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and Twin Butte shall hold the rights and benefits of Sections 3.1(k), 3.2, 3.3(r) and 5.3(g) in trust for and on behalf of the Third Party Beneficiaries and Twin Butte hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and (ii) in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

10.11 Counterparts

This Agreement may be executed by facsimile or other electronic signature and in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

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

TWIN BUTTE ENERGY LTD.

BUFFALO RESOURCES CORP.

Per: (Signed) James Saunders

Per: (Signed) W.A. Trickett

Schedule A

Plan of Arrangement

**Plan of Arrangement under Section 193
of the
*Business Corporations Act (Alberta)***

**ARTICLE 1
INTERPRETATION**

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to Section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (c) "**Arrangement Agreement**" means the arrangement agreement dated effective August 18, 2009 between Twin Butte and Buffalo with respect to the Arrangement and all amendments thereto and restatements thereof;
- (d) "**Arrangement Resolution**" means the special resolution in respect of the Arrangement to be considered at the Buffalo Meeting;
- (e) "**Articles of Arrangement**" mean the articles of arrangement in respect of the Arrangement required under Subsection 193(10) of the ABCA to be sent to the Registrar after the Final Order has been granted, giving effect to the Arrangement;
- (f) "**Buffalo**" means Buffalo Resources Corp., a corporation amalgamated under the laws of the Province of Alberta;
- (g) "**Buffalo Meeting**" means the special meeting of Buffalo Shareholders to be held to consider, among other things, the Arrangement Resolution and related matters, and any adjournment(s) thereof;
- (h) "**Buffalo Shareholders**" means the holders from time to time of Buffalo Shares;
- (i) "**Buffalo Shares**" means common shares in the capital of Buffalo;
- (j) "**Business Day**" means a day other than a Saturday, Sunday or a day when banks in the City of Calgary, Alberta are not generally open for business;
- (k) "**Certificate**" means the certificate or certificates or confirmation of filing which may be issued by the Registrar pursuant to Subsection 193(11) of the ABCA giving effect to the Arrangement;
- (l) "**Court**" means the Court of Queen's Bench of Alberta;
- (m) "**Depository**" means such trust company as may be designated by Twin Butte and Buffalo for the purpose of receiving the deposit of certificates formerly representing Buffalo Shares;

- (n) **"Dissenting Buffalo Shareholders"** means registered holders of Buffalo Shares who validly exercise the rights of dissent with respect to the Arrangement provided to them under the Interim Order and whose dissent rights remain valid immediately before the Effective Time;
- (o) **"Effective Date"** means the date the Arrangement is effective under the ABCA;
- (p) **"Effective Time"** means the time when the Arrangement becomes effective pursuant to the ABCA;
- (q) **"Final Order"** means the order of the Court approving the Arrangement pursuant to Subsection 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (r) **"Holder"** means a registered holder of Buffalo Shares immediately prior to the Effective Date or any person who surrenders to the Depositary certificates representing Buffalo Shares duly endorsed for transfer to such person in accordance with the provisions set forth in the Letter of Transmittal;
- (s) **"Interim Order"** means the interim order of the Court under Subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the holding of the Buffalo Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (t) **"ITA"** means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;
- (u) **"Letter of Transmittal"** means the letter of transmittal accompanying the information circular sent to the Buffalo Shareholders in connection with the Buffalo Meeting, pursuant to which such holders are required to deliver certificates representing Buffalo Shares in order to receive share certificates representing the Twin Butte Shares issued to them pursuant to the Arrangement;
- (v) **"person"** has the meaning set forth in the ABCA;
- (w) **"Registrar"** means the Registrar of Corporations for the Province of Alberta duly appointed under Section 263 of the ABCA;
- (x) **"Twin Butte"** means Twin Butte Energy Ltd., a corporation amalgamated under the ABCA; and
- (y) **"Twin Butte Shares"** means common shares in the capital of Twin Butte.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.5 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2 ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant to the Arrangement Agreement.

