

[REDACTED VERSION]

**CREDIT AGREEMENT
(AMENDED AND RESTATED)**

BETWEEN

**TWIN BUTTE ENERGY LTD.
(as Borrower)**

- and -

**CERTAIN FINANCIAL INSTITUTIONS
(as Lenders)**

- and -

**NATIONAL BANK OF CANADA
(as Administrative Agent)**

**NATIONAL BANK FINANCIAL INC.
(as Lead Arranger and Sole Bookrunner)**

DATED AS OF: November 1, 2012

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**CREDIT AGREEMENT
(Amended and Restated)**

THIS AGREEMENT is amended and restated as of November 1, 2012.

BETWEEN:

TWIN BUTTE ENERGY LTD., a corporation amalgamated under the laws of Alberta (hereinafter referred to as the "Borrower")

-and-

NATIONAL BANK OF CANADA, and those other financial institutions named on Schedule "A" annexed hereto, and such other financial institutions as may become parties hereto, as Lenders

- and -

NATIONAL BANK OF CANADA, a Canadian chartered bank, as underwriter and administrative agent of the Lenders herein (hereinafter referred to as the "Administrative Agent")

WHEREAS the Borrower, certain Lenders and the Administrative Agent are parties to the Credit Agreement (Amended and Restated) dated August 29, 2012 ("**Previous Credit Agreement**") and wish to enter into this Agreement to amend and restate the Previous Credit Agreement as of the date of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby conclusively acknowledged by each of the parties hereto, the parties hereto covenant and agree as follows.

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Acceptance**" or "**Bankers' Acceptance**" or "**BA**" means, (i) in respect of a Lender which is a bank, a bill of exchange drawn by the Borrower on such Lender which is accepted by the Lender, (ii) in respect of a Lender which is not a bank, a promissory note or other evidence of indebtedness bearing no interest and made payable by the Borrower to the Lender, or (iii) a depository bill under the DBNA;

"**Accounting Change**" has the meaning set out in Section 1.4;

"**Accounting Change Notice**" has the meaning set out in Section 1.4;

"**Additional Compensation**" has the meaning set out in Section 5.1;

"**Administrative Agent**" means NBC and any successor Administrative Agent appointed pursuant to Section 15.11;

"**Administrative Agent's Branch of Account**" means the branch located at 301-6th Avenue S.W., Calgary, Alberta, T2P 4M9 or any other branch of the Administrative Agent in Canada as may be designated by the Administrative Agent from time to time;

"**Advance**" means an advance of funds made by the Lenders or by any one or more of them to the Borrower pursuant to this Agreement, but does not include any Conversion or Rollover;

"**Affiliate**" means any Person which, directly or indirectly, controls, is controlled by or is under common control with another Person; and, for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" or "under common control with") means the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of shares or by contract or otherwise;

"**Agreeing Lenders**" has the meaning set out in Section 2.15(d);

"**Agreement**" means this Credit Agreement as amended, modified, supplemented or restated from time to time in accordance with the provisions hereof;

"**AML Legislation**" shall have the meaning set out in Section 20.1;

"**Applicable Margin**" means, as regards to any Borrowing or the fees payable in accordance with Article 7, the margin/fee per annum set forth below in the column under the then Debt/EBITDA Ratio applicable to the type of Borrowing or fee: **[margin/fees redacted]**

APPLICABLE MARGIN						
Debt/EBITDA Ratio	<1.00	≥1.00<1.50	≥1.50<2.00	≥2.00<2.50	≥2.50<3.00	≥3.00
Canadian Prime Rate Loan/U.S. Base Rate Loan	[Amounts Redacted]					
BA/Libor Loan						
LC/LG						
Standby Fees						

provided that:

- (a) the Applicable Margin shall be determined from the quarterly unaudited consolidated (with Material Subsidiaries only) financial statements for the first three fiscal quarters and the annual audited consolidated (with Material Subsidiaries only) financial statements for the last quarter delivered by the Borrower pursuant to this Agreement (the "Margin Statements");
- (b) the Applicable Margin as determined from the Margin Statements shall be effective as

and from the first day of the fourth month following the end of each fiscal quarter (the "Margin Date") to the next Margin Date ("Margin Period"), and without limiting the generality of the foregoing, any change in the Applicable Margin shall apply to any outstanding BAs, Libor Loans and Documentary Instruments as of the effective date of such change as described above;

- (c) in the event the Borrower fails to deliver Margin Statements to the Lenders as required by this Agreement then the Debt/EBITDA Ratio for the Margin Period for which they were not delivered shall be deemed to be >3.00:1 for the period up to the date that the Margin Statements are delivered to the Lenders;
- (d) for the period from the date hereof to the next Margin Date, the Applicable Margin shall be deemed to be the Applicable Margin under the column entitled " $\geq 1.00 < 1.50$ ";
- (e) during the Term Period of any Non-Agreeing Lender, [Amount Redacted]% shall be added to each of the above Applicable Margins, and without limiting the generality of the foregoing, such addition to the Applicable Margin shall apply to any outstanding BAs, Libor Loans and Documentary Instruments as of the commencement of the Term Period;
- (f) during a Borrowing Base Shortfall, [Amount Redacted]% shall be added to each of the above Applicable Margins, and without limiting the generality of the foregoing, such addition to the Applicable Margin shall apply to any outstanding BAs, Libor Loans and Documentary Instruments as of the commencement of the Borrowing Base Shortfall;
- (g) upon the occurrence of an Event of Default, to the extent permitted by law, [Amount Redacted]% shall be added to each of the above Applicable Margins other than Standby Fees, and without limiting the generality of the foregoing, such addition to the Applicable Margin shall apply to any outstanding BAs, Libor Loans and Documentary Instruments as of the date of the occurrence of the Event of Default; and
- (h) the Applicable Margins set out above shall be effective as and from the date of this Agreement and for greater certainty, the above Applicable Margin shall apply to all outstanding BAs, Libor Loans and Documentary Instruments effective as of the date of this Agreement;

"Average Daily Production" means the average daily petroleum and natural gas production (before royalties) of the Borrower and Material Subsidiaries for the fiscal quarter immediately preceding the entering into of a Commodity Agreement by the Borrower or Material Subsidiary subject to adjustments, as agreed to by the Administrative Agent acting reasonably, for acquisitions and dispositions of petroleum and natural gas reserves by the Borrower and the Material Subsidiaries in the fiscal quarter in which the Commodity Agreement is entered into and during such immediately preceding fiscal quarter;

"BA Discount Rate" means:

- (a) in relation to a Bankers' Acceptance accepted by a Schedule I Lender, the CDOR Rate;
- (b) in relation to a Bankers' Acceptance accepted by a Schedule II Lender or Schedule III Lender, the lesser of:
 - (i) the discount rate at which such Schedule II or Schedule III Lender is offering on

the applicable day for the purchase of Bankers' Acceptances accepted by it in a comparable amount and having a comparable issue and maturity dates to those being proposed to be issued by the Borrower; and

(ii) the CDOR Rate plus 0.10% per annum;

provided that if both such rates are equal, then the "BA Discount Rate" applicable thereto shall be the rate specified in (i) above; and

(c) in relation to a BA Equivalent Advance made by: (i) a Non-Acceptance Lender other than Alberta Treasury Branches, the CDOR Rate plus 0.10% per annum; and (ii) Alberta Treasury Branches, the rate set out in subclause (a) of this definition;

"BA Equivalent Advance" means, in relation to a Drawdown of, Conversion into or Rollover of Bankers' Acceptances, an advance in Canadian Dollars made by a Non-Acceptance Lender as part of such Borrowing;

"Banking Day" means a day on which banks are open for business in Calgary, Alberta, Montreal, Quebec, Toronto, Ontario and New York, New York (and London, England in respect of Libor Loans), but does not, in any event, include a Saturday or Sunday

"Borrower" means Twin Butte Energy Ltd.;

"Borrower Assets" means, collectively, all of the real and personal property, assets, undertakings, title, interests, rights and benefits owned by the Borrower;

"Borrower Request" has the meaning set out in Section 2.15(a);

"Borrower Security" means the security provided or to be provided by the Borrower in accordance with Article 12;

"Borrowing Base" means the Canadian dollar limit for the purposes of providing loan coverage under the Credit Facility, established from time to time by the Lenders in accordance with the terms hereof;

"Borrowing Base Certificate" means a certificate in the form of Schedule "H" attached hereto;

"Borrowing Base Notice" has the meaning set out in Section 2.13;

"Borrowing Base Shortfall" has the meaning set out in Section 2.14;

"Borrowings" means Loans, Bankers' Acceptances, BA Equivalent Advances and Documentary Instruments outstanding under this Agreement and, if the context requires, means at any given time during the term of this Agreement, the principal amount outstanding under this Agreement by way of Loans together with the uncanceled and undrawn face amount of outstanding Bankers' Acceptances, BA Equivalent Advances and Documentary Instruments;

"Canadian Dollars" and **"Cdn. \$"** means the lawful money of Canada;

"Canadian Dollar Account" means the Canadian Dollar account established on behalf of the Borrower by the Administrative Agent at the branch of the Administrative Agent's Branch of

Account;

"Canadian Prime Rate Loan" means an Advance in, Drawdown in or Conversion into a Loan denominated in Canadian Dollars made by the Lenders to the Borrower and bearing interest at the Prime Rate plus the Applicable Margin;

"Capital Lease" means, with respect to any Person, any lease or other arrangement relating to real or personal property which should, in accordance with GAAP, be accounted for as a capital lease on a balance sheet of such Person;

"CDOR Rate" means, on any date which Bankers' Acceptances are to be issued pursuant hereto, the per annum rate of interest which is the rate determined as being the arithmetic average of the annual yield rates applicable to Canadian Dollar bankers' acceptances having identical issue and comparable maturity dates as the Bankers' Acceptances proposed to be issued by the Borrower displayed and identified as such on the display referred to as the "CDOR Page" (or any display substituted therefor) of Reuter Monitor Money Rates Service as at approximately 10:00 a.m. (Toronto time) on such day, or if such day is not a Banking Day, then on the immediately preceding Banking Day (as adjusted by the Administrative Agent in good faith after 10:00 a.m. (Toronto time) to reflect any error in a posted rate or in the posted average annual rate); provided, however, if such a rate does not appear on such CDOR Page, then the CDOR Rate, on any day, shall be the discount rate quoted by the Administrative Agent (determined as of 10:00 a.m. (Toronto time) on such day) which would be applicable in respect of an issue of bankers' acceptances in a comparable amount and with comparable maturity dates to the Bankers' Acceptances proposed to be issued by the Borrower on such day, or if such day is not a Banking Day, then on the immediately preceding Banking Day;

"Change of Control" means the occurrence of any of the following events:

- (i) any Person or Persons acting jointly or in concert (within the meaning of the Securities Act (Alberta)), shall beneficially, directly or indirectly, hold or exercise control or direction over and/or has the right to acquire or control or direction over (whether such right is exercisable immediately or only after the passage of time) more than 30% of the issued and outstanding Voting Shares of the Borrower;
- (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of the Borrower cease, for any reason, to constitute at least a majority of the board of directors of the Borrower, unless the election or nomination for election of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period ("Incumbent Directors") and in particular, any new director who assumes office in connection with or as a result of an actual or threatened proxy or other election contest of the board of directors of the Borrower shall never be an Incumbent Director; or
- (iii) the Borrower ceases to own, control or direct 100% of the Voting Shares of a Material Subsidiary;

"CICA" means the Canadian Institute of Chartered Accountants;

"Commitment" means the commitment by each Lender under each of the Operating Facility and

Production Facility, as applicable, to make Borrowings available to the Borrower in Canadian Dollars or the Equivalent Amount in U.S. Dollars in the amounts set forth opposite its name in Schedule "A" annexed hereto, or if the context so requires, the aggregate of each Lender's Commitments as set forth in Schedule "A" annexed hereto under "Credit Facility Commitments", subject to any reduction or increase in accordance with the provisions hereof;

"Commodity Agreement" means any agreement for the making or taking of delivery of any commodity (including, without limitation, Petroleum Substances but excluding agreements for the sale of Petroleum Substances in the ordinary course of business which are terminable on less than 31 days notice without penalty or costs), any commodity swap agreement, floor, cap or collar agreement or commodity future or option or other similar agreements or arrangements, or any combination thereof, entered into by a Loan Party, the purpose and effect of which is to mitigate or eliminate such Loan Party's exposure to fluctuations in commodity prices, including such agreements relating to physical transactions;

"Compliance Certificate" means a certificate of the Borrower signed on its behalf by the president, chief executive officer, chief operating officer, chief financial officer or any vice president of the Borrower, substantially in the form annexed hereto as Schedule "B", to be given to the Administrative Agent and the Lenders by the Borrower pursuant hereto;

"Conversion" means a conversion or deemed conversion of a Borrowing under the Credit Facility into another type of Borrowing pursuant to the provisions hereof, provided that, subject to Section 2.6 and to Article 3 with respect to Bankers' Acceptances, the conversion of a Borrowing denominated in one currency to a Borrowing denominated in another currency shall be effected by repayment of the Borrowing or portion thereof being converted in the currency in which it was denominated and readvance to the Borrower of the Borrowing into which such conversion was made;

"Conversion Date" means the date specified by the Borrower as being the date on which the Borrower has elected to convert, or this Agreement requires the conversion of, one type of Borrowing into another type of Borrowing and which shall be a Banking Day;

"Conversion Notice" means a notice substantially in the form annexed hereto as Schedule "C" to be given to the Administrative Agent by the Borrower pursuant hereto;

"Credit Facility" means collectively the Operating Facility and Production Facility in the principal amount of Canadian Dollars specified from time to time in Schedule "A" or the Equivalent Amount in U.S. Dollars to be made available to the Borrower by the Lenders in accordance with the provisions hereof, subject to any reduction or increase in accordance with the provisions hereof;

"Currency Excess" has the meaning set out in Section 2.16;

"Currency Hedging Agreement" means any currency swap agreement, cross-currency agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into by any Loan Party, the purpose and effect of which is to mitigate or eliminate such Loan Party's exposure to fluctuations in currency exchange rates;

"Current Assets" means, as at any date of determination, the current assets of the Borrower on a consolidated basis with only Material Subsidiaries for such date as determined in accordance with

generally accepted accounting principles but excluding the impact of any mark to market unrealized gains in respect of Financial Instruments recorded in accordance with generally accepted accounting principles;

"Current Liabilities" means, as at any date of determination, the current liabilities of the Borrower on a consolidated basis with only Material Subsidiaries for such date as determined in accordance with generally accepted accounting principles but excluding: (i) any current liabilities under the Credit Facility other than those that arise or become due pursuant to Sections 2.1(b), 2.13(d), 2.14, 2.16, 8.1 or Article 13; and (ii) the impact of any mark to market unrealized losses or gains in respect of Financial Instruments recorded in accordance with generally accepted accounting principles;

"Current Ratio" means the ratio of (i) Current Assets plus any undrawn availability under the Credit Facility to (ii) Current Liabilities;

"DBNA" means the Depository Bills and Notes Act (Canada) as may be amended or replaced from time to time;

"Debt" means, as at any date of determination, all obligations, liabilities and indebtedness of the Borrower which would, in accordance with generally accepted accounting principles, be classified upon a consolidated (with Material Subsidiaries only) balance sheet of the Borrower for such date as indebtedness for borrowed money and, whether or not so classified, shall include (without duplication):

- (a) indebtedness of the Borrower and Material Subsidiaries for borrowed money;
- (b) obligations of the Borrower and Material Subsidiaries arising pursuant to bankers' acceptances (including payment and reimbursement obligations in respect thereof);
- (c) obligations of the Borrower and Material Subsidiaries arising pursuant to letters of credit and letters of guarantee to the extent they support obligations which would otherwise constitute Debt within the meaning of this definition or indemnities issued in connection therewith;
- (d) obligations of the Borrower and Material Subsidiaries under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the indebtedness for borrowed money of any other Person or the obligations of any other Person which would otherwise constitute Debt within the meaning of this definition and all other obligations incurred for the purpose of or having the effect of providing financial assistance to another Person in respect of indebtedness or such other obligations;
- (e) in respect of any Capital Lease entered into by the Borrower or a Material Subsidiary as lessee, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with generally accepted accounting principles) of the lease payments of the lessee, including all rent and payments to be made by the lessee in connection with the return of the leased property, during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended); provided that Debt shall not include the obligations of the Borrower or a Material Subsidiary in respect of any lease characterized as an operating lease under generally accepted accounting principles or which is a premises lease, and which, in each case, is entered into in the ordinary course of business on prevailing commercial terms or

in respect of P&NG Leases;

- (f) all obligations of the Borrower and Material Subsidiaries representing the deferred purchase price of any property, and all obligations of the Borrower and Material Subsidiaries created or arising under any conditional sales agreement or other title retention agreement;
- (g) deferred revenues of the Borrower and Material Subsidiaries relating to third party obligations;
- (h) the redemption amounts of any equity of the Borrower and Material Subsidiaries (each a "Redeeming Party") where the holder of such equity is not a Loan Party and has the option to require the redemption of such equity for cash or property, other than equity of any of the Redeeming Parties, and payment of the redemption amounts;
- (i) any Distribution (other than to the Borrower or Material Subsidiaries) declared but not yet paid;
- (j) all losses actually incurred under any Financial Instruments that are due and owing;
- (k) Working Capital Deficit, provided that if Current Assets exceed Current Liabilities the Debt of the Borrower shall be reduced by such excess amount; and
- (l) without duplication of any of the matters referenced above, obligations of the Borrower and Material Subsidiaries under Sale/Lease-Backs;

"Debt/EBITDA Ratio" means, as at the end of a fiscal quarter, the ratio of Debt as at the end of such fiscal quarter to EBITDA for the 12 months ending at the end of such fiscal quarter;

"Default" means any event or circumstance which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default;

"Defaulting Lender" means any Lender:

- (a) that has failed to fund any payment or its portion of any Borrowing required to be made by it hereunder or to purchase any participation required to be purchased by it hereunder and under the other Documents;
- (b) that has notified the Borrower, the Administrative Agent or any Lender (verbally or in writing) that it does not intend to or is unable to comply with any of its funding obligations under this Agreement or has made a public statement to that effect or to the effect that it does not intend to or is unable to fund advances generally under credit arrangements to which it is a party;
- (c) that has failed, within three (3) Banking Days after request by the Administrative Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Borrowings;

- (d) that has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Banking Days of the date when due, unless the subject of a good faith dispute; or
- (e) in respect of which a Lender Insolvency Event or a Lender Distress Event has occurred in respect of such Lender or its Lender Parent;

"Discount" means, with respect to any Acceptance, the amount determined by multiplying the face value of the Acceptance by the Discount Rate, where Discount Rate is calculated (rounded up or down to the fifth decimal place) as follows:

$$1 - \left[\frac{1}{1 + \left(\text{BA Discount Rate} \times \frac{\text{no. of days in the period of Acceptance}}{365} \right)} \right]$$

"Discount Proceeds" means the net cash proceeds to the Borrower from the sale of a Bankers' Acceptance pursuant hereto at the BA Discount Rate, before deduction or payment of the fees to be paid to the Lenders under Section 7.3, determined by multiplying the face amount of the Acceptance by the Price, where the Price is calculated (rounded up or down to the fifth decimal place) as follows:

$$\frac{1}{1 + \left(\text{BA Discount Rate} \times \frac{\text{no. of days in the period of Acceptance}}{365} \right)}$$

"Distribution" means:

- (a) the declaration, payment or setting aside for payment of any dividend or other distribution on or in respect of any equity of the Borrower or a Subsidiary;
- (b) the redemption, retraction, purchase, retirement or other acquisition, in whole or in part, of any equity of the Borrower or a Subsidiary or any securities, instruments or contractual rights capable of being converted into, exchanged or exercised for equity of the Borrower or a Subsidiary, including, without limitation, options, warrants, conversion or exchange privileges and similar rights;
- (c) the making of any loan or advance or any provision of credit to: (i) any equityholder of the Borrower; or (ii) a Subsidiary;
- (d) the payment of any principal, interest, fees or other amounts on or in respect of:
 - (i) any loans, advances or other debt; or
 - (ii) any securities issued by the Borrower or a Subsidiary which is in accordance with generally accepted accounting principles, are classified as part of equity but the terms of which entitle the holder thereof to receive payments of money,

owing at any time by the Borrower or a Subsidiary to any equityholder of the Borrower or a Subsidiary, to Affiliates of the Borrower or a Subsidiary or to equityholders of Affiliates of the Borrower or a Subsidiary;

"Documentary Instruments" means collectively, Letters of Guarantee and Letters of Credit and **"Documentary Instrument"** means a Letter of Guarantee or a Letter of Credit;

"Documents" means this Agreement, the Security and all certificates, notices, instruments and other documents delivered or to be delivered to the Administrative Agent or the Lenders, or both, in relation to the Credit Facility and MasterCard Facility pursuant hereto or thereto and, when used in relation to any Person, the term **"Documents"** shall mean and refer to the Documents executed and delivered by such Person;

"Drafts" means drafts, bills of exchange, receipts, acceptances, demands and other requests for payment drawn or issued under a Documentary Instrument;

"Drawdown" means:

(a) with respect to the Production Facility:

- (i) an Advance of a Canadian Prime Rate Loan, U.S. Base Rate Loan or Libor Loan; or
- (ii) the issue of Bankers' Acceptances (or the making of a BA Equivalent Advance in lieu thereof),

but does not include any Conversion or Rollover;

(b) with respect to the Operating Facility:

- (i) an Advance of a Canadian Prime Rate Loan or U.S. Base Rate Loan; or
- (ii) the issue of Documentary Instruments ,

but does not include any Conversion or Rollover;

"Drawdown Date" means the date on which a Drawdown is made by the Borrower pursuant to the provisions hereof and which shall be a Banking Day;

"Drawdown Notice" means a notice substantially in the form annexed hereto as Schedule "D" to be given to the Administrative Agent by the Borrower pursuant hereto;

"EBITDA" means, for any fiscal period and as determined in accordance with GAAP (on a consolidated basis with the Material Subsidiaries only) in respect of the Borrower:

- (a) all Net Income for such period; plus
- (b) Interest Expense to the extent deducted in determining such Net Income; plus
- (c) all amounts deducted in the calculation of such Net Income in respect of the provision for income taxes; plus

- (d) all amounts deducted in the calculation of such Net Income in respect of non-cash items, including depreciation, depletion, amortization (including amortization of goodwill and other intangibles), accretion, deferred income taxes, foreign currency obligations, non-cash losses resulting from marking-to-market the outstanding hedging and financial instrument obligations of the Borrower and Material Subsidiaries, non-cash compensation expenses, provisions for impairment of oil and gas assets and any other non-cash expenses for such period; plus
- (e) one-time transaction costs and fees relating to acquisitions, dispositions, arrangements, equity offerings and other similar transactions which are deducted in the calculation of such Net Income and which, prior to the Borrower's adoption of IFRS as of January 1, 2011, would have been capitalized, including investment banking fees, legal fees, termination costs and other similar expenses; plus
- (f) losses attributable to extraordinary and non-recurring losses of the Borrower and its Material Subsidiaries, in each case to the extent deducted in the calculation of such Net Income;

less (on a consolidated basis with the Material Subsidiaries only), without duplication:

- (g) earnings attributable to extraordinary and non-recurring earnings and gains of the Borrower and its Material Subsidiaries, in each case to the extent included in the calculation of such Net Income;
- (h) to the extent included in such Net Income, gains from asset sales;
- (i) the net income of any Material Subsidiary of the Borrower, to the extent that the distribution by that Material Subsidiary of amounts of such Net Income to the Borrower is restricted by a contract, operation of law or otherwise;
- (j) all cash payments during such period relating to non-cash charges which were added back in determining EBITDA in any prior period; and
- (k) to the extent included in such Net Income, any other non-cash items increasing such Net Income for such period for such period, including non-cash gains resulting from marking-to-market the outstanding hedging and financial instrument obligations of the Borrower and Material Subsidiaries for such period;

provided that for the purposes of this definition if a Loan Party makes a Material Acquisition (whether by amalgamation, asset or share acquisition or otherwise) at any time during the relevant period of calculation, such Material Acquisition shall be deemed to have been made on and as of the first day of such calculation period; and if a Loan Party makes a Material Disposition (whether by asset or share disposition or otherwise) at any time during the relevant period of calculation, or the assets cease to be owned by a Loan Party, such Material Disposition shall be deemed to have been made on and as of the first day of such calculation period, provided further that prior to making any adjustment to EBITDA for such acquisitions or dispositions, the Borrower must have first delivered to the Lenders all such relevant information in such detail as reasonably required by the Lenders (including supporting financial statements) relating to the acquisition or disposition certified by the president, chief executive officer, chief operating officer, chief financial officer or vice president-finance of the Borrower, and the Lenders, acting

reasonably, must have approved same and the Lenders shall provide notice of this approval or non-approval within 15 days of receiving all of the requisite information; and further provided, EBITDA shall be calculated: (i) for the twelve (12) months ending September 30, 2012 by multiplying such EBITDA for the fiscal quarter commencing July 1, 2012 and ending September 30, 2012 by four; (ii) for the twelve (12) months ending December 31, 2012 by multiplying the EBITDA for such fiscal quarter and the immediately preceding fiscal quarter by two; (iii) for the twelve (12) months ending March 31, 2013 by multiplying the EBITDA for such fiscal quarter and the two immediately preceding fiscal quarters by the fraction 4/3; and (iv) for each fiscal quarter thereafter the EBITDA for the 12 months ending at the end of such fiscal quarter ;

"Eligible Assignee" means any Person other than a natural person, the Borrower or any Affiliate of the Borrower;

"Engineering Report" means a report on the reserves of Petroleum Substances attributable to the Borrower Assets and Subsidiary Assets (in form and substance satisfactory to the Majority Lenders, acting reasonably) prepared either by the internal petroleum engineers of the Borrower ("internal report") or, if required by the terms of this Agreement or by the Majority Lenders, by an Independent Engineer ("external report"), and such external report shall, as of the date of such report, include the following and such internal report shall, as of the date of such report, include, if and to the extent requested by the Majority Lenders, acting reasonably, some or all of the following: anticipated rates of production, shrinkage and reinjection of Petroleum Substances; Crown, freehold and overriding royalties and freehold mineral taxes with respect to Petroleum Substances produced from or attributable to such Borrower Assets and Subsidiary Assets; production, revenue, value-added, wellhead or severance taxes, imposts or levies with respect to Petroleum Substances produced from or attributable to such Borrower Assets and Subsidiary Assets; operating costs; gathering, transporting, processing, marketing and storage fees payable with respect to Petroleum Substances produced from or attributable to such Borrower Assets and Subsidiary Assets; capital expenditures expected to be necessary to achieve anticipated rates of production; and net cash flow with respect to such Borrower Assets and Subsidiary Assets;

"Environmental Certificate" means a certificate of the Borrower signed on its behalf by the president, chief executive officer, chief operating officer or chief financial officer, substantially in the form annexed hereto as Schedule "I", to be given to the Administrative Agent and the Lenders by the Borrower pursuant hereto;

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, claims, liens, notices of non-compliance or violation, investigations, inspections, inquiries or proceedings relating in any way to any Environmental Laws or to any permit issued under any such Environmental Laws including without limitation:

- (a) any claim by a Governmental Authority for enforcement, clean-up, removal, response, remedial or other actions or damages pursuant to any Environmental Laws; and
- (b) any claim by a Person seeking damages, contribution, indemnification, cost recovery, compensation or injunctive or other relief resulting from or relating to Hazardous Materials, including any Release thereof, or arising from alleged injury or threat of injury to human health or safety (arising from environmental matters) or the environment;

"Environmental Laws" means all applicable federal, provincial, regional, municipal or local laws, including those at common law or in equity, with respect to the environment or environmental or occupational health and safety matters contained in statutes, regulations, rules,

ordinances, orders, judgments, approvals, notices, permits or policies, guidelines or directives having the force of law;

"Equivalent Amount" means, on any date, the equivalent amount in Canadian Dollars or U. S. Dollars, as the case may be, after giving effect to a conversion of a specified amount of U.S. Dollars to Canadian Dollars or of Canadian Dollars to U.S. Dollars, as the case may be, as determined in accordance with Section 1.8;

"Event of Default" has the meaning set out in Section 13.1;

"Existing Financial Instruments" means the Financial Instruments outstanding as of the date of this Agreement and described in Schedule "J" hereto entered into or assumed or will be transferred to or assumed by any of the Lenders or Hedging Affiliates in respect of Emerge Oil & Gas Inc., a predecessor to the Borrower, or for which an indemnity has been provided by any of the Lenders or Hedging Affiliates;

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Banking Day, the average of the quotations for such day (rounded off as necessary upwards to one sixteenth of one percent (1/16 of 1%)) on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. In the case of a day which is not a Banking Day, the Federal Funds Effective Rate for such day shall be the Federal Funds Effective Rate for the preceding Banking Day;

"Financial Instrument" means any Interest Hedging Agreement, Currency Hedging Agreement or Commodity Agreement;

"Financial Instrument Demand for Payment" means a demand or notice made pursuant to a Financial Instrument demanding payment of a Financial Instrument Obligation as a result of a default or breach under such Financial Instrument and shall include, without limitation, any notice under any agreement evidencing a Financial Instrument which, when delivered, would require an early termination thereof and a payment by the Borrower or Material Subsidiary in settlement of obligations thereunder as a result of such early termination;

"Financial Instrument Obligations" means all indebtedness, liabilities and obligations (including without limitation contingent obligations and liabilities) of the Borrower or Material Subsidiary arising under any Financial Instrument entered into by the Borrower or Material Subsidiary, including without limitation, Existing Financial Instruments;

"GAAP" has the meaning set out in Section 1.4(a);

"Governmental Authority" means any federal, provincial, state, regional, municipal or local government or any department, agency, board, tribunal or authority thereof or other political subdivision thereof and any entity or Person exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government or the operation thereof;

"Hazardous Materials" means any substance or mixture of substances which, if Released, would likely cause, immediately or at some future time, harm or degradation to the environment or to human health or safety and includes any substance determined to be a pollutant,

contaminant, waste, hazardous waste, hazardous chemical, hazardous substance, toxic substance or dangerous good under any Environmental Law;

"Hedging Affiliate" means an Affiliate of a Lender which: (i) enters into or assumes a Financial Instrument with the Borrower or Material Subsidiary after the date of this Agreement and before the Lender ceases to be a Lender; or (ii) has entered into or assumed an Existing Financial Instrument;

"Hedging Obligations" means, subject to Section 12.9(a), the Financial Instrument Obligations to a Lender or any Hedging Affiliate pursuant to: (i) one or more Financial Instruments entered into after the date of this Agreement but only to the extent such Financial Instruments constituted on the date on which they were entered, Permitted Hedging; and (ii) Existing Financial Instruments;

