

CREDIT AGREEMENT

Among

ENSIGN ENERGY SERVICES INC.,
as a guarantor and covenantor

and

ENSIGN UNITED STATES DRILLING INC.,
as borrower under Tranche #1 and Tranche #2

and

HSBC BANK CANADA,
as lender under Tranche #1

and

HSBC BANK USA, NATIONAL ASSOCIATION,
as Lender under Tranche #2

and

HSBC BANK CANADA,
as Agent

Dated as of August 30, 2011

THIS CREDIT AGREEMENT is made as of the 30th day of August, 2011.

AMONG:

ENSIGN ENERGY SERVICES INC.,
as a guarantor and covenantor

- and -

ENSIGN UNITED STATES DRILLING INC.,
as borrower under Tranche #1 and Tranche #2
("Ensign US" or the "Borrower")

- and -

HSBC BANK CANADA,
as lender under Tranche #1
("HBCA")

- and -

HSBC BANK USA, NATIONAL ASSOCIATION,
as lender under Tranche #2
("HBUS, and together with HBCA, collectively, the "Lenders")

- and -

HSBC BANK CANADA,
as agent for and on behalf of itself
and the other Lenders
(the "Agent")

WHEREAS Ensign US has requested a credit facility from the Lenders and the Lenders have agreed to provide the Credit to Ensign US on and subject to the provision of this Agreement;

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties to this Agreement hereby agree as follows:

ARTICLE 1

DEFINED TERMS

1.1 Defined Terms

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

"Acceleration Notice" means a written notice delivered by the Agent to the Borrower pursuant to Section 10.2 declaring the Obligations outstanding hereunder to be due and payable.

"Account Branch" means the branch of the Agent at 407 - 8th Avenue S.W., Calgary, Alberta, T2P 1E5, or such other branch of the Agent in Canada as the Agent may from time to time advise Ensign Canada.

"Additional Compensation" has the meaning ascribed thereto in Section 13.14.

"Adjusted LIBOR Rate" means, with respect to any LIBOR Advance under Tranche 2 to Ensign US for any LIBOR Period, an interest rate per annum equal to (a) the LIBOR Rate for such LIBOR Period multiplied by (b) the Statutory Reserve Rate.

"Advance" means a borrowing by Ensign US by way of acceptance of a U.S. Prime Rate Advance, a U.S. Base Rate Advance or a LIBOR Advance including deemed Advances and Conversions, renewals and Rollovers of existing Advances, and any reference relating to the amount of Advances shall mean the sum of the principal amount of all outstanding U.S. Prime Rate Advances, U.S. Base Rate Advances and LIBOR Advances.

"Affiliate" has the meaning set out in the *Business Corporations Act* (Alberta).

"Agent" means HSBC Bank Canada, in its capacity as agent for the Lenders and includes any Successor Agent appointed pursuant to Section 11.10.

"Agent's Counsel" means the firm of Fraser Milner Casgrain LLP or such other firm of legal counsel acting on behalf of the Agent and the Lenders qualified to practice law in Alberta or any other Relevant Jurisdiction, as the Agent may from time to time designate.

"Agreement", "hereof", "herein", "hereto", "hereunder" or similar expressions mean this Credit Agreement and any Schedules hereto, as amended, supplemented, restated or replaced from time to time.

"Anti-Terrorism Law" has the meaning assigned such term in Section 8.5(a).

"Applicable Environmental Laws" means those Applicable Laws which pertain to the public health or safety, the protection or enhancement of the environment, the Release of materials

into the environment or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or loading of Hazardous Substances (including without limitation, the *Environmental Protection and Enhancement Act* (Alberta) and the *Canadian Environmental Protection Act* and orders and directives issued thereunder), and further including any condition, restriction, prohibition or requirement contained in a Permit issued pursuant to such Applicable Laws.

"Applicable Laws" means, in relation to any Person, property, transaction or event:

- (a) the common law and all applicable provisions of laws, statutes, rules, policies and regulations of any Governmental Body in effect from time to time; and
- (b) all judgments, orders, awards, decrees, official directives, writs and injunctions from time to time in effect of any Governmental Body in an action, proceeding or matter in which the Person is a party or by which it or its property is bound or having application to the transaction or event;
- (c) provided however, for purposes of this Agreement, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, are deemed to have gone into effect and adopted after the date of this Agreement.

"Applicable Margin" means with respect to any Advance, the percentage rate per annum set forth below based on the then applicable Consolidated Debt to Consolidated EBITDA Ratio, as applicable from time to time:

**From the Closing Date to and including the day
which is 6 months from the Closing Date:**

LIBOR Rate Margin
U.S. Prime Rate Margin
U.S. Base Rate Margin
[Percentage rate redacted]

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**From and including the date which is 6 months and one day from the Closing Date to and
including the date which is 9 months from the Closing Date:**

LIBOR Rate Margin
U.S. Prime Rate Margin
U.S. Base Rate Margin
[Percentage rate redacted]

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From and including the date which is 9 months and one day from the Closing Date to and including the date which is 12 months from the Closing Date:

LIBOR Rate Margin
U.S. Prime Rate Margin
U.S. Base Rate Margin
[Percentage rate redacted]



From and including the date which is 12 months and one day from the Closing Date to and including the date which is 18 months from Closing Date:

LIBOR Rate Margin
U.S. Prime Rate Margin
U.S. Base Rate Margin



The Applicable Margin for all Advances shall be determined on the basis of Ensign Canada's Compliance Certificate for each Fiscal Quarter ended.

For the purposes of determining the Applicable Margins, the Consolidated Debt to Consolidated EBITDA Ratio shall be determined as of the last day of each Fiscal Quarter and any change in any Applicable Margin resulting from a change in the Consolidated Debt to Consolidated EBITDA Ratio shall be effective on (i) the first day of the third month for each of the second, third and fourth Fiscal Quarter, based on Ensign Canada's Compliance Certificate delivered for each of the first, second and third Fiscal Quarter, respectively, and (ii) the first day of the second Fiscal Quarter, based on Ensign Canada's Compliance Certificate delivered for the then most recently completed Fiscal Year (as applicable, the "**Effective Date**"); provided that if Ensign Canada fails to provide the Agent with a Compliance Certificate for any Fiscal Quarter as required by Section 9.2, the Applicable Margin shall be as set out in the column above which refers to a Consolidated Debt to Consolidated EBITDA Ratio of Level III until such time as the requisite Compliance Certificate is provided and the Effective Date shall be deemed to be the last day on which Ensign Canada was obligated to provide the Compliance Certificate to the Agent.

Any resulting change, whether an increase or a decrease in the Applicable Margin and the corresponding change in the rate of any interest or fees payable hereunder, shall be calculated from and after each applicable Effective Date with respect to outstanding and future U.S. Prime Rate Advances, U.S. Base Rate Advances and LIBOR Advances on the basis of the Applicable Margins effective from and after such Effective Date.

Upon the occurrence and continuance of an Event of Default, each of the Applicable Margins in the table above shall be increased by 200 Basis Points.

"**Application Fee**" has the meaning ascribed thereto in Section 4.1.

"**Assignment Agreement**" means an agreement in the form attached as Schedule "A" to this Agreement.

"**AU Corporations Act**" means the Corporation Act 2001 (Cth) of Australia.

"Available Credits" means the forms of credit made available to the Borrower hereunder and includes:

- (a) in the case of Advances by HBCA to Ensign US under Tranche #1, U.S. Base Rate Advances (pursuant to Section 5.7 only) and LIBOR Advances (in U.S. Dollars and such other currency agreed to by HBCA); and
- (b) in the case of Advances by HBUS to Ensign US under Tranche #2, U.S. Prime Rate Advances (pursuant to Section 5.7 only) and LIBOR Advances (in U.S. Dollars and such other currency agreed to by HBUS),

and **"Available Credit"** means any one of them.

"Basis Points" means one-hundredth of one percent.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America or any successor Governmental Authority.

"Borrower" means Ensign US.

"Borrower's Counsel" means Burnet, Duckworth & Palmer LLP or any other firm of legal counsel acting on behalf of the Borrower, licensed to practice law in Alberta or any other Relevant Jurisdiction.

"Business Day" means a day of the year, other than Saturday, Sunday or a statutory holiday, on which:

- (a) in the case of an Advance or repayment under the Tranche #1, HBCA is open for business at HBCA's executive offices in Toronto, Ontario, and at HBCA's main branch in Calgary, Alberta and in the case of a LIBOR Advance, at HBCA's principal office in London, England; and
- (b) in the case of an Advance or repayment under Tranche #2, HBUS is open for business at its executive offices in Buffalo, New York and in the case of a LIBOR Advance, at HBUS' principal office in London, England.

"Canadian Dollars", "Cdn. Dollars", "Cdn. \$" and "\$" mean lawful money of Canada.

"Cdn. Prime Rate" means, on any day, the floating annual rate of interest established from time to time by HBCA as the reference rate it will use to determine rates of interest on Canadian Dollar loans to its customers in Canada and designated as its "Prime Rate".

"Capital Market Transaction"

[Definition redacted]

"Certificate of the Borrower" means a written certificate addressed to the Lenders and signed in the name of the Borrower by any Senior Officer of the Borrower.

"CICA" means the Canadian Institute of Chartered Accountants.

"Closing Date" means August 30, 2011 or such other date on which the conditions precedent specified in Section 7.1 have been satisfied or waived by all of the Lenders.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

"Collateral" means cash, a bank draft or a letter of credit issued by a chartered bank satisfactory to the Agent in its sole discretion and in a form satisfactory to the Agent, in each case acting reasonably.

"Commodity Hedge Agreement" means an agreement, whether in the form of an ISDA Master Agreement, futures contract, a swap, a put, a call or otherwise and whether or not such agreements contemplate physical delivery of commodities or are considered "financial", which agreements are typically entered into for managing, mitigating or eliminating risks relating to commodity price fluctuations.

"Commitment" means at any time, in respect of:

- (a) HBCA, the maximum amount of Advances which HBCA has agreed to make under Tranche #1; and
- (b) HBUS, the maximum amount of Advances which HBUS has agreed to make under Tranche #2,

in each case as set out on Schedule "B" to this Agreement.

"Compliance Certificate" means the certificate required pursuant to Section 9.2(b)(i), a form of which is attached hereto as Schedule "C".

"Consolidated Capitalization" means at any time, the sum of outstanding Consolidated Debt of Ensign Canada and the Shareholders' Equity of Ensign Canada.

"Consolidated Debt" means all indebtedness and obligations in respect of amounts borrowed by Ensign Canada determined on a consolidated basis, which, in accordance with GAAP, would be recorded in its Financial Statements (including the notes thereto) as indebtedness for borrowed money, and in any event including, without duplication:

- (a) indebtedness represented by notes payable, debentures and other evidences of indebtedness representing extensions of credit;
- (b) the stated amount of letters of credit and letters of guarantee if (i) such letters of credit or letters of guarantee support obligations which would otherwise constitute Consolidated Debt within this definition; or (ii) if the obligations in respect of which such letters of credit or letters of guarantee have become due and payable;

- (c) the stated amount of surety bonds supporting obligations which would otherwise constitute Consolidated Debt within this definition;
- (d) actual amounts owed under Hedge Agreements upon termination of such Hedge Agreements, including early termination, including, without limitation, net settlement amounts payable upon maturity and termination payments payable upon termination, which are not paid when due;
- (e) indebtedness for or in respect of Purchase Money Obligations that do not constitute Operating Lease Obligations;
- (f) principal obligations as lessee under any lease or similar arrangement classified as a finance lease (or capital lease if applicable) in accordance with GAAP including, without limitation, sale and lease back transactions or other forms of leases which would otherwise constitute Consolidated Debt within the meaning of the opening paragraph of this definition, in any case, excluding Operating Lease Obligations;
- (g) indebtedness secured by any Security Interest existing on Property owned, whether or not the indebtedness secured thereby shall have been assumed;
- (h) indebtedness of a Person for or in respect of the purchase from such Person of any of its Property, where the purchase price for such Property has been prepaid by the purchaser more than 90 days before the Property subject to such purchase is to be delivered by such Person to the purchaser;
- (i) all Synthetic Lease Obligations;
- (j) all redemption obligations a Person with respect to any Securities issued by such Person and which are by their terms or pursuant to any contract, agreement or arrangement:
 - (i) redeemable, retractable, payable or required to be purchased or otherwise retired or extinguished, or convertible into debt of such Person (A) at a fixed or determinable date, (B) at the option of the holder thereof, or (C) upon the occurrence of a condition not solely within the control and discretion of such Person, in any case prior to the then current Stated Maturity Date; or
 - (ii) convertible into any other Securities described in section (i) above; and
 - (iii) Guarantees in respect of obligations of another Person which constitute the types of obligations described in (a) through (j) above,

provided that Consolidated Debt shall be calculated net of cash and cash equivalents on hand at the time of determination.

"Consolidated Debt to Consolidated Capitalization Ratio" means, as at a certain date, the ratio of Consolidated Debt to Consolidated Capitalization.

"Consolidated Debt to Consolidated EBITDA Ratio" means, as at a certain date, the ratio of Consolidated Debt to Consolidated EBITDA.

"Consolidated EBITDA" means with respect to Ensign Canada, as at the end of each Fiscal Quarter of Ensign Canada, calculated on a rolling four quarter basis, the aggregate amount of net income from continuing operations for the 12 month period then ended determined in accordance with GAAP and, except to the extent otherwise expressly provided, on a consolidated basis (including, without duplication, the net income in such 12 month period attributable to any assets (or group of related assets) or wholly-owned entities acquired directly or indirectly by Ensign Canada during such period but in each case only where the cost of each such acquisition (or series of acquisitions that constitute one transaction) is in excess of Cdn. \$20,000,000 (or U.S. Dollar Equivalent) and excluding therefrom, without duplication, the net income in such 12 month period attributable to any asset (or groups of related assets) or wholly-owned entities disposed of directly or indirectly by Ensign Canada in each case only where the proceeds of each such disposition (or series of dispositions that constitute one transaction) are in excess of Cdn. \$20,000,000 (or the U.S. Dollar Equivalent), in each case before (i) Interest Expense, (ii) depreciation, amortization and accretion expenses, (iii) all provisions for Taxes, (iv) all non-cash expenses and non-cash income, (v) the amount of any stock-based compensation; and (vi) extraordinary gains and losses.

"Consolidated EBITDA to Consolidated Interest Expense Ratio" means, as at a certain date, the ratio of Consolidated EBITDA to Consolidated Interest Expense.

"Consolidated Interest Expense" means all interest expenses of Ensign Canada calculated on a consolidated basis and in accordance with GAAP for the 12 month period then ended as the same would be set forth or reflected in a consolidated statement of earnings of Ensign Canada and, in any event and without limitation, shall include:

- (a) all interest accrued or payable in respect of such period;
- (b) all fees (including standby, letter of credit, guarantee, commitment and bankers' acceptances fees) accrued or payable in respect of such period and which relate to any debt obligation, 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 interest component of such Person as lessee under any lease or similar arrangement classified as a finance lease (or capital lease, if applicable) in accordance with GAAP or under a Synthetic Lease but excluding, for certainty, Operating Lease Obligations; and
- (e) all net amounts charged or credited to interest expense under any Hedge Agreements in respect of such period.

"Consolidated Total Assets" means the book value of the total assets of Ensign Canada, as determined on a consolidated basis in accordance with GAAP.

"Constating Documents" means, with respect to a corporation, its articles of incorporation, constitution, amalgamation or continuance or other similar document and its by-laws, and with respect to any other Person which is an artificial body, the organization and governance documents of such Person, all as amended from time to time.

"Contracts" means agreements, franchises, leases, easements, servitudes, privileges and other rights acquired from Persons.