2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, if any, shall become effective as of, and be binding as of and after, the Effective Time on: (i) the Buffalo Shareholders; (ii) Buffalo; and (iii) Twin Butte.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Sections 3.1 and 3.2 has become effective in the sequence set out therein. If no Certificate is required to be issued by the Registrar pursuant to Subsection 193(11) of the ABCA, the Arrangement shall become effective on the date the Articles of Arrangement are sent to, and filed by, the Registrar pursuant to Subsection 193(10) of the ABCA.

ARTICLE 3 ARRANGEMENT

3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality:

- (a) the Buffalo Shares held by Dissenting Buffalo Shareholders shall be, and shall be deemed to be, transferred to Twin Butte (free and clear of any and all liens, claims and encumbrances) and shall be, and shall be deemed to be, immediately cancelled and cease to be outstanding, and such Dissenting Buffalo Shareholders shall cease to have any rights as Buffalo Shareholders other than the right to be paid the fair value of their Buffalo Shares in accordance with Article 4; and
- (b) each Buffalo Share that is not held by a Dissenting Buffalo Shareholder who is ultimately entitled to be paid the fair value of its Buffalo Shares or Twin Butte or any affiliate thereof (which Buffalo Share shall not be exchanged under the Arrangement and shall remain outstanding as a Buffalo Share held by Twin Butte or any affiliate thereof) shall be, and shall be deemed to be, transferred to Twin Butte (free and clear of any and all liens, claims and encumbrances) in exchange for the issuance by Twin Butte of 0.70 of a Twin Butte Share for each Buffalo Share.

3.2 Upon the exchange of Buffalo Shares for Twin Butte Shares pursuant to Section 3.1(b):

- (a) such Holder shall be added to the register of holders of Twin Butte Shares;
- (b) such Holder shall cease to be a holder of the Buffalo Shares so exchanged and the name of such Holder shall be removed from the register of holders of Buffalo Shares as it relates to the Buffalo Shares so exchanged; and
- (c) Twin Butte shall become the holder of the Buffalo Shares so exchanged and shall be added to the register of holders of Buffalo Shares.

3.3 Notwithstanding anything herein contained, no fractional Twin Butte Shares will be issued. Where the aggregate number of Twin Butte Shares to be issued to a former holder of Buffalo Shares would result in a fraction of a Twin Butte Share being issued, the number of Twin Butte Shares to be issued will be rounded to the nearest whole number of Twin Butte Shares (with fractions equal to exactly 0.5 to be rounded up).

ARTICLE 4 DISSENTING BUFFALO SHAREHOLDERS

4.1 Each registered holder of Buffalo Shares shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Buffalo Shareholder shall, at the Effective Time, cease to have any rights as a holder of Buffalo Shares and shall only be entitled to be paid the fair value of the holder's Buffalo Shares by Buffalo. A Dissenting Buffalo Shareholder who is entitled to be paid the fair value of the holder's Buffalo Shares shall be deemed to have transferred the holder's Buffalo Shares to Buffalo for cancellation at the Effective Time pursuant to Section 3.1(a) of this Plan, notwithstanding the provisions of Section 191 of the ABCA. A Dissenting Buffalo Shareholder who for any reason is not entitled to be paid the fair value of the holder's Buffalo Shares shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting Buffalo Shareholder and, accordingly, shall receive Twin Butte Shares on the basis set forth in Section 3.1(b) of this Plan of Arrangement, notwithstanding Section 191 of the ABCA. The fair value of the Buffalo Shares shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the Buffalo Shareholders at the Buffalo Meeting; but in no event shall Twin Butte or Buffalo be required to recognize such Dissenting Buffalo Shareholder as a securityholder of Twin Butte or Buffalo or their successors after the Effective Time and the name of such holder shall be removed from the applicable register of securityholders as at the Effective Time. For greater certainty, in addition to any other restrictions in Section 191 of the ABCA, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement. In addition, a registered Buffalo Shareholder may only exercise dissent rights in respect of all, and not less than all, of its Buffalo Shares.