"IASC Foundation" has the meaning ascribed thereto in the definition of IFRS;

"IFRS" means International Financial Reporting Standards including International Accounting Standards and Interpretations together with their accompanying documents which are set by the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation (the **"IASC Foundation"**), and the International Financial Reporting Interpretations Committee, the interpretative body of the IASC Foundation but only to the extent the same are adopted by the CICA as generally accepted accounting principles in Canada and then subject to such modifications thereto as are agreed by CICA;

"Independent Engineer" means any firm of independent petroleum engineers approved by the Majority Lenders, acting reasonably;

"Information" has the meaning set out in Section 17.3(b);

"Insurance" means insurance of such types, in such amounts and with such deductibles as are customary in the case of businesses of established reputation engaged in the same or similar businesses and in any event as are acceptable to the Lenders, acting reasonably;

"Intercompany Indebtedness" means indebtedness as between: (i) the Borrower and a Material Subsidiary; or (ii) a Material Subsidiary and another Material Subsidiary, provided that in each case the Borrower and Material Subsidiary has executed and delivered Security to the Administrative Agent over all of the assets of the Borrower or the Material Subsidiary, as applicable, that ranks as a first charge (subject to Permitted Encumbrances) over such assets for the benefit of the Lenders and Hedging Affiliates;

"Interest Expense" means, for any fiscal period, without duplication, interest expense of the Borrower determined on a consolidated basis with the Material Subsidiaries only in accordance with GAAP, as the same would be set forth or reflected in such a consolidated statement of operations of the Borrower and, in any event and without limitation, shall include:

- (a) all interest accrued or payable in respect of such period, including capitalized interest and imputed interest with respect to lease obligations included as Debt;
- (b) all fees (including standby and commitment fees, acceptance fees in respect of bankers' acceptances and fees payable in respect of letters of credit, letters of guarantee and

similar instruments) accrued or payable in respect of such period, prorated (as required) over such period;

- (c) any difference between the face amount and the discount proceeds of any bankers' acceptances, commercial paper and other obligations issued at a discount, prorated (as required) over such period;
- (d) the aggregate of all purchase discounts relating to the sale of accounts receivable in connection with any asset securitization program; and
- (e) all net amounts charged or credited to interest expense under any Interest Hedging Agreement in respect of such period;

"Interest Hedging Agreement" means any interest swap agreement, forward rate agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into by a Loan Party, the purpose and effect of which is to mitigate or eliminate such Loan Party's exposure to fluctuations in interest rates (but, for certainty, shall exclude conventional floating rate debt);

"Interest Payment Date" means:

- (a) with respect to each Canadian Prime Rate Loan and U.S. Base Rate Loan, the first Banking Day of each calendar month; and
- (b) with respect to each Libor Loan, the last day of each applicable Interest Period and, if any Interest Period is longer than 3 months, the last Banking Day of each 3 month period during such Interest Period;

provided that the Interest Payment Date shall be: (y) the end of the then current Revolving Period in case of Loans made by a Lender during the Revolving Period or its Term Maturity Date in the case of Conversions or Rollovers of Loans during the Term Period; or (z) the date on which the Credit Facility is fully cancelled or permanently reduced in full;

"Interest Period" means:

- (a) with respect to each Canadian Prime Rate Loan and U.S. Base Rate Loan, the period commencing on the applicable Drawdown Date or Conversion Date, as the case may be, and terminating on the date selected by the Borrower hereunder for the Conversion of such Loan into another type of Borrowing, if any, or for the repayment of such Loan;
- (b) with respect to each Acceptance, the period selected by the Borrower hereunder and being one, two, three and six months in duration, subject to market availability, commencing on the Drawdown Date, Rollover Date or Conversion Date of such Borrowing;
- (c) with respect to each Libor Loan, the period selected by the Borrower and being one, two, three and six months in duration, subject to market availability, commencing on the applicable Drawdown Date, Rollover Date or Conversion Date, as the case may be; and
- (d) with respect to each Letter of Credit or Letter of Guarantee, the period commencing on the date of issuance of such Letter of Credit or Letter of Guarantee and terminating on

the last day the Letter of Credit or Letter of Guarantee is outstanding;

provided that in any case: (i) other than Documentary Instruments, the last day of each Interest Period shall be also the first day of the next Interest Period whether with respect to the same or another Borrowing; (ii) the last day of each Interest Period shall be a Banking Day and if the last day of an Interest Period selected by the Borrower is not a Banking Day the Borrower shall be deemed to have selected an Interest Period the last day of which is the Banking Day next following the last day of the Interest Period selected unless such next following Banking Day falls in the next calendar month in which event the Borrower shall be deemed to have selected an Interest Period the last day of which is the Banking Day next preceding the last day of the Interest Period selected by the Borrower; (iii) any Interest Period which begins on the last Banking Day for the relevant currency in a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Banking Day for the relevant currency of a calendar month; (iv) no Interest Period may be elected with respect to Libor Loans at any time when a Default or an Event of Default is then in existence; and (v) no Interest Period shall be elected which would end after the end of the then current Revolving Period in case of Loans, Acceptances and Letters of Credit or Letters of Guarantee made by a Lender (or Operating Lender for Letters of Credit and Letters of Guarantee) during the Revolving Period or its Term Maturity Date in the case of Conversions or Rollovers of Loans, Acceptances and Letters of Credit or Letters of Guarantee during the Term Period;

"Lender Distress Event" means, in respect of a given Lender, such Lender or its Lender Parent is subject to a forced liquidation, merger, sale or other change of control supported in whole or in part by guarantees or other support (including, without limitation, the nationalization or assumption of ownership or operating control by any Governmental Authority) or is otherwise adjudicated as, or determined by any Governmental Authority having regulatory authority over such Lender or Lender Parent or their respective assets to be, insolvent, bankrupt or deficient in meeting any capital adequacy or liquidity standard of any such Governmental Authority;

"Lender Insolvency Event" means, in respect of a given Lender, such Lender or its Lender Parent:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent, is deemed insolvent by applicable law or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) (i) institutes, or has instituted against it by a regulator, supervisor or any similar Governmental Authority with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, (A) a proceeding pursuant to which such Governmental Authority takes control of such Lender's or Lender Parent's assets, (B) a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy, insolvency or winding-up law or other similar law affecting creditors' rights, or (C) a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar Governmental Authority; or (ii) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy, insolvency or winding-up law or other similar law affecting creditors'

rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a Person or entity not described in clause (i) above and either (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof,

- (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial portion of all of its assets;
- (g) has a secured party take possession of all or a substantial portion of all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or a substantial portion of all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case, within 15 days thereafter;
- (h) causes or is subject to any event with respect to it which, under the applicable law of any jurisdiction, has an analogous effect to any of the events specified in subparagraphs (a) to (g) above, inclusive; or
- (i) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing;

"Lender Parent" means any Person that directly or indirectly controls a Lender and, for the purposes of this definition, "control" shall have the same meaning as set forth in the definition of "Affiliate" contained herein;

"Lenders" means the Operating Lender and Production Lenders as named in Schedule "A" attached hereto, and such other financial institutions as may in the future become parties hereto as lenders;

"Lenders' Counsel" means the firm of Miles Davison LLP or such other firms of legal counsel as the Lenders may from time to time designate;

"Lender's Proportion" or "Lenders' Proportions" means, with respect to each Lender, its proportion of the total Commitments for each of the Operating Facility, Production Facility and Credit Facility, as applicable, as set out in each case opposite its name in Schedule "A", as may be adjusted from time to time pursuant to this Agreement, including, without limitation, as a result of a reduction of a Commitment or a repayment made pursuant to this Agreement or an assignment made pursuant to Section 17.1;

"Letter of Credit" or "LC" means a letter of credit in form satisfactory to and issued by the Operating Lender whereby the Operating Lender, acting at the request of and in accordance with the instructions of the Borrower, is to make payment in accordance with the terms and conditions thereof of an amount to or to the order of a third party;

"Letter of Guarantee" or "LG" means a guarantee in form satisfactory to and issued by the

Operating Lender whereby the Operating Lender, acting at the request of and in accordance with the instructions of the Borrower, is to guarantee payment in accordance with the terms and conditions thereof of an amount to or to the order of a third party;

"Libor" or **"Libor Rate"** means, with respect to any Libor Loan, the annual rate of interest (expressed on the basis of a three hundred and sixty (360) day year and rounded upward to the nearest whole multiple of $1/16^{\text{th}}$ of one percent) determined by the Administrative Agent as being the average rate in the London interbank market which is shown on the Libor 01 page (or any successor page) of the Reuters service for deposits in U.S. Dollars of amounts comparable to such Libor Loans of the same duration and commencing on the same date, as of 11:00 a.m. (London, England time) two Banking Days prior to the commencement of the period of such Libor Loan;

"Libor Loan" means a Loan denominated in U.S. Dollars and bearing interest at the Libor Rate, plus the Applicable Margin;

"Loan" means a Canadian Prime Rate Loan, U.S. Base Rate Loan and Libor Loan outstanding hereunder;

"Loan Party" means the Borrower or a Material Subsidiary;

"Majority Lenders" means: (a) during the time there are two or less Lenders, all such Lenders; and (b) during the time there are more than two Lenders, any group of Lenders whose Commitments amount in the aggregate to no less than 66 2/3% of the Commitments of all Lenders provided that if the Commitments are cancelled or otherwise terminated, then Lenders whose share of Outstanding Principal is not less than 66 2/3% of the Outstanding Principal of all Lenders;

"MasterCard Documents" means NBC's standard form documents required to utilize the MasterCard Facility from time to time, copies of which have been provided to the Borrower;

"MasterCard Facility" means the MasterCard business expense card facility in the amount of \$150,000 established by the Operating Lender in favour of the Borrower in accordance with the provisions hereof and the MasterCard Documents;

"MasterCard Indebtedness" means all indebtedness of the Borrower to the Operating Lender under the MasterCard Facility up to a maximum outstanding principal amount of \$150,000;

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, financial condition, operations or assets of the Borrower and Material Subsidiaries on a consolidated basis and taken as a whole;
- (b) the ability of the Borrower to pay or perform the Obligations or the ability of the Borrower or any Material Subsidiary to pay or perform any of its obligations or contingent obligations under any Document;
- (c) the validity or enforceability of this Agreement or any other Document; or
- (d) the priority ranking of any Security Interests granted by the Documents or the rights or remedies intended or purported to be granted to the Administrative Agent, the Lenders

and Hedging Affiliates under or pursuant to the Documents;

"Material Acquisition" means an acquisition by a Loan Party of a Material Subsidiary or other assets which increases the consolidated (with the Material Subsidiaries only) net assets (excluding current assets) of the Borrower, as shown on the most current consolidated (with the Material Subsidiaries only) financial statements of the Borrower, by more than five percent (5%);

"Material Disposition" means a disposition by a Loan Party of a Material Subsidiary or other assets which decreases the consolidated (with the Material Subsidiaries only) net assets (excluding current assets) of the Borrower, as shown on the most current consolidated (with the Material Subsidiaries only) financial statements of the Borrower, by more than five percent (5%);

"Material Subsidiary" means (a) each Subsidiary that executes and delivers Subsidiary Security to the Administrative Agent for the benefit of the Lenders and Hedging Affiliates, (b) any Subsidiary of the Borrower the total assets of which (determined in accordance with generally accepted accounting principles) exceeds 5.0% of the Borrower's assets determined on a consolidated basis, (c) any Subsidiary of the Borrower the total revenue of which (excluding intercompany accounts), on a consolidated basis, exceeds 5.0% of the total revenue of the Borrower on a consolidated basis, or (d) any Subsidiary whose Subsidiary Assets have been included in the determination of the Borrowing Base; and the Person referred to subclauses (a) to (d) above has executed and delivered Subsidiary Security to the Administrative Agent pursuant to Article 12 over all of its assets that ranks as a first charge over such assets for the benefit of the Lenders and Hedging Affiliates;

"NBC" means National Bank of Canada;

"Net Income" means, for any fiscal period, the net income of the Borrower determined on a consolidated basis with the Material Subsidiaries only in accordance with GAAP, as set forth in such consolidated financial statements of the Borrower for such period;

"Non-Acceptance Lender" means any Lender which does not or cannot in the ordinary course of business accept bills of exchange under the Bills of Exchange Act (Canada) or depository bills under the DBNA, which would constitute bankers' acceptances for the remaining Lenders, and "Non-Acceptance Lenders" is the collective reference to such Lenders;

"Non-Agreeing Lenders" has the meaning set out in Section 2.15(a);

"Obligations" means, at any time and from time to time, all of the obligations, (other than the Hedging Obligations) indebtedness and liabilities (present or future, absolute or contingent, matured or not) of the Borrower to the Lenders or the Administrative Agent under, pursuant or relating to the Documents or the Credit Facility or the MasterCard Facility and whether the same are from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and including, without limitation, all principal, interest, fees, legal and other costs, charges and expenses, and other amounts payable by the Borrower under this Agreement;

"Officer's Certificate" means a certificate or notice (other than a Compliance Certificate) signed by any one of the president, chief executive officer, chief operating officer, chief financial officer or any vice president of the Borrower (including, in the case of a partnership a certificate or notice signed by such an officer of a general partner of such limited partnership or, in the case of general partnership, a partner with authority to bind the partnership); provided, however, that Drawdown Notices, Conversion Notices, Rollover Notices and Repayment Notices shall be

executed on behalf of the Borrower by any one of the foregoing persons or such other Persons as may from time to time be designated by written notice from the Borrower to the Administrative Agent;

"Operating Facility" the revolving credit facility in the principal amount of Canadian Dollars specified from time to time in Schedule "A" or the Equivalent Amount in U.S. Dollars, established by the Operating Lender in favour of the Borrower in accordance with the provisions hereof, subject to any reduction or increase in accordance with the provisions hereof;

"Operating Lender" means NBC and its successors and permitted assigns;

"Outstanding Principal" means, at any time, the aggregate, without duplication, of (i) the principal amount of all outstanding Canadian Prime Rate Loans, (ii) the Equivalent Amount in Canadian Dollars of the principal of all outstanding U.S. Base Rate Loans and Libor Loans, (iii) the amounts payable at maturity of all outstanding Bankers' Acceptances and BA Equivalent Advances, (iv) the uncanceled and undrawn face amount under all outstanding Letters of Credit denominated in Canadian Dollars, (v) the Equivalent Amount in Canadian Dollars of the uncanceled and undrawn face amount under all outstanding Letters of Credit denominated in U.S. Dollars, (vi) the amount guaranteed under all outstanding Letters of Guarantee denominated in Canadian Dollars, and (vii) the Equivalent Amount in Canadian Dollars of the amount guaranteed under all outstanding Letters of Guarantee denominated in U.S. Dollars;

"P&NG Leases" means, collectively, any and all documents of title including, without limitation, leases, reservations, permits, licences, unit agreements, assignments, trust declarations, participation, exploration, farm-out, farm-in, royalty, purchase or other agreements by virtue of which the Borrower or any Material Subsidiary is entitled to explore for, drill for, recover, take or win Petroleum Substances of any kind whatsoever from or with respect to P&NG Rights owned by the Borrower or a Material Subsidiary (as applicable), or to share in the production or proceeds of production or any part thereof or proceeds of royalty, production, profits or other interests out of, referable to or payable in respect of Petroleum Substances of any kind whatsoever from or with respect to P&NG Rights owned by the Borrower or Material Subsidiary (as applicable), and the rights of the Borrower or a Material Subsidiary (as applicable) thereunder;

"P&NG Rights" means all of the right, title, estate and interest, whether contingent or absolute, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", of the Borrower or a Material Subsidiary in and to any of the following, by whatever name the same are known:

- (a) rights to explore for, drill for and produce, take, save or market Petroleum Substances;
- (b) rights to a share of the production of Petroleum Substances;
- (c) rights to a share of the proceeds of, or to receive payments calculated by reference to the quantity or value of, the production of Petroleum Substances;
- (d) rights to acquire any of the rights described in paragraphs (a) through (c) of this definition;
- (e) interests in any rights described in paragraphs (a) through (d) of this definition; and

- (f) all extensions, renewals, replacements or amendments of or to the foregoing items described in paragraphs (a) through (e) of this definition;

and including, without limitation, interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests, economic interests and other interests and fractional or undivided interests in any of the foregoing and freehold, leasehold or other interests;

"Permitted Contest" means action taken by the Borrower or a Material Subsidiary in good faith by appropriate proceedings diligently pursued to contest a Tax, claim or Security Interest, provided that:

- (a) such Person has established reasonable reserves therefor in accordance with generally accepted accounting principles;
- (b) proceeding with such contest does not have, and would not reasonably be expected to have, a Material Adverse Effect; and
- (c) proceeding with such contest will not create a material risk of sale, forfeiture or loss of, or interference with the use or operation of, a material part of the Borrower Assets or the Subsidiary Assets;

"Permitted Disposition" means, in respect of the Borrower or a Material Subsidiary any of the following:

- (a) a sale or disposition by such Person of P&NG Rights (and related tangibles) resulting from any pooling, unit or farmout agreement entered into in the ordinary course of business and in accordance with sound industry practice when, in the reasonable judgment of such Person, it is necessary to do so in order to facilitate the orderly exploration, development or operation of such P&NG Rights, provided that if such pooling, unitization or farmout is in respect of the Borrowing Base assets, the economic interest of Borrower or Material Subsidiary resulting from such pooling, unitization or farmout does not materially reduce the Borrowing Base;
- (b) a sale or disposition by such Person in the ordinary course of business and in accordance with sound industry practice of tangible personal property that is obsolete, no longer useful for its intended purpose or being replaced in the ordinary course of business;
- (c) a sale or disposition by such Person of current production from P&NG Rights made in the ordinary course of business;
- (d) a sale or disposition which is arm's length at fair market value; and
- (e) a sale or disposition, as between: (i) the Borrower and a Material Subsidiary; or (ii) a Material Subsidiary and another Material Subsidiary;

provided that: (i) any such sales or dispositions are (except in the case of (e) above) arms-length and at fair market value; (ii) no Borrowing Base Shortfall, Default or Event of Default has occurred; (iii) any such sales or dispositions would not result in a Borrowing Base Shortfall, a Default or Event of Default; and (iv) for (d) above, the proceeds of any sales or dispositions

(excluding undeveloped P&NG Rights) which on a rolling 12 month basis are in the aggregate less than or equal to 10% of the Borrowing Base;

"Permitted Encumbrance" means as at any particular time any of the following encumbrances on the property or any part of the property of the Borrower or any Material Subsidiary:

- (a) Security Interests for taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (b) Security Interests arising in connection with worker's compensation, unemployment insurance, pension and employment laws not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (c) public and statutory liens and similar liens arising by operation of law not at the time due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest,
- (d) Security Interests under or pursuant to any judgment rendered, or claim filed, against the Borrower or Material Subsidiary, which the Borrower or Material Subsidiary shall be contesting at the time by a Permitted Contest;
- (e) undetermined or inchoate liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law against the Borrower or Material Subsidiary or which relate to obligations not due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (f) easements, rights-of-way, servitudes or other similar rights in land (including, without in any way limiting the generality of the foregoing, rights-of-way and servitudes for railways, sewers, drains, gas and oil and other pipelines, gas and water mains, electric light and power and telecommunication, telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons or other minor defects, encumbrances and restrictions which individually or in the aggregate do not materially detract from the value of the land concerned or materially impair its use in the operation of the business of the Borrower or a Material Subsidiary;
- (g) Security Interests given by the Borrower or a Material Subsidiary to a public utility or any municipality or governmental or other public authority when required by such utility or municipality or other authority in connection with the operations of the Borrower or a Material Subsidiary, all in the ordinary course of its business which individually or in the aggregate do not materially detract from the value of the asset concerned or materially impair its use in the operation of the business of the Borrower;
- (h) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title;
- (i) Security Interests in favour of the Lenders or the Administrative Agent on behalf of the Lenders securing the Obligations;
- (j) Security Interests in favour of the Lenders or Hedging Affiliates securing Hedging Obligations;

- (k) the Security;
- (l) Security Interests incurred or created in the ordinary course of business and in accordance with sound industry practice in respect of the exploration, development or operation of P&NG Rights, related production or processing facilities in which such Person has an interest or the transmission of Petroleum Substances as security in favour of any other Person conducting the exploration, development, operation or transmission of the property to which such liens relate, for the Borrower's or any Material Subsidiary's portion of the costs and expenses of such exploration, development, operation or transmission, provided that such costs or expenses are not due or delinquent or, if due or delinquent, the validity of which is being contested at the time by a Permitted Contest;
- (m) Security Interests for penalties arising under non-participation or independent operations provisions of operating or similar agreements in respect of the Borrower's or any Material Subsidiary's P&NG Rights, provided that such liens do not materially detract from the value of any material part of the property of the Borrower or any such Material Subsidiary;
- (n) Security Interests with respect to Purchase Money Obligations and Capital Leases; provided that: (i) the Security Interests for the Purchase Money Obligations and Capital Leases are limited to the property or assets purchased, leased or acquired and such assets and property do not comprise part of the assets used in determining the Borrowing Base; (ii) such assets are acquired or valued for lease at fair market value; and (iii) the aggregate at any time of the obligations under all Purchase Money Obligations and Capital Leases shall not exceed 5% of the Borrowing Base;
- (o) any right of first refusal in favour of any Person granted in the ordinary course of business with respect to all of any of the P&NG Rights of the Borrower or any Material Subsidiary;
- (p) any Security Interest or agreement entered into in the ordinary course of business relating to pooling or a plan of unitization affecting the property of the Borrower or a Material Subsidiary, or any part thereof;
- (q) the right reserved or vested in any municipality or governmental or other public authority by the terms of any P&NG Leases in which the Borrower or a Material Subsidiary has any interest or by any statutory provision to terminate any P&NG Leases in which the Borrower or a Material Subsidiary has any interest, or to require annual or other periodic payments as a condition of the continuance thereof;
- (r) obligations of the Borrower or a Material Subsidiary to deliver Petroleum Substances, chemicals, minerals or other products to buyers thereof in the ordinary course of business;
- (s) royalties, net profits and other interests and obligations arising in accordance with standard industry practice and in the ordinary course of business, under P&NG Leases in which the Borrower or a Material Subsidiary have any interest;
- (t) inchoate liens or any rights of distress reserved in or exercisable under any real property

lease or sublease to which any Loan Party is a lessee which secure the payment of rent or compliance with the terms of such lease or sublease, provided that such rent is not then overdue and such Loan Party is then in compliance in all material respects with such terms;

- (u) Security Interests granted by a Loan Party to another Loan Party if the same have been subordinated to the Security Interests of the Administrative Agent; and
- (v) all such other claims and encumbrances as are specifically disclosed by notice in writing from the Borrower to the Administrative Agent to the extent that the Administrative Agent, by specific notice in writing to the Borrower, consents to such claims and encumbrances as Permitted Encumbrances;

"Permitted Hedging" means with respect to the Borrower and the Material Subsidiaries:

- (a) Financial Instruments, other than Commodity Agreements, having a term of 36 months or less provided that the aggregate amounts hedged by all such Financial Instruments at any time is not more than 60% of the then existing Borrowing Base; and
- (b) Commodity Agreements for a term which on a rolling going forward basis do not exceed 36 months, provided that at the time of entering into a Commodity Agreement, the aggregate of all outstanding Commodity Agreements (excluding cash paid puts), including the Commodity Agreement being entered into, did not cover more than 70% of the Average Daily Production of which no more than 50% of Average Daily Production shall be covered by Commodity Agreements having a term greater than 15 months but no more than 36 months,

provided that any such Financial Instruments were not entered into for speculative purposes;

"Permitted Indebtedness" means, with respect to the Borrower and the Material Subsidiaries, individually and on a consolidated basis, only:

- (a) the indebtedness of the Borrower and the Material Subsidiaries under the Documents;
- (b) Financial Instrument Obligations so long as they are in respect of Permitted Hedging;
- (c) Intercompany Indebtedness;
- (d) indebtedness secured by Permitted Encumbrances subject, if applicable, to the maximum amounts set out in the definition of "Permitted Encumbrances";
- (e) all other unsecured indebtedness (other than indebtedness for borrowed money which for the purposes hereof shall include Financing Leases) incurred by the Borrower and Material Subsidiaries in the ordinary course of business, without breach of the Agreement and without creating a Default or Event of Default and provided the same is not past due and payable unless the Borrower or a Material Subsidiary is in good faith contesting the same without otherwise creating a Default or Event of Default provided however for the purposes of this definition, normal course trade payables outstanding for no more than 90 days from the date of invoice shall be considered Permitted Indebtedness;

"Permitted Investments" means any one or more of the following investments, provided that such investments at the time of purchase have a remaining term to maturity of 90 days or less:

- (a) direct obligations issued or unconditionally guaranteed by the Government of Canada or issued by any agency or instrumentality thereof and backed by the full faith and credit of the Government of Canada;
- (b) demand deposits at, or certificates of deposit, time deposits or banker's acceptances issued by, any chartered bank or any other domestic or foreign financial institution with a combined capital surplus of at least Cdn. \$1,000,000,000 and whose long term unsecured and unguaranteed debt is rated at least A+ by Standard & Poor's or at least A1 by Moody's Investors Service;
- (c) direct obligations of any province of Canada, of any agency or instrumentality of any province of Canada whose long term credit rating is at least A by Standard & Poor's or at least A2 by Moody's Investors Service;
- (d) commercial paper rated at the time of the purchase thereof is at least A-1+ by Standard & Poor's or at least P-1 or the equivalent by Moody's Investors Service; and
- (e) other investment grade instruments consented to by all of the Lenders;

"Person" means and includes an individual, a partnership, a corporation, a joint stock company, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof;

"Petroleum Substances" means crude oil, crude bitumen, synthetic crude oil, petroleum, natural gas, natural gas liquids, related hydrocarbons and any and all other substances, whether liquid, solid or gaseous, whether hydrocarbons or not, produced or producible in association with any of the foregoing, including hydrogen sulphide and sulphur;

"Previous Credit Agreement" has the meaning set out in the recitals hereto;

"Prime Rate" means the rate of interest per annum in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Administrative Agent from time to time as being its reference rate then in effect for determining interest rates for commercial loans in Canadian Dollars made by the Administrative Agent in Canada; and
- (b) the average annual rate as determined by the Administrative Agent as being the average of the "BA 1 month" CDOR Rate applicable to bankers' acceptances in Canadian Dollars displayed and identified as such on the "Reuters Screen CDOR Page" (as defined in the International Swap and Derivatives Association, Inc. definitions, as modified and amended from time to time) plus 1.00%; provided that if such rates do not appear on the Reuters Screen CDOR Page as contemplated, then the CDOR Rate on any day shall be calculated as the arithmetic average of the 30-day discount rates applicable to bankers' acceptances in Dollars quoted by three major Canadian Schedule I chartered banks chosen by the Administrative Agent as of approximately 10:00 a.m. on such day, or if such day is not a Banking Day, then on the immediately preceding Banking Day;

"Production Facility" means the revolving credit facility in the principal amount specified from time to time in Schedule "A" or the Equivalent Amount in U.S. Dollars, established by the Production Lenders in favour of the Borrower in accordance with the provisions hereof, subject to any reduction or increase in accordance with the provisions hereof;

"Production Lenders" means those lenders who have made a Commitment under the Production Facility as set out in Schedule "A" hereto and such other financial institutions as may in the future become parties hereto as Production Lenders;

"Purchase Money Obligation" means any monetary obligation created or assumed as part of the purchase price of real or tangible personal property, whether or not secured, any extensions, renewals or refundings of any such obligation, provided that the principal amount of such obligation outstanding on the date of such extension, renewal or refunding is not increased and further provided that any security given in respect of such obligation shall not extend to any property other than the property acquired in connection with which such obligation was created or assumed, fixed improvements, if any, erected or constructed thereon, and any proceeds of the foregoing and such assets and property do not comprise part of the assets used in determining the Borrowing Base;

"Release" means any release, spill, emission, leak, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the environment of Hazardous Materials including, without limitation, the movement of Hazardous Materials through ambient air, soil, surface water, ground water, wetlands, land or sub-surface strata;

"Relevant Amount" has the meaning set out in Section 1.4;

"Repayment Notice" means a notice of repayment under the Production Facility substantially in the form annexed hereto as Schedule "E";

"Required Lenders" has the meaning set out in Section 2.15(a);

"Revolving Lender" means, at any time, each Lender that is not then a Non-Agreeing Lender;

"Revolving Period" means the period expiring on April 30, 2013 and shall mean any extended 364 day Revolving Period thereafter agreed to by the Revolving Lenders pursuant to Section 2.15;

"Rollover" means:

- (a) with respect to Bankers' Acceptances, the issuance of new Bankers' Acceptances or the making of new BA Equivalent Advances (subject to the provisions hereof) in respect of all or any portion of Bankers' Acceptances (or BA Equivalent Advances made in lieu thereof) maturing at the end of the Interest Period applicable thereto, all in accordance with Article 3 hereof;
- (b) with respect to Letters of Credit or Letters of Guarantee, the extension or replacement of an existing Letter of Credit or Letter of Guarantee, provided the beneficiary thereof (including any successors or permitted assigns thereof) remains the same, the maximum amount available to be drawn thereunder is not increased, the currency in which the same is denominated remains the same and the terms upon which the same may be drawn remain the same; and

- (c) with respect to any Libor Loan, the continuation of all or a portion of such Loan (subject to the provisions hereof) for an additional Interest Period subsequent to the initial or any subsequent Interest Period applicable thereto;

in each case, under the same credit facility under which the maturing Borrowing was made;

"Rollover Date" means the date of commencement of a new Interest Period applicable to a Borrowing and which shall be a Banking Day;

"Rollover Notice" means a notice substantially in the form annexed hereto as Schedule "F" to be given to the Administrative Agent by the Borrower pursuant hereto;

"Sale/Lease-Back" means any arrangement with any Person providing for the leasing of property by a Loan Party which property has been or is to be sold or transferred to such Person where the servicing costs of such arrangement are reflected in the engineering report on which the Borrowing Base is based;

"Schedule I Lender" means a Lender which is a Canadian chartered bank listed on Schedule I to the Bank Act (Canada);

"Schedule II Lender" means a Lender which is a Canadian chartered bank listed on Schedule II to the Bank Act (Canada);

"Schedule III Lender" means a Lender which is an authorized foreign bank listed on Schedule III to the Bank Act (Canada);

"Security" means collectively, all security and documents granted or required pursuant to Article 12, including without limitation, the Borrower Security and the Subsidiary Security and any replacement security;

"Security Interest" means mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retentions, security created under the Bank Act (Canada), liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event, (a) rights of set-off created for the purpose of securing (directly or indirectly) any indebtedness, (b) the rights of lessors under Capital Leases and any other lease financing, and (c) absolute assignments of accounts receivable;

"Subsidiary" means:

- (a) any corporation of which at least a majority of the outstanding shares having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues) is at the time directly, indirectly or beneficially owned or controlled by the Borrower, or one or more of its Subsidiaries, or any combination thereof;
- (b) any partnership of which, at the time, the Borrower or one or more of its Subsidiaries, or any combination thereof;

- (i) directly, indirectly or beneficially own or control at least 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and
- (ii) is a general partner, in the case of limited partnerships, or is a partner or has authority to bind the partnership, in all other cases; or
- (c) any other Person of which at least a majority of the income, capital, beneficial or ownership interests (however designated) are at the time directly, indirectly or beneficially owned or controlled by the Borrower or one or more of its Subsidiaries, or any combination thereof;
- (d) any other Person whose financial data is included in the consolidated financial statements or other financial reporting of the Borrower;

"Subsidiary Assets" means collectively, all of the real and personal property, assets, undertakings, title, interests, rights, benefits owned by the Material Subsidiaries;

"Subsidiary Security" means the Security to be provided by all Material Subsidiaries in accordance with Article 12;

"Taxes" means all taxes, levies, imposts, stamp taxes, duties, fees, deductions, withholdings, charges, compulsory loans or restrictions or conditions resulting in a charge which are imposed, levied, collected, withheld or assessed by any country or political subdivision or taxing authority thereof now or at any time in the future, together with interest thereon and penalties, charges or other amounts with respect thereto, if any (but excluding any taxes, franchise taxes, levies, imposts or charges imposed, levied or assessed in respect of or applied on the overall net income or capital of the Administrative Agent or a Lender under the laws of any applicable jurisdiction), and "Tax" and "Taxation" shall be construed accordingly;

"Term Period" means, for each Lender, the period commencing on the end of the then current Revolving Period and ending on the Term Maturity Date;

"Term Maturity Date" means, in respect of each Lender, the date which is 365 days after the end of the then current Revolving Period (or if such Term Maturity Date is not a Banking Day, the immediately preceding Banking Day);

"U.S. Base Rate" means the rate of interest per annum in effect from time to time that is equal to the greater of:

- (a) the rate of interest publicly announced by the Administrative Agent from time to time as being its reference rate then in effect for determining interest rates for commercial loans in U.S. \$ made by the Administrative Agent in Canada; and
- (b) the Federal Funds Effective Rate in effect from time to time multiplied by 365/360, plus a margin of one half (½) of one (1) percent (0.5%);

"U.S. Base Rate Loan" means an Advance in, Drawdown in or Conversion into a Loan denominated in U.S. Dollars made by the Lenders to the Borrower and bearing interest at the applicable U.S. Base Rate plus the Applicable Margin;

"U.S. Dollar" and the symbol **"U.S. \$"** mean lawful money of the United States of America in same day immediately available funds and, if such funds are not available, the form of money of the United States of America that is customarily used in the settlement of international banking transactions on the day payment is due;

"US Dollar Account" means the U.S. Dollar account established on behalf of the Borrower by the Administrative Agent at the branch of the Administrative Agent's Branch of Account;

"Voting Shares" means:

(a) in respect of a corporation or limited liability company, shares of any class or equity ownership interests of such entity:

(i) carrying voting rights in all circumstances; or

(ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

provided that subparagraph (ii) above shall not include voting rights created solely by statute, such as those rights created pursuant to section 183(4) of the Business Corporations Act (Alberta) as in effect on the date hereof;

(b) in respect to a trust, trust units of the trust:

(i) carrying voting rights in all circumstances; or

(ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing;

(c) in respect to a partnership, the partnership interests or partnership units:

(i) carrying voting rights in all circumstances; or

(ii) which carry the right to vote conditional on the happening of an event if such event shall have occurred and be continuing.