"Conversion" means a conversion or deemed conversion of one type of Available Credit into another type of Available Credit pursuant to this Agreement and each of **"Convert"** and **"Converted"** has a corresponding meaning.

"Conversion Date" means the date specified by the Borrower as being the date on which the Borrower has elected (or the date on which it is deemed to have elected) to effect a Conversion and which shall be a Business Day.

"Conversion Notice" means a notice requesting a Conversion hereunder substantially in the form attached hereto as Schedule "D".

"Credit" has the meaning ascribed thereto in Section 2.1.

"Credit Documents" means this Agreement, each Guarantee and Subordination Agreement, and the agreements, guarantees, certificates, instruments, Drawdown Notices, Conversion Notices, Rollover Notices, Repayment Notices and all other documents delivered or to be delivered to or for the benefit of the Agent or Lenders pursuant hereto or thereto all as the same may be amended, modified, varied, restated or replaced from time to time.

"Credit Limit" means the principal amount of U.S. \$400,000,000.

"Currency Hedge Agreement" means an agreement, whether in the form of an ISDA Master Agreement, a futures contract, a swap, a forward rate, currency exchange contract or otherwise, entered into for or in connection with a forward rate, currency swap or currency exchange and other similar currency-related transactions, the purpose and effect of which are typically to manage, mitigate or eliminate currency exchange rate risk.

"Default" means any event or condition 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.

"Designated Account" means:

- (a) in respect of any Advance under Tranche #1, the account or accounts maintained by Ensign US at the Account Branch that Ensign US designates as such to the Agent; and
- (b) in respect of any Advance under Tranche #2, the account or accounts maintained by Ensign US with HBUS that Ensign US designates as such to HBUS.

"Drawdown Date" means the date, which shall be a Business Day, of any Advance.

"Drawdown Notice" means a notice requesting an Advance hereunder substantially in the form annexed hereto as Schedule "E".

"Duration Fee" has the meaning ascribed thereto in Section 4.3.

"Effective Date" has the meaning ascribed thereto in the **"Applicable Margin"** definition.

"Embargoed Person" has the meaning assigned such term in Section 9.12.

"Ensign Australia" means, collectively, Ensign Energy Services International Limited and Ensign Australia Pty Limited.

"Ensign Canada" means Ensign Energy Services Inc. and its successors and assigns.

"Ensign Partnership" means Ensign Drilling Partnership, a partnership with Ensign Drilling Inc. and Artisan Corporation as partners and its successors and assigns, established pursuant to the Ensign Partnership Agreement. For greater certainty, the voluntary or involuntary addition or withdrawal of partners from Ensign Partnership shall not reduce or impair the obligations of Ensign Partnership or its partners under this Agreement or any other Credit Document.

"Ensign Partnership Agreement" means the partnership agreement dated October 1, 2001, entered into by Ensign Drilling Inc. and Artisan Corporation pursuant to which Ensign Drilling Partnership was constituted, as the same may be amended, modified, varied, restated or replaced from time to time.

"Ensign Partnership Credit Agreement" means that certain credit agreement dated on or about August 30, 2011, between Ensign Partnership and HBCA with respect to a demand U.S. \$50,000,000 credit facility, as the same may be amended, modified, varied, restated or replaced from time to time.

"Ensign US" means Ensign United States Drilling Inc. and its successors and assigns.

"Environmental Claims" has the meaning ascribed thereto in Section 13.18.

"Environmental Liabilities" means all liabilities and obligations related to the protection of or damage to the environment or the health and safety of a Person, including liabilities and obligations to comply with or resulting from breaches of Applicable Environmental Laws, liabilities and obligations to compensate any Person for damages to the environment or to the health or safety of a Person, liabilities and obligations to remedy any Release or other occurrences which have caused or could cause damage to the environment or the health or safety of a Person and liabilities and obligations to abandon wells or pipelines, remove structures and equipment and restore or reclaim the sites thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute.

"ERISA Affiliate" means each trade or business (whether or not incorporated) which together with the Borrower or a Subsidiary of Ensign Canada would be deemed to be a "single employer" within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of section 414 of the Code.

"ERISA Event" means (a) a "Reportable Event" described in section 4043 of ERISA and the regulations issued thereunder, (b) the withdrawal of the Borrower, a Subsidiary of Ensign Canada or any ERISA Affiliate from a Plan during a plan year in which it was a "substantial

employer" as defined in section 4001(a)(2) of ERISA, (c) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under section 4041 of ERISA, (d) the institution of proceedings to terminate a Plan by the PBGC, (e) receipt of a notice of withdrawal liability pursuant to Section 4202 of ERISA or (f) any other event or condition which might constitute grounds under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Event of Default" has the meaning ascribed thereto in Section 10.1.

"Exchange Rate" means, on any day, with respect to the exchange of U.S. Dollars (the **"First Currency"**) into another currency (the **"Other Currency"**), the Agent's spot rate of exchange for purchases of the First Currency with the Other Currency in the Toronto foreign exchange market at or about noon on that day.

"Excluded Taxes" has the meaning ascribed thereto in Section 13.13(e).

"Executive Order" has the meaning assigned such term in Section 8.5(a).

"Financial Statements" means in respect of any Person, the financial statements of such Person and its Subsidiaries as at a specified date and for the period then ended and shall include a consolidated balance sheet or statement of financial position, consolidated statement of income or statement of comprehensive income, consolidated statement of retained earnings or statement of changes in equity, and consolidated statement of cash flows, together with comparative figures in each case (where a comparative period on an earlier statement exists), all prepared, maintained and stated in accordance with GAAP for the relevant jurisdiction and applied consistently.

"Fiscal Quarter" means with respect to a Person, the three month period commencing on the first day of each of its Fiscal Years and each successive three month period thereafter during such Fiscal Year.

"Fiscal Year" means, with respect to a Person, its fiscal year which, in the case of Ensign Canada and the Borrower, presently commences on January 1 of each year and ends on December 31 of such year.

"GAAP" means generally accepted accounting principles which are in effect from time to time in Canada, as adopted and modified (if applicable) by CICA from time to time, applied on a consistent basis, which as of the date of this Agreement are IFRS; provided, however, that with respect to the change to GAAP which occurred effective January 1, 2011, to adopt IFRS, or if there occurs after the date hereof any further change in GAAP (or any change in the rules, regulations, pronouncements, opinions or other requirements of the CICA) from that used in the preparation of any financial statements referred to in this Agreement or that affects in any respect the calculation of any covenants and such related terms, notwithstanding such change in GAAP (or in the requirements of the CICA), GAAP shall be deemed to have the meaning necessary to preserve the original intent of the respective provisions of this Agreement on the basis it was in effect on December 31, 2010, and without taking into account such changes to GAAP (including IFRS) and to preserve the respective positions of the Lenders and the Loan Parties and, until any amendments resulting from such change have been agreed upon, the

covenants in this Agreement shall be calculated as if no such change in GAAP (or in the requirements of the CICA) has occurred.

"Governmental Body" means:

- (a) any government, parliament or legislature, any regulatory or administrative authority, agency, commission or board and any other statute, rule or regulation making entity having jurisdiction in the relevant circumstances,
- (b) any judicial, administrative or arbitral court, authority, tribunal or commission having jurisdiction in the relevant circumstances, and
- (c) any Person acting under the authority of any of the foregoing or under a statute, rule, policy or regulation thereof.

"GST" means any goods and services Tax, consumption Tax, value added Tax or any similar Tax.

"Guarantee" means any guarantee, undertaking to assume, endorsement (other than the routine endorsement of cheques in the ordinary course of business), contingent agreement to purchase, repurchase or to provide funds for the payment of any obligation of any other Person or any other agreement, instrument or document under which a Person otherwise directly or indirectly becomes liable: (i) in respect of any obligation of any other Person, (ii) to maintain the solvency or any statement of financial condition (or balance sheet, if applicable) or other financial condition of any other Persons (including keep-well covenants), or (iii) to make payment for any products, materials or supplies, or for any transportation or services regardless of the non-delivery or non-furnishing thereof, in each case, if the purpose or intent of such agreement is to provide assurance that such obligations will be paid or performed, or that agreements relating thereto will be complied with, or that the holder of such obligations will be protected against non-payment or non-performance in respect thereof; provided that the amount of each Guarantee shall be deemed to be the amount of the obligation guaranteed thereby unless the Guarantee is limited to a determinable amount, in which case the amount of such Guarantee shall be deemed to be the lesser of such determinable amount and the amount of such obligation.

"Guarantee and Subordination Agreement" means an unlimited guarantee and subordination agreement substantially in the form annexed hereto as Schedule "J" to be granted by a Person to the Agent for and on behalf of the Lenders pursuant to which such Person guarantees payment of all the Obligations of the Borrower to the Agent and the Lenders and pursuant to which such Person subordinates all present and future amounts owing to such Person from the Borrower and the Guarantors as the same may be amended, supplemented, restated and replaced from time to time.

"Guarantors" means collectively, Ensign Canada, Ensign Partnership, Ensign Australia and Ensign United States Drilling (S.W.) Inc. and **"Guarantor"** means any one of them.

"Hazardous Materials" means any substance or mixture of substances that if released to the environment is likely to cause, immediately or at some future time, harm or damage to or impairment of the environment, any risk to human health or safety or Property including any pollutant, contaminant or waste, and any "dangerous goods", "hazardous chemical", "hazardous

substance", "hazardous waste" or "toxic substance" as defined by any Applicable Environmental Law.

"Hedge Agreement" means a Commodity Hedge Agreement, Currency Hedge Agreement or Interest Rate Hedge Agreement, or other transaction, arrangement or agreement whether governed by an ISDA Master Agreement or otherwise, typically entered into for managing, mitigating or eliminating risks.

"Highest Lawful Rate" means, with respect to each Lender, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Credit or on other Obligations under laws applicable to such Lender which are presently in effect or, to the extent allowed by law, under such Applicable Laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws allow as of the date hereof.

"IASC Foundation" means the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation.

"IFRS" means International Financial Reporting Standards including International Accounting Standards and Interpretations together with their accompanying documents which are set by 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.

"Indemnified Tax Liabilities" has the meaning ascribed thereto in Section 13.13(a).

"Information" has the meaning ascribed thereto in Section 13.20.

"Insolvency Proceedings" means any receivership, insolvency, proposal, bankruptcy, compromise, arrangement, scheme of arrangement, winding-up, dissolution or other similar proceedings, whether or not any of the foregoing is judicial in nature.

"Interest Payment Date" means the first Business Day following the last day of each calendar month.

"Interest Rate Hedge Agreement" means an agreement, whether in the form of an ISDA Master Agreement, a futures contract, a swap transaction, an interest rate option, a cap transaction, floor transaction, collar transaction or otherwise, typically entered into for the managing, mitigating or eliminating risks relating to interest rate fluctuations.

"ISDA Master Agreement" means the 2002 International Swap and Derivatives Association, Inc. Master Agreement (Multi Currency - Cross-Border) as from time to time amended, restated or replaced by the International Swap and Derivatives Association, Inc., including the schedule thereto and any confirmation thereunder entered into with any Hedge Agreement counterparty.

"Lenders" means HBCA, HBUS and other financial institutions from time to time parties to this Agreement as lenders and **"Lender"** means any one of the Lenders.

"Level I", "Level II" and "Level III" mean, respectively, the applicable period of time during which the corresponding Consolidated Debt to Consolidated EBITDA Ratio is as set forth in the table below:

Consolidated Debt to Consolidated EBITDA Ratio	Period
Less than 1.0:1.0	██████████
Greater than 1.0:1, but less than or equal to 2.0:1	██████████
Greater than 2.0:1	██████████

"LIBOR Advance" means an Advance in U.S. Dollars bearing interest based at the applicable LIBOR Rate.

"LIBOR Period" means the period selected by the Borrower for a LIBOR Advance or the period applicable to the LIBOR Advance under the terms of this Agreement which in either case shall be one, two, three or six months or such other period agreed to by the applicable Lender, commencing on the Drawdown Date, the Rollover Date or the Conversion Date of such Advance; provided however that:

- (a) in the case of a Rollover, the last day of each LIBOR Period shall also be the first day of the next LIBOR Period;
- (b) the last day of each LIBOR Period shall be a Business Day and if not, the Borrower shall be deemed to have selected a LIBOR Period the last day of which is the first Business Day following the last day of the LIBOR Period selected by the Borrower; and
- (c) the last day of each LIBOR Period shall be on or before the Stated Maturity Date.

"LIBOR Rate" means, for any LIBOR Period:

- (a) the simple average of the interest rates expressed as a percentage per annum on the basis of a 360 day year, as quoted on the Reuters LIBOR 01 page, at which deposits in U.S. Dollars are offered for deposit in the London interbank market at 11:00 a.m. London time two Business Days before the first day of the LIBOR Period for a period equal to the LIBOR Period and in an amount approximately equal to the amount of the LIBOR Advance; or
- (b) if such rates are not available at or about such time, the rate of interest expressed as a percentage per annum (on the basis of a 360 day year) at which the applicable Lender in accordance with its normal practice, would be prepared to quote and offer leading banks in the London interbank market deposits in U.S. Dollars at 11:00 a.m. London time two Business Days before the first day of the LIBOR Period, for a period equal to the LIBOR Period and in an amount approximately equal to the LIBOR Advance.

"Material Adverse Effect" means any matter, event or circumstance which individually or in the aggregate has a material adverse effect on:

- (a) the business, financial condition, operations or Property of Ensign Canada and its Material Subsidiaries (taken as a whole);
- (b) the ability of Ensign US to pay and perform its Obligations in accordance with this Agreement;
- (c) the ability of Ensign Canada and its Material Subsidiaries (taken as a whole) to perform any material obligation in accordance with the Credit Documents to which they are a party;
- (d) the validity or enforceability of this Agreement or any other Credit Document; or
- (e) the rights and remedies of the Agent and the Lenders under the Credit Documents.

"Material Subsidiary" means at any time, each Subsidiary of Ensign Canada: (i) that is designated by Ensign Canada in writing to the Agent as a "Material Subsidiary"; and/or (ii) whose total assets (excluding intercompany accounts) constitute more than 5% of the consolidated total assets of Ensign Canada or whose total revenue (excluding any intercompany revenue) constitutes more than 5% of the consolidated revenue of Ensign Canada for the then preceding consecutive twelve month period. As of the date hereof, only Ensign Australia, Ensign US, Ensign Partnership, Ensign Drilling Inc. and Artisan Corporation are Material Subsidiaries.

"Multiemployer Plan" means a Plan which is a multiemployer plan as defined in section 3(37) or 4001 (a)(3) of ERISA.

"Notice" has the meaning ascribed thereto in Section 13.21.

"Obligations" means all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or not, from time to time owing by Ensign Canada, the Borrower and Ensign Canada's Subsidiaries to any of the Agent and the Lenders, in any currency or remaining unpaid by Ensign Canada, the Borrower and Ensign Canada's Subsidiaries to any of the Agent or the Lenders, under, in respect of or in connection with the Credit Agreement and the other Credit Documents, whether as principal or surety, and all interest, fees, legal and other costs, charges and expenses relating to any of the foregoing, and the term Lenders when used in this definition shall include HBCA in its capacity as Agent.

"OFAC" has the meaning assigned such term in Section 8.5(b)(iv).

"Operating Lease " means any lease or similar arrangement that, in accordance with GAAP, is not required to be classified and accounted for as a finance lease (or capital lease, if applicable) and does not give rise to Synthetic Lease Obligations, but includes, for certainty, any lease which on December 31, 2010, was characterized as an operating lease at that time.

"Operating Lease Obligations" means the obligations of a Person to pay rent or other amounts under a Operating Lease.