ARTICLE 5 SHARE CERTIFICATES

5.1 From and after the Effective Time, certificates formerly representing Buffalo Shares that were exchanged pursuant to Section 3.1(b) shall represent only the right to receive the Twin Butte Shares to be issued pursuant to Section 3.1(b), or as to those certificates formerly representing Buffalo Shares held by Dissenting Buffalo Shareholders (other than those Dissenting Buffalo Shareholders deemed to have participated in the Arrangement pursuant to Section 4.1), to receive the fair value of the Buffalo Shares formerly represented by such certificates.

5.2 Twin Butte and Buffalo shall, as soon as practicable, following the later of the Effective Date and the date of deposit by a former holder of Buffalo Shares of a duly executed and completed Letter of Transmittal and the certificates formerly representing such Buffalo Shares, either:

- (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former Holder at the address specified in the Letter of Transmittal; or
- (b) if requested by such former Holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such former Holder,

certificates representing the number of Twin Butte Shares issued to such former Holder under the Arrangement.

5.3 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Buffalo Shares that were exchanged pursuant to Section 3.1(b) has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary shall issue and deliver in exchange for such lost, stolen or destroyed certificate the number of Twin Butte Shares to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement, provided the holder shall, as a condition precedent to the receipt thereof, give a bond to each of Twin Butte and Buffalo and their respective transfer agents, which bond is in form and substance satisfactory to each of Twin Butte and Buffalo and their respective transfer agents, acting reasonably, or shall otherwise indemnify Twin Butte and Buffalo and their respective transfer agents against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

5.4 All dividends or other distributions made with respect to any Twin Butte Shares issued to former Holders of Buffalo Shares pursuant to the Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. Subject to Section 5.5, the Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such dividends or other distributions to which such holder is entitled, net of applicable withholding and other taxes.

5.5 Any certificate formerly representing Buffalo Shares that is not deposited with all other documents as required by this Plan of Arrangement before the fifth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature including the right of the holder of such shares to receive Twin Butte Shares (and any dividends or other distributions thereon) or cash, as applicable. In such case, such Twin Butte Shares shall be returned to Twin Butte for cancellation and any dividends or other distributions in respect of Twin Butte Shares or cash, as applicable, shall be returned to Twin Butte.

5.6 Twin Butte, Buffalo and the Depositary shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of Buffalo Shares or Twin Butte Shares such amounts as Twin Butte, Buffalo or the Depositary is required to deduct and withhold with respect to such payment under the ITA or any provision of federal, provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Twin Butte, Buffalo and the Depositary are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Twin Butte, Buffalo or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and Twin Butte, Buffalo or the Depositary shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

ARTICLE 6 AMENDMENTS

6.1 Twin Butte and Buffalo may by mutual agreement amend this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) filed with the Court and, if made following the Buffalo Meeting, approved by the Court; and (iii) communicated to, and approved by, Buffalo Shareholders if and as required by the Court.

6.2 Other than as may be required under the Interim Order, any amendment to this Plan of Arrangement may be proposed by Buffalo or Twin Butte at any time prior to or at the Buffalo Meeting (provided that the other party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Buffalo Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

6.3 Any amendment to this Plan of Arrangement that is approved by the Court following the Buffalo Meeting shall be effective only if it is consented to by each of Buffalo and Twin Butte.

ARTICLE 7 FURTHER ASSURANCES

7.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

Schedule B

Form of Buffalo Support Agreement

SUPPORT AGREEMENT

_____, 2009

To the Undersigned Securityholder of Buffalo Resources Corp.