"Waseca Amalgamation" means the amalgamation of the Borrower and Waseca Energy Inc. to form Twin Butte Energy Ltd. immediately after completion of the Waseca/Exploreco Amalgamation;

"Waseca Arrangement" means the Arrangement as defined in the Waseca Arrangement Agreement;

"Waseca Arrangement Agreement" means the Amended and Restated Arrangement Agreement dated September 3, 2012 the Borrower, Waseca Energy Inc. and 1698062 Alberta Ltd. whereby the Borrower will acquire all of the issued and outstanding shares of Waseca Energy Inc.;

"Waseca Credit Facilities" means the credit facilities provided to Waseca Energy Inc. pursuant to the offering letter dated May 23, 2012, as amended between Waseca Energy Inc., as borrower, and NBC, as lender, as amended;

"Waseca/Exploreco Amalgamation" means the amalgamation of 1698062 Alberta Ltd. and Waseca Energy Inc. to form Waseca Energy Inc. immediately after completion of the Waseca Arrangement;

"Working Capital Deficit" means any amount by which Current Liabilities exceeds Current Assets.

1.2 **Headings, Articles and Sections**

The division of this Agreement 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 Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 **Number; persons; including**

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa and words and terms denoting inclusiveness (such as "include" or "includes" or "including" or "including without limitation"), whether or not so stated, are not limited by their context or by the words or phrases which precede or succeed them.

1.4 **Accounting Principles**

- (a) Wherever in this Agreement reference is made to generally accepted accounting principles or GAAP, such reference shall be deemed to be to the recommendations at the relevant time of the CICA, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided or contemplated herein to be applicable on an unconsolidated or modified consolidated basis) as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense or amount of equity is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any other Document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.
- (b) If there occurs a material change in GAAP required by the promulgation of any rule, regulation, pronouncement or opinion by CICA, and in all events including changes resulting from the implementation of IFRS to the extent required by the Canadian Accounting Standards Board, and such change would require disclosure under GAAP in the financial statements and would cause an amount required to be determined hereunder ("Relevant Amount") to be materially different than the amount that would be determined without giving effect to such change, the Borrower shall notify the Lenders of such change ("Accounting Change"). Such notice ("Accounting Change Notice") shall describe the nature of the Accounting Change, its effect on the current and immediately prior fiscal quarter's and fiscal year's financial statements in accordance with GAAP and

state whether the Borrower desires to revise the method of calculating the Relevant Amount (including the revision of any of the defined terms used in the determination of such Relevant Amount) in order that amounts determined after giving effect to such Accounting Change and the revised method of calculating such Relevant Amount will approximate the amount that would be determined without giving effect to such Accounting Change and without giving effect to the revised method of calculating such Relevant Amount. The Accounting Change Notice shall be delivered to the Administrative Agent within forty five (45) days after the end of the fiscal quarter in which the Accounting Change is implemented or, if such Accounting Change is implemented in respect of an entire fiscal year, within ninety (90) days after the end of such period. Promptly after receipt from the Borrower of an Accounting Change Notice, the Administrative Agent shall deliver to each Lender a copy of such notice.

If, pursuant to the Accounting Change Notice, the Borrower does not indicate that it desires to revise the method of calculating the Relevant Amount, the Lenders may, within thirty (30) days after their receipt of the Accounting Change Notice or the receipt of any financial statement or report pursuant to Section 11.1(b), notify the Administrative Agent that they wish to revise the method of calculating the Relevant Amount in the manner described above. If the Majority Lenders so notify the Administrative Agent, the Administrative Agent shall promptly notify the Borrower.

If either the Borrower or the Majority Lenders so indicate that they wish to revise the method of calculating the Relevant Amount, the Borrower, the Administrative Agent and the Majority Lenders shall in good faith attempt to agree on a revised method of calculating the Relevant Amount, with the intent of having the respective positions of the Lenders and the Borrower after such Accounting Change conform as nearly as possible to their respective positions immediately prior to such Accounting Change; provided that, until any such revised method has been agreed upon, the Relevant Amount shall be calculated as if no such Accounting Change had occurred. For greater certainty, if no notice of a desire to revise the method of calculating the Relevant Amount in respect of an Accounting Change is given by either the Borrower or the Majority Lenders within the applicable time period described above, the method of calculating the Relevant Amount shall not be revised in response to such Accounting Change and all amounts to be determined pursuant to the Relevant Amount shall be determined after giving effect to such Accounting Change.

If a Compliance Certificate is delivered in respect of a fiscal quarter or fiscal year in which an Accounting Change is implemented without giving effect to any revised method of calculating any Relevant Amount, and subsequently, as provided above, the method of calculating any Relevant Amount is revised in response to such Accounting Change, or such Relevant Amount is to be determined without giving effect to such Accounting Change, the Borrower shall deliver a revised Compliance Certificate.

1.5 References to Agreements and Enactments

Reference herein to any agreement, instrument, licence or other document shall be deemed to include reference to such agreement, instrument, licence or other document as the same may from time to time be amended, modified, supplemented or restated in accordance with the provisions of this Agreement; and reference herein to any enactment shall be deemed to include reference to such enactment as re-enacted, amended or extended from time to time and to any successor enactment.

1.6 **Time**

Except where otherwise indicated in this Agreement, any reference in the Agreement to a time shall mean local time in Calgary, Alberta.

1.7 **Governing Law**

This Agreement shall be governed by and construed in accordance with laws of the Province of Alberta and the laws of Canada applicable therein without prejudice to or limitation of any other rights or remedies available under the laws of any jurisdiction where property or assets of the Borrower and Material Subsidiaries may be found. The Administrative Agent and Lenders may commence and prosecute legal proceedings against the Borrower and the Material Subsidiaries pursuant to or in relation to the Documents in the courts of Alberta or such other jurisdiction or jurisdictions as the Lenders may, in their sole and absolute discretion, deem advisable, and the Borrower and the Material Subsidiaries attorn to the jurisdiction of the court or courts so selected by the Lenders.

1.8 **Currency; Conversion To or From U.S. Dollars**

Whenever an amount of money is referred to herein, such amount shall, unless otherwise expressly stated, be in Canadian Dollars. Where a Canadian Dollar amount has to be converted or expressed in U.S. Dollars, or where its U.S. Dollar Equivalent Amount has to be determined (or vice-versa) the calculation shall be made on the relevant date at the Bank of Canada noon rate on the Banking Day immediately preceding the day of calculation for U.S. Dollars against Canadian Dollars (or vice-versa) on such date.

1.9 **Counterparts**

This Agreement may be executed in any number or counterparts and delivered by facsimile, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

1.10 **Conflict**

In the event of a conflict among the terms of this Agreement and the Security (such that the terms of such documents cannot co-exist) then the terms of this Agreement shall prevail. Without limiting the generality of the foregoing, if there is a right or remedy of the Lenders set out in any one Document which is not set out or provided for in another Document, such additional right or remedy shall not constitute a conflict or inconsistency.

1.11 **Schedules**

The following are the Schedules annexed hereto and incorporated by reference and deemed to be part hereof:

Schedule "A"	-	Lenders and Commitments
Schedule "B"	-	Compliance Certificate
Schedule "C"	-	Conversion Notice
Schedule "D"	-	Drawdown Notice
Schedule "E"	-	Repayment Notice

Schedule "F"	-	Rollover Notice
Schedule "G"	-	Borrowing Base Notice
Schedule "H"	-	Borrowing Base Certificate
Schedule "I"	-	Environmental Certificate
Schedule "J"	-	Existing Financial Instruments

ARTICLE 2

THE CREDIT FACILITY

2.1 Obligation of Lenders and Commitment

- (a) Subject to the terms and conditions hereof: (i) each Production Lender, individually, and not jointly and severally, shall make available to the Borrower such Lender's Proportion of the Production Facility; (ii) the Operating Lender shall make available to the Borrower the Operating Facility, and (iii) the Operating Lender shall make available to the Borrower the MasterCard Facility.
- (b) At no time shall the Outstanding Principal under the Production Facility exceed the total of the Commitments for the Production Facility as specified in Schedule "A" hereto, as may be reduced in accordance with the provisions of this Agreement. At no time shall the Outstanding Principal under the Operating Facility exceed the Commitment for the Operating Facility as specified in Schedule "A" hereto, as may be reduced in accordance with the provisions of this Agreement. At no time shall the Outstanding Principal under the Credit Facility exceed the Borrowing Base then in effect. Upon breach of any of the above provisions in this subclause (b), the Borrower shall immediately repay the excess amount to the Lenders to remedy the breach.
- (c) As a result of the increase of the Commitments of the Lenders, all outstanding Borrowings of the Lenders shall be re-allocated pro rata (including by way of assignment or participation) among the Lenders in accordance with each Lender's revised respective Lender's Proportion under this Agreement and all such Lenders shall assume such proportionate share of all obligations in respect thereto and any fees related to such Borrowings shall be allocated appropriately, provided that if there are any outstanding Bankers' Acceptances (which for certainty, shall include BA Equivalent Advances) which were accepted by the Lenders ("**BA Lenders**") prior to the re-allocation referred to above, then, without limiting any of the foregoing, the Lenders agree to assume and be responsible for each of their revised respective Lender's Proportion of all obligations and liabilities in respect of such Bankers' Acceptances and shall indemnify and hold the BA Lenders harmless from and against any obligations, liabilities, losses and costs paid or incurred by the BA Lenders in connection with such Bankers' Acceptances to the extent of the Lenders' revised respective Lender's Proportion under this Agreement therein.

2.2 Purpose

The Credit Facility is being made available to the Borrower for general operating purposes and capital requirements of the Borrower, including without limitation, the acquisition, exploration, development and production of Petroleum Substances in Western Canada, acquisition of Waseca Energy Inc. and to pay out the Waseca Credit Facilities.

2.3 **Availments**

During the Revolving Period of the Operating Lender, the Borrower may, within the limits provided herein, borrow from, repay to and reborrow from the Operating Lender in Canadian Dollars and/or U.S. Dollars by way of Advances under the Operating Facility of Canadian Prime Rate Loans and U.S. Base Rate Loans respectively and by way of Drawdowns of Documentary Instruments, in Canadian Dollars or U.S. Dollars.

During the Revolving Period of each Production Lender, the Borrower may, within the limits provided herein, borrow from, repay to and reborrow from such Production Lender in Canadian Dollars by way of Drawdowns, Conversions and Rollovers under the Production Facility of Canadian Prime Rate Loans and Acceptances, in U.S. Dollars by way of Drawdowns, Conversions and Rollovers under the Production Facility of U.S. Base Rate Loans and Libor Loans.

Drawdowns of, Conversions into and Rollovers of requested Libor Loans may only be made upon the Administrative Agent's prior favourable determination, acting reasonably, with respect to the matters referred to in Article 5. Libor Loans and Acceptances shall mature on a Banking Day which is no later than the end of the then current Revolving Period in case of Libor Loans and Acceptances made by a Lender during the Revolving Period or its Term Maturity Date in the case of Conversions or Rollovers of Libor Loans and Acceptances during the Term Period.

During the Term Period of a Lender, the Borrower may not re-borrow any amounts that are repaid to such Lender but may make Conversions and Rollovers.

Subject to market availability, Acceptances and Libor Loans shall be for periods of one, two, three or six months in duration.

The Borrower may utilize the MasterCard Facility in accordance with the MasterCard Documents.

2.4 **Minimum Drawdowns, Conversions and Rollovers**

Each Drawdown, Conversion and Rollover under the Production Facility of the following types of Borrowings shall be in the following amounts indicated:

- (a) Canadian Prime Rate Loans in minimum principal amounts of Cdn. \$500,000 and amounts in excess thereof in integral multiples of Cdn. \$100,000;
- (b) Acceptances in a minimum aggregate amount of Cdn. \$2,500,000 and amounts in excess thereof in integral multiples of Cdn. \$100,000 per Lender;
- (c) U.S. Base Rate Loans in minimum principal amounts of U.S. \$500,000 and amounts in excess thereof in integral multiples of U.S. \$100,000; and
- (d) Libor Loans in minimum principal amounts of U.S. \$2,500,000 and amounts in excess thereof in integral multiples of U.S. \$100,000.

Drawdowns under the Operating Facility of Letters of Credit and Letters of Guarantee may be in any amount, subject to the limitation in Section 4.1.

2.5 **Utilization of Credit Facility**

- (a) Subject to the provisions hereof, the Borrower may obtain Advances of Canadian Prime Rate Loans and U.S. Base Rate Loans and repay and re-borrow such Loans under the Operating Facility at any time and from time to time in the following manner:
 - (i) the Borrower authorizes the Operating Lender, daily or otherwise as and when determined by the Operating Lender from time to time, to ascertain the balance in respect to the Canadian Dollar Account and US Dollar Account and:
 - A. if such balance is positive, the Operating Lender will apply such balance, rounded to the nearest Cdn. \$100,000 or U.S. \$100,000, as applicable, as a repayment of the Operating Facility, and the Operating Lender will debit the Canadian Dollar Account or US Dollar Account, as applicable, with the amount of such repayment; and
 - B. if such balance is negative, the Operating Lender will make an Advance of a Canadian Prime Rate Loan or U.S. Base Rate Loan under the Operating Facility in the amount, rounded to the nearest Cdn. \$100,000 or U.S. \$100,000, as applicable, as is required to place the Canadian Dollar Account or US Dollar Account, as applicable, in a positive balance, and the Operating Lender will credit the Canadian Dollar Account or the US Dollar Account, as applicable, with the amount of such Advance;
- provided that at no time shall the Outstanding Principal under the Operating Facility exceed the Commitment for the Operating Facility; and
- (ii) payments of principal, interest, fees and other amounts to be made by the Borrower to the Operating Lender pursuant to this Agreement shall be made to the Operating Lender in the currency in which the Borrowing is outstanding;
- (b) Subject to the provisions hereof, the Borrower may request the issuance of, or the Rollover of, a Letter of Credit or Letter of Guarantee under the Operating Facility by delivering a Drawdown Notice or Rollover Notice, as the case may be (executed in accordance with the definition of Officer's Certificate), to the Operating Lender not later than 9:00 a.m. (Calgary time) three Banking Days prior to the proposed Drawdown Date or Rollover Date, as the case may be;
- (c) Subject to the provisions hereof, the Borrower may make a Drawdown, Conversion or Rollover under the Production Facility by delivering a Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be (executed in accordance with the definition of Officer's Certificate), with respect to a specified type of Borrowing to the Administrative Agent not later than:
 - (i) 10:00 a.m. (Calgary time) two Banking Days prior to the proposed Drawdown Date, Conversion Date or Rollover Date, as the case may be, for the Drawdown of, Conversion into or Rollover of Bankers' Acceptances;

- (ii) 10:00 a.m. (Calgary time) one Banking Day prior to the proposed Drawdown Date or Conversion Date, as the case may be, for Drawdowns of or Conversions into Canadian Prime Rate Loans or U.S. Base Rate Loans; and
- (iii) 10:00 a.m. (Calgary time) three Banking Days prior to the proposed Drawdown Date, Conversion Date or Rollover Date, as the case may be, for the Drawdown of, Conversion into or the Rollover of Libor Loans.

2.6 **Conversion Option**

Subject to the provisions of this Agreement, the Borrower may convert the whole or any part of any type of Borrowings under the Production Facility into any other type of Borrowing under the Production Facility by giving the Administrative Agent a Conversion Notice in accordance herewith; provided that:

- (a) Conversions of Libor Loans and Bankers' Acceptances may only be made on the last day of the Interest Period applicable thereto;
- (b) the Borrower may not convert a portion only or the whole of an outstanding Borrowing unless both the unconverted portion and converted portion of such Borrowing are equal to or exceed the minimum amounts required for Drawdowns of Borrowings of the same type as that portion; and
- (c) a Conversion shall not result in an increase in Outstanding Principal; increases in Outstanding Principal may only be effected by Drawdowns.

2.7 **Rollovers and Conversions**

Any amount converted shall be a Borrowing of the type converted to upon such Conversion taking place, and any amount rolled over shall continue to be the same type of Borrowing under the Operating Facility or Production Facility, as applicable, as before the Rollover, but such Conversion or Rollover (to the extent of the amount converted or rolled over) shall not of itself constitute a repayment or a fresh utilization of any part of the amount available under the relevant credit facility.

At or before 10:00 a.m. three Banking Days prior to the expiration of each Interest Period of each Libor Loan, the Borrower shall, unless it has delivered a Conversion Notice pursuant to Section 2.6 (together with a Rollover Notice if a portion only is to be converted or repaid; provided that a portion of a Libor Loan may be continued only if the portion which is to remain outstanding is equal to or exceeds the minimum amount required hereunder for Drawdowns of Libor Loans) with respect to the aggregate amount of such Loan, deliver a Rollover Notice to the Administrative Agent selecting the next Interest Period applicable to the Libor Loan, which new Interest Period shall commence on and include the last day of such prior Interest Period. If the Borrower fails to deliver a Rollover Notice to the Administrative Agent as provided in this Section, the Borrower shall be deemed to have given a Conversion Notice to the Administrative Agent electing to convert the entire amount of the maturing Libor Loan into a U.S. Base Rate Loan.

2.8 **Administrative Agent's Obligations Under the Production Facility with Respect to Canadian Prime Rate Loans, U.S. Base Rate Loans and Libor Loans**

Upon receipt of a Drawdown Notice, Rollover Notice or Conversion Notice with respect to a Canadian Prime Rate Loan, U.S. Base Rate Loan and Libor Loan under the Production Facility, the

Administrative Agent shall forthwith notify the applicable Lenders of the requested type of Loan, the proposed Drawdown Date, Rollover Date or Conversion Date, each Lender's Proportion of such Loan and, if applicable, the account of the Administrative Agent to which each Lender's Proportion is to be credited.

2.9 **Lenders' and Administrative Agent's Obligations Under the Production Facility with Respect to Canadian Prime Rate Loans, U.S. Base Rate Loans and Libor Loans**

Each Lender shall, for same day value on the Drawdown Date specified by the Borrower in a Drawdown Notice with respect to a Canadian Prime Rate Loan, U.S. Base Rate Loan and Libor Loan under the Production Facility, credit the Administrative Agent's account specified in the Administrative Agent's notice given under Section 2.8 with such Lender's Proportion of each such requested Loan and for same day value on the same date the Administrative Agent shall pay to the Borrower the full amount of the amounts so credited in accordance with any payment instructions set forth in the applicable Drawdown Notice.

2.10 **Irrevocability**

A Drawdown Notice, Rollover Notice, Conversion Notice or Repayment Notice given by the Borrower hereunder shall be irrevocable and, subject to any options the Lenders may have hereunder in regard thereto and the Borrower's rights hereunder in regard thereto, shall oblige the Borrower to take the action contemplated on the date specified therein.

2.11 **Non-Contribution of a Lender**

Unless previously notified in writing by a Lender to the Administrative Agent no less than two Banking Days before a Borrowing (one Banking Day for Canadian Prime Rate Loans) under the applicable credit facility is to be effected that such Lender does not intend to make available to the Administrative Agent its Lender's Proportion of such Borrowing, the Administrative Agent may assume that such Lender will be making its Lender's Proportion of such Borrowing available to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower an amount corresponding to such Lender's Proportion of such Borrowing provided that failure by a Lender to give such notice to the Administrative Agent does not relieve such Lender from making available its Lender's Proportion of such Borrowing. If such Lender fails to make its Lender's Proportion of the relevant Borrowing available to the Administrative Agent on the relevant date, the Administrative Agent shall be entitled to recover on demand the amount of such Lender's Proportion of the Borrowing from such Lender or, failing recovery from such Lender, from the Borrower on one day's notice. Interest payable to the Administrative Agent for its own account shall accrue on the amount of such Lender's Proportion of such Borrowing during the period prior to recovery at a rate per annum equal to (i) in the case of amounts paid by a Lender within three Banking Days of the date such amount was payable to the Administrative Agent, the rate customarily applicable to interbank payments, and (ii) in the case of amounts paid by a Lender more than three Banking Days after the date such amount was payable to the Administrative Agent or paid by the Borrower at any time, the rate applicable to a Canadian Prime Rate Loan under the applicable credit facility if such amount is a Canadian Dollar amount or to a U.S. Base Rate Loan under the applicable credit facility if such amount is a U.S. Dollar amount. No Lender shall be responsible for the failure of any other Lender to make a Borrowing or provide funds.

2.12 **Hedging with Lenders**

- (a) If a Lender or its Hedging Affiliate makes a Financial Instrument available to the

Borrower or Material Subsidiary and such Lender or Hedging Affiliate is advised by the Borrower or Material Subsidiary pursuant to Section 2.12(b) and believes, acting reasonably, without any actual notice or knowledge to the contrary, that such Financial Instrument is Permitted Hedging, then the Hedging Obligations associated with such Financial Instrument shall be secured by the Security *pari passu* with the Obligations, regardless of whether the Borrower or a Material Subsidiary has breached Section 11.1(d)(vi) (but, for certainty, without in any manner lessening or relieving the Borrower or a Material Subsidiary from its obligation to comply therewith).

- (b) At the time of entering into each Financial Instrument with a Lender or its Hedging Affiliate, the Borrower or Material Subsidiary shall be deemed to represent and warrant to the Lender and its Hedging Affiliate that such Financial Instrument is Permitted Hedging. The Compliance Certificate shall contain in reasonable detail all relevant information with respect to all Financial Instruments of the Borrower and Material Subsidiaries, and upon request of the Administrative Agent, acting reasonably, at any other time, the Borrower shall provide such information to the Administrative Agent.
- (c) Without further action or execution of documents the Borrower shall be jointly and severally liable with the Material Subsidiaries for all Hedging Obligations arising out of any Financial Instruments entered into by any Material Subsidiaries.

2.13 **Borrowing Base**

In respect of the Borrowing Base the following provisions shall apply:

- (a) On or before March 31 in each year, the Borrower shall deliver to the Administrative Agent, for delivery to each Lender, an Engineering Report as to its and any Material Subsidiaries' reserves as of the immediately preceding December 31 prepared by an Independent Engineer together with a Borrowing Base Certificate. On or before September 30 in each year, the Borrower shall deliver to the Administrative Agent, for delivery to each Lender, an Engineering Report as to its and any Material Subsidiaries' reserves as of the immediately preceding June 30 prepared by internal petroleum engineers of the Borrower or, if required by the Majority Lenders, by an Independent Engineer, together with a Borrowing Base Certificate.
- (b) Within 60 days of the receipt of an Engineering Report and Borrowing Base Certificate pursuant to Section 2.13(a) and all other information reasonably requested by the Lenders, and in conformity with the terms of this Section 2.13, the Lenders shall determine the Borrowing Base and shall deliver to the Borrower a written notice, in substantially the form set out in Schedule "G" hereto, specifying such determination ("Borrowing Base Notice"). All determinations and re-determinations of the Borrowing Base shall be made by the Lenders in their sole discretion in accordance with their normal and customary petroleum and natural gas lending criteria and practices in effect at the time of determination for loans to borrowers in the Canadian petroleum and natural gas industry. The determined Borrowing Base shall be effective immediately upon receipt by the Borrower of the Borrowing Base Notice and shall continue until a subsequent determination of the Borrowing Base. Under no circumstances shall the Borrowing Base determined by the Lenders exceed the total Commitments for the Credit Facility.
- (c) Any Borrowing Base determined herein: (i) shall be approved by all of the Lenders if it

is an increase from the previous Borrowing Base provided that if less than all of the Lenders but the Majority Lenders agree to the increase in the Borrowing Base then the Borrower may prepay (without penalty) all obligations owing to, or replace with a new Lender, any Lender who does not consent to the increase and upon such new Lender agreeing to the increased Borrowing Base, the increased Borrowing Base shall become effective; and (ii) shall be approved by the Majority Lenders if it is the same or a decrease from the previous Borrowing Base provided that if the Majority Lenders but not all of the Lenders have approved the Borrowing Base that is the same or a decrease from the previous Borrowing Base, then within 60 days of the approval of the same or decreased Borrowing Base by the Majority Lenders, the Borrower shall either replace those non-consenting Lenders with a new Lender upon which the decreased or same Borrowing Base shall become effective or shall repay (without penalty) all obligations owing to those non-consenting Lenders, upon which the Borrowing Base shall be further reduced by the Borrowing Base allocated to the non-consenting Lenders.

- (d) In the event that the Borrowing Base is not approved by the Lenders pursuant to Section 2.13(c) at the times provided for in Section 2.13(a) or the Borrower does not comply with the other provisions of Section 2.13(c), then, within 45 days of the Lenders giving notice to the Borrower of non-approval of the Borrowing Base or non-compliance with the terms of Section 2.13(c), all of the Obligations shall become due and payable, the Borrower shall pay and satisfy the Obligations in full and the Credit Facility shall be terminated.
- (e) Unless otherwise agreed by the Lenders, if the Borrowing Base is reduced or increased, the Borrowing Base allocated to the Production Facility shall be reduced or increased by the full amount of the Borrowing Base reduction or increase, and the Borrowing Base allocated to the Operating Facility shall remain as per Schedule A. Unless otherwise agreed by the Lenders, for each reduction of the Borrowing Base, the total Commitment of each of the Lenders under the Credit Facility shall be reduced pro rata in the same proportion that the amount of the reduction in the Borrowing Base bears to the amount of the Borrowing Base in effect immediately prior to such redetermination with the apportionment of the total Commitment of the Operating Lender who is also a Production Lender as between the Operating Facility and Production Facility being adjusted accordingly based upon the allocation of the Borrowing Base to the Operating Facility.
- (f) At the request of the Majority Lenders the Borrowing Base shall be re-determined in accordance with the provisions of this Section 2.13: (i) in the event there has been a change resulting in a Material Adverse Effect as determined by the Majority Lenders in their sole discretion acting reasonably; and (ii) in any calendar year where the Borrower and a Material Subsidiary have disposed of assets having in the aggregate a fair market value equal to or greater than 10% of the then existing Borrowing Base.
- (g) Once in any calendar year, the Borrower may request the Administrative Agent to re-determine the Borrowing Base in accordance with the provisions of this Section 2.13.
- (h) For the re-determinations of the Borrowing Base in subclauses (f) and (g) above, the Borrower shall provide the Administrative Agent with a Borrowing Base Certificate, Engineering Report and such additional information that the Lenders may reasonably require in order to make such determinations. The Lenders shall forthwith thereafter redetermine the Borrowing Base and such re-determination shall become effective upon

the Administrative Agent giving a Borrowing Base Notice to the Borrower.

- (i) The Borrowing Base is Cdn. \$280,000,000.