"Outstanding Principal" at any time means, in relation to the Credit or a Tranche, the aggregate at any such time of the principal amounts outstanding of all U.S. Base Rate Advances, U.S. Prime Rate Advances and LIBOR Advances.

"Participant" has the meaning ascribed thereto in Section 12.3.

"Participation" has the meaning ascribed thereto in Section 12.3.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permits" means governmental licences, authorizations, consents, registrations, exemptions, permits (including where applicable, export permits) and other approvals required by Applicable Law.

"Permitted Encumbrances" means, in respect of Ensign Canada, the Borrower and the Material Subsidiaries:

- (a) Security Interests for Taxes, assessments or governmental charges which are not due or delinquent, or the validity of which Ensign Canada, the Borrower or any Material Subsidiary shall be contesting in good faith provided such contest will involve no risk of loss of any material part of the Property of Ensign Canada, the Borrower and the Material Subsidiaries taken as a whole;
- (b) the Security Interests of any judgment rendered, or claim filed, against Ensign Canada, a Borrower or any Material Subsidiary, which Ensign Canada, the Borrower or any such Material Subsidiary shall be contesting in good faith provided such contest will involve no risk of loss of any material part of the Property of Ensign Canada, the Borrower and the Material Subsidiaries taken as a whole;
- (c) Security Interests imposed or permitted by law such as carriers' liens, builders' liens, materialmen's liens and other liens, privileges or other charges of a similar nature incurred in the ordinary course of business of Ensign Canada, the Borrower or any Material Subsidiary which relate to obligations not due or delinquent or, if due or delinquent, any lien, privilege or charge which Ensign Canada, the Borrower and/or such Material Subsidiary shall be contesting in good faith provided such contest will involve no risk of loss of any material part of the Property of Ensign Canada, the Borrower and the Material Subsidiaries taken as a whole;
- (d) undetermined or inchoate Security Interests arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to law against Ensign Canada, the Borrower or any Material Subsidiary or any of their respective Property or in respect of which no steps or proceedings to enforce such Security Interests have been initiated or which relate to obligations which are not due or delinquent or, if due or delinquent, any Security Interest which Ensign Canada, the Borrower or such Material Subsidiary shall be contesting in good faith provided such contest will involve no risk of loss of any material part of the Property of Ensign Canada, the Borrower and the Material Subsidiaries taken as a whole;

- (e) Security Interests arising in connection with workers' compensation, employment insurance, pension and employment laws or regulations, provided that the obligations secured are not due or delinquent or, if due or delinquent, any security interests which Ensign Canada, the Borrower or any Material Subsidiary shall be contesting in good faith provided such contest will involve no risk of loss of any material part of the property of Ensign Canada, the Borrower and the Material Subsidiaries taken as a whole;
- (f) Security Interests in favour of a Governmental Body when required by such Governmental Body in the ordinary course of the business of Ensign Canada, the Borrower or any Material Subsidiary in connection with operations of Ensign Canada, the Borrower or any such Material Subsidiary if such Security Interest does not, either alone or in the aggregate, materially impair the use of any Property subject to such Security Interest in the conduct of the business of Ensign Canada, the Borrower and the Material Subsidiaries taken as a whole;
- (g) Security Interests in the Property of Ensign Canada, the Borrower or any Material Subsidiary the satisfaction of which has been provided for by deposit with the Agent of cash or a surety bond or other security satisfactory to the Agent in an amount sufficient to pay the liability in respect of such Security Interests in full;
- (h) Security Interests in the Property of Ensign Canada, the Borrower or any Material Subsidiary (other than those over all or substantially all of the Property of Ensign Canada, the Borrower or any Material Subsidiary) not referred to in (a) to (g) above, provided that the aggregate amount secured by all such Security Interests does not at any time exceed Cdn.\$20,000,000; and
- (i) any Security Interest from time to time disclosed by the Borrower to the Agent and which is consented to by the Lenders.

"Person" means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, estate or other judicial entity or any governmental body.

"Plan" means any employee pension benefit plan, as defined in section 3(2) of ERISA, which (a) is currently or hereafter sponsored, maintained or contributed to by Ensign Canada, the Borrower, a Subsidiary of Ensign Canada or an ERISA Affiliate or (b) was at any time during the six (6) calendar years preceding the date hereof, sponsored, maintained or contributed to by Ensign Canada, the Borrower, a Subsidiary of Ensign Canada or an ERISA Affiliate.

"Property" means, in respect of a Person, its property, assets and undertaking for the time being, both real and personal, tangible and intangible.

"Proportionate Share" means in respect of each Lender from time to time the percentage of the Credit which a Lender has agreed to advance to the Borrower, determined by dividing the Lender's Commitment in respect of the Credit by the aggregate of all of the Lenders' Commitments with respect to the Credit.

"Purchase Money Obligations" means any indebtedness incurred, assumed or owed by the Borrower or any Material Subsidiary as all or part of, or incurred or assumed by the Borrower or any Material Subsidiary to provide funds to pay all or part of, the purchase or acquisition price

(including any deferred purchase or acquisition price) of any Property acquired by the Borrower or any Material Subsidiary; provided that the Borrower, any Material Subsidiary or Affiliate thereof, immediately prior to entering into an agreement for the acquisition of such Property, owns or has any interest in, or any entitlement to own, or has any interest in, the Property thereof being so acquired.

"Regulation D" means Regulation D of the Board, as the same may be amended, supplemented or replaced from time to time.

"Release" means any presence, release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, leaching or migration of any element or compound in or into the indoor or outdoor environment (including the abandonment or disposal of any barrels, tanks, containers or receptacles containing any contaminant), or in, into or out of any vessel or facility, including the movement of any contaminant through the air, soil, subsoil, surface, water, ground water, rock formation or otherwise which is or may be (under any circumstances, whether or not they have occurred):

"Relevant Jurisdiction" means, from time to time, the province, state or territory or any other relevant political subdivision in any country in which Ensign Canada, the Borrower or a Material Subsidiary has material Property or in which it carries on material business.

"Repayment Notice" means a notice to effect a repayment hereunder substantially in the form annexed hereto as Schedule "F".

"Rollover" means a rollover of a LIBOR Advance into another LIBOR Advance as permitted hereby and **"Rolled Over"** has a corresponding meaning.

"Rollover Date" means the date of commencement of a new LIBOR Period applicable to a LIBOR Advance being Rolled Over.

"Rollover Notice" means a notice requesting a Rollover hereunder substantially in the form annexed hereto as Schedule "G".

"Royal Bank Credit Agreement" means that certain credit agreement dated on or about June 26, 2008, among Ensign Partnership and Royal Bank of Canada, as the same may be amended, modified, varied, restated or replaced from time to time.

"Section" means the designated section of this Agreement.

"Securities" means any interest in any partnership, trust or joint venture or any securities in the capital stock of any corporation or limited liability company, in each case which carry a residual right to participate in the earnings of such partnership, trust, joint venture, corporation or limited liability company or, upon the liquidation or winding up of such partnership, trust, joint venture, corporation or limited liability company, to share in its assets.

"Security Interest" means a mortgage, debenture, pledge, deposit by way of security, charge, encumbrance, hypothec, assignment by way of security, security interest, lien (whether statutory, equitable or at common law), conditional sale or title retention agreement, lease with option to purchase, a right of set-off (if created for the purpose of directly or indirectly securing

the repayment of money owed), and any other interest in Property, howsoever created or arising, that secures payment or performance of an obligation; provided however, the right of a lessor under an Operating Lease shall not constitute a Security Interest.

"Senior Officers" means, as applicable, any of the President, any Vice-President, Chief Financial Officer, Controller, Secretary or Treasurer of Ensign Canada or Ensign US.

"Shareholders' Equity" means, at any time, the shareholders' equity of Ensign Canada and its Subsidiaries as shown on the consolidated Financial Statements of Ensign Canada.

"Stated Maturity Date" means February 28, 2013.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which HBUS is subject with respect to the Adjusted LIBOR Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. LIBOR Advances by HBUS to Ensign US shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage and as of the date hereof is nil.

"Subsidiary" means, as to any Person, another Person in which such Person and/or one or more of its Subsidiaries owns, directly or indirectly, sufficient voting Securities to enable it or them (as a group) to ordinarily elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or trust if more than a 50% interest in the profits or capital thereof is owned by such Person and/or one or more of its Subsidiaries. Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of Ensign Canada.

"Successor Agent" has the meaning ascribed thereto in Section 11.10.

"Synthetic Lease" means: (a) a synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of Property creating obligations which do not appear on the statement of financial position (or balance sheet, if applicable) of such Person but which, in any Insolvency Proceedings relating to such Person, would be characterized as indebtedness of such Person (without regard to accounting treatment).

"Synthetic Lease Obligations" means the obligations of a Person to pay rent or other amounts under a Synthetic Lease.

"Taxes" means all taxes, levies, imposts, value added taxes, goods and services taxes, stamp taxes, duties, deductions, withholdings and similar impositions payable, levied, collected, withheld or assessed as of the date of this Agreement or at any time in the future under Applicable Laws and all interest and penalties thereon, save and except for taxes on the overall income of a Lender, and **"Tax"** shall have a corresponding meaning.

"Term" means the period commencing on the date of this Agreement and ending on the Stated Maturity Date.

"Tranche #1" means that part of the Credit made available to Ensign US by HBCA up to the Tranche #1 Limit, as provided for in Section 2.2.

"Tranche #1 Limit" means the amount of U.S. \$200,000,000.

"Tranche #2" means that part of the Credit made available to Ensign US by HBUS up to the Tranche #2 Limit, as provided for in Section 2.2.

"Tranche #2 Limit" means the amount of U.S. \$200,000,000.

"Tranches" means Tranche #1 and Tranche #2 and **"Tranche"** means any one of them.

"Tranche Limits" means:

- (a) the Tranche #1 Limit, in respect of Tranche #1; and
- (b) the Tranche #2 Limit, in respect of Tranche #2,

and **"Tranche Limit"** means any one of them.

"Umbrella Credit Agreement" means that certain first amended and restated credit agreement dated as of August 26, 2011 between Ensign Energy Services Inc., the Borrower, Ensign Partnership, Ensign Australia, the Lenders, The Hongkong and Shanghai Banking Corporation Limited Sydney Branch and the Agent, as the same may be amended, modified, varied, restated or replaced from time to time.

"U.S. Dollar Equivalent" means on any day the amount of U.S. Dollars that would result from the exchange of Canadian Dollars or any other currency agreed to by the applicable Lenders (as applicable) into U.S. Dollars at the Exchange Rate in effect on such day.

"U.S. Dollars" and **"U.S. \$"** mean lawful money of the United States of America.

"U.S. Base Rate" means, on any day, the floating annual rate of interest established from time to time by HSBC Canada as the reference rate it will use to determine rates of interest on U.S. Dollar loans to its customers in Canada and designated as its "U.S. Dollar Base Rate".

"U.S. Base Rate Advance" means an Advance by HBCA in U.S. Dollars bearing interest based on the U.S. Base Rate pursuant to Section 5.7 only.

"U.S. Prime Rate" means, on any day, the floating annual rate of interest established from time to time by HBUS as the reference rate it will use to determine rates of interest on U.S. Dollar loans to its customers in the United States and designated as its "U.S. Prime Rate".

"U.S. Prime Rate Advance" means an Advance by HBUS in U.S. Dollars bearing interest based on the U.S. Prime Rate pursuant to Section 5.7 only.

1.2 Schedules

Schedule A	-	Assignment Agreement
Schedule B	-	Commitments of Lenders
Schedule C	-	Compliance Certificate
Schedule D	-	Conversion Notice
Schedule E	-	Drawdown Notice
Schedule F	-	Repayment Notice
Schedule G	-	Rollover Notice
Schedule H	-	Disclosure Information Relating to the Subsidiaries and Material Subsidiaries
Schedule I	-	Form of Guarantee and Subordination Agreement

ARTICLE 2 **THE CREDIT**

2.1 Amount and Availment Options

Upon and subject to the terms and conditions of this Agreement, the Lenders agree to provide a non-revolving credit (the "**Credit**") for the use of the Borrower in the aggregate amount of up to the Credit Limit, provided that the obligation of HBCA to make Advances under Tranche #1 and HBUS to make Advances under Tranche #2 shall be several and shall not exceed at any time the then applicable Tranche #1 Limit or Tranche #2 Limit, respectively. The Credit under Tranche #1 may be used by requesting that LIBOR Advances be made by HBCA. The Credit under Tranche #2 may be used by requesting that LIBOR Advances be made by HBUS.

2.2 Tranche #1 and Tranche #2

Notwithstanding the provisions of Section 2.1, an amount of the Credit equal to:

- (i) the Tranche #1 Limit from time to time shall be solely the Commitment of and allocated to HBCA, and
- (ii) the Tranche #2 Limit from time to time shall be solely the Commitment of and allocated to HBUS.

At no time shall the aggregate of all Outstanding Principal under: (a) Tranche #1 exceed the Tranche #1 Limit; or (b) Tranche #2 exceed the Tranche #2 Limit.

2.3 Credit Non-Revolving

The Credit is a non-revolving facility which is available by way of a single advance under each Tranche on the Closing Date, following which all undrawn Commitments under the Credit will be cancelled. The Borrower may effect Conversions or Rollovers but the principal amount of any Advance under the Credit that is repaid may not be re-borrowed.

Prior to the occurrence and continuance of an Event of Default, the amount of a repayment under: (i) Tranche #1 shall be paid to HBCA, and (ii) Tranche #2 shall be paid to HBUS, and the amount of such repayment shall be applied to reduce the Outstanding Principal under such

Tranche. The amount of a repayment under this Agreement shall be distributed to the Lenders as the Lenders and the Agent may agree if such repayment is made after an Acceleration Notice is issued by the Agent.

2.4 Use of Credit

The Credit shall only be used (i) to finance the acquisition (including fees, costs and expenses related thereto) of the land drilling division of Rowan Companies, Inc. and (ii) to pay the fees, costs and expenses relating to the Credit and the preparation, negotiation and settlement of this Agreement, and the other Credit Documents.

ARTICLE 3 **REPAYMENT OF THE CREDIT**

3.1 Repayment of Advances

Without limiting the right of the Agent to demand repayment pursuant to Article 10, on the Stated Maturity Date:

- (i) Ensign US shall repay in full all Obligations which are then outstanding under Tranche #1;
- (ii) Ensign US shall repay in full all Obligations which are then outstanding under Tranche #2; and
- (iii) the Borrower shall repay all other amounts which are then outstanding pursuant to the Credit Documents.

3.2 Cancellation of Commitment and Prepayment

Ensign US may, without penalty or premium, at any time during the term of this Agreement upon at least 3 Business Days prior written notice, cancel the Credit or any portion thereof in minimum amounts of U.S. \$5,000,000 and in U.S. \$1,000,000 multiples thereof by cancelling the Commitment of the applicable Lender provided that on or prior to the last day of such notice period the Borrower has:

- (a) prepaid or otherwise reduced Outstanding Principal to the applicable Lender in an amount equal to the amount by which the U.S. Dollar Equivalent of the Outstanding Principal to the applicable Lender would otherwise be in excess of their respective Commitments immediately after the reduction of the Commitments provided for in such notice; and
- (b) paid all accrued interest and other charges and fees in respect of the Outstanding Principal being repaid or reduced as aforesaid (including without limitation, amounts payable pursuant to Section 13.12).

Any such notice of cancellation is irrevocable and the amount of the Credit so cancelled and reduced may not be reinstated hereunder.