Dear Sirs:

Re: Support Agreement Respecting the Arrangement Involving Buffalo Resources Corp. ("Buffalo") and Twin Butte Energy Ltd. ("Twin Butte")

Buffalo and Twin Butte have reached an agreement pursuant to which Twin Butte will acquire all of the issued and outstanding common shares of Buffalo (the "**Buffalo Shares**") under a plan of arrangement (the "**Arrangement**") to be implemented pursuant to an agreement between Buffalo and Twin Butte dated the date hereof (the "**Arrangement Agreement**"). The Arrangement is subject to, among other things, the approval of the holders of the Buffalo Shares at a meeting of the holders of Buffalo Shares (the "**Buffalo Meeting**"). All capitalized terms not otherwise defined herein shall have the meanings given them in the Arrangement Agreement.

For good and valuable consideration, the receipt of which is hereby acknowledged, the undersigned (the "**Securityholder**") hereby enters into this Support Agreement pursuant to which the Securityholder agrees to support the Arrangement and, at the Buffalo Meeting, vote: (i) the Buffalo Shares beneficially owned by the Securityholder, directly or indirectly, or over which the Securityholder exercises direction and control, which are set out and described on Schedule A attached hereto and forming part hereof; and (ii) any and all other Buffalo Shares hereafter acquired, directly or indirectly, or over which control or direction is acquired by the Securityholder, on or before the record date for the Buffalo Meeting or which are otherwise entitled to be voted at the Buffalo Meeting ((i) and (ii) are collectively the "**Securityholder's Buffalo Securities**"); in favour of the Arrangement Resolution and other related matters to be considered at the Buffalo Meeting, and to otherwise support the Arrangement, subject to the terms and conditions of this Support Agreement.

1. Covenants of the Securityholder

The Securityholder covenants and agrees:

- (a) to irrevocably vote or cause to be voted at the Buffalo Meeting the Securityholder's Buffalo Securities in favour of the Arrangement Resolution and other related matters or resolutions necessary or desirable to implement the Arrangement to be considered at the Buffalo Meeting (and to provide evidence thereof to Twin Butte not less than five (5) Business Days prior to the Buffalo Meeting unless the Securityholder is voting at the Meeting);
- (b) not to exercise any dissent rights or any other rights available to the Securityholder to delay, upset or challenge the Arrangement;
- (c) not to exercise any shareholder rights or remedies available at common law pursuant to Applicable Canadian Securities Laws or corporate laws to delay, hinder, upset or challenge the Arrangement;

- (d) to exercise all voting rights attached to the Securityholder's Buffalo Securities to vote against any resolution to be considered by the Buffalo Shareholders that, if approved, could reasonably be considered to reduce the likelihood of success of the Arrangement;
- (e) not to sell, convey or otherwise dispose of any Securityholder's Buffalo Securities or the voting rights attached thereto from the date hereof through the earlier of the Effective Date or the termination of this Support Agreement in accordance with the terms hereof (other than to exercise Buffalo Options, or to facilitate a cash payment of \$0.01 per Buffalo Option in exchange for the cancellation of out-of-the-money Buffalo Options, held by the Securityholder as contemplated in Section 1(f) below);
- (f) to enter into an agreement with Twin Butte on or prior to the fifth Business Day prior to the date that the Information Circular is mailed to the Buffalo Shareholders wherein such Securityholder shall agree that on or prior to the Effective Time, such Securityholder shall, conditional upon completion of the Arrangement: (i) exercise some or all of his or her Buffalo Options (all of which shall be fully vested) in accordance with the Buffalo Stock Option Plan; and/or (ii) surrender any and all remaining Buffalo Options held by the Securityholder to Buffalo for cancellation for consideration of \$0.01 per Buffalo Option;
- (g) in the Securityholder's capacity as a director and/or officer of Buffalo, as applicable, to: (i) use reasonable commercial efforts to cause Buffalo to perform its obligations under the Arrangement Agreement (including those contained in Section 3.5 of the Arrangement Agreement), to the extent such is within its power; and (ii) comply with the obligations of Buffalo's directors and officers, as applicable, in the Arrangement Agreement (and in particular Section 3.5 thereof);
- (h) if requested by Twin Butte prior to the Effective Time, to resign as a director and/or terminate his employment as an officer of Buffalo effective at or immediately following the Effective Time, and to provide a release (such release being a mutual release in the case of an officer), in a form satisfactory to the Securityholder and Twin Butte, each acting reasonably; and
- (i) to refrain from taking, or causing to be taken, any actions that might reasonably be expected to reduce the likelihood of the Arrangement being successfully completed.