2.14 **Borrowing Base Shortfall**

If at anytime, other than as provided by Section 2.16, any re-determination of the Borrowing Base results in the Outstanding Principal under the Credit Facility exceeding the Borrowing Base (such difference being the "Borrowing Base Shortfall") then, until such Borrowing Base Shortfall has been eliminated in accordance with this Section 2.14: (i) no Drawdowns (other than Conversions and Rollovers) or Advances under the Operating Facility shall be available without the prior unanimous approval of the Lenders; and (ii) no assets of the Borrower and the Material Subsidiaries used in the determination of the Borrowing Base (excluding, for certainty, severed production sold in the ordinary course of business) may be disposed of without the prior unanimous approval of the Lenders, such approval not to be unreasonably withheld. Unless repayment of the Borrowing Base Shortfall has been earlier demanded by the Administrative Agent, such Borrowing Base Shortfall shall be fully repaid within 60 days of the occurrence of such Borrowing Base Shortfall ("Shortfall Period"). Provided however, the Borrower shall be entitled to request, within the Shortfall Period, an increase in the Borrowing Base by adding additional petroleum and natural gas reserves to the Borrowing Base such that the existing Borrowing Base Shortfall shall no longer exist. Any request to increase the Borrowing Base pursuant to this Section shall be in writing and shall be accompanied by the delivery of proposed Security over additional assets of the Borrower and the Material Subsidiaries and such other information as the Lenders may request. The Lenders shall determine in their sole discretion whether they are satisfied that the proposed Security and additional assets are adequate to allow the requested increase in the Borrowing Base and shall advise the Administrative Agent of such determination as soon as possible. If the request of the Borrower to increase the Borrowing Base is rejected by the Lenders, the Borrower shall repay such Borrowing Base Shortfall within the Shortfall Period in accordance with this Section 2.14. If the Borrower fails to comply with the foregoing within the Shortfall Period, such failure shall be an Event of Default for the purposes of this Agreement.

2.15 **Extension of Revolving Period**

- (a) Provided that there is no Default or Event of Default, the Borrower may request ("**Borrower Request**") that the Revolving Period of each Revolving Lender be extended for additional 364-day periods by written notice to the Administrative Agent no earlier than 90 days and no later than 45 days prior to the end of the then current Revolving Period. With any such request the Borrower shall provide to the Revolving Lenders all information the Revolving Lenders may reasonably request, including a Borrowing Base Certificate. Any extension of the Revolving Period shall require approval of Revolving Lenders whose Commitments are in aggregate in excess of 66 2/3 % of the Commitments of all Revolving Lenders ("**Required Lenders**"). No later than 30 days after such Borrower Request, the Administrative Agent shall provide a written notice to the Borrower confirming either: (i) the Required Lenders will extend the then current Revolving Period for an additional 364-day period and the names of any Revolving Lenders which did not agree to the extension ("**Non-Agreeing Lenders**"); or (ii) the Required Lenders will not extend the then current Revolving Period.

- (b) If the Borrower does not make the Borrower Request during the required period described above, or if the Borrower makes such Borrower Request and such Borrower Request is not agreed to by the Required Lenders, then the Revolving Period is not extended, all Revolving Lenders shall be deemed Non-Agreeing Lenders and the Term Period for each Non-Agreeing Lender shall commence at the end of the then current Revolving Period. The Commitment of each Non-Agreeing Lender shall reduce to the Outstanding Principal of each Non-Agreeing Lender as of the date of the commencement of the Term Period. During the Term Period, the Borrower may not re-borrow any amounts that may be repaid to the Non-Agreeing Lenders (but may make Conversions and Rollovers) and each payment of Outstanding Principal made to a Non-Agreeing Lender during the Term Period shall be a permanent reduction of such Non-Agreeing Lender's Commitment in the amount of such payment. On the Term Maturity Date of a Non-Agreeing Lender, all Obligations to such Non-Agreeing Lender shall become due and payable, the Borrower shall pay and satisfy all Obligations in full to such Non-Agreeing Lender and the Commitment of such Non-Agreeing Lender shall be terminated.
- (c) If all of the Revolving Lenders agree to extend the then current Revolving Period, then the Revolving Period shall then be extended for an additional 364 day period in respect of the Commitments of each Revolving Lender.
- (d) If less than all of the Revolving Lenders, but the Required Lenders, agree to extend the then current Revolving Period ("**Agreeing Lenders**"), then: (a) prior to the end of the then current Revolving Period, the Borrower may replace, in accordance with the terms of this Agreement, or, if no Default or Event of Default is then in existence, repay, such Non-Agreeing Lenders; and (b) the Revolving Period shall then be extended for an additional 364 day period in respect of the Commitments of each Agreeing Lender, including any replacement Lenders.
- (e) If, prior to the end of the then current Revolving Period, all of the Non-Agreeing Lenders have not been replaced with a new Lender or repaid, then the Term Period for the Non-Agreeing Lenders shall commence at the end of the then current Revolving Period of such Non-Agreeing Lender. Each Non-Agreeing Lender's Commitment shall reduce to the Outstanding Principal of each Non-Agreeing Lender as of the date of the commencement of its Term Period. During the Term Period, the Borrower may not re-borrow any amounts that may be repaid to the Non-Agreeing Lenders (but may make Conversions and Rollovers) and each payment of Outstanding Principal made to a Non-Agreeing Lender during the Term Period shall be a permanent reduction of such Non-Agreeing Lender's Commitment in the amount of such payment. On the Term Maturity Date of a Non-Agreeing Lender, all Obligations to such Non-Agreeing Lender shall become due and payable, the Borrower shall pay and satisfy all such Obligations in full and the Commitment of such Non-Agreeing Lender shall be terminated.
- (f) If the Operating Lender becomes a Non-Agreeing Lender, then the Borrower may repay or term out the Operating Facility or replace the Operating Lender, in accordance with the above provisions, independent of repaying or terming out such Lender's share of the Production Facility or replacing such Lender as a Production Lender.

- (g) The Borrower agrees that consideration of any request for an extension of the Revolving Period constitutes an independent credit decision which each Revolving Lender retains the absolute and unfettered discretion to make, and that no commitment in this regard is given by any Revolving Lender and that any extension of the Revolving Period may be on such terms and conditions in addition to those set out herein as the Revolving Lenders may stipulate and the Borrower may agree to.

2.16 **Currency Excess**

- (a) If the Administrative Agent shall determine that the Outstanding Principal under the Credit Facility exceeds the Borrowing Base, the Outstanding Principal under the Production Facility exceeds the total Commitments for the Production Facility or the Outstanding Principal under the Operating Facility exceeds the total Commitments for the Operating Facility, as a result of currency rate fluctuations (the amount of such excess is herein called the "Currency Excess"), then, upon written request by the Administrative Agent (which request shall detail the applicable Currency Excess), the Borrower shall repay an amount of Canadian Prime Rate Loans or U.S. Base Rate Loans within (i) if the Currency Excess exceeds the Borrowing Base by 5% or more, 3 Banking Days, and (ii) in all other cases, 5 Banking Days after receipt of such request, such that, except as otherwise contemplated in Section 2.16(b), the Equivalent Amount in Canadian Dollars of such repayments is, in the aggregate, at least equal to the Currency Excess.
- (b) If, in respect of any Currency Excess under the Credit Facility, the repayments made by the Borrower have not completely removed such Currency Excess (the remainder thereof being herein called the "Currency Excess Deficiency"), the Borrower shall within the aforementioned 3 or 5 Banking Days, as the case may be, after receipt of the aforementioned request of the Administrative Agent, place an amount equal to the Currency Excess Deficiency on deposit with the Administrative Agent in a non-interest bearing cash collateral account in the Borrower's name, to be assigned to the Administrative Agent on behalf of the applicable Lenders by instrument satisfactory to the Administrative Agent and to be applied to maturing Acceptances or Libor Loans (converted if necessary at the exchange rate for determining the Equivalent Amount on the date of such application). The Administrative Agent is hereby irrevocably directed by the Borrower to apply any such sums on deposit to maturing Borrowings as provided in the preceding sentence. In lieu of providing funds for the Currency Excess Deficiency, as provided in the preceding provisions of this Section, the Borrower may within the said period of 3 or 5 Banking Days, as the case may be, provide to the Administrative Agent an irrevocable standby letter of credit in an amount equal to the Currency Excess Deficiency and for a term which expires not sooner than 10 Banking Days after the date of maturity of the relevant Acceptances or Libor Loans, as the case may be; such letter of credit shall be issued by a financial institution, and shall be on terms and conditions, acceptable to the Administrative Agent in its sole discretion. The Administrative Agent is hereby authorized and directed to draw upon such letter of credit and apply the proceeds of the same to Acceptances or Libor Loans as they mature. Upon the Currency Excess being eliminated as aforesaid or by virtue of subsequent changes in the exchange rate for determining the Equivalent Amount, then, provided no Event of Default has occurred or a Default is then continuing, such funds on deposit, together with interest thereon, or such letters of credit shall be returned to the Borrower, in the case of funds on deposit, or shall be cancelled or reduced in amount, in the case of letters of credit.

ARTICLE 3
BANKERS' ACCEPTANCES

3.1 Bankers' Acceptances

The Borrower may give the Administrative Agent notice that Bankers' Acceptances will be required under the Production Facility pursuant to a Drawdown, Rollover or Conversion. The following provisions in this Article 3 apply to Bankers' Acceptances and BA Equivalent Advances made by the Production Lenders under the Production Facility.

3.2 Form and Execution of Bankers' Acceptances

The following provisions shall apply to each Bankers' Acceptance hereunder:

- (a) the face amount at maturity of each draft drawn by the Borrower to be accepted as a Bankers' Acceptance shall be in integral multiples of \$100,000 per Lender;
- (b) the term to maturity of each draft drawn by the Borrower to be accepted as a Bankers' Acceptance shall, subject to market availability as determined by the Administrative Agent, be one, two, three and six months in duration, as selected by the Borrower in the relevant Drawdown, Rollover or Conversion Notice, and each Bankers' Acceptance shall be payable and mature on the last day of the Interest Period selected by the Borrower for such Bankers' Acceptance, provided that the Bankers' Acceptances shall not have a maturity after the end of the Revolving Period or Term Maturity Date, as applicable; and
- (c) each draft drawn by the Borrower and presented for acceptance by a Lender shall be drawn on the standard form of such Lender in effect at the time.

3.3 Power of Attorney; Provision of Bankers' Acceptances to Lenders

- (a) The Borrower hereby irrevocably appoints each Lender, acting by any authorized signatory of the Lender in question, the attorney of the Borrower:
 - (i) to make the necessary arrangements for the negotiation of Bankers' Acceptances;
 - (ii) to sign for and on behalf and in the name of the Borrower as drawer, drafts in such Lender's standard form which are depository bills as defined in the DBNA, payable to a "clearing house" (as defined in the DBNA) including, without limitation, The Canadian Depository For Securities Limited or its nominee, CDS & Co. (the "clearing house");
 - (iii) for drafts which are not depository bills, to sign for and on behalf and in the name of the Borrower as drawer and to endorse on its behalf, Bankers' Acceptances drawn on the Lender payable to the order of the undersigned or payable to the order of such Lender;
 - (iv) to fill in the amount, date and maturity date of such Bankers' Acceptances; and
 - (v) to deposit and/or deliver such Bankers' Acceptances which have been accepted by such Lender;

provided that such acts in each case are to be undertaken by the Lender in question strictly in accordance with instructions given to such Lender by the Borrower as provided in this Section. For certainty, signatures of any authorized signatory of a Lender may be mechanically reproduced in facsimile on Bankers' Acceptances in accordance herewith and such facsimile signatures shall be binding and effective as if they had been manually executed by such authorized signatory of such Lender.

Instructions from the Borrower to a Lender relating to the execution, completion, endorsement, deposit and/or delivery by that Lender on behalf of the Borrower of Bankers' Acceptances which the Borrower wishes to submit to the Lender for acceptance by the Lender shall be communicated by the Borrower in writing to the Administrative Agent by delivery to the Administrative Agent of Drawdown Notices, Conversion Notices and Rollover Notices, as the case may be, in accordance with this Agreement which, in turn, shall be communicated by the Administrative Agent, on behalf of the Borrower, to the Lender.

The communication in writing by the Borrower, or on behalf of the Borrower by the Administrative Agent, to the Lender of the instructions set out in the Drawdown Notices, Conversion Notices and Rollover Notices referred to above shall constitute (a) the authorization and instruction of the Borrower to the Lender to sign for and on behalf and in the name of the Borrower as drawer the requested Bankers' Acceptances and to complete and/or endorse Bankers' Acceptances in accordance with such information as set out above and (b) the request of the Borrower to the Lender to accept such Bankers' Acceptances and deposit the same with the clearing house or deliver the same, as the case may be, in each case in accordance with this Agreement and such instructions. The Borrower acknowledges that a Lender shall not be obligated to accept any such Bankers' Acceptances except in accordance with the provisions of this Agreement.

A Lender shall be and it is hereby authorized to act on behalf of the Borrower upon and in compliance with instructions communicated to that Lender as provided herein if the Lender reasonably believes such instructions to be genuine. If a Lender accepts Bankers' Acceptances pursuant to any such instructions, that Lender shall confirm particulars of such instructions and advise the Administrative Agent that it has complied therewith by notice in writing addressed to the Administrative Agent and served personally or sent by telecopier in accordance with the provisions hereof. A Lender's actions in compliance with such instructions, confirmed and advised to the Administrative Agent by such notice, shall be conclusively deemed to have been in accordance with the instructions of the Borrower.

- (b) The power of attorney referred to in the subclause above may be revoked by the Borrower with respect to any particular Lender at any time upon not less than 5 Banking Days' prior written notice served upon the Lender in question and the Administrative Agent, provided that no such revocation shall reduce, limit or otherwise affect the obligations of the Borrower in respect of any Bankers' Acceptance executed, completed, endorsed, deposited and/or delivered in accordance herewith prior to the time at which such revocation becomes effective.
- (c) By 10:00 a.m. (Calgary time) on the applicable Drawdown Date, Conversion Date or Rollover Date, the Borrower shall be deemed to have authorized each such Lender to sign on behalf of the Borrower, complete and accept, drafts drawn by the Borrower on such Lender in a principal amount at maturity equal to such Lender's share of the Bankers'

Acceptances specified by the Borrower in the relevant Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be, as notified to the Lenders by the Administrative Agent.

3.4 **Mechanics of Issuance**

- (a) Upon receipt by the Administrative Agent of a Drawdown Notice, Conversion Notice or Rollover Notice from the Borrower requesting the issuance of Bankers' Acceptances, the Administrative Agent shall promptly notify the Lenders thereof and advise each Lender of the aggregate face amount of Bankers' Acceptances to be accepted and purchased by such Lender, the date of issue and the Interest Period for such Borrowing; the apportionment among the Lenders of the face amounts of Bankers' Acceptances to be accepted by each Lender shall be determined by the Administrative Agent by reference and in proportion to the respective Commitments of each Lender, provided that, when such apportionment cannot be evenly made, the Administrative Agent shall round allocations amongst such Lenders consistent with the Administrative Agent's normal money market practices.
- (b) On each Drawdown Date, Rollover Date or Conversion Date involving the issuance of Bankers' Acceptances:
 - (i) before 9:00 a.m.(Calgary time) on such date, the Administrative Agent shall determine the CDOR Rate and shall obtain quotations from each Schedule II Lender or Schedule III Lender of the BA Discount Rate then applicable to bankers' acceptances accepted by such Schedule II Lender or Schedule III Lender in respect of an issue of bankers' acceptances in a comparable amount and with comparable maturity to the Bankers' Acceptances proposed to be issued on such date;
 - (ii) on or about 9:00 a.m. (Calgary time) on such date, the Administrative Agent shall determine the BA Discount Rate applicable to each Lender and shall advise each Lender of the BA Discount Rate applicable to it;
 - (iii) each Lender shall complete and accept, in accordance with the Drawdown Notice, Conversion Notice or Rollover Notice delivered by the Borrower and advised by the Administrative Agent in connection with such issue, its share of the Bankers' Acceptances to be issued on such date; and
 - (iv) in the case of a Drawdown, each Lender shall, for same day value on the Drawdown Date, remit the Discount Proceeds or advance the BA Equivalent Advance, as the case may be, payable by such Lender (net of the acceptance fee payable to such Lender pursuant to Section 7.3) to the Administrative Agent for the account of the Borrower; the Administrative Agent shall make such funds available to the Borrower for same day value on such date.
- (c) Each Lender may at any time and from time to time hold, sell, rediscount or otherwise dispose of any or all Bankers' Acceptances accepted and purchased by it.

3.5 **Rollover, Conversion or Payment on Maturity**

In anticipation of the maturity of Bankers' Acceptances, the Borrower shall, subject to and in

accordance with the requirements hereof, do one or a combination of the following with respect to the aggregate face amount at maturity of all such Bankers' Acceptances:

- (a) (i) deliver to the Administrative Agent a Rollover Notice that the Borrower intends to draw and present for acceptance on the maturity date new Bankers' Acceptances (issued under the same credit facility as the maturing Bankers' Acceptances) in an aggregate face amount up to the aggregate amount of the maturing Bankers' Acceptances; and (ii) on the maturity date pay to the Administrative Agent for the account of the Lenders an additional amount equal to the difference between the aggregate face amount of the maturing Bankers' Acceptances and the Discount Proceeds of such new Bankers' Acceptances;
- (b) (i) deliver to the Administrative Agent a Conversion Notice requesting a Conversion of the maturing Bankers' Acceptances to a Canadian Prime Rate Loan under the same credit facility as the maturing Bankers' Acceptances; and (ii) on the maturity date pay to the Administrative Agent for the account of the Lenders an amount equal to the difference, if any, between the aggregate face amount of the maturing Bankers' Acceptances and the amount of the Canadian Prime Rate Loans into which Conversion is requested; or
- (c) (i) deliver to the Administrative Agent a Repayment Notice giving notice of the repayment of the maturing Bankers' Acceptances; and (ii) on the maturity date of the maturing Bankers' Acceptances, pay to the Administrative Agent for the account of the Lenders an amount equal to the aggregate face amount of such Bankers' Acceptances.

If the Borrower fails to so notify the Administrative Agent or make such payments on maturity, the Administrative Agent shall effect a Conversion into a Canadian Prime Rate Loan under the applicable credit facility of the entire amount of such maturing Bankers' Acceptances as if a Conversion Notice had been given by the Borrower to the Administrative Agent to that effect.

3.6 **Restriction on Rollovers and Conversions**

Subject to the other provisions hereof, Conversions and Rollovers of Bankers' Acceptances may only occur on the maturity date thereof.

3.7 **Rollovers**

In order to satisfy the continuing liability of the Borrower to a Lender for the face amount of maturing Bankers' Acceptances accepted by such Lender, the Lender shall receive and retain for its own account the Discount Proceeds of new Bankers' Acceptances issued on a Rollover, and the Borrower shall on the maturity date of the Bankers' Acceptances being rolled over pay to the Administrative Agent for the account of the Lenders an amount equal to the difference between the face amount of the maturing Bankers' Acceptances and the Discount Proceeds from the new Bankers' Acceptances, together with the acceptance fees to which the Lenders are entitled pursuant to Section 7.3.

3.8 **Conversion into Bankers' Acceptances**

In respect of Conversions into Bankers' Acceptances, in order to satisfy the continuing liability of the Borrower to the Lenders for the amount of the converted Canadian Prime Rate Loan, each Lender shall receive and retain for its own account the Discount Proceeds of the Bankers' Acceptances issued upon such Conversion, and the Borrower shall on the Conversion Date pay to the Administrative Agent for the account of the Lenders an amount equal to the difference between the principal amount of the

converted Borrowing and the aggregate Discount Proceeds from the Bankers' Acceptances issued on such Conversion, together with the acceptance fees to which the Lenders are entitled pursuant to Section 7.3.

3.9 **Conversion from Bankers' Acceptances**

In order to satisfy the continuing liability of the Borrower to the Lenders for an amount equal to the aggregate face amount of the maturing Bankers' Acceptances converted to another type of Borrowing, the Administrative Agent shall record the obligation of the Borrower to the Lenders as a Borrowing of the type into which such continuing liability has been converted.

3.10 **BA Equivalent Advances**

Notwithstanding the foregoing provisions of this Article, a Non-Acceptance Lender shall, in lieu of accepting Bankers' Acceptances, make a BA Equivalent Advance. BA Equivalent Advances shall be effected or maintained as Borrowings by a Non-Acceptance Lender in an amount equal to its nominal pro rata share of the face amount of such Bankers Acceptance and not equal to the Discount Proceeds. Any BA Equivalent Advance shall be made on the relevant Drawdown Date, Rollover Date or Conversion Date as the case may be and shall remain outstanding for the term of the relevant Bankers' Acceptances. Concurrent with the making of a BA Equivalent Advance, a Non-Acceptance Lender shall be entitled to deduct therefrom an amount equal to the acceptance fee which, but for this Section, such Lender would otherwise be entitled to receive as part of such Borrowing and the applicable Discount. Subject to Section 3.5, upon the maturity date for such Bankers' Acceptances, the Borrower shall pay to each Non-Acceptance Lender the amount of its BA Equivalent Advance.

All references herein to "Borrowings", "Acceptances", "BAs" and "Bankers' Acceptances" shall, unless otherwise expressly provided herein or unless the context otherwise requires, be deemed to include BA Equivalent Advances made by a Non-Acceptance Lender as part of a Drawdown, Conversion or Rollover of Bankers' Acceptances.

3.11 **Termination of Bankers' Acceptances**

If at any time a Lender ceases to accept Bankers' Acceptances in the ordinary course of its business, such Lender shall be deemed to be a Non-Acceptance Lender and shall make BA Equivalent Advances in lieu of accepting Bankers' Acceptances under this Agreement.

ARTICLE 4 **LETTERS OF CREDIT AND LETTERS OF GUARANTEE**

4.1 **Availability**

Subject to the provisions hereof, the Operating Lender shall issue Letters of Credit or Letters of Guarantee under the Operating Facility in accordance with the Drawdown Notices of the Borrower; provided that the aggregate Outstanding Principal represented by all outstanding Letters of Credit and Letters of Guarantee shall not exceed Cdn. \$5,000,000 or Equivalent Amount in U.S. Dollars. The issuance of Letters of Credit or Letters of Guarantee shall constitute Drawdowns hereunder and shall reduce the availability of the Operating Facility by the aggregate Outstanding Principal of such Letters of Credit and Letters of Guarantee.

4.2 **Currency and Form**

Letters of Credit and Letters of Guarantee issued pursuant hereto shall be denominated in Canadian Dollars or U.S. Dollars and amounts payable thereunder shall be paid in the currency in which the Letter of Credit or Letter of Guarantee is denominated. Letters of Credit and Letters of Guarantee shall be in a form satisfactory to the Operating Lender and shall not have a term exceeding one year or the Term Maturity Date of the Operating Lender.

4.3 **No Conversion**

Except as provided in Section 4.4, the Borrower may not effect a Conversion of a Letter of Credit or Letter of Guarantee.

4.4 **Reimbursement or Conversion on Presentation; Operating Lender Indemnity**

- (a) On presentation of a Letter of Credit or Letter of Guarantee and payment thereunder by the Operating Lender, the Borrower shall forthwith pay to and reimburse the Operating Lender for all amounts paid by the Operating Lender pursuant to such Letter of Credit or Letter of Guarantee; failing such payment, the Borrower shall be deemed to have effected a Conversion of such Letter of Credit or Letter of Guarantee into: (a) a Canadian Prime Rate Loan in case of a Letter of Credit or Letter of Guarantee in Canadian Dollars in the same credit facility as the Letter of Credit or Letter of Guarantee was issued; and (b) a U.S. Base Rate Loan in case of a Letter of Credit or Letter of Guarantee in U.S. Dollars in the same credit facility as the Letter of Credit or Letter of Guarantee was issued, in each case to the extent of the payment of the Operating Lender thereunder.
- (b) If the Operating Lender makes payment under any Letter of Credit or Letter of Guarantee and the Borrower does not fully reimburse the Operating Lender on or before the date of payment, then Section 4.4(a) shall apply to deem a Canadian Prime Rate Loan or U.S. Base Rate Loan, as applicable, under the same facility as the Letter of Credit or Letter of Guarantee was issued, to be outstanding to the Borrower under this Agreement in the manner therein set out. Each Production Lender shall, on request by the Operating Lender, immediately pay to the Operating Lender an amount equal to such Lender's Proportion of the amount paid by the Operating Lender such that each Production Lender is participating in such Canadian Prime Rate Loan or U.S. Base Rate Loan in accordance with its Lender's Proportion.
- (c) Each applicable Lender shall immediately on demand indemnify the Operating Lender to the extent of such Lender's Proportion of any amount paid or liability incurred by the Operating Lender under each Letter of Credit or Letter of Guarantee issued by it to the extent that the Borrower does not fully reimburse the Operating Lender therefor.
- (d) For certainty, the obligations in this Section 4.4 shall continue as obligations of the Persons who were Lenders at the time each such Letter of Credit or Letter of Guarantee was issued notwithstanding that such Lender may assign its rights and obligations hereunder, unless the Operating Lender specifically releases such Lender from such obligations in writing.

4.5 **Additional Provisions**

- (a) **Indemnity and No Lender Liability**
The Borrower shall indemnify and save harmless the Lenders, the Operating Lender and the Administrative Agent against all claims, losses, costs, expenses or damages to the

Lenders, the Operating Lender and the Administrative Agent arising out of or in connection with any Letter of Credit or Letter of Guarantee, the issuance thereof, any payment thereunder or any action taken by the Lenders, the Operating Lender or the Administrative Agent or any other Person in connection therewith, including, without limitation, all costs relating to any legal process or proceeding instituted by any Person restraining or seeking to restrain the Operating Lender from accepting or paying any Draft or any amount under any such Letter of Credit or Letter of Guarantee, except as a result of the negligence or wilful misconduct of the Lenders, Operating Lender or the Administrative Agent. The Borrower also agrees that the Lenders, the Operating Lender and the Administrative Agent shall have no liability to the Borrower for any reason in respect of or in connection with any Letter of Credit or Letter of Guarantee, the issuance thereof, any payment thereunder or any other action taken by the Lenders, the Operating Lender or the Administrative Agent or any other Person in connection therewith, except as a result of the Administrative Agent's, Lenders' or Operating Lender's negligence or wilful misconduct.

(b) No Obligation to Inquire

The Borrower hereby acknowledges and confirms to the Operating Lender that the Operating Lender shall not be obliged to make any inquiry or investigation as to the right of any beneficiary to make any claim or Draft or request any payment under a Letter of Credit or Letter of Guarantee and payment by the Operating Lender pursuant to a Letter of Credit or Letter of Guarantee shall not be withheld by the Operating Lender by reason of any matters in dispute between the beneficiary thereof and the Borrower. The sole obligation of the Operating Lender with respect to Letters of Credit or Letters of Guarantee is to cause to be paid a Draft drawn or purporting to be drawn in accordance with the terms of the applicable Letter of Credit or Letter of Guarantee and for such purpose the Operating Lender is only obliged to determine that the Draft purports to comply with the terms and conditions of the relevant Letter of Credit or Letter of Guarantee.

The Operating Lender shall not have any responsibility or liability for or any duty to inquire into the form, sufficiency (other than to the extent provided in the preceding paragraph), authorization, execution, signature, endorsement, correctness (other than to the extent provided in the preceding paragraph), genuineness or legal effect of any Draft, certificate or other document presented to it pursuant to a Letter of Credit or Letter of Guarantee and the Borrower unconditionally assumes all risks with respect to the same. The Borrower agrees that it assumes all risks of the acts or omissions of the beneficiary of any Letter of Credit or Letter of Guarantee with respect to the use by such beneficiary of the relevant Letter of Credit or Letter of Guarantee.

(c) Obligations Unconditional

The obligations of the Borrower hereunder with respect to all Letters of Credit and Letters of Guarantee shall be absolute, unconditional and irrevocable and shall not be reduced by any event, circumstance or occurrence including, without limitation, any lack of validity or enforceability of a Letter of Credit or Letter of Guarantee, or any Draft paid or acted upon by the Operating Lender or any of its correspondents being fraudulent, forged, invalid or insufficient in any respect, or any defences or claims which the Borrower may have against any beneficiary or transferee of any Letter of Credit or Letter of Guarantee. The obligations of the Borrower hereunder shall remain in full force and effect and shall apply to any alteration to or extension of the expiration date of any Letter

of Credit or Letter of Guarantee, or any Letter of Credit or Letter of Guarantee issued to replace, extend or alter any Letter of Credit or Letter of Guarantee.

(d) Operating Lender Actions

Any action, inaction or omission taken or suffered by the Operating Lender or by any of the Operating Lender's correspondents under or in connection with a Letter of Credit, Letter of Guarantee or any Draft made thereunder, if in good faith and in conformity with foreign or domestic laws, regulation or customs applicable thereto shall be binding upon the Borrower and shall not place the Operating Lender or any of its correspondents under any resulting liability to the Borrower. Without limiting the generality of the foregoing, the Operating Lender and its correspondents may receive, accept or pay as complying with the terms of a Letter of Credit, Letter of Guarantee or any Draft thereunder, otherwise in order which may be signed by, or issued to, the administrator or any executor of, or the trustee in bankruptcy of, or the receiver for any property of, or any Person or entity acting as a representative or in the place of, such beneficiary or its successors and assigns. The Borrower covenants that it will not take any steps, issue any instructions to the Operating Lender or any of its correspondents or institute any proceedings intended to derogate from the right or ability of the Operating Lender or its correspondents to honour and pay any Letter of Credit, Letter of Guarantee or any Drafts.

(e) Payment of Contingent Liabilities

The Borrower shall pay to the Operating Lender an amount equal to the maximum amount available to be drawn under any unexpired Letter of Credit or Letter of Guarantee which becomes the subject of any order, judgment, injunction or other such determination (an "Order"), or any petition, proceeding or other application for any Order by the Borrower or any other party, restricting payment by the Operating Lender under and in accordance with such Letter of Credit or Letter of Guarantee or extending the Operating Lender's liability under such Letter of Credit or Letter of Guarantee beyond the expiration date stated therein; payment in respect of each such Letter of Credit or Letter of Guarantee shall be due forthwith upon demand in the currency in which such Letter of Credit or Letter of Guarantee is denominated.

Any amount paid to the Operating Lender pursuant to the preceding paragraph shall be held by the Operating Lender in non-interest bearing cash collateral accounts as continuing security for the Obligations and shall, prior to the occurrence of an Event of Default, be applied by the Operating Lender against the Obligations for, or (at the option of the Operating Lender) be applied in payment of, such Letter of Credit or Letter of Guarantee if payment is required thereunder; after the occurrence of an Event of Default, the Operating Lender may apply such amounts against any Obligations as it sees fit.