3.3 Principal Amount of Advances

The Outstanding Principal under the Credit shall be repaid immediately upon notice by the Agent to the Borrower to the extent that the Outstanding Principal under the Credit exceeds the Credit Limit, whether as a result of oversight or otherwise. In addition to the foregoing: (a) Outstanding Principal under Tranche #1 shall be repaid immediately upon notice by the Agent to Ensign US to the extent that the Outstanding Principal under Tranche #1 exceeds the Tranche #1 Limit and (b) the Outstanding Principal under Tranche #2 shall be repaid immediately upon notice by the Agent to Ensign US to the extent that the Outstanding Principal under Tranche #2 exceeds the Tranche #2 Limit, in each case whether as a result of oversight or otherwise.

ARTICLE 4 INTEREST RATES AND FEES

4.1 Application Fee

Upon the execution of this Agreement, the Borrower shall pay to the Agent (on behalf of the Lenders) an up-front non-refundable application fee in U.S. Dollars equal to [REDACTED] [Value of fee redacted] of the Credit Limit (the "Application Fee") for distribution to the Lenders, as the Lenders may agree. Such Application Fee shall be the property of the Lenders as consideration for the time, effort and expense incurred by them in the review of documents and financial statements, and the Borrower hereby acknowledges and agrees that the determination of the actual amount of these costs is not feasible and that the fees set out herein represent a reasonable estimate of such costs.

Notwithstanding the foregoing, in the event that the Borrower closes a Capital Market Transaction on or before December 31, 2011, the Lenders shall refund to the Borrower an amount equal to [REDACTED] [Percentage redacted] of the Application Fee, multiplied by that percentage of the Capital Market Transaction that was completed by HSBC Securities (USA) Inc.

4.2 Interest Rates

- (a) With respect to Advances under Tranche 1, Ensign US shall pay: (i) interest on U.S. Base Rate Advances at the rate per annum equal to the U.S. Base Rate plus the Applicable Margin, and (ii) interest on LIBOR Advances at a rate per annum equal to the LIBOR Rate for the LIBOR Period plus the Applicable Margin.
- (b) With respect to Advances under Tranche 2, Ensign US shall pay: (i) interest on U.S. Prime Rate Advances at the rate per annum equal to the U.S. Prime Rate plus the Applicable Margin, and (ii) interest on LIBOR Advances at a rate per annum equal to the Adjusted LIBOR Rate for the applicable LIBOR Period plus the Applicable Margin.
- (c) The Borrower shall pay fees and interest to the applicable Lender for the account of such Lender at such address as such Lender designates from time to time on any such Advances made by such Lender and as are outstanding from time to time hereunder, at the applicable rate or rate of interest specified in Section 4.2.
- (d) Interest on U.S. Base Rate Advances and U.S. Prime Rate Advances shall be payable in U.S. Dollars monthly in arrears on each Interest Payment Date.

- (e) Interest on LIBOR Advances shall be payable in U.S. Dollars on the last day of the applicable LIBOR Period and, if the LIBOR Period is longer than 90 days, on the 90th day after the date of the relevant LIBOR Advance.
- (f) All interest and fees shall accrue from day to day and shall be payable in arrears for the actual number of days elapsed from and including the date of Advance or the previous date on which interest or fees were payable, as the case may be, to but excluding the date on which interest or fees is payable, or the last day of the applicable LIBOR Period, both before and after maturity, demand, default and judgment, with interest on overdue principal and interest at the same rate payable on demand. The principal and overdue interest with respect to a LIBOR Advance, upon the expiry of the LIBOR Period applicable to such LIBOR Advance, shall bear interest, payable on demand, calculated at the rate per annum equal to the U.S. Base Rate or the U.S. Prime Rate (as applicable, based on whether such Libor Advance was made under Tranche 1 or Tranche 2), plus the Applicable Margin.
- (g) Interest calculated with reference to a U.S. Base Rate should be calculated daily on the basis of a calendar year. Interest calculated with respect to a U.S. Prime Rate Advance or a LIBOR Advance shall be calculated on the basis of a year of 360 days and in the case of a LIBOR Advance for a term equal to the applicable LIBOR Period or, if a LIBOR Period is longer than 90 days, every 90 days and at the end of the LIBOR Period, as applicable. In this Agreement, each rate of interest which is calculated with reference to a period (the "deemed interest period") that is less than the actual number of days in the calendar year of calculation is, for the purposes of the *Interest Act* (Canada), equivalent to a rate based on a calendar year calculated by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing by the number of days in the deemed interest period.

4.3 Duration Fee

The Borrower shall pay to the applicable Lender under each Tranche a duration fee (the "**Duration Fee**") in U.S. Dollars calculated at the applicable rate per annum set out below, calculated and payable as follows:

- (a) on the six month anniversary of the Closing Date, a Duration Fee of [REDACTED] of the then outstanding Obligations;
- (b) on the nine month anniversary of the Closing Date, a Duration Fee of [REDACTED] of the then outstanding Obligations;
- (c) on the one year anniversary of the Closing Date, a Duration Fee of [REDACTED] of the then outstanding Obligations; and
- (d) on the fifteen month anniversary of the Closing Date, a Duration Fee of [REDACTED] of the then outstanding Obligations.

[Value of fee redacted]

ARTICLE 5
ADVANCES

5.1 LIBOR Advances

Upon timely fulfillment of all applicable conditions as set forth in this Agreement, (i) HBCA (in the case of an Advance under Tranche #1), and (ii) HBUS (in the case of an Advance under Tranche #2), will make the requested amount of a LIBOR Advance available to the Borrower, on the Drawdown Date requested by the Borrower by crediting the Designated Account of the Borrower with such amount. Each Advance shall be in an aggregate minimum amount of U.S. \$500,000 and, in all cases, in whole multiples of U.S. \$100,000.

5.2 Evidence of Indebtedness

The indebtedness of Ensign US resulting from Advances made by HBCA under Tranche #1 shall be evidenced by records maintained by HBCA. The indebtedness of Ensign US resulting from Advances by HBUS under Tranche #2 shall be evidenced by the records maintained by HBUS. The records maintained by each Lender shall constitute, in the absence of manifest error, prima facie evidence of the indebtedness of the Borrower to that Lender in respect of Advances it has made to the Borrower, and all details relating thereto; unless the contrary is proved. The failure of the Agent or any Lender to correctly record any such amount or date shall not, however, adversely affect the obligation of the Borrower to pay amounts due hereunder to the Lenders in accordance with this Agreement.

5.3 Conversions

Subject to the other terms of this Agreement (including without limitation Sections 2.1, 2.2 and 5.4), the Borrower may from time to time convert all or any part of the Outstanding Principal amount of any Advance into another Available Credit under the applicable Tranche.

5.4 Notice of Advances, Rollovers and Conversions

Ensign US shall give HBCA irrevocable written notice and Ensign US shall give HBUS irrevocable written notice in the form of a Conversion Notice for a Conversion requested by it, in the form of a Rollover Notice for a Rollover requested by it and in the form of a Drawdown Notice for any other Advance under the Credit requested by it.

Notice shall be given no later than one Business Day prior to the date of any LIBOR Advance or Rollover or Conversion of a LIBOR Advance.

Notices shall be given not later than 12:00 noon (Toronto time) on the date for notice in respect of Tranche #1 and Tranche #2. Payments (other than those being made solely from the proceeds of Rollovers and Conversions) must be made prior to 12:00 noon (Toronto time) on the date for payment in respect of Tranche #1 and Tranche #2. If a notice or payment is not given or made by those times, it shall be deemed to have been given or made on the next Business Day, unless the Lender affected by the late notice or payment agrees, in its sole discretion, to accept a notice or payment at a later time as being effective on the date it is given or made.

5.5 Repayments

The Borrower may from time to time repay Advances outstanding under the Credit, except that (i) a LIBOR Advance may not be paid prior to the end of the applicable LIBOR Period unless the Borrower indemnifies the applicable Lender for any loss or expense that such Lender incurs as a result, including any breakage costs, and each such prepayment shall be in a minimum amount of U.S. \$5,000,000 in the case of LIBOR Advances and in whole multiples of U.S. \$1,000,000, and (ii) notice (in the form of a Repayment Notice) of a prepayment shall be given not later than one Business Day prior to the date of the prepayment.

5.6 LIBOR

In the Drawdown Notice, Conversion Notice or Rollover Notice, as the case may be, for each LIBOR Advance, the Borrower will notify the applicable Lender of the LIBOR Period to apply to the relevant LIBOR Advance. If the Borrower fails to select and give the applicable Lender notice of a LIBOR Period for a LIBOR Advance under Tranche #1 or Tranche #2, in accordance with Section 5.4, the LIBOR Period for that Advance will be 1 month.

5.7 Termination of LIBOR Advances

If at any time a Lender determines, acting reasonably (which determination shall be conclusive and binding on the Borrower) that:

- (a) adequate and reasonable means do not exist for ascertaining the LIBOR Rate applicable to a LIBOR Advance;
- (b) the LIBOR Rate does not adequately reflect the effective cost to the Lender of making or maintaining a LIBOR Advance; or
- (c) it cannot readily obtain or retain funds in the relevant interbank market in order to fund or maintain any LIBOR Advance;

then such Lender shall inform the Agent and upon at least three Business Days' written notice by the Agent to the Borrower:

- (d) the right of the Borrower to request LIBOR Advances from that Lender shall be and remain suspended until the Agent notifies the Borrower that any condition causing such determination no longer exists;
- (e) if such Lender is prevented from maintaining a LIBOR Advance, the Borrower shall, at its option, either repay the relevant Advance to that Lender or convert the LIBOR Advance into other forms of Advance which are permitted by this Agreement, and the Borrower shall not be responsible for any loss or expense that such Lender incurs as a result, including breakage costs, notwithstanding that such repayment or conversion does not occur on the last day of a LIBOR Period; and
- (f) for clarification, the Borrower shall in this instance only be permitted to request a U.S. Base Rate Advance (if under Tranche 1) or a U.S. Prime Rate Advance (if under Tranche 2).

ARTICLE 6

6.1 Guarantee and Subordination Agreements

As of the Closing Date, only the Guarantors shall be required to execute and deliver Guarantee and Subordination Agreements to the Agent. At any time after the Closing Date, and from time to time, the Agent may request that Ensign Canada cause Guarantee and Subordination Agreements to be executed and delivered to the Agent by one or more Material Subsidiaries and Ensign Canada may designate a Subsidiary as a Material Subsidiary. In each case where such Material Subsidiary is wholly-owned, directly or indirectly, by Ensign Canada, Ensign Canada shall cause each such Material Subsidiary to execute and deliver a Guarantee and Subordination Agreement to the Agent within 30 days of such request, together with all such other documents, certificates and opinions as the Lenders may reasonably request.

6.2 Continuing Guarantee and Subordination Agreements

The Guarantee and the Subordination Agreements shall for all purposes be treated as separate and continuing Guarantee and Subordination Agreements and shall be deemed to have been given in addition to and not in place of any other security, guarantee or subordination now held or hereafter acquired by the Agent or any Lender. No item or part of any Guarantee and Subordination Agreement shall be merged or be deemed to have been merged in or by any simple contract debt or any judgment, and any realization of or steps taken under or pursuant to any Guarantee and Subordination Agreement shall be independent of and not create a merger with any other right available to the Agent or any Lender under this Agreement, any other Guarantee and Subordination Agreements, or other Credit Document held by it or them or at law or in equity.

6.3 Dealing with Guarantee and Subordination Agreements

The Agent and the Lenders may grant extensions of time or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Borrower, the Guarantors and other parties (including other guarantors) and with securities as the Agent and the Lenders may see fit, and the Lenders may, subject to the provisions hereof, apply all moneys received from the Borrower, the Guarantors, or others, or from securities to such part of the Obligations as the Lenders may think best, without prejudice to or in any way limiting the liability of the Borrower or any of the Guarantors under any of the Credit Documents.

6.4 Effectiveness

The Guarantee and Subordination Agreements contemplated or required to be created hereby shall be effective upon execution and delivery thereof, and the undertakings as to the Guarantee and Subordination Agreements herein or in any document hereunder shall be continuing, whether the monies hereby or thereby secured or any part thereof shall be advanced before or after or at the same time as the creation of any such Guarantee and Subordination Agreements or before or after or upon the date of execution of any amendments to or restatements of this Agreement, and shall not be affected by any amounts of indebtedness fluctuating from time to time.

6.5 Limitation

The rights of the Agent and the Lenders under Section 6.1 to require additional Guarantee and Subordination Agreements shall be subject to limitations on the granting of guarantees and subordinations under Applicable Law. The Borrower shall use its reasonable commercial efforts to comply with all requirements of Applicable Law to permit the execution and delivery of the Guarantee and Subordination Agreements requested by the Agent under Section 6.1.

6.6 Further Assurances re: Security Documents

If required by the Agent in the exercise of the rights of the Agent or the Lenders under this Article 6, Ensign Canada and the Borrower shall and Ensign Canada shall and shall cause any other Guarantors to:

- (a) provide the Agent with such information as is reasonably required by the Agent in connection with the Guarantee and Subordination Agreements;
- (b) do all such things as are reasonably required by the Agent to confirm the enforceability of the Guarantee and Subordination Agreements;
- (c) provide the Agent with certified copies of all corporate resolutions and other actions as the Agent may reasonably require authorizing the granting to the Lenders of such Guarantee and Subordination Agreements;
- (d) provide the Agent with such agreements, notices of registration and such other instruments and documents which the Agent deems necessary;
- (e) provide the Agent with legal opinions from counsel concerning the authorization, execution, delivery, enforceability, registration, and compliance with Applicable Laws and such other matters as the Agent requires, acting reasonably;
- (f) assist the Agent in the registration or recording of such Guarantee and Subordination Agreements with all appropriate Governmental Authorities and in all appropriate jurisdictions, if necessary; and
- (g) pay all reasonable out-of-pocket costs and expenses incurred by the Agent and the Lenders in connection with the preparation, execution and registration of all agreements, notices of registration and other instruments and documents, including any amendments to the Security in connection with the Guarantee and Subordination Agreements.