It is acknowledged that the covenants of the Securityholder set forth in this Section 1 shall not affect or restrict a Securityholder that is a director or officer of Buffalo from discharging the Securityholder's fiduciary duties in accordance with the Arrangement Agreement or in accordance with the provisions of Applicable Laws, and the exercise of such duties shall be deemed not to be a breach of this Agreement by the Securityholder.

2. Representations and Warranties of the Securityholder

The Securityholder represents and warrants to Twin Butte, and acknowledges that Twin Butte is relying upon such representations and warranties in entering into this Support Agreement and the Arrangement Agreement, that:

- (a) the Securityholder has good and sufficient power, authority and right to enter into this Support Agreement and to complete the transactions contemplated hereby;

- (b) this Support Agreement constitutes a legal, valid and binding obligation of the Securityholder enforceable against the Securityholder in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered, and that neither the execution of this Support Agreement by the Securityholder nor the consummation by the Securityholder of the transactions contemplated hereby will constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which the Securityholder is a party or by which the Securityholder is bound;
- (c) no consent, order, approval or authorization, including without limitation any regulatory approval or order or the consent of any lender to the Securityholder, is required in connection with the Securityholder's entering into of this Support Agreement and the Securityholder's consummation of the transactions contemplated hereby; and
- (d) at the date hereof the Securityholder is either the beneficial owner of or exercises direction and control over that number and class of the Securityholder's Buffalo Securities as set forth on Schedule A attached hereto, and, other than the Securityholder's Buffalo Securities set forth on the attached Schedule A, as of the date hereof the Securityholder does not, either directly or indirectly, beneficially own or exercise control or direction over any securities of Buffalo or hold any other option, agreement, right, entitlement or privilege (or any right capable of becoming an option, agreement, right, entitlement or privilege) to purchase or otherwise acquire, either directly or indirectly, any unissued Buffalo Shares or for the issue of any other securities of any nature or kind of Buffalo.

3. Representations and Warranties of Twin Butte

Twin Butte represents and warrants to the Securityholder, and acknowledges that the Securityholder is relying upon such representations and warranties in entering into this Support Agreement, that:

- (a) Twin Butte has good and sufficient corporate power, authority and right to enter into this Support Agreement and to complete the transactions contemplated hereby; and
- (b) this Support Agreement constitutes a legal, valid and binding obligation of Twin Butte enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered, and neither the execution of this Support Agreement by it nor the consummation by it of the transactions contemplated hereby will constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which Twin Butte is a party or by which it is bound.

4. Termination

In the event that:

- (a) the Arrangement Agreement is terminated in accordance with its terms; or
- (b) the Arrangement is not completed by November 16, 2009;
- (c) Twin Butte has breached or failed to perform any of its covenants or agreements herein contained in a material respect or any of the representations and warranties of Twin Butte set forth herein are not true and correct in any material respect; or
- (d) the Arrangement Agreement is amended, modified or supplemented in any manner whatsoever to reduce the consideration to be received by the Securityholder pursuant to the Arrangement and the Securityholder has not consented to such amendment, modification or supplement in writing;

this Support Agreement shall forthwith become void and of no further force or effect without any further action by the Securityholder or Twin Butte provided that the foregoing shall not release any party from any liability for any breach of this Support Agreement.

5. Assignment

No party to this Support Agreement may assign any of its rights or obligations hereunder without the prior written consent of the other party. Subject to the foregoing, this Support Agreement shall be binding upon and shall enure to the benefit of and be enforceable by the Securityholder, Twin Butte and their respective heirs, executors, administrators, personal representatives, successors at law and permitted assigns.