The Operating Lender shall release to the Borrower any amount remaining in the cash collateral accounts after applying the amounts necessary to discharge the Obligations relating to such Letter of Credit or Letter of Guarantee, upon the later of:

- (i) the date on which any final and non-appealable order, judgment or other determination has been rendered or issued either terminating any applicable Order or permanently enjoining the Lender from paying under such Letter of Credit or Letter of Guarantee;

- (ii) the earlier of:
 - A. the date on which either the original counterpart of such Letter of Credit and Letter of Guarantee is returned to the Operating Lender for cancellation or the Operating Lender is released by the beneficiary thereof from any other obligation in respect of such Letter of Credit and Letter of Guarantee; and
 - B. the expiry of such Letter of Credit and Letter of Guarantee; and
- (iii) if an Event of Default has occurred or the Term Maturity Date had been reached, the payment and satisfaction of all Obligations and the cancellation or termination of the Credit Facility.

ARTICLE 5

CHANGE IN CIRCUMSTANCES

5.1 Change in Law

- (a) If the adoption of any applicable law, regulation, treaty or official directive (whether or not having the force of law) or any change therein or in the interpretation or application thereof by any court or by any Governmental Authority or any other entity charged with the interpretation or administration thereof or compliance by a Lender with any request or direction (whether or not having the force of law) of any such authority or entity hereafter:
 - (i) subjects such Lender to, or cause the withdrawal or termination of a previously granted exemption with respect to, any Taxes (other than Taxes on such Lender's overall income), or changes the basis of taxation of payments due to such Lender, or increases any existing Taxes (other than Taxes on such Lender's overall income) on payments of principal, interest or other amounts payable by the Borrower to such Lender under this Agreement;
 - (ii) imposes, modifies or deems applicable any reserve, liquidity, special deposit, regulatory or similar requirement against assets or liabilities held by, or deposits in or for the account of, or loans by such Lender, or any acquisition of funds for loans or commitments to fund loans or obligations in respect of undrawn, committed lines of credit or in respect of Bankers' Acceptances accepted by such Lender; or
 - (iii) imposes on such Lender or requires there to be maintained by such Lender any capital adequacy or additional capital requirements (including, without limitation, a requirement which affects such Lender's allocation of capital resources to its obligations) in respect of any Borrowing or obligation of such Lender hereunder, or any other condition with respect to this Agreement; or
 - (iv) directly or indirectly affects the cost to such Lender of making available, funding or maintaining any Borrowing or otherwise imposes on such Lender any other condition or requirement affecting this Agreement or any Borrowing or any obligation of such Lender hereunder;

and the result of (i), (ii), (iii) or (iv) above, in the sole determination of such Lender acting reasonably and in good faith, is:

- A. to increase the cost to such Lender of performing its obligations hereunder with respect to any Borrowing;
- B. to reduce any amount received or receivable by such Lender hereunder or its effective return hereunder or on its capital in respect of any Borrowing or the Credit Facility; or
- C. to cause such Lender to make any payment with respect to or to forego any return on or calculated by reference to, any amount received or receivable by such Lender hereunder with respect to any Borrowing or any credit facility;

such Lender shall determine that amount of money which shall compensate the Lender for such increase in cost, payments to be made or reduction in income or return or interest foregone provided, however, that in no event shall such increase in cost, payment to be made or reduction in income or return or interest foregone include taxes (as opposed to any costs relating to taxes) (herein referred to as "Additional Compensation"). Upon a Lender having determined that it is entitled to Additional Compensation in accordance with the provisions of this Section, the Lender shall promptly so notify the Borrower and the Administrative Agent. The relevant Lender shall provide the Borrower and the Administrative Agent with a photocopy of the relevant law, rule, guideline, regulation, treaty or official directive (or, if it is impracticable to provide a photocopy, a written summary of the same) and a certificate of a duly authorized officer of such Lender setting forth the Additional Compensation and the basis of calculation therefor, which shall be conclusive evidence of such Additional Compensation in the absence of manifest error. The Borrower shall pay to such Lender within 45 Banking Days of the giving of such notice such Lender's Additional Compensation. Each of the Lenders shall be entitled to be paid such Additional Compensation from time to time to the extent that the provisions of this Section are then applicable notwithstanding that any Lender has previously been paid any Additional Compensation.

- (b) Each Lender agrees that it will not claim Additional Compensation from the Borrower under Section 5.1(a) if it is not generally claiming similar compensation from its other customers in similar circumstances or in respect of any period greater than 90 days prior to the delivery of notice in respect thereof by such Lender, unless, in the latter case, the adoption, change or other event or circumstance giving rise to the claim for Additional Compensation is retroactive or is retroactive in effect.

5.2 **Prepayment of Portion**

In addition to the other rights and options of the Borrower hereunder and notwithstanding any contrary provisions hereof, if a Lender gives the notice provided for in Section 5.1 with respect to any Borrowing (an "Affected Loan"), the Borrower may, within 2 Banking Days deliver a Repayment Notice to such Lender and the Administrative Agent (which notice shall be irrevocable) giving notice of its intention to prepay in full without penalty such Lender's Proportion of the Affected Loan outstanding together with accrued and unpaid interest on the principal amount so prepaid up to the date of such prepayment, such Additional Compensation as may be applicable to the date of such payment and all costs, losses and expenses incurred by such Lender by reason of the liquidation or re-deployment of

deposits or other funds or for any other reason whatsoever resulting from the repayment of such Affected Loan or any part thereof on other than the last day of the applicable Interest Period, and upon such payment being made that Lender's obligations to make such Affected Loans to the Borrower under this Agreement shall terminate.

5.3 **Illegality**

If a Lender determines, in good faith, that the adoption of any applicable law, regulation, treaty or official directive (whether or not having the force of law) or any change therein or in the interpretation or application thereof by any court or by any Governmental Authority or any other entity charged with the interpretation or administration thereof or compliance by a Lender with any request or direction (whether or not having the force of law) of any such authority or entity, now or hereafter makes it unlawful or impossible for any Lender to make, fund or maintain a Borrowing under the Credit Facility or to give effect to its obligations in respect of such a Borrowing, such Lender may, by written notice thereof to the Borrower and to the Administrative Agent declare its obligations under this Agreement in respect of such Borrowing to be terminated whereupon the same shall forthwith terminate, and the Borrower shall, within the time required by such law (or at the end of such longer period as such Lender at its discretion has agreed), either effect a Conversion of such Borrowing in accordance with the provisions hereof (if such Conversion would resolve the unlawfulness or impossibility) or prepay the principal of such Borrowing together with accrued interest, such Additional Compensation as may be applicable with respect to such Borrowing to the date of such payment and all costs, losses and expenses incurred by the Lenders by reason of the liquidation or re-deployment of deposits or other funds or for any other reason whatsoever resulting from the repayment of such Borrowing or any part thereof on other than the last day of the applicable Interest Period. If any such change shall only affect a portion of such Lender's obligations under this Agreement which is, in the opinion of such Lender and the Administrative Agent, severable from the remainder of this Agreement so that the remainder of this Agreement may be continued in full force and effect without otherwise affecting any of the obligations of the Administrative Agent, the other Lenders or the Borrower hereunder, such Lender shall only declare its obligations under that portion so terminated.

5.4 **Market Disruption**

In the event that at any time subsequent to the giving of a Drawdown Notice, Rollover Notice or Conversion Notice to the Administrative Agent by the Borrower with regard to any requested Libor Loan, but before the date of the Drawdown, Rollover or Conversion, as the case may be, the Administrative Agent (acting reasonably) makes a determination, which shall be conclusive and binding upon the Borrower, that:

- (a) by reason of circumstances affecting the London interbank market, adequate and fair means do not exist for ascertaining the rate of interest with respect to, or deposits are not available in sufficient amounts in the ordinary course of business at the rate determined hereunder to fund, a requested Libor Loan during the ensuing Interest Period selected;
- (b) the making or continuing of the requested Libor Loan by the Lenders has been made impracticable by the occurrence of an event which materially adversely affects the London interbank market generally; or
- (c) Libor Rate shall no longer represent the effective cost to any Lender of U.S. Dollar deposits in such market for the relevant Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower as soon as possible after such

determination and the Borrower shall, within one Banking Day after receipt of such notice and in replacement of the Drawdown Notice, Rollover Notice or Conversion Notice, as the case may be, previously given by the Borrower, give the Administrative Agent a Drawdown Notice or a Conversion Notice, as the case may be, which specifies the Drawdown of any other Borrowing or the Conversion of the relevant Libor Loan on the last day of the applicable Interest Period into any other Borrowing which would not be affected by the notice from the Administrative Agent pursuant to this Section 5.4. In the event the Borrower fails to give, if applicable, a valid replacement Conversion Notice with respect to the maturing Libor Loans which were the subject of a Rollover Notice, such maturing Libor Loans shall be converted on the last day of the applicable Interest Period into U.S. Base Rate Loans as if a Conversion Notice had been given to the Administrative Agent by the Borrower pursuant to the provisions hereof. In the event the Borrower fails to give, if applicable, a valid replacement Drawdown Notice with respect to a Drawdown originally requested by way of a Libor Loan, then the Borrower shall be deemed to have requested a Drawdown by way of a U.S. Base Rate Loan in the amount specified in the original Drawdown Notice and, on the originally requested Drawdown Date, the Lenders (subject to the other provisions hereof) shall make available the requested amount by way of a U.S. Base Rate Loan.

ARTICLE 6

CONDITIONS PRECEDENT TO BORROWINGS

6.1 Conditions Precedent

This Agreement shall become effective at such time as the following conditions precedent are satisfied:

- (a) the Administrative Agent has received, in form and substance satisfactory to it:
 - (i) all Documents duly authorized, executed and delivered;
 - (ii) evidence of current Insurance satisfactory to the Administrative Agent delivered to the Administrative Agent;
 - (iii) a Drawdown Notice providing for the full repayment of the Waseca Credit Facilities in accordance with Section 6.3;
 - (iv) a legal opinion from the Borrower's counsel, in form and substance satisfactory to the Administrative Agent and its counsel, acting reasonably, relating to, among other things, the subsistence of the Borrower, the due authorization, execution, delivery and enforceability of this Agreement, subject to usual qualifications and assumptions;
 - (v) evidence satisfactory to the Administrative Agent and Lenders' Counsel that the Borrower has valid title to the Borrower Assets and that no prior charges, liens, encumbrances, or claims exist against such interests which would rank prior to the Security Interest of the Lenders save and except for Permitted Encumbrances;
 - (vi) evidence satisfactory to the Administrative Agent that Waseca Energy Inc. has valid title to its assets and that no prior charges, liens, encumbrances, or claims exist against such interests which would rank prior to the Security Interest of the Lenders save and except for Permitted Encumbrances and the Security Interests in respect of the Waseca Credit Facilities which will be released upon payout of the Waseca Credit Facilities described in Section 6.3;

- (vii) duly executed pro forma Compliance Certificate for six months ending June 30, 2012;
- (viii) a legal opinion from Lenders' Counsel, in form and substance satisfactory to the Administrative Agent, acting reasonably, relating to, among other things, the subsistence of the Borrower, the due authorization, execution, delivery and enforceability of this Agreement, subject to usual qualifications and assumptions;
- (b) no Default or Event of Default shall exist immediately prior to or immediately after completion of the Waseca Arrangement and the Waseca Amalgamation, and the Administrative Agent shall have received a certificate from the Borrower certifying the same;
- (c) the fees payable to the Lenders shall have been paid. The Borrower agrees that the Administrative Agent is authorized, but is not obligated, to debit the accounts of the Borrower for payment of such fees;
- (d) the Waseca Arrangement shall have been completed in accordance with the terms of the Waseca Arrangement Agreement, without any material amendment thereto which has not been approved by the Administrative Agent and the Waseca/Exploreco Amalgamation and the Waseca Amalgamation shall have been completed, and the Administrative Agent shall have received a certificate from the Borrower certifying each of the foregoing and providing copies of the final order in respect of the Waseca Arrangement, filed articles of arrangement in respect of the Waseca Arrangement, and certificate and articles of amalgamation in respect of the Waseca/Exploreco Amalgamation which shall occur immediately after the completion of the Waseca Arrangement and the Waseca Amalgamation which shall occur immediately after the completion of the Waseca/Exploreco Amalgamation;
- (e) in the opinion of the Lenders, there has been no change in the financial condition of the Borrower or change to the operation of the Borrower's Assets that has or may result in a Material Adverse Effect; and
- (f) the Lenders having completed to their satisfaction all operational, legal and financial due diligence, including but not limited to engineering reviews, environmental reviews, audit of historical financial information, terms of all material contracts and hedging arrangements.

Notwithstanding the above, prior to full payout(or cash collateralization) of the Waseca Credit Facilities, the Borrower shall not be entitled to any Drawdowns or Advances that would result in the Outstanding Principal under the Credit Facility exceeding \$240,000,000 other than the Drawdown required to payout (or cash collateralize) the Waseca Credit Facilities.

The Lenders consent to the Waseca Arrangement and the Waseca Amalgamation.

6.2 **Conditions Precedent to All Drawdowns**

Prior to any Drawdown or Advance or utilization of the MasterCard Facility, the following shall have been complied with but (c) shall not be required for any Advance under the Operating Facility under Section 2.5(a) or in respect of the MasterCard Facility, all in form and substance satisfactory to the

Administrative Agent:

- (a) the Security shall remain duly perfected and registered;
- (b) there is no Default, Event of Default or Borrowing Base Shortfall and such Drawdown or Advance shall not cause a Borrowing Base Shortfall, Default or Event of Default and all representations and warranties of the Borrower set out in Section 10.1 are true and correct as of the date of the Drawdown or Advance;
- (c) the Borrower shall have delivered a Drawdown Notice to the Administrative Agent; and
- (d) the Borrower shall have previously made payment of all required fees to the Lenders and Administrative Agent.

6.3 **Waseca Credit Facilities**

Concurrently with this Agreement becoming effective in accordance with Section 6.1, there shall be an initial Drawdown under this Agreement which shall be used to repay in full (or cash collateralize) the Waseca Credit Facilities, and concurrently with such Drawdown, the Administrative Agent shall be provided with a release from financial institutions providing the Waseca Credit Facilities, in form and substance satisfactory to the Administrative Agent, in respect of the Waseca Credit Facilities and security thereunder.

6.4 **Waiver**

The conditions set forth in this Article are inserted for the sole benefit of the Lenders and the Administrative Agent and may be waived by the Lenders or the Administrative Agent, in whole or in part (with or without terms or conditions) without prejudicing the right of the Lenders or Administrative Agent at any time to assert such waived conditions in respect of any subsequent Drawdown.

ARTICLE 7 **FEES AND INTEREST**

7.1 **Interest on Canadian Prime Rate Loans, U.S. Base Rate Loans and Libor Loans**

The Borrower shall pay interest on each Canadian Prime Rate Loan owing by it during each Interest Period applicable thereto in Canadian Dollars at a rate per annum equal to the Prime Rate in effect from time to time during such Interest Period plus the Applicable Margin. Each determination by the Administrative Agent of the Prime Rate applicable from time to time during an Interest Period shall, in the absence of manifest error, be prima facie evidence thereof. Such interest shall accrue daily and shall be payable in arrears on each Interest Payment Date for such Loan for the period from and including the Drawdown Date or the preceding Conversion Date or Interest Payment Date, as the case may be, for such Loan to and including the day preceding such Interest Payment Date and shall be calculated on the principal amount of the Canadian Prime Rate Loan outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be. Changes in the Prime Rate shall cause an immediate adjustment of the interest rate applicable to such Loans without the necessity of any notice to the Borrower.

The Borrower shall pay interest on each U.S. Base Rate Loan owing by it during each Interest Period applicable thereto in U.S. Dollars at a rate per annum equal to the applicable U.S. Base Rate in

effect from time to time during such Interest Period plus the Applicable Margin. Each determination by the Administrative Agent of the applicable U.S. Base Rate applicable from time to time during an Interest Period shall, in the absence of manifest error, be prima facie evidence thereof. Such interest shall accrue daily and shall be payable in arrears on each Interest Payment Date for such Loan for the period from and including the Drawdown Date or the preceding Conversion Date or Interest Payment Date, as the case may be, for such Loan to and including the day preceding such Interest Payment Date and shall be calculated on the principal amount of the U.S. Base Rate Loan outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days or 366 days, as the case may be. Changes in the U.S. Base Rate shall cause an immediate adjustment of the interest rate applicable to such Loans without the necessity of any notice to the Borrower.

The Borrower shall pay interest on each Libor Loan owing by it during each Interest Period applicable thereto in U.S. Dollars at a rate per annum, calculated on the basis of a 360 day year, equal to the Libor Rate with respect to such Interest Period plus the Applicable Margin. Each determination by the Administrative Agent of the Libor Rate applicable to an Interest Period shall, in the absence of manifest error, be prima facie evidence thereof. Such interest shall accrue daily and shall be payable in arrears on each Interest Payment Date for such Loan for the period from and including the Drawdown Date or the preceding Rollover Date, Conversion Date or Interest Payment Date, as the case may be, for such Loan to and including the day preceding such Interest Payment Date and shall be calculated on the principal amount of the Libor Loan outstanding during such period and on the basis of the actual number of days elapsed divided by 360.

7.2 Nominal Rates; No Deemed Reinvestment

The principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement; all interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, before and after maturity, default and judgment. The rates of interest specified in this Agreement are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

7.3 Acceptance Fees

Upon the acceptance by a Lender of an Acceptance, the Borrower shall pay to the Administrative Agent for the account of such Lender an acceptance fee in Canadian Dollars at a rate per annum equal to the Applicable Margin in effect on the acceptance thereof calculated on the principal amount at maturity of such Acceptance and on the basis of the number of days in the term of the Acceptance (including the date of such Acceptance but excluding its maturity date) divided by 365 days. Such acceptance fee may be deducted from the proceeds of the issue of any such Acceptance.

7.4 Standby Fees

The Borrower shall pay to the Administrative Agent for the account of the Lenders a standby fee in Canadian Dollars in respect of the Credit Facility calculated at the rate per annum equal to the Applicable Margin in effect from time to time by which the amount of the Outstanding Principal under the Credit Facility for each day in the period of determination is less than the total of the Commitments of the Lenders (whether partially or wholly available) for each such day of the Credit Facility. Such standby fees shall be calculated on a daily basis and on the basis of a 365 day year. Fees determined in accordance with this Section shall accrue daily from and after the date hereof but excluding the date of payment, and shall be payable by the Borrower monthly in arrears on the first Banking Day of each month and on cancellation in full of the Credit Facility.

7.5 **Administrative Agent's Fees**

The Borrower shall pay to the Administrative Agent, for its own account on April 30 of each year until the Credit Facility has been fully cancelled and all obligations hereunder have been paid in full, a non-refundable annual agency fee in the amount agreed in writing between the Borrower and the Administrative Agent, such fee to be based upon the then current agency fee being charged by the Administrative Agent for credit facilities similar to this Credit Facility.

7.6 **Renewal Fee**

The Borrower shall pay to the Administrative Agent, for the account of the Revolving Lenders who extend the Revolving Period, until the Credit Facility has been fully cancelled and all Obligations have been paid in full, a non-refundable annual renewal fee in an amount to be negotiated by the Lenders and the Borrower. Such fee shall be paid in each calendar year on or about the annual review date on a date specified by the Administrative Agent (but no later than the last day of the Revolving Period in each year) when the Credit Facility is renewed by the Revolving Lenders upon terms acceptable to the Revolving Lenders.

7.7 **LC's and LG's**

The Borrower shall pay to the Administrative Agent for the account of the Operating Lender an issuance fee in advance on the date each Letter of Credit or Letter of Guarantee is issued and on each Rollover Date, calculated at a rate per annum equal to the Applicable Margin in effect on the date of issuance of each Letter of Credit or Letter of Guarantee on the amount of each such Letter of Credit or Letter of Guarantee for the number of days which such Letter of Credit or Letter of Guarantee will be outstanding in the year of 365 days or 366 days, as the case may be, in which the Letter of Credit or Letter of Guarantee is issued. In addition, with respect to all Letters of Credit or Letters of Guarantee the Borrower shall from time to time pay to the Administrative Agent for the account of the Operating Lender its usual and customary fees (at the then prevailing rates) for the amendment, delivery and administration of such Letters of Credit or Letters of Guarantee.

7.8 **Calculation of Rates**

- (a) Except as otherwise expressly stated, any reference in this Agreement to an annual rate shall be calculated daily on the basis of a 365-day year or 366-day year, as the case may be, except for Libor Loans and the Federal Funds Effective Rate, where rates are calculated on the basis of a 360 day year.
- (b) Whenever a rate of interest hereunder is calculated on the basis of a year (the "deemed year") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the Interest Act (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

7.9 **Interest on Arrears**

To the extent permitted by law, any amount which is not paid by the Borrower when due (other than amounts subject to an increased Applicable Margin pursuant to subsection (g) of the definition of "Applicable Margin" in Section 1.1), whether principal, interest, fees, costs, accessories or otherwise, shall bear interest at the interest rate (plus the Applicable Margin) which would be applicable to a

Canadian Prime Rate Loan plus 2% per annum, if such amount is payable in Canadian Dollars, and at the interest rate (plus the Applicable Margin) which would be applicable to a U.S. Base Rate Loan plus 2% per annum, if such amount is payable in U.S. Dollars; interest on arrears to be compounded monthly and payable on demand.

7.10 **Maximum Rate Permitted by Law**

Notwithstanding any other term in this Agreement and the Documents to the contrary, it is the intention of the Administrative Agent, each Lender, the Borrower and any other party hereto to conform strictly to any applicable usury laws. Accordingly, if any party hereto contracts for, charges, or receives any consideration which constitutes interest in excess of the Maximum Rate, then any such excess shall be cancelled automatically and, if previously paid, shall at such receiving party's option be applied to the outstanding principal amount of the loans or other obligations hereunder by such receiving party or be refunded to the Person who made such payment. For purposes of this Section "Maximum Rate" means the maximum non-usurious interest rate under applicable law (determined under such laws after giving effect to any items which are required by such laws to be construed as interest in making such determination, including without limitation if required by such laws, certain fees and other costs).

7.11 **Other Fees**

The Borrower shall pay to the Administrative Agent all other fees as may be set out in a fee letter agreement pursuant to the terms thereof.

ARTICLE 8

REPAYMENTS AND REDUCTIONS

8.1 **Mandatory Repayments**

Notwithstanding any other provision of this Agreement, the Obligations to a Lender shall become due and payable and the Borrower shall pay and satisfy the Obligations to such Lender in full immediately on the Term Maturity Date applicable to such Lender subject to prior payments required pursuant to Sections 2.1(b), 2.13, 2.14 and 2.15 (which are also mandatory repayments) and Article 13.

8.2 **Optional Cancellation or Reduction of Credit Facilities**

The Borrower may, at any time, upon giving at least three Banking Days prior written notice to the Administrative Agent, cancel in full, or from time to time, permanently reduce in part the unutilized portion of the Operating Facility or Production Facility; provided, however, that any such reduction shall be in a minimum amount of Cdn. \$5,000,000 in the case of the Production Facility and Cdn.\$1,000,000 in the case of the Operating Facility and, in either case, reductions in excess thereof shall be in integral multiples of Cdn. \$1,000,000. If any of the Operating Facility or Production Facility is so reduced, the Commitment of each of the Lenders under such credit facility shall be reduced pro rata in the same proportion that the amount of the reduction in such credit facility bears to the amount of such credit facility in effect immediately prior to such reduction, provided that if the reductions in the Credit Facilities are not done on a pro-rata basis as among each of the Operating Facility and Production Facility, then the Commitments of each of the Lenders for each such credit facility shall be adjusted so that the total Commitment of each Lender for the Credit Facility shall be the same as if the reduction in the Credit Facility had been allocated proportionately to the Operating Facility and Production Facility. Upon any such cancellation the Administrative Agent shall distribute to the parties to this Agreement an amended Schedule "A" giving effect thereto.

8.3 **Optional Repayment**

The Borrower may at any time and from time to time repay, without penalty, to the Administrative Agent for the account of the Lenders or, in the case of Documentary Instruments provide for the funding of, the whole or any part of any Borrowing owing by it together with accrued interest thereon to the date of such repayment under the Production Facility and the Operating Facility for Documentary Instruments, and provided that:

- (a) the Borrower shall give a Repayment Notice (executed in accordance with the definition of Officer's Certificate) to the Administrative Agent not later than:
 - (i) 10:00 a.m. (Calgary time) two Banking Days prior to the date of the proposed repayment, for Documentary Instruments;
 - (ii) 10:00 a.m. (Calgary time) one Banking Day prior to the date of the proposed repayment, for Canadian Prime Rate Loans and U.S. Base Rate Loans;
 - (iii) 10:00 a.m. (Calgary time) two Banking Days prior to the date of the proposed repayment, for Banker's Acceptances; and
 - (iv) 10:00 a.m. (Calgary time) three Banking Days prior to the date of the proposed repayment, for Libor Loans;

provided that no such notice will be required in respect of payments under Section 2.5(a);

- (b) repayments pursuant to this Section may only be made on a Banking Day;
- (c) a Bankers' Acceptance may only be repaid on its maturity, subject to Section 8.4;
- (d) unexpired Documentary Instruments may only be prepaid by the return thereof to the Operating Lender for cancellation or providing funding therefor in accordance with the provisions of Section 8.4;
- (e) a Libor Loan may only be repaid on the last day of the applicable Interest Period, subject to Section 8.4;
- (f) each such repayment under the Production Facility shall be in a minimum amount of the lesser of: (i) the minimum amount required pursuant to Section 2.4 for Drawdowns of the type of Borrowing proposed to be repaid; and (ii) the Outstanding Principal of all Borrowings outstanding under the Production Facility immediately prior to such repayment; any repayment in excess of such amount shall be in integral multiples of the amount referred to in Section 2.4 above.

8.4 **Additional Repayment Terms**

- (a) With respect to the repayment of unexpired Letters of Credit or Letters of Guarantee, it is agreed that the Borrower shall provide for the funding in full of the repayment of unexpired Letters of Credit or Letters of Guarantee by paying to and depositing with the Administrative Agent cash collateral for each such unexpired Letter of Credit or Letter of Guarantee equal to the maximum amount thereof, in each case, in the respective currency which the relevant Letter of Credit or Letter of Guarantee is denominated; such cash

collateral deposited by the Borrower shall belong to the Borrower and shall be held by the Administrative Agent in a non-interest bearing cash collateral account. Such cash collateral accounts shall be assigned to the Administrative Agent as security for the obligations of the Borrower in relation to such Letters of Credit or Letters of Guarantee and the Security Interest of the Administrative Agent thereby created in such cash collateral shall rank in priority to all other Security Interests and adverse claims against such cash collateral. Such cash collateral shall be applied to satisfy the obligations of the Borrower for such Letters of Credit or Letters of Guarantee as payments are made thereunder and the Administrative Agent is hereby irrevocably directed by the Borrower to so apply any such cash collateral. Amounts held in such cash collateral accounts may not be withdrawn by the Borrower without the consent of all Lenders. If after expiry of the Letters of Credit or Letters of Guarantee for which such funds are held and application by the Administrative Agent of the amounts in such cash collateral accounts to satisfy the obligations of the Borrower hereunder with respect to the Letters of Credit or Letters of Guarantee being repaid, any excess remains, such excess shall be promptly paid by the Administrative Agent to the Borrower so long as no Event of Default has occurred or a Default had occurred is then continuing.

In lieu of providing cash collateral as aforesaid, the Borrower may provide to the Administrative Agent irrevocable standby letter or letters of credit in an aggregate amount equal to the aggregate maximum amount of all unexpired Letters of Credit or Letters of Guarantee being repaid and for a term which expires not sooner than ten Banking Days after the expiry of the Letters of Credit or Letters of Guarantee in respect of which such letter(s) of credit are provided; such letters of credit shall be denominated and payable in the currency of the relevant unexpired Letters of Credit or Letters of Guarantee and shall be issued by a financial institution and on terms and conditions acceptable to the Administrative Agent in its sole discretion. The Administrative Agent is hereby irrevocably authorized and directed to draw upon such letters of credit and apply the proceeds of the same to satisfy the obligations of the Borrower for such unexpired Letters of Credit or Letters of Guarantee as payments are made thereunder.

- (b) If any unmatured Bankers' Acceptances is to be repaid on other than its date of maturity, the Borrower shall provide for the funding in full of the unmatured Bankers' Acceptances to be repaid by paying to and depositing with the Administrative Agent cash collateral for each such unmatured Bankers' Acceptances equal to the face amount payable at maturity thereof; such cash collateral deposited by the Borrower shall belong to the Borrower and shall be held by the Administrative Agent in a non-interest bearing cash collateral account. Such cash collateral accounts shall be assigned to the Administrative Agent as security for the obligations of the Borrower in relation to such Bankers' Acceptances and the Security Interest of the Administrative Agent thereby created in such cash collateral shall rank in priority to all other Security Interests and adverse claims against such cash collateral. Such cash collateral shall be applied to satisfy the obligations of the Borrower for such Bankers' Acceptances as they mature and the Administrative Agent is hereby irrevocably directed by the Borrower to apply any such cash collateral to such maturing Bankers' Acceptances. Amounts held in such cash collateral accounts may not be withdrawn by the Borrower without the consent of all Lenders. If after maturity of the Bankers' Acceptances for which such funds are held and application by the Administrative Agent of the amounts in such cash collateral accounts to satisfy the obligations of the Borrower hereunder with respect to the Bankers' Acceptances being repaid, any excess remains, such excess shall be used to satisfy any other Obligations in accordance with Section 9.4.

- (c) If any Libor Loan is repaid on other than the last day of the applicable Interest Period, the Borrower shall, within three Banking Days after notice is given by the Administrative Agent, pay to the Administrative Agent for the account of the Production Lenders, all costs, losses, premiums and expenses incurred by such Lenders by reason of the liquidation or re-deployment of deposits or other funds or for any other reason whatsoever resulting from the repayment of such Loan or any part thereof on other than the last day of the applicable Interest Period. Any such Lender, upon becoming entitled to be paid such costs, losses, premiums and expenses, shall deliver to the Borrower and the Administrative Agent a certificate of the Lender certifying as to such amounts and, in the absence of manifest error, such certificate shall be prima facie evidence for all purposes.