ARTICLE 7

CONDITIONS PRECEDENT AND DISBURSEMENT CONDITIONS

7.1 Conditions Precedent to the Closing

The obligations of the Lenders to make the initial Advance under this Agreement is subject to and conditional upon satisfaction of the following conditions and the receipt by the Agent for

and on behalf of the Lenders of the following documents, each in full force and effect, and in form and substance satisfactory to the Lenders, acting reasonably (unless delivery has been waived by all of the Lenders or unless the delivery is herein stated to be made at a later date):

- (a) this Agreement shall have been duly executed and delivered to the Agent and the Lenders;
- (b) a Guarantee and Subordination Agreement shall have been duly executed and delivered by each Guarantor to the Agent and the Lenders;
- (c) the Agent and the Lenders shall have received favourable legal opinions of the Borrower's Counsel relating to, *inter alia*, subsistence of Ensign Canada, the Borrower and each other person executing a Guarantee and Subordination Agreement and the authorization, execution, delivery and enforceability of the Credit Documents to which they are a party provided, however, the legal opinion with respect to Ensign Australia shall be delivered within thirty (30) days of the date hereof;
- (d) all fees and expenses then due in respect of the Credit shall have been paid in full;
- (e) no Default or Event of Default shall have occurred and be continuing, and no Default or Event of Default shall occur as a result of the Borrower entering into this Agreement or making the initial Advance under this Agreement;
- (f) the representations and warranties in this Agreement and in the other Credit Documents shall be true, complete and correct on and with effect from the date of this Agreement;
- (g) the Lenders shall have received in respect of Ensign Canada, the Borrower (unless otherwise specified) and each other person executing a Guarantee and Subordination Agreement:
 - (i) other than in relation to Ensign Australia, a certificate of status, certificate of compliance, good standing or similar certificate issued by an appropriate Governmental Body of its jurisdiction of organization;
 - (ii) other than in relation to Ensign Australia, evidence of its registration in each jurisdiction where it carries on a material business or owns material property;
 - (iii) a certified copy of its Constatting Documents, and a certified copy of the resolutions (or in the case of Ensign Australia, an extract of the resolutions) of its board of directors (and where appropriate, its shareholders) authorizing the execution and delivery of this Agreement and any other Credit Documents and the transactions contemplated thereby and the performance by it of its obligations thereunder, together with a certificate to the effect that all such documents are in full force and effect in such form with no proceedings pending to amend or rescind the same, and no agreements or other documents are in effect which restrict the powers of its board of directors (or where appropriate, its shareholders); and

- (iv) a certificate of incumbency with specimen signatures of the individuals executing this Agreement and any of the Credit Documents to which they are a party; and
- (v) a certificate of a Senior Officer of Ensign Canada certifying that since the date of the most recently completed Fiscal Quarter of Ensign Canada, there has not been any change, development or event relating to Ensign Canada, the Borrower or any Material Subsidiary which would have a Material Adverse Effect and the making, maintenance and funding of the Advances contemplated under the Credit shall not have become unlawful.
- (h) the Agent and the Lenders shall have received favourable legal opinions of Agent's Counsel dated on or shortly before the date of this Agreement;
- (i) a Compliance Certificate shall have been duly executed and delivered to the Agent and the Lenders, with the calculation of the financial covenants set out therein completed as of June 30, 2011, which for certainty shall form the basis for the Applicable Margin as at the Closing Date;
- (j) a pro-forma Compliance Certificate shall have been duly executed and delivered to the Agent and the Lenders, with the calculation of the financial covenants set out therein completed as of June 30, 2011 giving effect to the acquisition of the land drilling division of Rowan Companies, Inc.;
- (k) the Agent and the Lenders shall have completed, to their satisfaction in their unfettered discretion, all such other due diligence as the Agent and the Lenders may reasonably require;
- (l) the Agent and the Lenders shall have received and been satisfied with a copy of the executed purchase and sale agreement between the Borrower and Rowan Companies, Inc. for the land drilling division of Rowan Companies, Inc.; and
- (m) the Agent and the Lenders shall have received and been satisfied with a copy of an executed engagement letter between the Borrower and HSBC Securities (USA) Inc. (as financing lead) to enter into and complete, on a best efforts basis, a Capital Market Transaction to repay in full or materially reduce the Obligations on or before the one year anniversary of the Closing Date.

7.2 Conditions Precedent to All Advances

The obligation of the Lenders to make any Advance is subject to the satisfaction of the following conditions precedent:

- (a) for each Advance under Tranche #1, Ensign US shall have delivered to HBCA a duly executed Drawdown Notice, Rollover Notice or Conversion Notice, as applicable;
- (b) for each Advance under Tranche #2, Ensign US shall have delivered to HBUS a duly executed Drawdown Notice, Rollover Notice or Conversion Notice, as applicable.

- (c) the amount of the proposed Advance under Tranche 1 shall not exceed the Tranche #1 Limit and the amount of the purposed Advance under Tranche 2 shall not exceed the Tranche 2 Limit;
- (d) the representations and warranties in this Agreement shall continue to be true and correct on and with effect as of the date of such Advance except for those expressly stated to be made as of the date hereof;
- (e) since the date of the delivery by Ensign Canada to the Agent of the most recent Compliance Certificate required pursuant to subsection 9.2(b), there shall not have occurred any change, development or event relating to Ensign Canada, the Borrower or any Material Subsidiary which could have a Material Adverse Effect;
- (f) no Default or Event of Default shall have occurred and is continuing, and no Default or Event of Default shall occur as a result of the making of the Advance;
- (g) the funding of an Advance shall not have been made unlawful; and
- (h) all other terms and conditions of this Agreement upon which the Borrower may obtain an Advance are fulfilled.

7.3 Waiver

- (a) The conditions in Sections 7.1 and 7.2 are inserted for the sole benefit of the Lenders, and may be waived by the Agent on the instructions of the applicable Lender, in such Lender's unfettered discretion.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES

8.1 General

The Borrower represents and warrants to the Agent and the Lenders in respect of itself, and Ensign Canada represents and warrants to the Agent and the Lenders for and on behalf of itself and each Material Subsidiary, as follows:

- (a) it is duly organized or incorporated under the laws of the jurisdiction of its organization or incorporation, as the case may be, and is valid and subsisting under such laws, and is duly registered to carry on business in each Relevant Jurisdiction, except to the extent failure to be so registered would not reasonably be expected to have a Material Adverse Effect;
- (b) it has the power and capacity to own or lease its Property, to carry on its business as presently conducted, and:
 - (i) in the case of the Borrower, to borrow money and to perform all of its obligations hereunder; and

- (ii) in the case of Ensign Canada and each Guarantor, to guarantee the obligations of the Borrower hereunder;
- (c) it has obtained all Permits necessary to the ownership of its Property and to the conduct of its business in each Relevant Jurisdiction, including but not limited to those issued or granted by Governmental Bodies, except to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect;
- (d) it is duly authorized to execute and deliver the Credit Documents to which it is a party and to perform its obligations thereunder; all steps and proceedings necessary for the due execution and delivery by it of the Credit Documents to which it is a party and the performance of its obligations thereunder have been taken; and the entry into and performance of its obligations under each Credit Document to which it is a party is for its corporate benefit;
- (e) the Credit Documents to which it is a party have been duly executed and delivered by it, and constitute legal, valid and binding obligations, enforceable in accordance with their respective terms, subject to Applicable Laws, the rights of creditors generally and rules of equity of general application;
- (f) the execution and delivery by it of the Credit Documents to which it is a party and the performance by it of its obligations thereunder, do not and will not:
 - (i) contravene, violate or result in a breach of its Constatting Documents or any shareholders' agreement (or other similar agreement) relating to it;
 - (ii) contravene, violate or result in a breach of any Applicable Law;
 - (iii) contravene, violate or result in a breach of any Contract to which it is a party or other agreement or commitment to which it or its Property is bound;
 - (iv) contravene, violate or result in a breach of any resolution of its directors or officers or any committee of either;
 - (v) constitute, with or without notice or lapse of time or both, an event or circumstance entitling any Person to accelerate or demand the payment of any indebtedness;
 - (vi) result in the creation or imposition of any Security Interest on any of its Property other than, if applicable, pursuant to the Credit Documents; or
 - (vii) result in any requirement on it to grant any Security Interest or result in any Person becoming entitled to call for any Security Interest from it;
- (g) no consent, authorization, approval or other action by, and no publication, notice to or filing or registration with, any Governmental Body is required for the due execution and delivery by it of the Credit Documents to which it is a party and the performance by it of its Obligations thereunder or to ensure the validity or enforceability thereof other than

filings and registrations, if any, necessary in respect of the Guarantee and Subordination Agreements;

- (h) there are no actions, suits, claims or proceedings (including counterclaims or third party proceedings) existing or, to its knowledge, threatened against it or affecting its Property before any Governmental Body which would reasonably be expected to have a Material Adverse Effect, or which purports to challenge the validity or enforceability of any Credit Document;
- (i) in respect of each Contract to which it is a party, and each Permit of which it is a holder:
 - (i) it is not in default in any respect in the performance or observance of any of the terms or conditions contained or referenced therein; and
 - (ii) to its knowledge, no other Person thereto is in default thereunder in any respect, nor has any such party taken any action to terminate the same;

in either case except to the extent any such default would not reasonably be expected to have a Material Adverse Effect;

- (j) it is in compliance in all respects with all Applicable Laws to which it is bound except to the extent failure to be in compliance would not reasonably be expected to have a Material Adverse Effect;
- (k) no Default or Event of Default has occurred and is continuing hereunder or under any of the other Credit Documents;
- (l) Ensign Canada is, directly or indirectly, the legal and beneficial owner of all of the issued and outstanding Securities in Ensign US and as at the date hereof, Ensign Drilling Inc. and Artisan Corporation are the only partners in Ensign Partnership;
- (m) it has in full force and effect such policies of insurance in such amounts issued by such insurers of recognized standing covering its property, assets and undertaking, as are customarily maintained by Persons engaged in the same or similar business in the locations where its properties and assets are located;
- (n) except to the extent permitted by the provisions of this Agreement, no acts or proceedings have been taken by or against Ensign Canada, the Borrower or any Material Subsidiary, their directors or shareholders in connection with the dissolution, liquidation, winding up, bankruptcy, administration or reorganization of Ensign Canada, the Borrower or any Material Subsidiary and none of Ensign Canada or the Borrower has any knowledge of any Person contemplating any such acts or proceedings;
- (o) Ensign Canada, the Borrower and each Material Subsidiary owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual Property material to its business, and the use thereof by Ensign Canada, the Borrower and such Material Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Ensign Canada, the Borrower and the Material

Subsidiaries either own or have valid licenses or other rights to use all technical information used in their businesses as presently conducted, subject to the limitations contained in the agreements governing the use of the same, which limitations are customary for similar businesses, with such exceptions as would not reasonably be expected to have a Material Adverse Effect;

- (p) it is not an "investment company" or a company "controlled" by an "investment company," within the meaning of, or subject to regulation under, the *Investment Company Act of 1940*, as amended;
- (q) there is no agreement which restricts, in whole or in part, the power of the directors of Ensign Canada or the Borrower to manage or supervise the management of the business and affairs of Ensign Canada or the Borrower or which imposes any similar restrictions in respect of any Material Subsidiary;
- (r) Ensign Canada and the Borrower have provided to the Lenders all material information relating to the financial condition and business of the Borrower and each Material Subsidiary and all such information (other than forecasts, projections and budgets) is true, accurate and complete in all material respects and omits no material fact necessary to make such information not misleading. All forecasts, projections and budgets furnished to the Agent have been prepared in good faith, with commercially reasonable assumptions at their respective time of preparation;
- (s) attached hereto as Schedule "H" is a complete list of all of the Material Subsidiaries of Ensign Canada as such schedule may be updated from time to time by information provided by Ensign Canada or the Borrower to the Agent;
- (t) the legal name of each Material Subsidiary of Ensign Canada is set forth in Schedule "H" as such schedule may be updated from time to time by information provided by Ensign Canada or the Borrower to the Agent; and
- (u) the location of the principal place of business of Ensign Canada, the Borrower and the Material Subsidiaries of Ensign Canada or, if it has more than one principal place of business, its chief executive office, is set forth in Schedule "H" as such schedule may be updated from time to time by information provided by Ensign Canada or the Borrower to the Agent.

8.2 Financial

Ensign Canada represents and warrants to the Agent and the Lenders, as follows:

- (a) since the date of the most recent quarterly consolidated Financial Statements of Ensign Canada, no change in the financial affairs of Ensign Canada or any Material Subsidiary has occurred which would reasonably be expected to have a Material Adverse Effect;
- (b) all Financial Statements of Ensign Canada and its Subsidiaries which have been delivered to the Agent and the Lenders have been prepared in accordance with GAAP, and fairly present the financial position and condition of Ensign Canada and its Subsidiaries as at the respective dates thereof, all other information, certificates, schedules, reports and

other papers and data (other than forecasts, projections and budgets) which have been furnished or caused to be furnished to the Agent and the Lenders are complete, accurate and correct in all material respects at the time the same were stated to be effective and all forecasts, projections and budgets furnished to the Agent and the Lenders have been prepared in good faith, with commercially reasonable assumptions at the times of their respective preparation; and

- (c) it has duly filed on a timely basis all tax returns required to be filed by it, and it has paid all taxes which are due and payable by it, and has paid all assessments and reassessments, and all other taxes, governmental charges, governmental royalties, penalties, interest and fines claimed against it (except where it is contesting the payment of same in good faith) it and each Material Subsidiary has made adequate provision for, and all required instalment payments have been made in respect of, taxes payable for the current period for which returns are not yet required to be filed, except to the extent the failure to pay such instalments would not reasonably be expected to have a Material Adverse Effect; there are no agreements, waivers or other arrangements providing for any material extension of time with respect to the filing of any tax return or the payment of any taxes; and there are no actions or proceedings being taken by any Governmental Body to enforce the payment of any taxes and it has no knowledge of any such actions or proceedings being contemplated by such authorities.

8.3 Properties

The Borrower represents and warrants to the Agent and the Lenders in respect of itself and Ensign Canada represents and warrants to the Agent and the Lenders for and on behalf of itself and each Material Subsidiary, as follows:

- (a) it has good and valid legal and beneficial title to its Properties, free and clear of any Security Interests and adverse claims, other than Permitted Encumbrances;
- (b) it is in compliance in all respects with all Applicable Environmental Laws except to the extent failure to be in compliance would not reasonably be expected to have a Material Adverse Effect;
- (c) it is not subject to any judicial, administrative, government, regulatory or arbitral proceeding alleging the violation of any Applicable Environmental Law or that may lead to claims for clean-up costs, remedial work, reclamation, conservation, damage to natural resources or personal injury, or to the issuance of a stop-work order, suspension order, control order, prevention order or clean-up order and none of its Properties has been (or could reasonably be expected to be) declared to be a "contaminated site" or equivalent designation under an Applicable Environmental Law, in any case which would reasonably be expected to have a Material Adverse Effect;
- (d) it is not, to its knowledge, the subject of any federal, provincial, local or foreign review, audit or investigation which may lead to a proceeding referred to in paragraph (c);

- (e) to its knowledge, no predecessors in title to any of its Properties are the subject of any federal, provincial, local or foreign review, audit or investigation with respect to any such Property which may lead to a proceeding referred to in paragraph (c);
- (f) it has not filed any notice nor is the filing of any notice pending under any Applicable Environmental Law indicating past or present Release of any Hazardous Materials into the environment, which Release would reasonably be expected to have a Material Adverse Effect; and
- (g) it has obtained and continues to hold all Permits and other authorizations which are required under Applicable Environmental Laws except to the extent that the failure to so hold such approvals, permits, licenses, consents, certificates or authorizations would not reasonably be expected to have a Material Adverse Effect.

8.4 ERISA

Only if and only to the extent applicable to any of Ensign Canada, Ensign US, any other Material Subsidiary or any ERISA Affiliate, Ensign Canada and Ensign US each represents and warrants to the Agent and the Lenders in respect of itself and Ensign Canada represents and warrants to the Agent and the Lenders for and on behalf of each Material Subsidiary, as follows:

- (a) it and each ERISA Affiliate have complied in all material respects with ERISA and, where applicable, the Code regarding each Plan;
- (b) each Plan is, and has been, maintained in substantial compliance with ERISA and, where applicable, the Code;
- (c) no act, omission or transaction has occurred which could result in imposition on it or any ERISA Affiliate (whether directly or indirectly) of (i) either a material civil penalty assessed pursuant to subsections (c), (i) or (l) of section 502 of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or (ii) material breach of fiduciary duty liability damages under section 409 of ERISA;
- (d) no Plan (other than a defined contribution plan) or any trust created under any such Plan has been terminated since September 2, 1974. No material liability to the PBGC by it or any ERISA Affiliate has been or is expected by it or any ERISA Affiliate to be incurred with respect to any Plan. No ERISA Event with respect to any Plan has occurred;
- (e) full payment when due has been made of all material amounts which it or any ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as contributions to such Plan as of the date hereof, and no accumulated funding deficiency (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, exists with respect to any Plan;
- (f) the actuarial present value of the benefit liabilities under each Plan which is subject to Title IV of ERISA does not, as of the end of the Borrower's most recently ended fiscal year, exceed the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities. The

term "actuarial present value of the benefit liabilities" shall have the meaning specified in section 4041 of ERISA;

- (g) neither it nor any ERISA Affiliate sponsors, maintains, or contributes to an employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by it or any ERISA Affiliate in its sole discretion at any time without any material liability;
- (h) neither it nor any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the six-year period preceding the date hereof sponsored, maintained or contributed to, any Multiemployer Plan; and
- (i) neither it nor any ERISA Affiliate is required to provide security under section 401(a)(29) of the Code due to a Plan amendment that results in an increase in current liability for the Plan.