6. Future Amendments

To the extent the Arrangement Agreement is amended, modified, restated, replaced or superseded from time to time, all references herein to the Arrangement Agreement shall be to the Arrangement Agreement as amended, modified or restated from time to time or to the agreement which has replaced or superseded it from time to time, and all references to particular sections of the Arrangement Agreement shall be deemed to be references to the analogous provision in the Arrangement Agreement as amended, modified or restated from time to time or to the agreement which has replaced or superseded it from time to time.

7. Time

Time shall be of the essence of this Support Agreement.

8. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered or sent by facsimile or email transmission with confirmation of receipt:

- (a) in the case of the Securityholder to:

c/o Buffalo Resources Corp.
410, 396 – 11th Avenue S.W.
Calgary, Alberta T2R 0C5

Attention: President and Chief Executive Officer
Facsimile: (403) 252-1399
Email: btrickett@buffaloresources.com

- (b) in the case of Twin Butte to:

Twin Butte Energy Ltd.
600, 324 – 8th Avenue S.W.
Calgary, Alberta T2P 2Z2

Attention: President and Chief Executive Officer
Facsimile: (403) 215-2055
Email: jsaunders@twinbutteenergy.com

or at such other address or facsimile number as the party to which such notice or other communication is to be given has last notified the party giving the same in the manner herein provided. Any notice or communication so given shall be deemed to be received on the day of delivery, if delivered, and on the day of sending, if sent by facsimile or email transmission; provided that if such day of delivery or sending is not a business day at the point of receipt then such notice or communication shall be deemed to have been received on the first business day thereafter.

9. Governing Law

This Support Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, and the parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta with respect to claims arising hereunder.

10. Counterpart Execution and Facsimile Delivery

This Support Agreement may be signed in counterparts that together shall be deemed to constitute one valid and binding agreement, and delivery of such counterparts may be effected by means of facsimile or email transmission in accordance with the notice provisions set out in Section 8.

If you are in agreement with the foregoing, please indicate your acceptance thereof by signing and returning this letter to Twin Butte.

Yours truly,

TWIN BUTTE ENERGY LTD.

Per: _____

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Securityholder hereby irrevocably accepts the foregoing as of the ____ day of _____, 2009.

WITNESS SIGNATURE

SECURITYHOLDER SIGNATURE

Witness Name (*please print*)

Name of Securityholder (*please print*)

Schedule A

Class of Securities	Number
Buffalo Shares	
Buffalo Options	

Schedule C

Form of Twin Butte Support Agreement

SUPPORT AGREEMENT

_____, 2009

To the Undersigned Securityholder of Twin Butte Energy Ltd.

Dear Sirs:

Re: Support Agreement Respecting the Arrangement Involving Buffalo Resources Corp. ("Buffalo") and Twin Butte Energy Ltd. ("Twin Butte")

Buffalo and Twin Butte have reached an agreement pursuant to which Twin Butte will acquire all of the issued and outstanding common shares of Buffalo under a plan of arrangement (the "**Arrangement**") to be implemented pursuant to an agreement between Buffalo and Twin Butte dated the date hereof (the "**Arrangement Agreement**"). The Arrangement is subject to, among other things, the approval of the holders of common shares of Twin Butte (the "**Twin Butte Shares**") at a meeting of the holders of Twin Butte Shares (the "**Twin Butte Meeting**"). All capitalized terms not otherwise defined herein shall have the meanings given them in the Arrangement Agreement.

For good and valuable consideration, the receipt of which is hereby acknowledged, the undersigned (the "**Securityholder**") hereby enters into this Support Agreement pursuant to which the Securityholder agrees to support the Issuance Resolution and, at the Twin Butte Meeting, vote: (i) the Twin Butte Shares beneficially owned by the Securityholder, directly or indirectly, or over which the Securityholder exercises direction and control, which are set out and described on Schedule A attached hereto and forming part hereof; and (ii) any and all other Twin Butte Shares hereafter acquired, directly or indirectly, or over which control or direction is acquired by the Securityholder, on or before the record date for the Twin Butte Meeting or which are otherwise entitled to be voted at the Twin Butte Meeting ((i) and (ii) are collectively the "**Securityholder's Twin Butte Securities**"); in favour of the Issuance Resolution and other related matters to be considered at the Twin Butte Meeting, and to otherwise support the Issuance Resolution, subject to the terms and conditions of this Support Agreement.