ARTICLE 9

PLACE, MANNER, CURRENCY AND APPLICATION OF PAYMENTS

9.1 Place of Payment of Principal, Interest and Fees; Payments to Administrative Agent

All payments of principal, interest, fees and other amounts to be made by the Borrower to the Administrative Agent and the Lenders pursuant to this Agreement shall be made to the Administrative Agent (for, as applicable, the account of the Lenders or its own account) in the currency in which the Borrowing is outstanding for value on the day such amount is due, and if such day is not a Banking Day on the Banking Day next following, by deposit or transfer thereof to the accounts of the Administrative Agent maintained at the Administrative Agent's Branch of Account and designated by the Administrative Agent for such purpose or at such other place as the Borrower and the Administrative Agent may from time to time agree. The Administrative Agent is authorized, but is not obligated, to debit the accounts of the Borrower for payments of principal, interest, fees and other amounts to be made by the Borrower to the Administrative Agent and the Lenders pursuant to this Agreement. Notwithstanding anything to the contrary expressed or implied in this Agreement, the receipt by the Administrative Agent in accordance with this Agreement of any payment made by the Borrower for the account of any of the Lenders shall, insofar as the Borrower's obligations to the relevant Lenders are concerned, be deemed also to be receipt by such Lenders and the Borrower shall have no liability in respect of any failure or delay on the part of the Administrative Agent in disbursing and/or accounting to the relevant Lenders in regard thereto.

9.2 Designated Accounts of the Lenders

All payments of principal, interest, fees or other amounts to be made by the Administrative Agent to the Lenders pursuant to this Agreement shall be made for value on the day required hereunder, provided the Administrative Agent receives funds from the Borrower for value on such day, and if such funds are not so received from the Borrower or if such day is not a Banking Day, on the Banking Day next following, by deposit or transfer thereof at the time specified herein to the account of each Lender designated by such Lender to the Administrative Agent for such purpose or to such other place or account as the Lenders may from time to time notify the Administrative Agent.

9.3 Funds

Each amount advanced, disbursed or paid hereunder shall be advanced, disbursed or paid, as the case may be, in such form of funds as may from time to time be customarily used in Calgary, Alberta, Montreal, Quebec and Toronto, Ontario in the settlement of banking transactions similar to the banking transactions required to give effect to the provisions of this Agreement on the day such advance,

disbursement or payment is to be made.

9.4 **Application of Payments**

All payments made by or on behalf of the Borrower to the Administrative Agent and the Lenders under the Documents shall be applied by the Administrative Agent and the Lenders in accordance with the provisions of Section 14.1 provided that prior to the occurrence of an Event of Default, the Borrower may allocate its repayment of Borrowings as between the Operating Facility and the Production Facility in its own discretion.

9.5 **Payments Clear of Taxes**

- (a) Any and all payments by the Borrower or Material Subsidiaries to the Administrative Agent or the Lenders hereunder shall be made free and clear of, and without deduction or withholding for or on account of, any and all present or future Taxes and all liabilities with respect thereto imposed, levied, collected, withheld or assessed by any Governmental Authority other than Taxes on the overall income or capital of a Lender. In addition, the Borrower agrees to pay any present or future stamp, transfer, registration, excise, issues, documentary or other taxes, charges or similar levies in Canada which arise from any payment made under this Agreement or the Borrowings or in respect of the execution, delivery or registration or the compliance with this Agreement or the other documents contemplated hereunder. The Borrower shall indemnify and hold harmless the Administrative Agent and the Lenders, and their respective directors, officers, employees, agents and affiliates for the full amount of all of the foregoing Taxes or other amounts specified above and paid or payable by the Administrative Agents or the Lenders and any liability (including penalties, interest, additions to tax and reasonable out-of-pocket expenses) resulting therefrom or with respect thereto.
- (b) If the Borrower shall be required by law to deduct or withhold any amount from any payment or other amount required to be paid to the Administrative Agent or the Lenders hereunder, or if any liability therefor shall be imposed or shall arise from or in respect of any sum payable hereunder (other than Taxes on the overall income or capital of a Lender), then the sum payable to the Administrative Agent or the Lenders hereunder shall be increased as may be necessary so that after making all required deductions, withholdings and additional income tax payments attributable thereto (including deductions, withholdings or income tax payable for additional sums payable under this provision) the Administrative Agent or the Lenders, as the case may be, receive an amount equal to the amount they would have received had no such deductions or withholdings been made or if such additional taxes had not been imposed; in addition, the Borrower shall pay the full amount deducted or withheld for such liabilities to the relevant taxation authority or other authority in accordance with applicable law, such payment to be made (if the liability is imposed on the Borrower) for its own account or (if the liability is imposed on the Administrative Agent or the Lenders) on behalf of and in the name of the Administrative Agent or the Lenders, as the case may be. If the liability is imposed on the Administrative Agent or the Lenders, the Borrower shall deliver to the Administrative Agent or the Lenders evidence satisfactory to the Administrative Agent or the Lenders, acting reasonably, of the payment to the relevant taxation authority or other authority of the full amount deducted or withheld.
- (c) Each Lender shall use reasonable efforts to contest (to the extent contestation is reasonable) such imposition or assertion of such Taxes or to recover such Taxes, and

shall reimburse to the Borrower the amount of any reduction or recovery of Taxes, to the extent of amounts that have been paid by the Borrower in respect of such Taxes in accordance with this Agreement, as a result of such contestation and, provided that, no Lender shall have any obligation to expend its own funds, suffer any economic hardship or take any action detrimental to its interests (as determined by the relevant Lender and their respective directors, officers, employees, agents and affiliates in its sole discretion, acting reasonably) in connection therewith unless it shall have received from the Borrower payment therefor or an indemnity with respect thereto, satisfactory to it.

9.6 **Set Off**

- (a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, on or after the occurrence of an Event of Default which has not been waived (whether or not the Borrowings have been accelerated hereunder), the Administrative Agent and each Lender shall have the right (and are hereby authorized by the Borrower) at any time and from time to time to combine all or any of the Borrower's and the Material Subsidiaries' accounts with the Administrative Agent or the Lender, as the case may be, and to set off and to appropriate and to apply any and all deposits (general or special, term or demand) including, but not limited to, indebtedness evidenced by certificates of deposit whether matured or unmatured, and any other indebtedness at any time held by the Borrower and the Material Subsidiaries or owing by such Lender or the Administrative Agent, as the case may be, to or for the credit or account of the Borrower and the Material Subsidiaries against and towards the satisfaction of any Obligations and the Hedging Obligations, and may do so notwithstanding that the balances of such accounts and the liabilities are expressed in different currencies, and the Administrative Agent and each Lender are hereby authorized to effect any necessary currency conversions at the noon spot rate of exchange announced by the Bank of Canada on the Banking Day before the day of conversion.
- (b) The Administrative Agent or the applicable Lender, as the case may be, shall notify the Borrower of any such set-off from the Borrower's or the Material Subsidiaries' accounts within a reasonable period of time thereafter, although the Administrative Agent or the Lender, as the case may be, shall not be liable to the Borrower or the Material Subsidiaries for its failure to so notify.

9.7 **Judgment Currency**

If a judgment is rendered against the Borrower or a Material Subsidiary for an amount owed hereunder and if the judgment is rendered in a currency ("Other Currency") other than that in which this amount is owed under this Agreement ("Currency of the Agreement"), the Borrower and the Material Subsidiary shall pay, if applicable, at the date of payment of the judgment, an additional amount equal to the excess (i) of the said amount owed under this Agreement, expressed into the Other Currency as at the date of payment of the judgment, over (ii) the amount of the judgment. For the purposes of obtaining the judgment and making the calculation referred to in (i), the exchange rate shall be the spot rate at which the Administrative Agent, on the relevant date, may in Montreal, sell the Currency of the Agreement to obtain the Other Currency. Any additional amount owed under this Section shall constitute a cause of action distinct from the cause of action which gave rise to the judgment, and said judgment shall not constitute *res judicata* in that respect.

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

10.1 Representations and Warranties of Borrower

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

- (a) the Borrower and any Material Subsidiary has been duly incorporated/amalgamated and is in good standing in respect of all filings which it is required to do under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage and administer its property;
- (b) this Agreement constitutes, and the Security constitute, legal valid, and binding obligations of the Borrower and any Material Subsidiary who is a party to such documents, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to the availability of equitable remedies;
- (c) neither the entering into nor the delivery of this Agreement or the Security, nor the completion of the transactions contemplated hereby by the Borrower and Material Subsidiaries will result in a violation of: (i) any of the provisions of the constating documents or by-laws of the Borrower and Material Subsidiaries; (ii) any material agreement or other material instrument to which the Borrower or any Material Subsidiary is a party or by which the Borrower or any Material Subsidiary or any of their respective assets are bound; or (iii) any applicable laws or regulations in respect of which the Borrower and the Material Subsidiaries must comply;
- (d) the Borrower and any Material Subsidiary has the right and power to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Agreement;
- (e) the Borrower and the Material Subsidiaries are presently in good standing in respect of all applicable laws and regulations, including all required filings, and has performed and observed and shall perform and observe, all material terms of all material documents, agreements, and instruments affecting or relating to the assets of the Borrower or the Material Subsidiaries, as the case may be;
- (f) all financial statements of the Borrower submitted to the Administrative Agent fairly reflect, as of the dates thereof, the consolidated financial condition of the Borrower and the results of operations for the periods covered thereby, have been prepared in accordance with GAAP and, from the date of the latest such financial statements submitted to the Administrative Agent, there has been no material adverse change in the consolidated financial condition of the Borrower or its assets or condition which has had or could reasonably be expected to have a Material Adverse Effect;
- (g) there is no Default or Event of Default under the Documents;
- (h) it has not received notice of any Environmental Claims of a material nature made or threatened against the Borrower or the Material Subsidiaries;
- (i) neither the Borrower nor the Material Subsidiaries are in default of a material nature of

any Environmental Laws;

- (j) the head office of the Borrower and the Material Subsidiaries is located in the Province of Alberta and the principal jurisdiction(s) where they now or may reasonably be expected to carry on business are Alberta, Saskatchewan and British Columbia;
- (k) there are no claims, actions, proceedings or disputes pending, threatened or to the knowledge of the Borrower, contemplated against the Borrower or the Material Subsidiaries or any of their assets where the claimed amounts are in aggregate greater than 5% of the Borrowing Base;
- (l) as of the date hereof, there are no Material Subsidiaries;
- (m) the Borrower and the Material Subsidiaries have good and valid title to their respective assets except for minor title defects, free and clear of all liens except for Permitted Encumbrances;
- (n) the Borrower and any Material Subsidiary have filed all tax returns which were required to be filed, have paid or made provision for payment (in accordance with GAAP) of all Taxes which are due and payable, or have provided adequate reserves (in accordance with GAAP) for the payment of any Taxes, the payment of which is subject to a Permitted Contest;
- (o) the Borrower and Material Subsidiaries have no indebtedness other than Permitted Indebtedness;
- (p) the Borrower has carried on its business in accordance with good practices consistent with acceptable industry standards and pursuant to applicable agreements, regulations and laws;
- (q) the Borrower and each Material Subsidiary has provided to the Lenders or the Administrative Agent all material information in the possession of or available to them and relevant to the assessment of the credit facilities of the type herein contemplated and, all such information, including without limitation, written reports, are true and accurate in all material respects and do not omit any material facts;
- (r) all reports and material facts provided to the Administrative Agent by the Borrower and the Material Subsidiaries are true and accurate in all material respects and do not omit any material facts;
- (s) the Existing Financial Instruments are Permitted Hedging.

ARTICLE 11
GENERAL COVENANTS

11.1 General Covenants

So long as any Obligation is outstanding or the Credit Facility is available hereunder, the Borrower and each Material Subsidiary jointly and severally covenant and agree with each of the Lenders and the Administrative Agent that, unless the Majority Lenders otherwise consent in writing:

- (a) The Borrower shall maintain at all times, a Current Ratio of not less than 1.0:1.0, such ratio to be tested at the end of each fiscal quarter;
- (b) The Borrower shall submit to the Administrative Agent sufficient copies for each of the Lenders and the Administrative Agent of:
 - (i) quarterly production and revenue reports of the Borrower and the Material Subsidiaries (either individually or combined) within 60 calendar days of each fiscal quarter end;
 - (ii) quarterly unaudited consolidated financial statements of the Borrower and, if the Borrower has any Subsidiaries which are not Material Subsidiaries, quarterly unaudited financial statements of the Borrower consolidated with Material Subsidiaries only, for the first three fiscal quarters within 60 calendar days of each fiscal quarter end;
 - (iii) a Compliance Certificate together with each delivery of financial statements required by Section 11.1(b)(ii) and 11.1(b)(iv), which shall include a quarterly report on the status of all Financial Instruments, including a written hedging report (current to within 5 business days of the report) which will include particulars of the hedging amounts, hedge pricing and tenor of the hedges and confirmation that it is in compliance with Section 11.1(d)(vi), in a form satisfactory to the Administrative Agent, acting reasonably;
 - (iv) annual audited consolidated financial statements of the Borrower and, if the Borrower has any Subsidiaries which are not Material Subsidiaries, annual unaudited financial statements of the Borrower consolidated with Material Subsidiaries only, within 90 calendar days of each fiscal year end;
 - (v) a quarterly Environmental Certificate on each of the same dates the financial statements referred to in Sections 11.1(b) (ii) and (iv) are to be submitted; and
 - (vi) any other information the Administrative Agent or Lenders may reasonably require, including without limitation, annual budgets, production information, reserve reports and environmental audits.
- (c) The Borrower and each Material Subsidiary shall:
 - (i) carry on business and operate its assets in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws;

- (ii) maintain its corporate existence and comply with all applicable laws in all material respects;
- (iii) pay when due, except for Permitted Contests, all Taxes for which the payment is guaranteed by legal privilege, prior claim or legal hypothecs, without subrogation or consolidations;
- (iv) comply in all material respects with the lawful directions, orders and requirements of all regulatory bodies and provisions regarding environmental procedures and controls;
- (v) upon reasonable notice, allow the Administrative Agent and the Lenders access, during normal business hours, to visit and inspect the property, assets and undertaking of the Borrower and each Material Subsidiary;
- (vi) maintain adequate and appropriate Insurance on the assets of the Borrower and each Material Subsidiary including protection against public liability, blow-outs and "all-risk" perils and name the Administrative Agent as first loss payee thereunder;
- (vii) inform the Administrative Agent of any event or action which might reasonably be expected to have a Material Adverse Effect on the operational or financial affairs of the Borrower and the Material Subsidiaries, including but not limited to the sale of material assets, guarantees, funded debt from other lenders, litigation claims, title defects or alteration of type of business;
- (viii) punctually and promptly pay all monies due and payable hereunder or under any of the Documents;
- (ix) promptly give notice to the Lenders of any Default or Event of Default of which it is aware;
- (x) take all steps as are necessary to maintain and to protect its property, assets and undertaking and the security interests and priority of the Security;
- (xi) except for Permitted Dispositions, maintain ownership of all property and assets used by the Lenders in the determination of the Borrowing Base;
- (xii) promptly upon request, cure any defects in the execution and delivery of the Security and this Agreement. The Borrower hereby authorizes the Lenders or the Administrative Agent to file any financing statements without the signature of the Borrower or any Material Subsidiary to the extent permitted by applicable law in order to perfect or maintain the perfection of any Security Interest granted under any of the Documents; and
- (xiii) promptly execute and deliver to the Administrative Agent upon request all such other documents, agreements and instruments to comply with or accomplish the covenants and agreements of the Borrower or any Material Subsidiary, as the case may be, in the Security and this Agreement, or to further evidence and more fully describe the collateral intended as security for the Obligations and Hedging Obligations, or to correct any omissions in the Security, or to state more fully the

security obligations set out herein or in any of the Security, or to perfect, protect or preserve any liens created pursuant to any of the Security, or to make any recordings, to file any notices or obtain any consents, all as may be necessary or appropriate in connection therewith or to enable the Administrative Agent to exercise and enforce its rights and remedies with respect to any collateral.

- (d) Neither the Borrower nor any Material Subsidiary shall, without the prior written consent of the all of the Lenders, which consent shall not be unreasonably withheld or delayed:
- (i) merge, amalgamate, consolidate or enter into any transaction in the nature of a hostile takeover with any other Person or wind up or liquidate its assets other than: (i) amalgamations of the Borrower with its respective direct or indirect wholly-owned Material Subsidiaries; and (ii) amalgamations between direct or indirect wholly-owned Material Subsidiaries of the Borrower;
 - (ii) create, assume, suffer or permit to be created or levied upon the assets or any part thereof of the Borrower or the Material Subsidiaries any mortgage, charge, lien, trust or encumbrance except for Permitted Encumbrances;
 - (iii) incur indebtedness other than Permitted Indebtedness;
 - (iv) make loans to or investments in any Subsidiary or Affiliate but excluding the Borrower and the Material Subsidiaries, or make loans to or investments in any other Person which are out of the ordinary course of business or which are outside the Western Canadian Sedimentary Basin other than Permitted Investments;
 - (v) except for Permitted Dispositions sell or dispose of any assets subject to the Security;
 - (vi) enter into, transact or have outstanding any Financial Instruments other than those that are Permitted Hedging;
 - (vii) provide direct or indirect financial assistance to any Person other than loans to the Borrower or to any Material Subsidiary;
 - (viii) make any Distributions other than: (A) Distributions to any of the Borrower and the Material Subsidiaries; and (B) dividends by the Borrower to its shareholders in the ordinary course of business, provided that, such dividends shall not be declared or paid: (1) during the period commencing after the occurrence of a Borrowing Base Shortfall and ending when such Borrowing Base Shortfall has been eliminated in accordance with this Agreement; or (2) after a Default or an Event of Default has occurred which has not been cured or waived; or (3) if the declaration or payment of such dividends would reasonably be expected to cause a Default or Event of Default or result in a Default or Event of Default occurring;
 - (ix) subject to any limit set out in Permitted Indebtedness, enter into any Sale Lease-Back transactions unless (i) the proceeds are equal to fair market value, and (ii) such transactions are otherwise acceptable to the Majority Lenders;
 - (x) except as allowed under Permitted Encumbrances and subject to the limitations

set out in Permitted Encumbrances, incur Purchase Money Obligations or enter into Capital Leases;

- (xi) enter into any agreement that would assign or materially adversely affect the management of the Borrower or Material Subsidiaries;
 - (xii) monetize or settle any fixed price Financial Instrument;
 - (xiii) sell or discount any material accounts receivable; and
 - (xiv) make material change in the nature of the Borrower's or a Material Subsidiary's business, which would have a Material Adverse Effect.
- (e) The Borrower and each Material Subsidiary shall, comply in all material respects with all Environmental Laws and shall at all times maintain the material authorizations, permits, and certificates required under Environmental Laws.
- (f) The Borrower shall immediately notify the Administrative Agent in the event of a breach of a material nature of Environmental Laws including without limitation, if a contaminant spill or emission occurs or is discovered with respect to the Borrower's or any Material Subsidiary's property, operations, or those of any neighbouring property. In addition, it shall report to the Administrative Agent forthwith any Environmental Claim or fine that the Borrower or any Material Subsidiary may receive or be ordered to pay with respect to the Environmental Claims relating to its business or property.
- (g) At the request of and in accordance with the conditions set forth by the Administrative Agent, the Borrower shall, at its own cost, prepare and provide any information or document which the Administrative Agent and the Lenders may reasonably require with respect to the environmental situation of the Borrower or the Material Subsidiaries, including any appropriate and reasonable study or report prepared by a firm acceptable to the Administrative Agent and the Lenders, acting reasonably. In the event that such studies or reports reveal any material breach of Environmental Laws, the Borrower and each Material Subsidiary shall effect the necessary work to ensure that its business and property comply with the Environmental Laws within a period acceptable to the Administrative Agent, acting reasonably.
- (h) The Borrower shall not, nor shall it permit any of its Material Subsidiaries to (i) amend, supplement, modify or restate in any material respect their articles or certificate of incorporation, bylaws, limited liability company agreements, or other equivalent organizational documents, or amend or change its jurisdiction of incorporation, organization or formation without prior written notice to, and prior consent of, the Administrative Agent (which consent shall not be unreasonably withheld or delayed), and (ii) amend or change its name without giving the Administrative Agent 15 days' prior written notice of such name change.
- (i) Nothing in the definition of "Permitted Encumbrance" or this Agreement shall cause the Obligations or the Hedging Obligations to be subordinated in priority of payment to any such Permitted Encumbrance or cause any Security Interests in favour of the Lenders, Hedging Affiliates or the Administrative Agent on behalf of the Lenders and Hedging Affiliates to rank subordinate to any such Permitted Encumbrance.

ARTICLE 12

SECURITY

12.1 Security

To the extent that it has not already done so, the Borrower shall execute and deliver to and in favour of the Administrative Agent, for and on behalf of the Administrative Agent, the Lenders and Hedging Affiliates each of the following in form and substance satisfactory to the Administrative Agent:

- (a) general assignment of book debts from the Borrower;
- (b) first fixed and floating charge debenture as amended by first supplemental debenture, in the amount of Cdn.\$400,000,000 from the Borrower, and the Borrower covenants that upon request of the Administrative Agent, forthwith execute and deliver to and in favour of the Administrative Agent fixed security on the petroleum and natural gas reserves and related assets of the Borrower, as selected by the Administrative Agent in its sole discretion;
- (c) pledge agreement of debenture of the Borrower;
- (d) officer's certificate certifying that the Borrower has valid title to the Borrower Assets (including the assets of Waseca Energy Inc.) and that no charges, liens, encumbrances or claims exist against such interests save and except for Permitted Encumbrances;
- (e) all such other guarantees and all such other mortgages, debentures, pledge agreements, assignments and other security agreements as may be required by the Lenders, acting reasonably, (each in form and substance satisfactory to the Lenders, acting reasonably) in order to, or to more effectively, charge in favour of the Administrative Agent or grant Security Interests in favour of the Administrative Agent on and against all of the undertaking, assets and property (real or personal, tangible or intangible, present or future and of whatsoever nature and kind) of the Borrower; and
- (f) thereafter, the Borrower and any Material Subsidiary shall execute and deliver all such other guarantees and all such other mortgages, debentures, pledge agreements, assignments and other security agreements as may be required by the Majority Lenders, acting reasonably (each in form and substance satisfactory to the Majority Lenders, acting reasonably) in order to, or to more effectively, charge in favour of the Administrative Agent or grant Security Interests in favour of the Administrative Agent on and against all of the undertaking, assets and property (real or personal, tangible or intangible, present or future and of whatsoever nature and kind) of the Borrower and any Material Subsidiary;

as continuing collateral security for the benefit of the Lenders and Hedging Affiliates for the payment and performance by the Borrower of (i) all Obligations and (ii) all Hedging Obligations, and for this purpose, the Obligations and Hedging Obligations shall rank *pari passu*.

12.2 **Registration**

The Administrative Agent, at the expense of the Borrower, shall register, file or record the Security in all offices where such registration, filing or recording is necessary or of advantage to the creation, perfection and preserving of the Security applicable to it including, without limitation, any land registry offices. The Administrative Agent, at the expense of the Borrower, shall amend and renew such registrations, filings and recordings from time to time as and when required to keep them in full force and effect or to preserve the priority established by any prior registration, filing or recording thereof.

12.3 **Forms**

The forms of Security required by the Lenders shall have been prepared based upon the laws of the Province of Alberta and the laws of the applicable jurisdictions where such Security is registered thereto, in effect at the date thereof and hereof, as applicable. The Administrative Agent shall have the right to require that:

- (a) any such Security be amended to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, in order to confer upon the Administrative Agent the Security Interests intended to be created thereby; and
- (b) the Borrower and the Material Subsidiaries execute and deliver to the Administrative Agent such other and further debentures, mortgages, trust deeds, assignments and security agreements as may be reasonably required to ensure the Administrative Agent and the Lenders have and hold, subject to Permitted Encumbrances, first priority Security Interests on and against all of the property and assets of the Borrower and the Material Subsidiaries;

except that in no event shall the Administrative Agent require that the foregoing be effected if the result thereof would be to grant the Administrative Agent or the Lenders greater rights than is otherwise contemplated herein or therein.

12.4 **Continuing Security**

Each item or part of the Security shall for all purposes be treated as a separate and continuing collateral security and shall be deemed to have been given in addition to and not in place of any other item or part of the Security or any other security now held or hereafter acquired by the Administrative Agent or the Lenders. No item or part of the Security shall be merged or be deemed to have been merged in or by this Agreement or any documents, instruments or acknowledgements delivered hereunder, or any simple contract debt or any judgment, and any realization of or steps taken under or pursuant to any security, instrument or agreement shall be independent of and not create a merger with any other right available to the Lenders or the Administrative Agent under any security, instruments or agreements held by it or at law or in equity. All rights and benefits granted to the Administrative Agent under the Security shall also be for the benefit of each of the Lenders and the Hedging Affiliates.

12.5 **Dealing with Security**

The Administrative Agent, with the consent of all of the Lenders, may grant extensions of time or other indulgences, take and give up securities (including, without limitation, the Security or any part or parts thereof), accept compositions, grant releases, postponements and discharges and otherwise deal with the Borrower and the Material Subsidiaries and other parties and with securities (including without limitation, the Security and each part thereof) as the Administrative Agent may see fit, and may, subject

to Section 14.1, apply all amounts received from the Borrower or others or from securities (including without limitation, the Security or any part thereof) upon such part of the liabilities of the Borrower and the Material Subsidiaries hereunder or under any of the Security as the Administrative Agent may think best, without prejudice to or in any way limiting the liability of the Borrower or any Material Subsidiary under this Agreement or under any of the Security or any other collateral security.

To give effect to the requirement to provide fixed security pursuant to the debentures, the Borrower and the Material Subsidiaries constitute and appoint, the Administrative Agent the true and lawful attorney of each of them irrevocable with power of substitution to grant such fixed security from time to time, including without limitation, attaching to the debentures of each of the Borrower and the Material Subsidiaries as Schedule "A", from time to time, a land schedule setting forth the petroleum and natural gas assets selected by the Administrative Agent in which event such assets shall without any further action be subject to the fixed charges and shall be subject to all of the terms and conditions thereof as if the same had been so included in Schedule "A" of the debentures at the time they were executed and delivered, and all such acts so taken by the Administrative Agent are ratified and confirmed by the Borrower and the Material Subsidiaries. This power of attorney is a power coupled with an interest and shall be irrevocable. The Administrative Agent shall advise the Borrower in writing, concurrently with the execution of applicable Documents, of any assets which are subjected to fixed charges hereunder.

12.6 Effectiveness

The Security and the security created by any other Document constituted or required to be created shall be effective, and the undertakings as to the Security herein or in any other Document shall be continuing, whether any Borrowings are then outstanding or any amounts thereby secured or any part thereof shall be owing before or after, or at the same time as, the creation of such Security Interests or before or after or upon the date of execution of any amendments to this Agreement.

12.7 Release and Discharge of Security

Subject to the release of Security by the Administrative Agent for Permitted Dispositions, the Security or any part thereof shall not be discharged, released or postponed except by a written release and discharge signed by the Administrative Agent with the prior written consent of all of the Lenders. If all of the Obligations and Hedging Obligations to the Lenders and Hedging Affiliates have been indefeasibly repaid, paid, satisfied and discharged, as the case may be, in full and the Credit Facility has been fully cancelled, then, subject to Section 12.9, the Security shall be released and discharged by the Administrative Agent and the Lenders. The Administrative Agent, at the cost and expense of the Borrower, shall from time to time do, execute and deliver, or cause to be done, executed and delivered, all such agreements, instruments, certificates, financing statements, notices and other documents and all acts, matters and things as may be reasonably requested by the Borrower to give effect to, establish, evidence or record the foregoing release and discharge.

12.8 Transfer of Security

If NBC, in its capacity as Administrative Agent, or any successor thereto, in its capacity as Administrative Agent (the "Departing Administrative Agent") ceases to be the Administrative Agent, the Departing Administrative Agent shall transfer and assign all of its right, title and interest in its capacity as Administrative Agent in and to the Security to the replacement administration agent and the provisions of Section 12.5 shall apply, mutatis mutandis, with respect to such assignment and transfer.

12.9 Hedging Obligations

The following provisions shall apply in respect of the Hedging Obligations and in the event of any conflict between the provisions of this Section 12.9 with any other provisions of this Agreement in respect of Hedging Obligations, the provisions of this Section 12.9 shall govern and prevail:

- (a) The Hedging Obligations secured by the Security shall be limited to those: (i) that arise under Existing Financial Instruments; and (ii) that arise under Financial Instruments entered into between a Loan Party and a Lender, or between a Loan Party and a Hedging Affiliate (A) prior to the occurrence of an Event of Default; (B) after the date of this Agreement; and (C) during such time as the Lender or the Lender affiliated with the Hedging Affiliate was a Revolving Lender under this Agreement. In the event a Lender or the Lender affiliated with the Hedging Affiliate is no longer a Revolving Lender but there are outstanding Hedging Obligations owed to such former Revolving Lender or the Hedging Affiliate of such former Revolving Lender, then such Hedging Obligations shall continue to be secured by the Security;
- (b) Any matter or thing done or omitted to be done by a Lender under or in respect of this Agreement, the other Documents, the Security and in respect of any transactions contemplated thereby shall be binding upon the Hedging Affiliate of such Lender;
- (c) Each Lender does hereby indemnify and save the other Lenders and the Administrative Agent harmless from any and all claims, demands, actions or matter of actions that a Hedging Affiliate of such Lender may have against the other Lenders and the Administrative Agent for any matter or thing done or omitted to be done by any of them under and in respect of this Agreement, the other Documents, the Security and any transactions contemplated thereby;
- (d) For better certainty, (i) a Hedging Affiliate shall under no circumstances be considered to be a Lender for purposes of this Agreement, the Security or the other Documents and shall not be entitled to vote or to any notice thereunder, and (ii) any reference in this Agreement to the Hedging Obligations of a Lender shall include the Hedging Obligations of the Lender's Affiliate, if any;
- (e) In the event (i) a Lender or the Lender of a Hedging Affiliate is no longer a Lender but there are outstanding Hedging Obligations owed to such former Lender or the Hedging Affiliate of such Lender, and (ii) the Obligations have been fully paid and satisfied and the Credit Facility cancelled, then the Administrative Agent may assign, transfer and convey to such former Lender or such Hedging Affiliate all of its rights, benefits and entitlements under this Agreement and the Security as Administrative Agent for the purpose of securing the outstanding Hedging Obligations as contemplated by Sections 12.1 and 12.9 of this Agreement. Any such assignment, transfer or conveyance under this Subsection 12.9(e) shall be without recourse to the Administrative Agent; and
- (f) For better certainty, the assignee of an assignment made under subsection (e) of this Section 12.9 shall be subrogated in place and instead of the assignor as the Administrative Agent for the purposes of this Agreement and the Security.

12.10 Other Security

Within 10 Banking Days of the Borrower acquiring, directly or indirectly, a Person which falls into the definition of a Material Subsidiary other than the provision in the definition that such Person has granted Security, then the Borrower: (i) shall cause such Person to execute and deliver to the

Administrative Agent a guarantee and security in substantially the form and substance of the Security granted by the other Material Subsidiaries, including fixed charges if requested by the Administrative Agent together with the applicable opinions, all in form and substance satisfactory to the Administrative Agent, acting reasonably, and such guarantee and security shall form part of the Subsidiary Security; and (ii) shall execute and deliver, and shall cause such Person to execute and deliver, to the Administrative Agent such documents as the Administrative Agent requires for such Person to become a party to this Agreement and agree to become bound by all of the same covenants and agreements of a Material Subsidiary as contained in this Agreement.