8.5 Anti-Terrorism Laws

The Borrower represents and warrants to the Agent and the Lenders in respect of itself and Ensign Canada represents and warrants to the Agent and the Lenders for and on behalf of each Material Subsidiary, as follows:

- (a) it is not, and to its knowledge, none of its Affiliates is in violation of any Applicable Law relating to terrorism or money laundering ("**Anti-Terrorism Laws**"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "**Executive Order**"), the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, Public Law 107-56, and the *Trading with the Enemy Act*, 50 U.S.C. App. 1 et seq., in each case, as amended from time to time.
- (b) it is not, and to its knowledge, none of its Affiliates or agents acting or benefiting in any capacity in connection with the Credit is any of the following:
 - (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
 - (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
 - (iii) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or
 - (iv) a Person that is named as a "specially designated national and blocked Person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("**OFAC**") at its official website or any replacement website or other replacement official publication of such list.

- (c) to its the knowledge, it does not and no agent acting on its behalf in any capacity in connection with the Credit (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in paragraph (b) above, (ii) deals in, or otherwise engages in any transaction relating to, any Property or interests in Property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

8.6 Survival and Inclusion

- (a) Ensign Canada and the Borrower acknowledges that the Lenders have entered into this Agreement and agreed to make Advances in full reliance upon the foregoing representations and warranties. Such representations and warranties shall survive until this Agreement has been terminated.
- (b) All statements, representations and warranties contained in any Compliance Certificates or in any instruments delivered by or on behalf of Ensign Canada and the Borrower pursuant to this Agreement shall constitute statements, representations and warranties made by Ensign Canada and the Borrower (as applicable) to the Agent and the Lenders under this Agreement.

ARTICLE 9 COVENANTS

9.1 General

The Borrower covenants and agrees for and on behalf of itself and Ensign Canada covenants and agrees for and on behalf of itself and each Material Subsidiary that during the term of this Agreement, it shall, and Ensign Canada shall cause each Material Subsidiary to:

- (a) maintain and preserve its existence, organization, incorporation and status in each jurisdiction of organization or incorporation, as the case may be, and in each other Relevant Jurisdiction and make all corporate and other filings and registrations necessary or advisable in connection therewith except to the extent failure to make such filings would not reasonably be expected to have a Material Adverse Effect;
- (b) carry on and continuously conduct its business in an efficient, diligent and businesslike manner and in accordance with good industry practices except to the extent the failure to do so would not reasonably be expected to have a Material Adverse Effect;
- (c) comply with all Contracts, the non-compliance with which would, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect;
- (d) comply with Applicable Laws and obtain and maintain all Permits necessary to the ownership of its Property and to the conduct of its business in each Relevant Jurisdiction, including but not limited to those issued or granted by Governmental Bodies, except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect;

- (e) duly file on a timely basis all tax returns required to be filed by it, and duly and punctually pay all business, goods and services, income, capital and/or profits taxes and other governmental charges levied or assessed against it or its Property except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect;
- (f) upon reasonable notice and on a confidential basis, permit any representative of the Agent to inspect its records and discuss with its senior management, its business, material Property, financial condition and prospects;
- (g) pay all amounts of principal, interest, fees and other amounts owing to the Agent and Lenders hereunder on the dates, times and in the places and manner specified herein;
- (h) use the proceeds of any Advance hereunder only for the purposes set out in Section 2.4;
- (i) execute and deliver to the Agent a Guarantee and Subordination Agreement as and when required pursuant to Section 6.1;
- (j) ensure that the Guarantee and Subordination Agreements granted by it to the Agent remain legal, valid, binding and enforceable in accordance with its terms (subject to Applicable Laws affecting the rights of creditors generally and rules of equity of general application);
- (k) co-operate with the Agent so as to permit the Agent to:
 - (i) forthwith register, file and record the Guarantee and Subordination Agreements (or notices or other registrations in respect thereof) in all proper offices where such registration, filing or recording may be necessary to protect the interests of the Agent and the Lenders thereunder;
 - (ii) maintain all such registrations in full force and effect;
- (l) ensure its payment obligations hereunder and under each Guarantee and Subordination Agreement, rank at least *pari passu* in right of payment with its other most senior unsecured and unsubordinated indebtedness, as applicable; and
- (m) for so long as there remains any Obligations of the Borrower to the Agent or any Lender under the Credit, the Borrower shall remain as a direct or indirect wholly-owned Subsidiary of Ensign Canada.

9.2 Reporting

- (a) Ensign Canada shall furnish to the Agent:
 - (i) within 90 days after the end of each of its Fiscal Years, the audited Financial Statements for Ensign Canada and its Subsidiaries for each such Fiscal Year prepared in accordance with GAAP on a consolidated basis and within 30 days after the end of each Fiscal Year, an annual consolidated operating and capital budget (including a summary of capital expenses expected to be incurred in the

next Fiscal Year) for Ensign Canada and its Subsidiaries, for the next succeeding fiscal year, approved by the board of directors of Ensign Canada;

(ii) within 45 days after the end of each of its first 3 Fiscal Quarters, the unaudited Financial Statements (reviewed by Ensign Canada auditors) for Ensign Canada and its Subsidiaries for each such quarter prepared in accordance with GAAP on a consolidated basis; and

(iii) such other information from time to time reasonably requested by the Agent,

such Financial Statements to set forth in each case, where applicable, comparative figures for the corresponding period in the preceding Fiscal Year;

(b) Ensign Canada shall:

(i) together with each delivery of Financial Statements required by Section 9.2(a), furnish to the Agent a Compliance Certificate;

(ii) promptly upon transmission thereof, furnish to the Agent copies of all Financial Statements, proxy statements, notices and reports sent to the shareholders of Ensign Canada.

(c) Ensign Canada and the Borrower shall, and Ensign Canada shall cause each Material Subsidiary to:

(i) keep and maintain proper books of account and records accurately and completely covering all material aspects of its business and affairs; and

(ii) permit, on a confidential basis and on reasonable notice, any representatives of the Agent to inspect any of its books of account (in whatever form maintained) and to make copies thereof, or extractions therefrom all during ordinary business hours;

(iii) if it changes its name, it will provide certified copies of the certificate and supporting documents effecting any change of its name within ten Business Days after effecting such name change;

(iv) if it changes the location of its chief executive office or principal place of business from the state or province, as applicable, in which it is currently located it will provide the Agent with notice of the same and the new location within ten Business Days of doing so; and

(v) from time to time, provide the Agent with an update of the information included in Schedule "H" attached hereto and upon the Agent being provided with such updated information, Schedule "H" will be deemed to be amended accordingly.

- (d) The Borrower shall provide to the Agent, from time to time, upon the request of the Agent (acting reasonably) a detailed report describing the terms and provisions of each Hedge Agreement entered into by the Borrower and the Material Subsidiaries.
- (e) Ensign Canada, the Borrower and each Guarantor will promptly provide to the Agent any documentation and other evidence which is from time to time:
 - (i) reasonably required by any Lender to comply with its know your client procedures;
 - (ii) reasonably requested by that Lender (through the Agent); and
 - (iii) not already been made available to that Lender by Ensign Canada, the Borrower or a Guarantor.

9.3 Property

The Borrower covenants and agrees for and on behalf of itself, and Ensign Canada covenants and agrees for and on behalf of itself and each Material Subsidiary, that during the term of this Agreement, it shall and Ensign Canada shall cause each Material Subsidiary to:

- (a) defend its Properties against any Person claiming or attempting to claim the same, or asserting any interest adverse to its interest therein and keep at an appropriate office accurate and complete records of its Properties;
- (b) subject to normal safety precautions, upon reasonable notice, permit any representatives of the Agent to visit and inspect its Properties during ordinary business hours, and furnish the Agent with any information thereon reasonably requested by the Agent from time to time as may be available to it;
- (c) comply in all respects with all Applicable Environmental Laws except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect; and
- (d) where the Lenders reasonably believe that Ensign Canada, the Borrower or a Material Subsidiary is in material breach of an Applicable Environmental Law and that the result of such breach would have a Material Adverse Effect, permit properly qualified representatives of Ensign Canada, the Borrower, such Material Subsidiary or the Agent (at the option of the Agent) to conduct tests, inspections and appraisals of or on the subject Property, including environmental audits and soil tests, and to remove soil and other samples from the subject Property from time to time to determine whether there is a breach of an Applicable Environmental Law by Ensign Canada, the Borrower or such Material Subsidiary which would reasonably be expected to have a Material Adverse Effect, provided that the results of any such tests shall also be delivered to the Borrower or such Material Subsidiary, and the Borrower shall be responsible for the costs thereof, and further provided that, notwithstanding the foregoing, such audits and soil tests may be conducted by Ensign Canada, the Borrower or such Material Subsidiary, if conducted by Ensign Canada, the Borrower or such Material Subsidiary in a manner and with consultants satisfactory to the Agent, acting reasonably.

9.4 Mergers

The Borrower agrees that it will not and Ensign Canada agrees that it will not and will not permit any Material Subsidiary to:

- (a) merge or amalgamate with any other Person or Persons (other than with the Borrower or a direct or indirect wholly-owned Subsidiary of Ensign Canada, if no Default or Event of Default has occurred and is continuing or would exist if such transaction is effected and the successor assumes the obligations of the Borrower and Subsidiary (as applicable) under the Credit Documents in a manner satisfactory to the Lenders acting reasonably), or become a party to any transaction whereby, directly or indirectly, all or any substantial part of its Property would become the Property of any other Person (other than the Borrower or any direct or indirect wholly-owned Subsidiary of Ensign Canada if no Default or Event of Default has occurred and is continuing or would exist if such transaction is effected and, if such purchaser, transferee or assignee is a "Guarantor" after the completion of such transaction, such purchaser, transferee or assignee executes and delivers to the Agent the documents described in Section 6.1 (if not previously delivered) upon the completion of such transaction), whether by way of reorganization, dissolution, winding-up, liquidation, administration, amalgamation, arrangement, transfer, lease or otherwise; or
- (b) change in any material respect the nature of its business or operations, or engage directly or indirectly in any material business activity, in either case not reasonably related to or required for the conduct of its business as it is currently conducted.

9.5 Restrictions on Additional Debt, Guarantees and Security Interests

The Borrower agrees that it will not and Ensign Canada agrees that it will not and it will not permit any Material Subsidiary to:

- (a) create, incur, assume or permit to exist any Consolidated Debt, unless no Default or Event of Default has occurred that is continuing and after the incurrence of such Consolidated Debt, Ensign Canada on a proforma basis, will continue to be in compliance with the financial covenants set out in Section 9.7; provided further that Ensign Canada will not permit any Subsidiary that is not a Guarantor to create, incur, assume or permit to exist any indebtedness for borrowed money, as described in the "Consolidated Debt" definition, in the aggregate in excess of 5% of the consolidated tangible assets of Ensign Canada as set out in the most recent financial statement delivered to the Agent;
- (b) provide any Guarantee, loans or other financial assistance to any Person, other than:
 - (i) to or for the benefit of the Borrower or a direct or indirect wholly-owned Subsidiary of Ensign Canada (provided that at all times during which such Guarantee, loan or other financial assistance is outstanding, the Subsidiary remains (directly or indirectly) a wholly-owned subsidiary of Ensign Canada, and
 - (ii) Guarantees, loans or financial assistance provided in the ordinary course of business and for the purpose of carrying on the same in an aggregate amount

not exceeding 5% of the consolidated tangible assets of Ensign Canada, as set out in the most recent Financial Statements delivered to the Agent;

- (c) create, assume, suffer to exist or otherwise have outstanding any Security Interest on any Property except for Permitted Encumbrances;
- (d) enter into any Contract with any Affiliate of Ensign Canada or purchase or otherwise acquire any property, assets (including shares) or undertaking, real or personal, tangible or intangible, of any Affiliate of Ensign Canada (in either case, except for Affiliates which are directly or indirectly wholly owned Subsidiaries of Ensign Canada), unless such Contract, purchase or acquisition is on terms and conditions not more onerous to the Borrower or such Material Subsidiary than if such Contract, purchase or acquisition was completed at fair market value with an arm's length third party;
- (e) as to Ensign Canada, at any time, permit its Subsidiaries which are not Material Subsidiaries, to have total revenue which in the aggregate constitutes more than 15% of the consolidated total revenue of Ensign Canada for the then preceding twelve month period or to have total assets which in the aggregate constitutes more than 15% of the consolidated assets of Ensign Canada; and
- (f) sell, with or without recourse or discount any of its notes or accounts receivable, except notes or accounts receivable the collection of which is doubtful.

9.6 Restrictions on Hedging

The Borrower agrees that it will not and Ensign Canada agrees that it will not and it will not permit any Material Subsidiary to enter into or otherwise become a party to or obligated under any Hedge Agreement unless such Hedge Agreement is entered into by Ensign Canada, the Borrower or a Material Subsidiary in the ordinary course of business and for the purpose of managing currency risk, exchange rate risk, commodity price risk or interest rate risk of Ensign Canada, the Borrower or the Material Subsidiary.

9.7 Financial Covenants

Ensign Canada shall ensure that:

- (a) the Consolidated Debt to Consolidated EBITDA Ratio of Ensign Canada as at the end of any Fiscal Quarter shall not exceed 2.75:1.0;
- (b) the Consolidated Debt to Consolidated Capitalization Ratio of Ensign Canada as at the end of any Fiscal Quarter shall not exceed 45%; and
- (c) the Consolidated EBITDA to Consolidated Interest Expense of Ensign Canada as at the end of any Fiscal Quarter shall not be less than 3:1.

9.8 Covenants Regarding Insurance

- (a) The Borrower shall keep and Ensign Canada shall and shall cause each Material Subsidiary to keep, such of its Property that is of an insurable nature and is of a

character usually insured by companies owning or operating the same or similar Property in such Relevant Jurisdiction in which such Property is located, insured with responsible insurers of recognized standing against loss or damage by fire and other causes customarily insured against by similar companies owning or operating the same or similar Property in each Relevant Jurisdiction in which such property is located and within customary limits of coverage and with customary deductibles.

- (b) The Borrower shall and Ensign Canada shall and shall cause each Material Subsidiary to maintain, with reputable insurers of recognized standing third party public liability and property damage insurance covering all of its operations with limits of coverage usually carried by companies owning or operating the same or a similar type and size of business in each Relevant Jurisdiction in which such Property is operated, as that being conducted by it.