1. Covenants of the Securityholder

The Securityholder covenants and agrees:

- (a) to irrevocably vote or cause to be voted at the Twin Butte Meeting the Securityholder's Twin Butte Securities in favour of the Issuance Resolution and other related matters or resolutions necessary or desirable to implement the Arrangement to be considered at the Twin Butte Meeting (and to provide evidence thereof to Twin Butte not less than five (5) Business Days prior to the Twin Butte Meeting unless the Securityholder is voting at the Meeting);
- (b) not to exercise any dissent rights or any other rights available to the Securityholder to delay, upset or challenge the Issuance Resolution;
- (c) not to exercise any shareholder rights or remedies available at common law pursuant to Applicable Canadian Securities Laws or corporate laws to delay, hinder, upset or challenge the Issuance Resolution;
- (d) to exercise all voting rights attached to the Securityholder's Twin Butte Securities to vote against any resolution to be considered by the Twin Butte Shareholders that, if approved,

could reasonably be considered to reduce the likelihood of success of the Issuance Resolution;

- (e) not to sell, convey or otherwise dispose of any Securityholder's Twin Butte Securities or the voting rights attached thereto from the date hereof through the earlier of the Effective Date or the termination of this Support Agreement in accordance with the terms hereof;
- (f) in the Securityholder's capacity as a director and/or officer of Twin Butte, as applicable, to: (i) use reasonable commercial efforts to cause Twin Butte to perform its obligations under the Arrangement Agreement, to the extent such is within its power; and (ii) comply with the obligations of Twin Butte's directors and officers, as applicable, in the Arrangement Agreement; and
- (g) to refrain from taking, or causing to be taken, any actions that might reasonably be expected to reduce the likelihood of the Arrangement being successfully completed.

It is acknowledged that the covenants of the Securityholder set forth in this Section 1 shall not affect or restrict a Securityholder that is a director or officer of Twin Butte from discharging the Securityholder's fiduciary duties in accordance with the Arrangement Agreement or in accordance with the provisions of Applicable Laws, and the exercise of such duties shall be deemed not to be a breach of this Agreement by the Securityholder.

2. Representations and Warranties of the Securityholder

The Securityholder represents and warrants to Buffalo, and acknowledges that Buffalo is relying upon such representations and warranties in entering into this Support Agreement and the Arrangement Agreement, that:

- (a) the Securityholder has good and sufficient power, authority and right to enter into this Support Agreement and to complete the transactions contemplated hereby;
- (b) this Support Agreement constitutes a legal, valid and binding obligation of the Securityholder enforceable against the Securityholder in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered, and that neither the execution of this Support Agreement by the Securityholder nor the consummation by the Securityholder of the transactions contemplated hereby will constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which the Securityholder is a party or by which the Securityholder is bound;
- (c) no consent, order, approval or authorization, including without limitation any regulatory approval or order or the consent of any lender to the Securityholder, is required in connection with the Securityholder's entering into of this Support Agreement and the Securityholder's consummation of the transactions contemplated hereby; and
- (d) at the date hereof the Securityholder is either the beneficial owner of or exercises direction and control over that number and class of the Securityholder's Twin Butte Securities as set forth on Schedule A attached hereto, and, other than the Securityholder's

Twin Butte Securities set forth on the attached Schedule A, as of the date hereof the Securityholder does not, either directly or indirectly, beneficially own or exercise control or direction over any securities of Buffalo or hold any other option, agreement, right, entitlement or privilege (or any right capable of becoming an option, agreement, right, entitlement or privilege) to purchase or otherwise acquire, either directly or indirectly, any unissued Twin Butte Shares or for the issue of any other securities of any nature or kind of Twin Butte.