ARTICLE 13

EVENTS OF DEFAULT

13.1 Events of Default

The occurrence of any one or more of the following constitutes an Event of Default under this Agreement:

- (a) upon default in payment of any principal, interest or other Obligation (including without limitation, any failure to make a mandatory repayment pursuant to Section 8.1) when due, and such default continues for at least 2 Banking Days;
- (b) if any representation or warranty in the Documents proves to be untrue in any material respect which could reasonably be expected to have a Material Adverse Effect and which, if capable of correction without changing the statement is not so remedied or corrected within 30 days after the Administrative Agent gives notice of such incorrect representation to the Borrower;
- (c) failure to observe or comply with any affirmative, negative or financial covenants, condition or term in the Documents (other than those otherwise dealt with in this Section 13.1, and, without limiting the generality of the foregoing, other than payment of an Obligation or Financial Instrument Obligation) and following notice from the Administrative Agent of such failure, such failure remains unrectified for a period of 30 days;
- (d) if a petition is filed, an order is made or a resolution passed, or any other proceeding is taken for the winding up, dissolution, or liquidation of the Borrower or any Material Subsidiary except a bankruptcy petition which is being contested on good faith and which is dismissed within 30 days;
- (e) if proceedings are taken to enforce any judgment, order or encumbrance on the assets of the Borrower or the Material Subsidiaries having a value in the aggregate greater than 5% of the Borrowing Base, excepting as long as such proceedings are being contested in good faith by the Borrower and security satisfactory to the Administrative Agent has been provided to the Administrative Agent;
- (f) if the Borrower or any Material Subsidiary is in default of any indebtedness or other obligations to Persons (other than the Obligations or Hedging Obligations) which in the aggregate exceed 5% of the Borrowing Base and such default is not remedied within any applicable cure periods (for the purposes of this subclause normal course trade payables outstanding for no more than 90 days from date of invoice shall not be considered in default);

- (g) if the Borrower or any Material Subsidiary ceases or threatens to cease to carry on its business, or if proceedings are commenced for the suspension of its business, or if any proceedings are commenced under the Companies' Creditors Arrangements Act or under the *Bankruptcy and Insolvency Act* (Canada) (including filing a proposal or notice of intention), or if the Borrower or any Material Subsidiary commits or threatens to commit an act of bankruptcy, or if the Borrower or any Material Subsidiary becomes insolvent or bankrupt or makes an authorized assignment pursuant to the *Bankruptcy and Insolvency Act* (Canada), or a bankruptcy petition is filed by or presented against the Borrower or a Material Subsidiary; provided that if the Borrower or such Material Subsidiary does not consent to or initiate such proceedings, such proceedings continue undismissed or unstayed and in effect for a period of 15 days after the institution thereof;
- (h) if proceedings are commenced to appoint a receiver, receiver/manager or trustee in respect of the assets of the Borrower or a Material Subsidiary by a court or pursuant to any other agreement;
- (i) if a Financial Instrument Demand for Payment has been delivered to the Borrower or a Material Subsidiary and the Borrower or such Material Subsidiary fails to make payment thereunder within the lesser of (i) 3 Banking Days, and (ii) the time otherwise required for payment thereunder;
- (j) if there is a Change of Control of the Borrower or a Material Subsidiary that has not been consented to by the Lenders;
- (k) if an Event of Default has occurred pursuant to Section 2.14;
- (l) excepting security registrations or other such actions which the Administrative Agent is in a position to effect without the consent or assistance of the Borrower, if for a period of ten (10) days after notice thereof to the Borrower, any material portion of the Security or any material part of this Agreement becomes or continues to be invalid or unenforceable and is not cured to the satisfaction of the Administrative Agent, acting reasonably;
- (m) if a judgment or judgments are entered against the Borrower or a Material Subsidiary in an aggregate amount greater than 5% of the Borrowing Base; or
- (n) there is, in the opinion of the Administrative Agent or the Lenders, acting reasonably, any other event not described in subclauses (a) to (m) above, which has had or could reasonably be expected to have a Material Adverse Effect.

13.2 **Remedies**

- (a) Upon the occurrence of any Event of Default (other than an Event of Default described in Section 13.1(d), (g) or (h)), to the extent that it is not already enforceable, the Security shall immediately become enforceable, and at any time thereafter, the Administrative Agent may and, if required by the Majority Lenders, shall, upon notice to the Borrower, do any or all of the following:
 - (i) terminate the Credit Facility and the Commitments and the right of the Borrower to obtain Advances and make Drawdowns, Conversions and Rollovers;

- (ii) make demand for immediate payment and satisfaction in full of the Obligations; whereupon the Obligations shall become forthwith due and payable; and
 - (iii) exercise all of the rights and remedies of the Administrative Agent and Lenders, including without limitation, demanding under any guarantee and the enforcement of the Security.
- (b) Upon the occurrence of any Event of Default described in Section 13.1(d), (g) or (h), then:
 - (i) the Credit Facility and the Commitments and the right of the Borrower to make Advances, Drawdowns, Conversions and Rollovers shall automatically and immediately terminate;
 - (ii) all Obligations shall immediately become due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower; and
 - (iii) to the extent that it is not already enforceable, the Security shall immediately become enforceable and the Administrative Agent may and, if required by the Majority Lenders, shall, exercise any and all of the rights and remedies of the Administrative Agent and the Lenders, including without limitation, demanding under any guarantee and the enforcement of the Security.
- (c) All rights and remedies of the Lenders and the Administrative Agent in this Agreement and in the Documents are cumulative and in addition to and not in substitution for any rights and remedies provided by law or by equity; and any single or partial exercise by the Lenders or by the Administrative Agent of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or in any of the Documents shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which any Lender or the Administrative Agent may be lawfully entitled.
- (d) Subject to Section 16.3, the Majority Lenders may from time to time waive an Event of Default, absolutely or for a limited time and subject to such terms and conditions as such Majority Lenders may specify. No such waiver shall be construed to extend to the occurrence of any other Event of Default. Any such waiver may be given prospectively or retrospectively. No failure of the Agent or the Lenders to exercise, or delay by the Agent or the Lenders in exercising, any of its rights or remedies shall be construed as a waiver of any Event of Default.

13.3 **Termination of Financial Instruments**

- (a) If an Event of Default shall occur, each Lender (whether or not still a Lender under this Agreement) shall have the right, but not the obligation, to terminate, or cause its Hedging Affiliate to terminate, each Financial Instrument with the Borrower and any Material Subsidiary.
- (b) If an Event of Default shall occur, neither the Borrower nor any Material Subsidiary shall enter into or become bound by a Financial Instrument without first obtaining the written consent of all the Lenders.

ARTICLE 14
SHARING AND EQUALITY AMONG LENDERS

14.1 Distribution Among the Lenders

Subject to Section 9.4, except as otherwise agreed by all of the Lenders in their sole discretion, all monies and property received by the Lenders or the Administrative Agent for application in respect of the Obligations and the Hedging Obligations and all monies received as a result of a realization upon the Security shall be applied and distributed proportionately to the Lenders and the Administrative Agent in the manner set forth below:

- (a) firstly, in payment of any amounts due and payable by way of recoverable expenses including, without limitation, the costs and expenses of enforcement and realization upon the Security;
- (b) secondly, in payment of amounts due as fees (other than standby fees referred to in Section 7.4);
- (c) thirdly, in payment of any amounts due and payable as and by way of interest or fees, including standby fees and including interest owing on overdue amounts;
- (d) fourthly, in payment of the remaining Obligations and Hedging Obligations on a pari passu basis; and
- (e) fifthly, in payment of all other indebtedness under the Documents;

with the balance of proceeds from any realization and enforcement of the Security to be paid to the Borrower or otherwise as may be required by law.

14.2 Equality Among the Lenders

Subject to Section 14.1, all rights of the Lenders hereunder or under the Security shall rank pari passu, pro rata to their respective share of Obligations and Hedging Obligations of the Borrower and Material Subsidiaries to the Lenders and to the Hedging Affiliates.

14.3 Other Security

No Lender or Hedging Affiliate shall obtain any additional security for the payment of the indebtedness of the Borrower under this Agreement or for the payment of Hedging Obligations, unless such security shall form and become part of the Security.

14.4 **Direct Payment to a Lender**

If a Lender receives, otherwise than through the Administrative Agent, a payment or property from the Borrower in respect of the Borrower's obligations arising pursuant to this Agreement (including any payment received by a Lender through the exercise of a right of set-off or the enforcement of the Security), such Lender shall remit to the Administrative Agent the payment or property so received, if applicable, in order that such payment be applied by the Administrative Agent to the obligations of the Borrower hereunder in accordance with the provisions of this Agreement, in particular, Section 14.5.

14.5 **Adjustments Among Lenders**

Each Lender agrees that:

- (a) after an acceleration pursuant to Section 13.2, it will at any time or from time to time upon the request of the Administrative Agent as required by any Lender, purchase, on a non-recourse basis at par, a participation in the outstanding Borrowings of the other Lenders and make any other adjustments which may be necessary or appropriate, in order that the amount of Borrowings by each Lender which remain outstanding, as adjusted pursuant to this Section 14.5, will be in the same proportion as the Lenders' Proportions in respect of the Credit Facility;
- (b) after an acceleration pursuant to Section 13.2, the amount of any repayment made by the Borrower under the Documents and the amount of any proceeds from the exercise of any rights or remedies of the Lenders under the Documents which are to be applied against the Obligations will be so applied in a manner so that to the extent possible the amount of Obligations of each Lender after giving effect to such application will be the same proportion as the Lenders' Proportions in respect of the Credit Facility;
- (c) if it enforces any security against or right of counter-claim, set off or banker's lien or similar right with respect to the property of the Borrower or a Material Subsidiary or if under any applicable bankruptcy, insolvency or other similar law it receives a secured claim and collateral for which it is, or is entitled to exercise any set-off against, a debt owed by it to the Borrower or a Material Subsidiary, the Lender shall apportion the amount thereof pro rata between:
 - (i) such Lender's share of all outstanding Obligations and Hedging Obligations (including the face amounts at maturity of Bankers' Acceptances accepted by the Lenders) owed to such Lender, which amounts shall be applied in accordance with Section 14.5(d); and
 - (ii) amounts otherwise owed to such Lender by the Borrower;

provided that these provisions do not apply to a right or claim which arises or exists in respect of a loan or other debt in respect of which the relevant Lender holds a Security Interest which is a Permitted Encumbrance;

- (d) if the Lender, through the exercise of a right, or the receipt of a secured claim described in Section 14.5(c) above, or otherwise, receives payment of a proportion of the aggregate amount of Obligations due to it hereunder which is greater than the proportion received by any other Lender in respect of the aggregate Obligations due to the Lenders (having regard to the respective Lenders' Proportions in respect of the Credit Facility), the Lender

receiving such proportionately greater payment shall purchase, on a non-recourse basis at par, and make payment for a participation (which shall be deemed to have been done simultaneously with receipt of such payment) in the outstanding Borrowings of the other Lender or Lenders so that their respective receipts shall be pro rata to their respective Lender's Proportions in respect of the Credit Facility; provided, however, that if all or part of such proportionately greater payment received by such purchasing Lender shall be recovered by or on behalf of the Borrower or any trustee, liquidator, receiver or receiver-manager or Person with analogous powers from the purchasing Lender, such purchase shall be rescinded and the purchase price paid for such participation shall be returned to the extent of such recovery, but without interest unless the purchasing Lender is required to pay interest on such amount, in which case each selling Lender shall reimburse the purchasing Lender pro rata in relation to the amounts received by it. Such Lender shall exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section to share in the benefits of any recovery on such secured claims; and

- (e) if the Lender does, or is required to do, any act or thing permitted by this Section 14.5 above, it shall promptly provide full particulars thereof to the Administrative Agent.

The Borrower agrees to do all things reasonably necessary or appropriate to give effect to any and all purchases and adjustments by and between the Lenders pursuant to this Section.

ARTICLE 15

THE ADMINISTRATIVE AGENT AND THE LENDERS

15.1 Appointment of the Administrative Agent

Each Lender hereby irrevocably appoints and authorizes the Administrative Agent to be its administrative agent in its name and on its behalf to exercise such rights and powers as are delegated to the Administrative Agent by the terms of this Agreement and as are reasonably incidental thereto and the Administrative Agent hereby accepts such appointment and authorization. Whenever acting in such capacity, the Administrative Agent shall represent and bind all Lenders as herein provided. No Lender shall exercise individually any of the rights and powers delegated to the Administrative Agent hereunder.

15.2 Action by Administrative Agent

Except as expressly required by this Agreement, the Administrative Agent shall not be required to take or refrain from taking any action which it is empowered to take under this Agreement or the Security documents, unless the Administrative Agent has been required by the Majority Lenders to take or refrain from taking any such action. Notwithstanding the foregoing, the Administrative Agent shall in no event be required to take or refrain from taking any action which it would be required to take or refrain from taking by the Majority Lenders if in its judgment, such action or omission is contrary hereto or to applicable law or exposes it to personal liability in circumstances in which it determines that indemnity under Section 15.6 may not be available or adequate.

15.3 **Liability of the Administrative Agent**

Neither the Administrative Agent nor any of its directors, officers, administration agents or employees (and, for purposes hereof, the Administrative Agent shall be deemed to be contracting as administrative agent and trustee for and on behalf of such persons) shall be liable to the Lenders for any action taken or omitted to be taken by it or them under or in connection with this Agreement except for its or their own gross negligence or wilful misconduct. Without limiting the generality of the foregoing, the Administrative Agent:

- (a) may assume that there has been no assignment or transfer by any means by the Lenders of their rights hereunder, unless and until the Administrative Agent receives written notice of the assignment thereof from such Lender and the Administrative Agent receives from the assignee an executed assignment agreement providing, inter alia, that such assignee is bound hereby as it would have been if it had been an original Lender party hereto;
- (b) may consult with legal counsel (including receiving the opinions of Borrower's counsel and Lenders' Counsel required hereunder), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;
- (c) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable, telecopier or telex) believed by it to be genuine and signed or sent by the proper party or parties or by acting upon any representation or warranty of the Borrower made or deemed to be made hereunder;
- (d) may assume that no Default or Event of Default has occurred unless it has actual knowledge to the contrary;
- (e) may rely as to any matters of fact which might reasonably be expected to be within the knowledge of any Person upon a certificate signed by or on behalf of such Person;
- (f) shall not be bound to disclose to any other Person any information relating to the Borrower or any other Person if such disclosure would or might in its opinion constitute a breach of any applicable law, be in default of the provisions hereof or be otherwise actionable at the suit of any other Person; and
- (g) may refrain from exercising any right, power or discretion vested in it which would or might in its reasonable opinion be contrary to any applicable law or any directive or otherwise render it liable to any Person, and may do anything which is in its reasonable opinion necessary to comply with such applicable law.

Further, the Administrative Agent (i) does not make any warranty or representation to any Lender nor shall it be responsible to any Lender for the accuracy or completeness of the representations and warranties of the Borrower herein or the data made available to any of the Lenders in connection with the negotiation of this Agreement, or for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (ii) shall not have any duty to ascertain or to enquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower or any of its Subsidiaries; and (iii) shall not be responsible to any Lender for the due execution, legality, validity,

enforceability, genuineness, sufficiency or value of this Agreement or any instrument or document furnished pursuant hereto.

15.4 **Notices of Default**

In the event that the Administrative Agent has been notified by the Borrower of any Default or Event of Default, or has been notified by a Lender that such a Lender considers that a Default or Event of Default has occurred, the Administrative Agent shall promptly notify the Lenders of such Default or Event of Default.

15.5 **Liability of Lenders**

No Lender (including the Administrative Agent) shall have any liability whatsoever:

- (a) as a consequence of the failure of any other Lender to perform its obligations under this Agreement;
- (b) as a consequence of the failure of the Borrower to perform its obligations under this Agreement or under any of the Security; or
- (c) (i) for the accuracy or completeness of any information, representations or warranties contained herein or made in connection herewith or provided pursuant to this Agreement, (ii) or for the legality, validity, enforceability, sufficiency or value of this Agreement, the Security or any other document or instruments contemplated thereby.

15.6 **Indemnification**

Each Lender shall indemnify the Administrative Agent on a pro rata basis in accordance with such Lender's Proportion of the total Commitments, to the extent not reimbursed by the Borrower, from and against all liabilities, losses, expenses, claims or disbursements of any kind or nature whatsoever which may be incurred or imposed on the Administrative Agent, relating to or arising out of this Agreement, the other Documents or any action taken or omitted to be taken by the Administrative Agent, except for any portion of such liabilities, losses, expenses, claims or disbursements resulting from gross negligence or wilful misconduct of the Administrative Agent.

15.7 **Credit Decision**

Each Lender acknowledges that it has been and will continue to be solely responsible for making its own independent appraisal and investigation of the financial condition, credit-worthiness, affairs and viability of the Borrower and that it has not relied on the Administrative Agent or any other Lender in the making of its decision to enter into this Agreement.

15.8 **Legal Proceedings and Enforcement Measures**

Each of the Lenders hereby acknowledges that, to the extent permitted by applicable law, the remedies provided hereunder to the Lenders are for the benefit of the Lenders collectively and acting together and not severally and further acknowledges that its rights hereunder are to be exercised not severally, but collectively by the Administrative Agent upon the decision of the Majority Lenders. Notwithstanding any of the provisions contained herein, each of the Lenders hereby covenants and agrees that it shall not be entitled to individually take any action with respect to any part of the Credit Facility, but that any such action shall be taken only by the Administrative Agent with the prior written agreement

or instructions of the Majority Lenders; provided that, notwithstanding the foregoing, if (i) the Administrative Agent, having been adequately indemnified against costs and expenses of so doing by the Lenders, shall fail to carry out any such instructions of the Majority Lenders, any Lender may do so on behalf of all Lenders and shall, in so doing, be entitled to the benefit of all protections given the Administrative Agent hereunder or elsewhere, and (ii) in the absence of instructions from the Majority Lenders and where in the sole opinion of the Administrative Agent the exigencies of the situation warrant such action, the Administrative Agent may without notice to or consent of the Lenders or any of them take such action on behalf of the Lenders as the Administrative Agent deems appropriate or desirable in the interests of the Lenders. Each of the Lenders hereby further covenants and agrees that upon any such written consent being given by the Majority Lenders, or upon a Lender or the Administrative Agent taking action as aforesaid, it shall cooperate fully with the Lender or the Administrative Agent to the extent requested by the Lender or the Administrative Agent in the collective realization including, without limitation, and, if applicable, the appointment of a receiver or receiver and manager to act for their collective benefit. Each Lender covenants and agrees to do all acts and things and to make, execute and deliver all agreements and other instruments, including, without limitation, any instruments necessary to effect any registrations, so as to fully carry out the intent and purpose of this Section; and each of the Lenders hereby covenants and agrees that, subject to Section 7.5, Section 14.3 and Section 12.1 it has not heretofore and shall not seek, take, accept or receive any security for any of the obligations and liabilities of the Borrower hereunder or under any other document, instrument, writing or agreement ancillary hereto and shall not enter into any agreement with any of the parties hereto or thereto relating in any manner whatsoever to the Credit Facility, unless all of the Lenders shall at the same time obtain the benefit of any such security or agreement.

With respect to any enforcement, realization or the taking of any rights or remedies to enforce the rights of the Lenders hereunder, the Administrative Agent shall be a trustee for each Lender, and all monies received from time to time by the Administrative Agent in respect of the foregoing shall be held in trust and shall be trust assets within the meaning of applicable bankruptcy or insolvency legislation and shall be considered for the purposes of such legislation to be held separate and apart from the other assets of the Administrative Agent, and each Lender shall be entitled to such Lender's Proportion of such monies. In its capacity as trustee, the Administrative Agent shall be obliged to exercise only the degree of care it would exercise in the conduct and management of its own business and in accordance with its usual practice concurrently employed or hereafter instituted for other substantial commercial loans.

15.9 **Sharing of Information**

Subject to Section 17.3, the Borrower and Material Subsidiaries authorize the Administrative Agent and the Lenders to share with each other and with prospective assignees of and participants in the Borrowings, any information held by them regarding the Borrower and Material Subsidiaries or relating to this Agreement, provided however that any information declared to be confidential by the Borrower or Material Subsidiaries in writing to the Administrative Agent at the time the information is transmitted to the Administrative Agent shall only be shared on the condition that the recipient thereof agrees to keep such information confidential.

15.10 **No Association Among Lenders**

Nothing contained in this Agreement and no action taken pursuant to it shall, or shall be deemed to, constitute the Lenders a partnership, association, joint venture or other similar entity.

15.11 **Successor Administrative Agent**

Subject to the appointment and acceptance of a successor administrative agent as provided in this

Section 15.11, the Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Majority Lenders shall have the right to appoint a successor administrative agent with the approval of the Borrower (such approval not to be unreasonably withheld). Any successor administrative agent appointed under this Section 15.11 shall be a Lender which is a bank under the Bank Act (Canada). If no successor administrative agent shall have been appointed by the Lenders within thirty (30) days after the retiring administrative agent's giving of notice of resignation, then the retiring administrative agent may, on behalf of the Lenders and with the approval of the Borrower (such approval not to be unreasonably withheld), appoint a successor administrative agent. Upon the appointment as Administrative Agent of a successor administrative agent, such successor administrative agent shall thereupon succeed to and become vested with all the rights, powers, obligations and duties of the retiring administrative agent and shall be deemed for the purposes of this Agreement to be the Administrative Agent and the retiring administrative agent shall be discharged from its duties and obligations under this Agreement. After any retiring administrative agent's resignation hereunder as the Administrative Agent, the provisions of this Agreement shall continue in effect for its benefit, for the benefit of the Lenders and for the benefit of the Borrower in respect of any actions taken or omitted to be taken by the retiring administrative agent while it was acting as the Administrative Agent.

15.12 Option of Lenders to Replace a Lender

In the event that any Lender does not consent to any amendment or waiver requiring the unanimous consent of the Lenders, the consenting Lenders shall have the option, but not the obligation, to purchase the dissenting Lender's interest in this Agreement. If the consenting Lenders do not exercise such option for the total amount of such interest, the dissenting Lender shall assist the Borrower and the Administrative Agent in assigning the dissenting Lender's Commitment to another prospective lender, such lender to be acceptable to the Borrower and the Administrative Agent. The Borrower shall reimburse the Administrative Agent for any cost or expense incurred in respect of such assignment or proposed assignment.

15.13 Lender Obligations; Defaulting Lender

- (a) The obligations of each Lender and of the Administrative Agent under this Agreement are several. The failure of any Lender to carry out its obligations hereunder shall not relieve the other Lenders, the Administrative Agent or the Borrower of any of their respective obligations hereunder.
- (b) Neither the Administrative Agent nor any Lender shall be responsible for the obligations of any other Lender hereunder.
- (c) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:
 - (i) the Standby Fees payable pursuant to Section 7.4 shall cease to accrue on the unused portion of the Commitment of such Defaulting Lender;
 - (ii) a Defaulting Lender shall not be included in determining whether, and the Commitment and the Lender's Proportion of the outstanding Borrowings of such Defaulting Lender shall not be included in determining whether, all Lenders, all Revolving Lenders or the Required Lenders or the Majority Lenders have taken or may take any action hereunder (including any consent to

any amendment or waiver pursuant to Article 16); and

- (iii) for the avoidance of doubt, the Borrower shall retain and reserve its other rights and remedies respecting each Defaulting Lender.
- (d) If any Lender shall cease to be a Defaulting Lender, then, upon becoming aware of the same, the Administrative Agent shall notify the other Lenders and the Borrower and such Lender (which has ceased to be a Defaulting Lender) shall purchase at par, and the other Lenders shall on a rateable basis sell at par and assign to such Lender, portions of such Borrowings equal in total to such Lender's Lender's Proportion thereof.
- (e) The Borrower shall be entitled to replace a Defaulting Lender by reaching satisfactory arrangements with a financial institution (which may be a Lender), to have such financial institution purchase the Commitment of such Defaulting Lender in accordance with Article 17 and such Defaulting Lender shall be obligated to sell its Commitment in accordance with such satisfactory arrangements and the other Lenders shall do all things reasonably necessary to give effect to such replacement.

15.14 Administrative Agent and Defaulting Lenders

- (a) Each Defaulting Lender shall be required to provide to the Administrative Agent cash in an amount, as shall be determined from time to time by the Administrative Agent in its discretion, equal to all obligations of such Defaulting Lender to the Administrative Agent that are owing or may become owing pursuant to this Agreement, including such Defaulting Lender's obligation to pay its Lender's Proportion of any indemnification or expense reimbursement amounts not paid by the Borrower. Such cash shall be held by the Administrative Agent in one or more cash collateral accounts, which accounts shall be in the name of the Administrative Agent and shall not be required to be interest bearing. The Administrative Agent shall be entitled to apply the foregoing cash in accordance with Section 15.14(c).
- (b) In addition to the indemnity and reimbursement obligations noted in Section 15.6, the Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the obligations of the Borrower hereunder) rateably according to their respective Lender's Proportion (and in calculating the Lender's Proportion of a Lender, ignoring the Commitments of Defaulting Lenders) any amount that a Defaulting Lender fails to pay the Administrative Agent and which is due and owing to the Administrative Agent pursuant to Section 15.6. Each Defaulting Lender agrees to indemnify each other Lender for any amounts paid by such Lender and which would otherwise be payable by the Defaulting Lender.
- (c) The Administrative Agent shall be entitled to withhold and deposit in one or more non-interest bearing cash collateral accounts in the name of the Administrative Agent all amounts (whether principal, interest, fees or otherwise) received by the Administrative Agent and due to a Defaulting Lender pursuant to this Agreement, which amounts shall be used by the Administrative Agent:
 - (i) first, to reimburse the Administrative Agent for any amounts owing to it by the Defaulting Lender pursuant to this Agreement or any other Document;

- (ii) second, to repay on a pro rata basis any payments made by a Lender pursuant to Section 15.14(b);
 - (iii) third, to cash collateralize all other obligations of such Defaulting Lender to the Administrative Agent owing pursuant to this Agreement in such amount as shall be determined from time to time by the Administrative Agent in its discretion, including such Defaulting Lender's obligation to pay its Lender's Proportion of any indemnification or expense reimbursement amounts not paid by the Borrower;
 - (iv) fourth, to fund the Defaulting Lender's Lender's Proportion of Borrowings which remain unfunded and to fund the purchase of participations required to be purchased by the Defaulting Lender under this Agreement and the Documents which remain unfunded; and
 - (v) fifth, pay any amounts not paid under clauses (i) through (iv) to the Defaulting Lender.
- (d) For greater certainty and in addition to the foregoing, neither the Administrative Agent nor any of its Affiliates nor any of their respective shareholders, officers, directors, employees, agents or representatives shall be liable to any Lender (including, without limitation, a Defaulting Lender) for any action taken or omitted to be taken by it in connection with the determination of a Lender as a Defaulting Lender or with amounts payable by the Borrower to a Defaulting Lender and received and deposited by the Administrative Agent in a cash collateral account and applied in accordance with the provisions of this Agreement, save and except for the gross negligence or wilful misconduct of the Administrative Agent as determined by a final non-appealable judgment of a court of competent jurisdiction.

ARTICLE 16

WAIVERS AND AMENDMENTS

16.1 Waivers by the Administrative Agent Acting Alone

The Administrative Agent may only grant extensions of time and other indulgences and waive strict compliance with the provisions of this Agreement and the other Documents only for those matters which pursuant to the Documents require the approval or consent of the Administrative Agent.

16.2 Amendments and Waivers with the Approval of the Majority Lenders

Subject to the other Sections of this Article 16, the provisions of this Agreement or of any of the Security may only be amended or waived by an instrument in writing signed by the Borrower and the Administrative Agent, with the approval of the Majority Lenders, with the exception of the matters listed in Section 16.3 which may be amended or waived only with the consent of all Lenders.

16.3 Amendments and Waivers with the Unanimous Approval of Lenders

The provisions of this Agreement or of any of the Security relating to any of the following matters, including this Section 16.3, may only be amended or waived by an instrument in writing signed by the Administrative Agent, with the prior written approval of all Lenders:

- (a) any change in the time within which principal must be repaid;
- (b) any decrease in the interest rates, fees and discounts payable hereunder and in the manner in which they are calculated or in the time within which they must be paid;
- (c) any subordination of the Security;
- (d) any modification, amendment or release of the Security, subject to the release of Security by the Administrative Agent for Permitted Dispositions;
- (e) any increase in any of the Lenders' Commitments;
- (f) any waiver of Events of Default under Sections 13.1(a) or (k); and
- (g) any change (i) in the conditions precedent provided for in this Agreement; (ii) the definition of Majority Lenders or Required Lenders, or (iii) in any matter which pursuant to the Documents requires the approval or consent of all of the Lenders.

16.4 **Amendments with the Approval of the Administrative Agent**

No amendment to the provisions of this Agreement respecting the duties, obligations and liabilities of the Administrative Agent shall be made without the approval of the Administrative Agent. Amendments to the duties and obligation of the Administrative Agent may be made by Administrative Agent acting alone, provided that any such amendment shall not affect the rights or obligations of the Borrower, the Material Subsidiaries or the Lenders. The form of any amendment to this Agreement or any of the Security documents made in accordance with the provisions of this Article 16 shall be satisfactory to the Administrative Agent.

16.5 **Binding Effects upon Lenders**

Any extension, indulgence, amendment or waiver granted or made in accordance with the provisions of this Article 16 shall be binding upon all the Lenders.

16.6 **Failure to Act**

No waiver and no failure or delay in the exercise of any right or remedy shall preclude the further exercise of any of the rights and remedies of the Administrative Agent and the Lenders hereunder. In addition no such failure or delay shall be construed as a waiver of any of the provisions of this Agreement or the Security.

ARTICLE 17 **ASSIGNMENTS AND PARTICIPATIONS**

17.1 **Assignments**

- (a) Each Production Lender may assign, in whole or in part, its rights and obligations in respect of the Credit Facility to any Eligible Assignee subject to the terms of this Article 17. Any assignment must be approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) unless the proposed assignee is already an existing

Lender. Any assignment must be approved by the Borrower (such approval not to be unreasonably withheld or delayed) unless the proposed assignee is already an existing Lender or the assignment is on or after a Default has occurred and is continuing or after the occurrence of an Event of Default. Any such Assignment shall be in a form acceptable to the Administrative Agent.