9.9 ERISA Compliance

- (a) The Borrower will, and Ensign Canada will and will cause its Subsidiaries to, promptly furnish and will cause any ERISA Affiliate to promptly furnish to the Agent (i) promptly after the filing thereof with the United States Secretary of Labor, the Internal Revenue Service or the PBGC, copies of each annual and other report with respect to each Plan or any trust created thereunder, (ii) immediately upon becoming aware of the occurrence of any ERISA Event or of any "prohibited transaction," as described in section 406 of ERISA or in section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice signed by a Senior Officer of Ensign Canada or such Subsidiary of Ensign Canada or the ERISA Affiliate, as the case may be, specifying the nature thereof, what action the Borrower, the Subsidiary of Ensign Canada or the ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto, and (iii) immediately upon receipt thereof, copies of any notice of the PBGC's intention to terminate or to have a trustee appointed to administer any Plan. With respect to each Plan (other than a Multiemployer Plan), the Borrower will and will cause each ERISA Affiliate to, and Ensign Canada will and will cause its Subsidiaries to, (i) satisfy in full and in a timely manner, all of the material contribution and funding requirements of section 412 of the Code (determined without regard to subsections (d), (e), (f) and (k) thereof) and of section 302 of ERISA (determined without regard to sections 303, 304 and 306 of ERISA), and (ii) pay, or cause to be paid, to the PBGC in a timely manner, all material premiums required pursuant to sections 4006 and 4007 of ERISA.
- (b) The Borrower agrees that it will not and Ensign Canada agrees that it will not and will not permit any of its Subsidiaries to, at any time:
 - (i) engage in, or permit any ERISA Affiliate to engage in, any transaction in connection with which Ensign Canada, the Borrower or any ERISA Affiliate could be subjected to either a material civil penalty assessed pursuant to subsections (c), (i) or (l) of section 502 of ERISA or a material tax imposed by Chapter 43 of Subtitle D of the Code;

- (ii) terminate, or permit any ERISA Affiliate to terminate, any Plan in a manner, or take any other action with respect to any Plan, which could result in any liability to it or any ERISA Affiliate to the PBGC;
- (iii) fail to make, or permit any ERISA Affiliate to fail to make, full payment when due of all material amounts which, under the provisions of any Plan, agreement relating thereto or applicable law, Ensign Canada, the Borrower or any ERISA Affiliate is required to pay as contributions thereto;
- (iv) permit to exist, or allow any ERISA Affiliate to permit to exist, any material accumulated funding deficiency within the meaning of section 302 of ERISA or section 412 of the Code, whether or not waived, with respect to any Plan;
- (v) permit, or allow any ERISA Affiliate to permit, the actuarial present value of the benefit liabilities under any Plan maintained by it or any ERISA Affiliate which is regulated under Title IV of ERISA to exceed in any material way the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities. The term "actuarial present value of the benefit liabilities" shall have the meaning specified in section 4041 of ERISA;
- (vi) contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to contribute to or assume any material obligation to contribute to, any Multiemployer Plan;
- (vii) acquire, or permit any ERISA Affiliate to acquire, an interest in any Person that causes such Person to become an ERISA Affiliate with respect to Ensign Canada, the Borrower or with respect to any ERISA Affiliate if such Person sponsors, maintains or contributes to, or at any time in the six-year period preceding such acquisition has sponsored, maintained, or contributed to, (i) any Multiemployer Plan, or (ii) any other Plan that is subject to Title IV of ERISA under which the actuarial present value of the benefit liabilities under such Plan exceeds in any material way the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities;
- (viii) incur, or permit any ERISA Affiliate to incur, a material liability to or on account of a Plan under sections 515, 4062, 4063, 4064, 4201 or 4204 of ERISA;
- (ix) contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to contribute to or assume an obligation to contribute to, any material amount to any employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by such entities in their sole discretion at any time without any material liability; or
- (x) amend, or permit any ERISA Affiliate to amend, a Plan resulting in an increase in current liability such that it or any ERISA Affiliate is required to provide security to such Plan under section 401(a)(29) of the Code.

- (c) Notwithstanding the foregoing, Sections 9.9(a) and (b) shall be operative only if and to the extent that ERISA is applicable to Ensign Canada and any of its Subsidiaries including, without limitation, Ensign US and any ERISA Affiliate.

9.10 Proceeds of Loans

In addition to and without limiting Section 2.4, the Borrower will not permit the proceeds of the Credit to be used for any purpose other than those permitted in Section 2.4. None of Ensign Canada or the Borrower nor any Person (if any) acting on behalf of Ensign Canada or the Borrower in connection with the Credit has taken or will take any action which might cause any of the Credit Documents to violate Regulations T, U or X or any other regulation of the Board or to violate Section 7 of the *Securities Exchange Act of 1934* or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect. If requested by the Agent, acting reasonably, the Borrower will furnish to the Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 or such other form referred to in Regulation U, Regulation T or Regulation X of the Board, as the case may be.

9.11 Anti-Terrorism Law; Anti-Money Laundering

The Borrower agrees that it will not and Ensign Canada agrees that it will not and it will not permit any of its Subsidiaries to, at any time, directly or indirectly, (i) knowingly conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in Section 8.5, (ii) knowingly deal in, or otherwise engage in any transaction relating to, any Property or interests in Property blocked pursuant to the Executive Order or any other Anti-Terrorism Law, or (iii) knowingly engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

The Borrower will not, and Ensign Canada will not and will not permit any of its Subsidiaries to, cause or permit any of the funds of Ensign Canada, the Borrower or any Subsidiary of Ensign Canada that are used to repay the Credit to be knowingly derived from any unlawful activity.

9.12 Embargoed Person

The Borrower agrees that it will not and Ensign Canada agrees that it will not and it will not permit any of its Subsidiaries to, knowingly permit (a) any of the funds or Properties of Ensign Canada, the Borrower or any Subsidiary of Ensign Canada that are used to repay the Credit to constitute Property of, or be beneficially owned, directly or indirectly by, any Person subject to sanctions or trade restrictions under United States law ("Embargoed Person" or "Embargoed Persons") that is identified on (i) the "List of Specially Designated Nationals and Blocked Persons" maintained by OFAC and/or on any other similar list maintained by OFAC pursuant to any authorizing statute including, but not limited to, the *International Emergency Economic Powers Act*, 50 U.S.C. §§ 1701 et seq., *The Trading with the Enemy Act*, 50 U.S.C. App. 1 et seq., and any Executive Order or Applicable Law promulgated thereunder, or (ii) the Executive Order, any related enabling legislation or any other similar Executive Orders or (b) any Embargoed Person to have any direct or indirect interest, of any nature whatsoever in the Borrower or any Subsidiary of Ensign Canada, with the result that the investment in the Borrower or any Subsidiary of Ensign Canada (whether directly or indirectly) is prohibited by an Applicable Law or the Credit is in violation of an Applicable Law.

9.13 Notice Requirements

Ensign Canada and the Borrower shall promptly give written notice to the Agent of:

- (a) any Default or Event of Default, promptly upon Ensign Canada or the Borrower becoming aware of the same;
- (b) any material amendment to its method of financial reporting, together with full particulars thereof, the reasons therefor and effect thereof;
- (c) to the extent and only if ERISA is applicable to Ensign Canada or any of its Subsidiaries including, without limitation, Ensign US and any ERISA Affiliate, the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, would reasonably be expected to result in liabilities of Ensign Canada and, its subsidiaries, taken as a whole, that, in the aggregate, are material;
- (d) any matter of which it is aware that would reasonably be expected to have a Material Adverse Effect; and
- (e) any demand for payment made upon Ensign Canada, the Borrower or a Material Subsidiary under a Contract entered into by Ensign Canada, the Borrower or such Material Subsidiary as a result of a default by Ensign Canada, the Borrower or a Material Subsidiary of the payment or performance of its obligations thereunder, where such demand is in excess of Cdn. \$25,000,000 (or U.S. Dollar Equivalent, as applicable) whether in the nature of a margin call or otherwise.

9.14 Notice of Environmental Matters

Ensign Canada and the Borrower shall promptly upon acquiring knowledge thereof, give written notice to the Agent of any Environmental Liability occurring on or in relation to its properties or the properties of a Material Subsidiary, which would reasonably be expected to have a Material Adverse Effect.

[Redacted]

[Redacted]

[Redacted capital market covenant]

ARTICLE 10 EVENTS OF DEFAULT

10.1 Events of Default

Each of the following events or circumstances shall be an "Event of Default":

- (a) if the Borrower shall fail to pay (i) any principal owing hereunder on the date upon which the same is due and payable; (ii) any interest or fees due hereunder within two Business Days from the date upon which the same becomes due and payable, or (iii) any other amount due hereunder within 30 days from the date upon which the same becomes due and payable;
- (b) if Ensign Canada, the Borrower or any Material Subsidiary shall commit any breach of or omit to observe any of its covenants, obligations or undertakings under the Credit Documents (other than any breach or omission specifically dealt with in another paragraph of this Section 10.1) to which it is a party, and (i) such breach or omission is not capable of being remedied by Ensign Canada, the Borrower or such Material Subsidiary, or (ii) if such breach or omission is capable of being remedied by Ensign Canada, the Borrower or a Material Subsidiary, the same shall continue unremedied for more than 30 days after the earlier of: (A) a Senior Officer of Ensign Canada, the Borrower or the Material Subsidiary having actual knowledge of the breach or omission, or (B) Ensign Canada, the Borrower or such Material Subsidiary receives notice from the Agent of such breach or omission;
- (c) if any representation or warranty made by Ensign Canada, the Borrower or any Material Subsidiary in any of the Credit Documents to which it is a party is, or shall prove to be, incorrect or misleading in when made or deemed to be made, and (i) the matter is not capable of being remedied by Ensign Canada, the Borrower or such Material Subsidiary, or (ii) if the matter is capable of being remedied by Ensign Canada, the Borrower or such Material Subsidiary, the same shall continue unremedied for more than 30 days after the earlier of (A) a Senior Officer of Ensign Canada, the Borrower or such Material Subsidiary having actual knowledge of the breach or omission, or (B) Ensign Canada, the Borrower or such Material Subsidiary receiving notice from the Agent of such breach or omission;
- (d) if any event or circumstance (including non-payment) shall occur under an agreement or instrument relating to Consolidated Debt of Ensign Canada, the Borrower or any Material Subsidiary which would permit a Person to declare (whether immediately or with notice or lapse of time or both) an amount in excess of Cdn. \$25,000,000 to become due prior to the stipulated date for repayment thereof, or maturity (or in the case of Debt payable on demand or a Guarantee, if any demand is made at all), and such circumstance shall continue unremedied for more than 30 days (provided that such grace period shall cease to apply if a demand has been made on Ensign Canada, the Borrower or a Material Subsidiary therefore and any applicable grace period has expired or if the default is not being contested in good faith by Ensign Canada, the Borrower or such Material Subsidiary, as applicable);
- (e) if Ensign Canada, the Borrower or any Material Subsidiary shall:
 - (i) become insolvent, or generally not pay its debts or meet its liabilities as the same become due, or suspend the conduct of its business, or admit in writing its inability to pay its debts generally, or declare any general moratorium on payment of its indebtedness or interest thereon, or propose a compromise or arrangement between it and any of its creditors;

- (ii) make an assignment of its property for the general benefit of its creditors whether or not under the *Bankruptcy and Insolvency Act* (Canada), or make a proposal (or file a notice of its intention to do so) whether or not under such Act;
 - (iii) institute any proceeding seeking to adjudicate it an insolvent, or seeking liquidation, dissolution, deregistration, winding-up, reorganization, administration, compromise, arrangement or scheme of arrangement (other than permitted hereunder or consented to by the Agent, on the instructions of the Lenders, in each case in connection with a solvent reorganization, amalgamation or merger), adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts under any other statute, rule or regulation relating to bankruptcy, deregistration, winding-up, insolvency, reorganization, administration, plans of arrangement, relief or protection of debtors (including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) and any applicable *Business Corporations Act* or *Company Act*);
 - (iv) apply for the appointment of, or the taking of possession by, a receiver, interim receiver, administrative receiver, receiver/manager, custodian, administrator, controller (as defined in section 9 of the AU Corporations Act), trustee, liquidator, provisional liquidator or other similar official for it or any material part of its Property;
 - (v) as a result of section 459F(1) of the AU Corporations Act, be taken to have failed to comply with a statutory demand (as defined in the AU Corporations Act); or
 - (vi) take any overt action to approve, consent to or authorize any of the actions described in this Section (e) or in Section (f) below;
- (f) if any petition shall be filed, application made or other proceeding instituted by a third party against or in respect of Ensign Canada, the Borrower or any Material Subsidiary:
- (i) seeking to adjudicate it an insolvent; or a declaration that an act of bankruptcy has occurred;
 - (ii) seeking a receiving order against it including under the *Bankruptcy and Insolvency Act* (Canada);
 - (iii) seeking liquidation, dissolution, winding-up, deregistration, reorganization, administration, compromise, arrangement or scheme of arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts under any statute, rule or regulation relating to bankruptcy, winding-up, deregistration, insolvency, reorganization, administration, plans of arrangement, relief or protection of debtors (including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and*

Restructuring Act (Canada) and any applicable *Business Corporations Act* or *Companies Act*); or

- (iv) seeking the entry of an order for relief or the appointment of a receiver, interim receiver, administrative receiver, receiver/manager, custodian, administrator, controller (as defined in section 9 of the *AU Corporations Act*), trustee, liquidator, provisional liquidator or other similar official for it or any material part of its Property,

and such petition, application or proceeding shall continue undismissed, or unstayed and in effect, for a period of 30 days after the institution thereof, provided that if an order, decree or judgment which is not stayed has been granted (whether or not entered or subject to appeal) against Ensign Canada, the Borrower or such Material Subsidiary, as applicable, thereunder in the interim, such grace period shall cease to apply;

- (g) if Property of Ensign Canada, the Borrower or any Material Subsidiary having a fair market value in excess of Cdn. \$25,000,000 (or the U.S. Dollar Equivalent) shall be seized (including by way of execution, attachment, garnishment or distraint) or any Security Interest thereon shall be enforced, or such Property shall become subject to any charging order or equitable execution of a court, or any writ of enforcement, writ of execution or distress warrant with respect to obligations in excess of Cdn. \$25,000,000 (or the U.S. Dollar equivalent) shall exist in respect of Ensign Canada, the Borrower, any Material Subsidiary or such Property, or any sheriff, civil enforcement agent or other Person shall become lawfully entitled to seize or distrain upon any such property under the *Civil Enforcement Act* (Alberta), the *Workers' Compensation Act* (Alberta), the *Personal Property Security Act* (Alberta) or any other Applicable Laws whereunder similar remedies are provided;
- (h) if one or more judgments for the payment of money in the aggregate in excess of Cdn. \$25,000,000 (or the U.S. Dollar equivalent) from time to time, and not substantially covered by insurance, shall be rendered by a court of competent jurisdiction against Ensign Canada, the Borrower or any Material Subsidiary and such party shall not have provided for its discharge in accordance with its terms or arranged for the stay of such judgment or judgments pending appeal within 30 days from the date of entry thereof;
- (i) if any Property of Ensign Canada, the Borrower or a Material Subsidiary shall be expropriated without fair market value compensation being paid to Ensign Canada, the Borrower or such Material Subsidiary and such expropriations, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect;
- (j) only if and to the extent that ERISA is applicable to Ensign Canada or any of its Subsidiaries including, without limitation, Ensign US and any ERISA Affiliate, if an ERISA Event shall have occurred that when taken together with all other ERISA Events that have occurred, has resulted in liabilities of Ensign Canada and its Subsidiaries, taken as a whole, that, in the aggregate are material and the applicable ERISA Events and the payments resulting therefrom are not cured and/or paid within 30 days of the applicable ERISA Event resulting in such material liabilities;

- (k) if any material provision of any Credit Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by Ensign Canada, the Borrower or any Material Subsidiary, or Ensign Canada, the Borrower or any Material Subsidiary shall deny that it has any or any further liability or obligation thereunder, or if at any time it is unlawful for Ensign Canada, the Borrower or any Guarantor to perform any of its material obligations under any Credit Document, and Ensign Canada, the Borrower or such Material Subsidiary, as applicable, fails to provide assurances to the Agent within 30 days of a request therefor by the Agent;
- (l) if any receiver, receiver manager, liquidator, provisional liquidator, controller (as defined in section 9 of the AU Corporations Act) or similar officer is appointed over Ensign Canada, the Borrower, a Material Subsidiary or over all or substantially all of the property and assets of Ensign Canada, the Borrower or a Material Subsidiary and such receiver, receiver manager, liquidator, provisional liquidator, controller (as defined in section 9 of the AU Corporations Act) or similar official is not removed or discharged within ten (10) days of such appointment; provided however, such grace period shall cease to apply if Ensign Canada, the Borrower or such Material Subsidiary consents to such appointment, fails to diligently object and contest the appointment with appropriate proceedings, or if such receiver, receiver manager, liquidator, provisional liquidator, controller (as defined in section 9 of the AU Corporations Act) or similar official is not effectively stayed from realizing on the property and assets of Ensign Canada, the Borrower or such Material Subsidiary;
- (m) if there occurs a Change of Control in respect of Ensign Canada and the Lenders have not consented to such Change of Control. In this Section 10.1(m)), "**Change of Control**" means in respect of Ensign Canada, the occurrence of any of the following events:
 - (i) a Person or group of Persons, acting jointly or in concert, acquires, directly or indirectly (other than by way of security for a bona fide debt), securities of Ensign Canada to which are attached more than 35% of the votes that may be cast to elect any director of Ensign Canada;
 - (ii) a Person or group of Persons, acting jointly or in concert, acquires, directly or indirectly (other than by way of security for a bona fide debt), a sufficient number of securities of Ensign Canada that the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of Ensign Canada; or
 - (iii) Ensign Canada amalgamates or otherwise merges its business and properties with or into any other Person if that amalgamation or merger results in the condition described in either paragraph (i) or (ii) above;
- (n) if any condition, circumstance or event occurs that in the opinion of the Lenders (acting reasonably) has a Material Adverse Effect;
- (o) if the report of the auditor of Ensign Canada with respect to the audited Financial Statements of Ensign Canada required to be delivered to the Agent pursuant to Section 9.2(a) is subject to any qualification with respect to Ensign Canada as a "going concern"

and Ensign Canada is not able to arrange for the removal of such qualification within 30 days from the date thereof;

- (p) if the legal opinion with respect to Ensign Australia has not been delivered within thirty (30) days of the date hereof in accordance with Section 7.1(c); or
- (q) if there occurs an "Event of Default" under the terms and provisions of the Umbrella Credit Agreement, as therein defined.