3. Representations and Warranties of Buffalo

Buffalo represents and warrants to the Securityholder, and acknowledges that the Securityholder is relying upon such representations and warranties in entering into this Support Agreement, that:

- (a) Buffalo has good and sufficient corporate power, authority and right to enter into this Support Agreement and to complete the transactions contemplated hereby; and
- (b) this Support Agreement constitutes a legal, valid and binding obligation of Buffalo enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered, and neither the execution of this Support Agreement by it nor the consummation by it of the transactions contemplated hereby will constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which Buffalo is a party or by which it is bound.

4. Termination

In the event that:

- (a) the Arrangement Agreement is terminated in accordance with its terms;
- (b) the Arrangement is not completed by November 16, 2009; or
- (c) Buffalo has breached or failed to perform any of its covenants or agreements herein contained in a material respect or any of the representations and warranties of Buffalo set forth herein are not true and correct in any material respect;

this Support Agreement shall forthwith become void and of no further force or effect without any further action by the Securityholder or Buffalo provided that the foregoing shall not release any party from any liability for any breach of this Support Agreement.

5. Assignment

No party to this Support Agreement may assign any of its rights or obligations hereunder without the prior written consent of the other party. Subject to the foregoing, this Support Agreement shall be binding upon and shall enure to the benefit of and be enforceable by the Securityholder, Twin Butte and their respective heirs, executors, administrators, personal representatives, successors at law and permitted assigns.

6. Future Amendments

To the extent the Arrangement Agreement is amended, modified, restated, replaced or superseded from time to time, all references herein to the Arrangement Agreement shall be to the Arrangement Agreement as amended, modified or restated from time to time or to the agreement which has replaced or superseded it from time to time, and all references to particular sections of the Arrangement Agreement shall be deemed to be references to the analogous provision in the Arrangement Agreement as amended, modified or restated from time to time or to the agreement which has replaced or superseded it from time to time.

7. Time

Time shall be of the essence of this Support Agreement.

8. Notices

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered or sent by facsimile or email transmission with confirmation of receipt:

- (a) in the case of the Securityholder to:

Twin Butte Energy Ltd.
600, 324 – 8th Avenue S.W.
Calgary, Alberta T2P 2Z2

Attention: President and Chief Executive Officer
Facsimile: (403) 215-2055
Email: jsaunders@twinbutteenergy.com

- (b) in the case of Buffalo to:

Buffalo Resources Corp.
410, 396 – 11th Avenue S.W.
Calgary, Alberta T2R 0C5

Attention: President and Chief Executive Officer
Facsimile: (403) 252-1399
Email: btrickett@buffaloresources.com

or at such other address or facsimile number as the party to which such notice or other communication is to be given has last notified the party giving the same in the manner herein provided. Any notice or communication so given shall be deemed to be received on the day of delivery, if delivered, and on the day of sending, if sent by facsimile or email transmission; provided that if such day of delivery or sending

is not a business day at the point of receipt then such notice or communication shall be deemed to have been received on the first business day thereafter.

9. Governing Law

This Support Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, and the parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta with respect to claims arising hereunder.

10. Counterpart Execution and Facsimile Delivery

This Support Agreement may be signed in counterparts that together shall be deemed to constitute one valid and binding agreement, and delivery of such counterparts may be effected by means of facsimile or email transmission in accordance with the notice provisions set out in Section 8.

If you are in agreement with the foregoing, please indicate your acceptance thereof by signing and returning this letter to Buffalo.

Yours truly,

BUFFALO RESOURCES CORP.

Per: _____

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Securityholder hereby irrevocably accepts the foregoing as of the ____ day of _____, 2009.

WITNESS SIGNATURE

SECURITYHOLDER SIGNATURE

Witness Name (*please print*)

Name of Securityholder (*please print*)

Schedule A

Class of Securities	Number
Twin Butte Shares	