- (b) Except after a Default has occurred and is continuing or after the occurrence of an Event of Default or in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Borrowings, the aggregate amount of the Commitment being assigned (which for this purpose includes Borrowings outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Borrowings being assigned, shall not be less than \$5,000,000 and thereafter shall be in multiples of \$1,000,000, unless consented to by the Administrative Agent (such approval not to be unreasonably withheld or delayed). The Operating Lender may only assign all of its Commitment and Borrowings under the Operating Facility and any such assignment shall be to one Eligible Assignee only. If the Operating Lender assigns all of its Commitment under the Production Facility, it shall also assign all of its Commitment under the Operating Facility.
- (c) Any Eligible Assignee becoming an assignee of the whole or part of the rights of a Lender and of its obligations towards the Borrower in accordance with Section 17.1(a) shall become a Lender hereunder and this Agreement and the Commitments of the assignor shall be amended automatically.
- (d) A Lender which, in accordance with Section 17.1(a), assigns all or any part of its rights or obligations hereunder, shall pay to the Administrative Agent on demand an assignment fee of \$5,000 together with all expenses, including but not limited to legal fees, incurred by the Administrative Agent in connection with such transfer. For greater certainty, the assignment fee, expenses and legal fees, if any, are not to be paid by the Borrower. If as a result of such transfer, the Administrative Agent incurs any increased costs or additional expenses in connection with the performance of its duties hereunder, the assignee shall, upon demand, from time to time pay to the Administrative Agent such amount as shall compensate the Administrative Agent for any such reasonable increased costs or additional expenses (and the certificate of the Administrative Agent specifying the amount of such compensation shall be conclusive in the absence of manifest error).

17.2 **Participations**

Any Lender may grant a participation of all or any part of its Commitment hereunder to another financial institution, provided that any such participation does not give rise to a claim for increased costs pursuant to Article 7, Article 9 or Section 18.7 and provided further that the Obligations hereunder shall not be augmented or affected in any way by such participation. Such participant shall not be entitled to any vote as a Lender. The Borrower shall not be obligated to deal with any participant and shall be entitled to deal solely with the Lender and the Lender shall not be released from any of its obligations to the Borrower as a result of such participation except to the extent that the participant has fulfilled such obligations. The assigning Lender shall be responsible for obtaining, at the time of any such assignment, from any such participants an agreement to be bound to the same confidentiality provisions with respect to the Credit Facility, the Borrower and its Subsidiaries as are applicable to the Lenders.

17.3 Confidentiality

- (a) The Borrower agrees that the Administrative Agent and each Lender may provide any assignee or participant or any bona fide prospective assignee or participant pursuant to Sections 17.1 or 17.2 with any information concerning the financial condition of the Borrower and its Subsidiaries provided such party agrees in writing with the Administrative Agent or such Lender for the benefit of the Borrower to be bound by a like duty of confidentiality to that contained in this Section.
- (b) Each of the Administrative Agent and the Lenders acknowledges the confidential nature of the financial, operational and other information and data provided and to be provided to them by the Borrower pursuant hereto (the "**Information**") and agrees to use all reasonable efforts to prevent the disclosure thereof provided, however, that:
 - (i) the Administrative Agent and the Lenders may disclose all or any part of the Information if, in their reasonable opinion, such disclosure is required in connection with any actual or threatened judicial, administrative or governmental proceedings including, without limitation, proceedings initiated under or in respect of this Agreement;
 - (ii) the Administrative Agent and the Lenders shall incur no liability in respect of any Information required to be disclosed by any applicable law or regulation, or by applicable order, policy or directive having the force of law, to the extent of such requirement;
 - (iii) the Administrative Agent and the Lenders may provide Lenders' Counsel and their other agents and professional advisors with any Information; provided that such Persons shall be under a like duty of confidentiality to that contained in this Section;
 - (iv) the Administrative Agent and each of the Lenders shall incur no liability in respect of any Information: (i) which is or becomes readily available to the public (other than by a breach hereof) or which has been made readily available to the public by the Borrower or its Subsidiaries, (ii) which the Administrative Agent or the relevant Lender can show was, prior to receipt thereof from Borrower, lawfully in the Administrative Agent's or Lender's possession and not then subject to any obligation on its part to Borrower to maintain confidentiality, or (iii) which the Administrative Agent or the relevant Lender received from a third party who was not, to the knowledge of the Administrative Agent or such Lender, under a duty of confidentiality to the Borrower at the time the Information was so received;
 - (v) the Administrative Agent and the Lenders may disclose the Information to other financial institutions in connection with the syndication by the Administrative Agent or Lenders of the Credit Facility or the granting by a Lender of a participation in the Credit Facility where such financial institution agrees to be under a like duty of confidentiality to that contained in this Section; and
 - (vi) the Administrative Agent and the Lenders may disclose all or any part of the Information so as to enable the Administrative Agent and the Lenders to initiate any lawsuit against the Borrower or to defend any lawsuit commenced by the

Borrower, the issues of which touch on the Information, but only to the extent such disclosure is necessary to the initiation or defence of such lawsuit.

ARTICLE 18

MISCELLANEOUS

18.1 Books and Accounts

The Administrative Agent shall keep books and accounts evidencing the indebtedness of the Borrower under the Credit Facility and the transactions made in respect thereof pursuant to this Agreement. Such books and accounts shall, in the absence of manifest error, constitute prima facie evidence of the accuracy of that indebtedness and those transactions. The Borrower acknowledges that the actual recording of the amount of any Borrowing or repayment thereof under this Agreement, and interest, fees, and other amounts due in connection with this Agreement, in the accounts of the Borrower maintained by the Administrative Agent shall constitute prima facie evidence of the Borrower's indebtedness and liability from time to time under this Agreement; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with this Agreement shall not be affected by the failure of the Administrative Agent to make such recording.

18.2 Determination

In the absence of manifest error, any quantitative determination made by the Administrative Agent in accordance with this Agreement shall be final and binding upon the Borrower and the Lenders.

18.3 Notes

The Borrowings may, but need not be, evidenced by notes or other instruments of indebtedness that the Borrower undertakes to execute upon request from the Administrative Agent. Payment of those notes and instruments may only be demanded in accordance with the provisions of this Agreement.

18.4 Oral Notices or Instructions

If the Borrower or any of its administration agents or employees makes an oral request or gives an oral notice to the Administrative Agent, the Administrative Agent shall be entitled to rely upon such oral instructions. The Administrative Agent shall not incur any liability to the Borrower or to the Lenders in acting upon oral instructions which the Administrative Agent believes in good faith to have been given by a Person authorized by the Borrower to give such instructions or to effect any applicable transaction. In the event of a discrepancy between oral instructions and any written confirmation in respect thereof, or in the absence of receiving confirmation, the oral instructions as communicated to the Administrative Agent shall be deemed to be the controlling instructions.

18.5 Compensation

Each Lender is authorized (but not obligated) at any time or from time to time on or after the occurrence of an Event of Default, without notice to the Borrower to compensate and to apply any and all deposits held for or in the name of the Borrower or any Material Subsidiaries and any indebtedness at any time owing or payable by such Lender to or for the credit of or the account of the Borrower or any Material Subsidiary and on account of the obligations of the Borrower owing or payable to such Lender under this Agreement, irrespective of currency and of whether or not such Lender has made any demand under this Agreement and whether or not these obligations of the Borrower or Material Subsidiary have matured. The provisions of this Section 18.5 shall not restrict such rights as the Lenders may be entitled

to without relying upon the provisions of this Section 18.5.

18.6 Irregular Notice of Utilization, Conversion, Renewal or Repayment

The Administrative Agent may consider of no effect any Drawdown Notice, Conversion Notice, Rollover Notice or Repayment Notice if such Drawdown Notice, Conversion Notice, Rollover Notice or Repayment Notice is not in compliance with the provisions of this Agreement.

18.7 Indemnification.

- (a) The Borrower shall pay to any Lender the amount of all losses suffered by the latter and resulting from Libor Loans and Acceptances having been converted or repaid before the maturity dates of their respective periods except by reason of an assignment made by such Lender. The affected Lender may send to the Borrower a statement indicating the amount of any such loss suffered by it and its method of calculation; in the absence of manifest error, this statement shall be conclusive evidence of the amount of such loss and the Borrower shall pay forthwith this amount to the affected Lender.
- (b) The Borrower permits the Administrative Agent, with the approval of the Borrower, which approval is not to be unreasonably withheld, to conduct inspections and appraisals of all or any of its records, business and assets at any time and from time during normal business hours, after appropriate notice to the Borrower to ensure compliance with Environmental Laws and to appoint experts or consultants to make any such inspection and appraisal and prepare reports on same. Any costs and expenses reasonably incurred by the Administrative Agent as a result of the foregoing shall be reimbursed by the Borrower on demand. If the Administrative Agent is required to expend any funds in compliance with applicable environmental laws, regulations, administrative or court order in respect thereof or in connection with any recourse for damages, the Borrower shall indemnify the Administrative Agent in respect of such expenditures.
- (c) The Borrower shall, to the extent permitted by applicable laws, be liable for and, in addition, indemnify the Lenders, Hedging Affiliates and the Administrative Agent, and their respective directors, officers, affiliates, employees, and administration agents and shall hold each of them harmless from and against any and all losses, liabilities, damages, costs, penalties, fines, expenses and claims (including reasonable fees, charges and disbursements of counsel on a solicitor and own client basis), including those arising from any litigation or other proceedings, which at any time or from time to time may be paid or incurred by, or asserted against, any of them for, with respect to or as a direct or indirect result of (i) any environmental activity by the Borrower or Material Subsidiaries; or (ii) any failure on the part of the Borrower or Material Subsidiaries to comply with any Environmental Laws, (iii) any misrepresentation, breach of warranty or breach of covenant on the part of the Borrower or Material Subsidiaries with respect to environmental matters, and (iv) any Environmental Claims in respect of the Borrower or any Material Subsidiary or any of their assets.
- (d) The Borrower shall be liable for and, in addition, shall indemnify the Lenders, Hedging Affiliates, and the Administrative Agent and their respective directors, officers, affiliates, employees and administrative agents and hold each of them harmless from and against, any and all losses, liabilities, damages, costs, penalties, fines, expenses and claims (including reasonable fees, charges and disbursements of counsel on a solicitor and own client basis), including those arising from any litigation or other proceedings, which at

any time or from time to time may be paid or incurred by, or asserted against, any of them, relating to or arising out of the creation, administration or enforcement of the Credit Facility, this Agreement and Documents or any transactions contemplated by the Documents (including those arising from their own negligence) provided that no Person indemnified under this Section 18.7(d) shall be indemnified for its own gross negligence or wilful misconduct. This indemnity shall not apply to any litigation or other proceedings relating to or arising out of the transactions contemplated by this Agreement if the litigation or proceedings are in respect of matters between the Lenders and/or the Administrative Agent.

- (e) The provisions, undertakings and indemnification set out in this Section 18.7 shall survive the satisfaction and release of the Security and payment and satisfaction of the indebtedness and liability of the Borrower to the Administrative Agent and the Lenders and Hedging Affiliates for the benefit of the Administrative Agent and the Lenders and Hedging Affiliates.

18.8 **Severability**

If any provision of this Agreement is determined to be void, voidable, illegal or unenforceable, in whole or in part, all other provisions of this Agreement shall nevertheless remain in full force and effect, and all provisions hereof are hereby declared and shall be deemed, unless otherwise expressly provided, to be separate, severable and distinct.

18.9 **Time is of the Essence**

Time shall be of the essence in this Agreement and in the Documents.

18.10 **Authority to Debit and Credit**

Except as consented to by the Administrative Agent, the Borrower and Material Subsidiaries shall maintain all of its accounts at the Calgary Branch of NBC through which each will conduct all of its banking activities. The Administrative Agent is irrevocably authorized, but is not obligated, to effect: (i) all deposits and credits to the Borrower's Canadian Dollar Account and US Dollar Account in order to accommodate the Lenders in making Advances under the Credit Facility; and (ii) all debits to the Canadian Dollar Account and US Dollar Account for payments of principal, interest, fees and other amounts to be made by the Borrower and Material Subsidiaries to the Administrative Agent, Hedging Affiliates and the Lenders pursuant to this Agreement.

18.11 **Further Assurances**

Without further consideration, the Borrower and Material Subsidiaries shall from time to time, and at all times, execute, acknowledge and deliver such other documents and shall take such other action as may be necessary in order to fully perform and carry out the terms of this Agreement and the Documents.

18.12 **Enurement and Assignment**

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto (including the Hedging Affiliates) and their respective successors and assigns provided that a Lender may not assign its interest except pursuant to the provisions of this Agreement and neither the Borrower nor any Material Subsidiary may assign any interest or liability without the prior written consent of all of the

Lenders.

18.13 **Previous Agreements**

This Agreement and the other Documents constitute the whole and entire agreement between the parties hereto, and cancels and supersedes any prior agreements, undertakings, declarations, representations and warranties, written or verbal between the parties hereto in respect of the subject matter of this Agreement and the other Documents. In particular, this Agreement amends and restates the Previous Credit Agreement and is not a replacement of the Previous Credit Agreement.

ARTICLE 19 **NOTICES**

19.1 **Sending of Notices**

Any demand, notice or other communication (hereinafter referred to as a "Communication") to be given to a party in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail, email or by transmittal by facsimile addressed to the recipient at the address indicated opposite its name on the signature pages hereto, or at such other address as may be notified by such party to the others pursuant to this Section 19.1, provided that any Communication to the Borrower or the Material Subsidiaries shall be deemed to be delivered if given to the Borrower.

If to the Administrative Agent:

For purposes of all notices of utilization, conversion, renewal or repayment and the delivery of the financial information:

National Bank of Canada
Commercial Loan Servicing – Syndication & Agency Group
5650 d'Iberville Street, Suite 603
Transit: 0897-1
Montreal, Quebec H2G 2B3

Attention: Syndication
E-mail: syndication@bnc.ca
Fax: (514) 271-5294

For all other purposes:

National Bank Financial
Syndication – Canada
1155 Metcalfe Street, 5th Floor
Montreal, Quebec H3B 4S9

Attention: Manager
Fax: (514) 390-7850

If to a Lender, to its address set forth in Schedule "A"

If to the Borrower or a Material Subsidiary, to or c/o:

Twin Butte Energy Ltd.
410,396-11th Avenue S.W.
Calgary, Alberta T2R OC5

Attention: Chief Financial Officer
Telecopier: (403) 215-2055
Email: asteele@twinbutteenergy.com

19.2 **Receipt of Notices**

Any Communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fifth Banking Day following the mailing thereof and, if given by email, facsimile on the day of transmittal thereof if given during normal business hours of the recipient or on the next Banking Day if given after normal business hours on any day. If the party giving any Communication knows or ought to know of any difficulties with the postal system, email or facsimile transmission system which might affect the delivery of mail or facsimile transmission, any such Communication shall be given by personal delivery or by other methods of communication not affected by the said difficulties.

ARTICLE 20 **ANTI-MONEY LAUNDERING LEGISLATION**

20.1 **Legislation**

- (a) The Borrower acknowledges that, pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" laws, whether within Canada or elsewhere (collectively, including any guidelines or orders thereunder, ("AML Legislation")), the Administrative Agent and the Lenders may be required to obtain, verify and record information regarding the Borrower, its directors, authorized signing officers, direct or indirect shareholders, partners or other persons in control of the Borrower, the Material Subsidiaries and the transactions contemplated hereby. The Borrower shall promptly provide all such information, including any supporting documentation and other evidence, as may be requested by the Administrative Agent or any Lender, or any prospective assignee or participant of a Lender or the Administrative Agent, in order to comply with any applicable AML Legislation, whether now or hereafter in existence. The Borrower shall also provide the Administrative Agent with prompt written notice of any change in key officers or directors after the date of this Agreement.
- (b) If the Administrative Agent has ascertained the identity of the Borrower or any Material Subsidiary, or any authorized signatories of the Borrower or any Material Subsidiary, for the purposes of applicable AML Legislation, then the Administrative Agent shall:
 - (i) be deemed to have done so as an agent for each Lender, and this Agreement shall constitute a "written agreement" in such regard between each Lender and the Administrative Agent within the meaning of applicable AML Legislation; and

- (ii) provide each Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

Notwithstanding the preceding sentence and except as may otherwise be agreed in writing, each of the Lenders agrees that the Administrative Agent has no obligation to ascertain the identity of the Borrower or any Material Subsidiary, or any authorized signatories of the Borrower or any Material Subsidiary, on behalf of any Lender or to confirm the completeness or accuracy of any information that the Administrative Agent obtains from the Borrower or any Material Subsidiary, or any such authorized signatory, in doing so.

[signature page follows]

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed as of the dates first above written.

NATIONAL BANK OF CANADA, as
Administrative Agent

Per: _____
[signed]
Name:
Title:

Per: _____
[signed]
Name:
Title:

NATIONAL BANK OF CANADA, as
Production Lender

Per: _____
[signed]
Name:
Title:

Per: _____
[signed]
Name:
Title:

ALBERTA TREASURY BRANCHES,
as Production Lender

Per: _____
[signed]
Name:
Title:

Per: _____
[signed]
Name:
Title:

TWIN BUTTE ENERGY LTD.

Per: _____
[signed]
Name:
Title:

Per: _____
[signed]
Name:
Title:

NATIONAL BANK OF CANADA, as
Operating Lender

Per: _____
[signed]
Name:
Title:

Per: _____
[signed]
Name:
Title:

UNION BANK, CANADA BRANCH,
as Production Lender

Per: _____
[signed]
Name:
Title:

Per: _____
[signed]
Name:
Title:

**JPMORGAN CHASE BANK, N.A.,
TORONTO BRANCH**,
as Production Lender

Per: _____
[signed]
Name:
Title:

Per: _____
[signed]
Name:
Title:

SCHEDULE "A" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

Lenders' Commitments

[illegible]

SCHEDULE "B" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

Compliance Certificate

COMPLIANCE CERTIFICATE

TO: National Bank of Canada (in its capacity as Administrative Agent for the Lenders) and the Lenders

DATE: _____

1. This Compliance Certificate is delivered to you pursuant to the terms and conditions of the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named relating to the establishment of a Credit Facility in favour of the Borrower (as amended, modified, supplemented or restated, the "Credit Agreement"). Unless otherwise expressly defined herein, capitalized terms set forth in this Compliance Certificate shall have the respective meanings set forth in the Credit Agreement.
2. The undersigned, [name], [title], of the Borrower, hereby certifies that, as of the date of this Compliance Certificate, I have made or caused to be made such investigations as are necessary or appropriate for the purposes of this Compliance Certificate:
 - (a) the consolidated financial statements of the Borrower for the [fiscal quarter OR fiscal year] ending *, 200* provided to the Lenders pursuant to Section 11.1 of the Credit Agreement were prepared in accordance with generally accepted accounting principles and present fairly, in all material respects, the consolidated financial position of the Borrower as at the date thereof;
 - (b) the representations and warranties made by the Borrower in Section 10.1 of the Credit Agreement are true and correct in all material respects as at the date hereof (other than those made as of a specific date), except as had heretofore been notified to the Administrative Agent by the Borrower in writing;
 - (c) as at [date of fiscal quarter end] the Current Ratio was:_____, as evidenced by the calculations of this ratio as attached hereto and as such the Borrower is in compliance in all respects with the Current Ratio financial covenant set forth in Section 11.1 of the Credit Agreement;
 - (d) no Borrowing Base Shortfall or Event of Default has occurred and no Default has occurred and is continuing, except as has heretofore been notified to the Administrative Agent by the Borrower in writing;
 - (e) as at [date of fiscal quarter end] the Debt\EBITDA Ratio was:_____, as evidenced by the calculations of this ratio as attached hereto; and
 - (f) at all times the Borrower has been in compliance with Section 11.1(d)(vi) and attached hereto is a hedging report in accordance with Section 11.1(b)(iii).

I give this Compliance Certificate on behalf of the Borrower and in my capacity as the [title] of the Borrower, and no personal liability is created against or assumed by me in the giving of this Certificate.

TWIN BUTTE ENERGY LTD.

Per: _____
Name:
Title:

SCHEDULE "C" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

Conversion Notice

CONVERSION NOTICE

TO: National Bank of Canada (in its capacity as Administrative Agent for the Lenders) and the Lenders

DATE: _____

1. This Conversion Notice is delivered to you pursuant to the terms and conditions of the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named relating to the establishment of a Credit Facility in favour of the Borrower (as amended, modified, supplemented or restated, the "Credit Agreement"). Unless otherwise expressly defined herein, capitalized terms set forth in this Conversion Notice shall have the respective meanings set forth in the Credit Agreement.

2. The Borrower hereby requests a Conversion as follows:

(a) Conversion Date: _____

(b) Conversion of the following Borrowing under the following Credit Facility:

(i) Credit Facility: _____

(ii) Type of Borrowing: _____

(iii) Amount Being Converted: _____

(iv) Interest Period: _____

INTO the following Borrowing under the following Credit Facility:

(i) Credit Facility: _____

(ii) Type of Borrowing: _____

(iii) Interest Period: _____

(c) Payment, delivery or issuance instructions (if any): _____

3. The undersigned certifies that no Borrowing Base Shortfall or Event of Default has occurred and no Default has occurred and is continuing and such Conversion shall not cause a Borrowing Base

Shortfall, Event of Default or Default, and all of the representations and warranties of the Borrower and Material Subsidiaries set out in Article 10 of the Credit Agreement (other than those made as of a specific date) remain true and correct in all material respect as of the date of the Conversion Notice.

TWIN BUTTE ENERGY LTD.

Per: _____
Name:
Title:

SCHEDULE "D" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

Drawdown Notice

DRAWDOWN NOTICE

TO: National Bank of Canada (in its capacity as Administrative Agent for the Lenders) and the Lenders

DATE: _____

1. This Drawdown Notice is delivered to you pursuant to the terms and conditions of the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named relating to the establishment of a Credit Facility in favour of the Borrower (as amended, modified, supplemented or restated, the "Credit Agreement"). Unless otherwise expressly defined herein, capitalized terms set forth in this Drawdown Notice shall have the respective meanings set forth in the Credit Agreement.
2. The Borrower hereby requests a Drawdown as follows:
 - (a) Credit Facility: _____
 - (b) Drawdown Date: _____
 - (c) Amount of Drawdown: _____
 - (d) Type of Borrowing: _____
 - (e) Interest Period: _____
 - (f) Requested Maturity Date: _____
 - (g) Payment, delivery or issuance instructions (if any): _____

3. The undersigned certifies that no Borrowing Base Shortfall or Event of Default has occurred and no Default has occurred and is continuing and such Drawdown shall not cause a Borrowing Base Shortfall, Event of Default or Default, and all of the representations and warranties of the Borrower and Material Subsidiaries set out in Article 10 of the Credit Agreement (other than those made as of a specific date) remain true and correct in all material respect as of the date of the Drawdown Notice.

TWIN BUTTE ENERGY LTD.

Per: _____
Name:
Title:

SCHEDULE "E" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

Repayment Notice

REPAYMENT NOTICE

TO: National Bank of Canada (in its capacity as Administrative Agent for the Lenders) and the Lenders

DATE: _____

1. This Repayment Notice is delivered to you pursuant to the terms and conditions of the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named relating to the establishment of a Credit Facility in favour of the Borrower (as amended, modified, supplemented or restated, the "Credit Agreement"). Unless otherwise expressly defined herein, capitalized terms set forth in this Repayment Notice shall have the respective meanings set forth in the Credit Agreement.
2. The Borrower hereby gives notice of a repayment as follows:
 - (a) Date of repayment: _____
 - (b) Credit Facility: _____
 - (c) Borrowing: _____
 - (d) Interest Period maturity: _____
 - (e) Amount Being Repaid: Cdn. \$ _____

TWIN BUTTE ENERGY LTD.

Per: _____
Name:
Title:

SCHEDULE "F" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

Rollover Notice

ROLLOVER NOTICE

TO: National Bank of Canada (in its capacity as Administrative Agent for the Lenders) and the Lenders

DATE: _____

1. This Rollover Notice is delivered to you pursuant to the terms and conditions of the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named relating to the establishment of a Credit Facility in favour of the Borrower (as amended, modified, supplemented or restated, the "Credit Agreement"). Unless otherwise expressly defined herein, capitalized terms set forth in this Rollover Notice shall have the respective meanings set forth in the Credit Agreement.

2. The Borrower hereby requests a Rollover as follows:

(a) Rollover Date: _____

(b) Rollover of the following Borrowing under the following Credit Facility:

(i) Credit Facility: _____

(ii) Type of Borrowing: _____

(iii) Amount of Rollover: _____

(iv) Interest Period Maturity: _____

(c) Requested Maturity Date: _____

(d) Interest Period: _____

(e) Payment, delivery or issuance instructions (if any): _____

3. The undersigned certifies that no Borrowing Base Shortfall or Event of Default has occurred and no Default has occurred and is continuing and such Rollover shall not cause a Borrowing Base Shortfall, Event of Default or Default, and all of the representations and warranties of the Borrower and Material Subsidiaries set out in Article 10 of the Credit Agreement (other than those made as of a specific date) remain true and correct in all material respect as of the date of the Rollover Notice.

TWIN BUTTE ENERGY LTD.

Per: _____
Name:
Title:

SCHEDULE "G" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

Borrowing Base Notice

BORROWING BASE NOTICE

TO: Twin Butte Energy Ltd.

DATE: _____

1. This Borrowing Base Notice is delivered to you pursuant to the terms and conditions of the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named relating to the establishment of a Credit Facility in favour of the Borrower (as amended, modified, supplemented or restated, the "Credit Agreement"). Unless otherwise expressly defined herein, capitalized terms set forth in this Borrowing Base Notice shall have the respective meanings set forth in the Credit Agreement.
2. This Borrowing Base Notice is being delivered to you pursuant to Section 2.13 of the Credit Agreement.
3. Pursuant to Section 2.13 of the Credit Agreement the Borrowing Base for purposes of the Credit Agreement is Cdn. \$ _____ and is effective upon receipt of this Borrowing Base Notice by the Borrower.

Yours very truly,
NATIONAL BANK OF CANADA, Administrative
Agent

Per: _____

SCHEDULE "H" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

Borrowing Base Certificate

BORROWING BASE CERTIFICATE

TO: National Bank of Canada (in its capacity as Administrative Agent for the Lenders) and the Lenders

DATE: _____

1. This Borrowing Base Certificate is delivered to you pursuant to the terms and conditions of the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named relating to the establishment of a Credit Facility in favour of the Borrower (as amended, modified, supplemented or restated, the "Credit Agreement"). Unless otherwise expressly defined herein, capitalized terms set forth in this Borrowing Base shall have the respective meanings set forth in the Credit Agreement.
2. This Borrowing Base Certificate is being delivered to you pursuant to Section 2.13 of the Credit Agreement in connection with the delivery of an Engineering Report as at _____.
3. The Borrower certifies that the information set forth in the Engineering Report is correct and properly reflects its petroleum and/or natural gas reserves.

TWIN BUTTE ENERGY LTD.

Per: _____
Name:
Title:

SCHEDULE "I" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

ENVIRONMENTAL CERTIFICATE

TO: National Bank of Canada (in its capacity as Administrative Agent for the Lenders) and the Lenders

DATE: _____

1. This Environmental Certificate is delivered to you pursuant to the terms and conditions of the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named relating to the establishment of a Credit Facility in favour of the Borrower (as amended, modified, supplemented or restated, the "Credit Agreement"). Unless otherwise expressly defined herein, capitalized terms set forth in this Borrowing Base shall have the respective meanings set forth in the Credit Agreement.
2. The following certifications are made to the best of my knowledge after due enquiry. My due enquiry has been limited to discussions and correspondence with responsible officers and staff of the Borrower and its Material Subsidiaries to confirm that the internal environmental reporting and response procedures of the Borrower and its Material Subsidiaries have been followed in all material respects as they relate to the certifications made herein and that the matters herein set forth are true and correct in all material respects, and that matters reported on by such officers and staff are true and correct in all material respects.
3. The Borrower and each Material Subsidiary has complied with all Environmental Laws, relating to its assets, business and operations except to the extent that the failure to do so would not individually or in the aggregate have a Material Adverse Effect, and:
 - (a) the Borrower and each Material Subsidiary possesses all environmental licences, permits and other authorizations by Governmental Authorities necessary to conduct its business including operations at its plants, other than such licences, permits and other authorizations by Governmental Authorities the absence of which would not individually or in the aggregate have a Material Adverse Effect,
 - (b) neither the Borrower nor any Material Subsidiary has received any notices to the effect that the operations or the assets of the Borrower on its real property are: (i) not in full compliance with all Environmental Laws except to the extent that any failure to do so would not have, individually or in the aggregate, a Material Adverse Effect or (ii) the subject of any federal or provincial remedial or control action or order, or any investigation or evaluation as to whether any remedial action is needed to respond to a release or threatened release of any Hazardous Materials into the environment or any facility or structure, except to the extent any failure to comply would not have a Material Adverse Effect,
 - (c) neither the Borrower nor any Material Subsidiary has received any notices or claims that it is or may be liable to any Person in any material amount (including any individual or

government, whether federal, provincial, city or municipal) as a result of the Release or threatened Release of any Hazardous Materials into the environment or into any facility or structure nor have there been any Releases, spills or discharges of any Hazardous Materials into the environment or into any facility or structure, which after lapse of time, would give rise to any Environmental Claims which would have a Material Adverse Effect nor is the Borrower aware that there is any basis for any such Environmental Claims being commenced nor has the Borrower or any Material Subsidiary ever been convicted of any offence in respect of Environmental Claims,

- (d) neither the Borrower nor any Material Subsidiary has used any real property as a landfill or waste disposal site, nor is the Borrower aware of the presence of any Hazardous Materials deposited or disposed of on any real property except in the normal and ordinary course of its business in accordance with standards adhered to by prudent oil and gas operators operating similar properties in Canada, and
- (e) all pollution control equipment which operates as part of the business of the Borrower or any Material Subsidiary is effective in meeting applicable emissions limits and effluent pre-treatment standards, except to the extent any failure to do so would not, individually or in the aggregate, have a Material Adverse Effect.

I give this Environmental Certificate on behalf of the Borrower and in my capacity as the [title] of the Borrower, and no personal liability is created against or assumed by me in the giving of this Certificate.

TWIN BUTTE ENERGY LTD.

Per: _____
Name:
Title:

SCHEDULE "J" to the Credit Agreement (Amended and Restated) dated November 1, 2012 between Twin Butte Energy Ltd., National Bank of Canada (as Administrative Agent) and the Lenders therein named.

EXISTING FINANCIAL INSTRUMENTS

[Table Intentionally Redacted]