10.2 Acceleration and Termination of Rights

If any Event of Default occurs, no Lender shall be under any further obligation to make Advances and the Agent may give notice (an "**Acceleration Notice**") to the Borrower or any Guarantors (i) declaring the Lenders' obligations to make Advances to be terminated, whereupon the same shall forthwith terminate, and/or (ii) declaring the Obligations to be forthwith due and payable, whereupon they shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

10.3 Remedies

Upon the making of a declaration contemplated by Section 10.2, the Agent may take such action or proceedings on behalf of the Lenders as the Agent (on the instructions of the Lenders) deems expedient to enforce the rights and remedies available to the Agent and the Lenders under or in respect of the Credit Documents, all without any additional notice, presentment, demand, protest or other formality, all of which are hereby expressly waived by the Borrower.

10.4 Waivers

Subject to Section 11.6(b), the Agent (on the instructions of the 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 the Agent (on the instructions of the 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.

10.5 No Obligation to Enforce

Neither the Lenders nor the Agent shall be under any obligation to Ensign Canada, the Borrower or any other Person to enforce any rights or remedies available to the Lenders or the Agent under any of the Credit Documents from time to time or any part thereof. The Lenders shall not be responsible or liable to the Borrower or any other Person for any loss or damage upon the enforcement of any rights or remedies available to the Lenders under any of the Credit Documents from time to time, the failure to realize or enforce such rights and remedies or for any act or omission on their respective parts or on the part of any director, officer, agent, servant or adviser in connection with any of the foregoing, except that a Lender may be responsible or liable for any loss or damage arising from the willful misconduct or negligence of that Lender.

10.6 Perform Obligations

If an Event of Default has occurred and is continuing and if Ensign Canada or the Borrower has failed to perform any of its covenants or agreements in the Credit Documents, the Agent may, but shall be under no obligation to, on behalf of the Lenders, to perform any such covenants or agreements in any manner it deems fit without thereby waiving any rights to enforce the Credit Documents. The reasonable expenses (including any legal costs) paid by the Agent and/or the Lenders in respect of the foregoing shall, at the option of the Agent, be added to the Obligations outstanding hereunder.

10.7 Remedies Cumulative

The rights and remedies of the Agent and the Lenders (or any of them) under the Credit Documents are cumulative and are in addition to and not in substitution for any rights or remedies provided by law. Any single or partial exercise by the Agent and the Lenders (or any of them) of any right or remedy for a default or breach of any term, covenant, condition or agreement herein contained 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 the Agent or the Lenders (or any of them) may be lawfully entitled for the same default or breach. Any waiver by the Agent or the Lenders (or any of them) of the strict observance, performance or compliance with any term, covenant, condition or agreement herein contained, and any indulgence granted by the Agent or the Lenders (or any of them) shall be deemed not to be a waiver of any subsequent default.

10.8 Set-Off or Compensation

In addition to and not in limitation of any rights now or hereafter granted under Applicable Laws, upon the occurrence and during the continuance of an Event of Default, the Lenders, or any of them, may at any time and from time to time without notice to Ensign Canada, the Borrower or any other Person, any notice being expressly waived, set-off, combine accounts and compensate and apply any and all deposits, general or special, time or demand, provisional or final, matured or unmatured, and any other indebtedness at any time owing by the Lenders, or any of them, to or for the credit of or the account of Ensign Canada, the Borrower or any Subsidiary of Ensign Canada, against and on account of the Obligations owing by the Borrower to the Lenders, notwithstanding that any of them are contingent or unmatured.

ARTICLE 11

THE AGENT AND THE LENDERS

11.1 Authorization of Agent and Relationship

Each Lender hereby appoints HBCA as Agent and HBCA hereby accepts such appointment. The appointment may only be terminated as expressly provided in this Agreement. Each Lender hereby authorizes the Agent to take such action on its behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Agreement and the other Credit Documents, together with all powers reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agent shall have no duties or obligations except those expressly set forth herein and no other duties or obligations of the

Agent shall be implied in this Agreement or in any other Credit Documents. The Agent may perform such duties or obligations by or through its agents or employees. The Agent shall not by reason of this Agreement or any of the other Credit Documents have a fiduciary duty in respect of any Lender. As to any matters not expressly provided for by this Agreement, the Agent is not required to exercise any discretion or to take any action unless it is satisfied that the Lenders approve of such discretion or action, but the Agent is not required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or Applicable Law.

11.2 Disclaimer of Agent

The Agent makes no representation or warranty, and assumes no responsibility with respect to the due execution, legality, validity, sufficiency, enforceability or collectability of this Agreement or any other Credit Document. The Agent assumes no responsibility for the financial condition of Ensign Canada, the Borrower or any Subsidiary, or for the performance of the obligations of Ensign Canada, the Borrower or any Subsidiary under this Agreement or any other Credit Document. The Agent assumes no responsibility with respect to the accuracy, authenticity, legality, validity, sufficiency or enforceability of any documents, papers, materials or other information furnished by Ensign Canada, the Borrower or any Subsidiary to the Agent. The Agent shall not be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or as to the use of the proceeds of the Credit or of the existence or possible existence of any Default or Event of Default unless the officers or employees of the Lender acting as Agent active in their capacity as officers or employees on the accounts of the Borrower have actual knowledge thereof, or have been notified thereof in writing by the Borrower or a Lender. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Agent under or in connection with the Agreement except for its or their own gross negligence or wilful misconduct. With respect to its Commitment, the Lender acting as Agent shall have the same rights and powers hereunder as any other Lender, and may exercise the same as though it were not performing the duties and functions delegated to it as Agent hereunder. Except as provided in Section 11.9, the Agent shall have no responsibility with respect to the co-ordination or administration of any Advance or payment (until an Acceleration Notice is given by the Agent) under the Tranche #2.

11.3 Payments by the Borrower and Material Subsidiaries

Prior to an Acceleration Notice being given by the Agent, all payments made by or on behalf of Ensign Canada, the Borrower or the Guarantor pursuant to this Agreement or the other Credit Documents under or in respect of Tranche #1 or Tranche #2 shall be made to and received by HBCA and HBUS respectively. Upon and after an Acceleration Notice being given by the Agent, all payments made by or on behalf of Ensign Canada, the Borrower or the Guarantors pursuant to this Agreement or the other Credit Documents under or in respect of any Tranche shall be made to and received by the Agent on behalf of the Lenders and shall be distributed by the Agent to the Lenders, as the Lenders and the Agent may agree.

11.4 Payments by Agent

- (a) For greater certainty, the following provisions shall apply to any and all payments made by the Agent to the Lenders hereunder:
 - (i) the Agent shall be under no obligation to make any payment (whether in respect of principal, interest, fees or otherwise) to any Lender until an amount in respect of such payment has been received by the Agent from the Borrower;
 - (ii) if the Agent receives less than the full amount of any payment of principal, interest, fees or other amount owing by the Borrower under this Agreement, the Agent shall have no obligation to remit to each Lender any amount other than such Lender's Proportionate Share (based on the then outstanding Obligations of the Borrower hereunder) of that amount which is the amount actually received by the Agent;
 - (iii) the Agent acting reasonably and in good faith shall, after consultation with the Lenders in the case of any dispute, determine in all cases the amount of all payments to which each Lender is entitled and such determination shall, in the absence of manifest error, be binding and conclusive; and
 - (iv) upon request, the Agent shall deliver a statement detailing any of the payments to the Lenders referred to herein.

11.5 Direct Payments

The Lenders agree among themselves that, except as otherwise provided for in this Agreement, all sums received by a Lender relating to this Agreement, by virtue of the other Credit Documents, whether received by voluntary payment, by the enforcement of the Security, the exercise of the right of set-off, combination or consolidation of accounts, or compensation or by counterclaim, cross-action or otherwise, shall be shared by each Lender as the Lenders and the Agent may agree from time to time and each Lender undertakes and agrees to do all such things as may be reasonably required to give full effect to this Section, including, without limitation, the purchase from other Lenders of a portion of any Advances by the Lender who has received an amount in excess of the amount otherwise agreed to by the Agent and the Lenders as shall be necessary to cause such purchasing Lender to share the excess amount rateably in its Proportionate Share with the other Lenders. If any sum which is so shared is later recovered from the Lenders who originally received it, the Lender shall restore such sum to such Lenders, without interest. If any Lender (a "**Receiving Lender**") shall obtain any payment of the Obligations as referred to above, the Receiving Lender shall forthwith remit such payment to the Agent and, upon receipt, the Agent shall distribute such payment in accordance with the provisions of Section 11.3.

11.6 Administration of the Credits

- (a) Unless otherwise specified herein, the Agent shall perform the following duties under this Agreement:
 - (i) hold all legal documents relating to the Credit;

- (ii) except as otherwise specifically provided for in this Agreement, promptly advise each Lender upon receipt of each notice and deliver to each Lender, promptly upon receipt, all other written communications furnished by Ensign Canada or the Borrower to the Agent pursuant to this Agreement, including without limitation copies of financial reports and certificates which are to be furnished to the Agent;
 - (iii) forward to each of the Lenders, one copy each of this Agreement and other Credit Documents;
 - (iv) promptly forward to each Lender, any other information respecting Ensign Canada or the Borrower reasonably requested by such Lender; and
 - (v) upon learning of same, promptly advise each Lender in writing of the occurrence of an Event of Default or the occurrence of any event, condition or circumstance which could be expected to have a Material Adverse Effect, provided that, except as aforesaid, the Agent shall be under no duty or obligation whatsoever to provide any notice to the Lenders and further provided that each Lender hereby agrees to notify the Agent of any Default or Event of Default of which it may reasonably become aware.
- (b) The Agent may take the following actions only if the prior unanimous consent of the Lenders is obtained, unless otherwise contemplated or provided for in this Agreement:
 - (i) amend, modify, discharge, terminate or waive any of the material terms of the Guarantee and Subordination Agreements; and;
 - (ii) amend, modify, discharge, terminate or waive any of the terms of this Agreement if such amendment, modification, discharge, termination or waiver would increase the amount of the Credit, reduce the interest rate applicable to the Credit, reduce the fees payable with respect to the Credit, extend any date fixed for payment of principal or interest relating to the Credit (including a waiver of any requirement of the Borrower to repay outstanding Obligations and a waiver of an Event of Default described in Section 10.1(a)), extend the Stated Maturity Date or affect the priority of the Guarantee and Subordination Agreements.
- (c) Except for the matters which require the unanimous consent of the Lenders as set out in Section 11.6(b) above, any amendment, waiver, action, consent or other determination to be taken or decision to be made by the Lenders or the Agent pursuant to this Agreement (specifically including for greater certainty the issuance of written notice to the Borrower of the occurrence of a Default or Event of Default, the issuance of a demand for payment of the Obligations, the provision of any waiver in respect of a breach of any covenant or the issuance of any consent which may be required under Article 9) shall be effective if approved by the Agent, on the instructions of the Lenders; and any such amendment, waiver, action, consent or other determination approved by the Agent, on the instructions of the Lenders, shall be final and binding upon all the Lenders and the Hedge Providers.

- (d) As between Ensign Canada and the Borrower, on the one hand, and the Agent and the Lenders, on the other hand:
 - (i) all statements, certificates, consents and other documents which the Agent purports to deliver on behalf of the Lenders shall be binding on each of the Lenders, and the Borrower shall not be required to ascertain or confirm the authority of the Agent in delivering such documents;
 - (ii) all certificates, statements, notices and other documents which are delivered by Ensign Canada or the Borrower to the Agent in accordance with this Agreement shall be deemed to have been delivered to each of the Lenders; and
 - (iii) all payments which are delivered by Ensign Canada or the Borrower to the Agent in accordance with this Agreement shall be deemed to have been duly delivered to each of the Lenders, as applicable.

11.7 Rights of Agent

- (a) In administering the Credit or in realizing on the rights available under this Agreement or the other Credit Documents, the Agent may retain, at the expense of the Lenders if such expenses are not recoverable from the Borrower, such solicitors, counsel, auditors and other experts and agents as the Agent may select, in its sole discretion, acting reasonably and in good faith after consultation with the Lenders.
- (b) The Agent shall be entitled to rely on any communication, instrument or document believed by it to be genuine and correct and to have been signed by the proper individual or individuals, and shall be entitled to rely and shall be protected in relying as to legal matters upon opinions of independent legal advisors selected by it. The Agent may also assume that any representation made by the Borrower is true and that no Default or Event of Default has occurred unless the officers or employees of the Lender acting as Agent, active in their capacity as officers or employees responsible for the Borrower's accounts have actual knowledge to the contrary or have received notice to the contrary from any other party to this Agreement.
- (c) The Agent may, without any liability to account, but subject to the terms of this Agreement, enter into swap agreements, futures contracts and other similar agreements with Ensign Canada, the Borrower or any Subsidiary, accept deposits from and lend money to and generally engage in any kind of banking, or other business with Ensign Canada, the Borrower or any Subsidiary, as if it were not the Agent.
- (d) The Agent shall not be required to advance its own funds for any purpose, and in particular, shall not be required to pay with its own funds insurance premiums, taxes or public utility charges or the cost of repairs or maintenance with respect to any of the Property of Ensign Canada, the Borrower or any Subsidiary of Ensign Canada, nor shall it be required to pay with its own funds the fees of solicitors, counsel, auditors, experts, or agents engaged by it as permitted hereby.

11.8 Acknowledgements, Representations and Covenants of Lenders

- (a) It is acknowledged and agreed by each Lender that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, property, affairs, status and nature of Ensign Canada, the Borrower and each Subsidiary of Ensign Canada. Accordingly, each Lender confirms to the Agent that it has not relied, and will not hereafter rely, on the Agent (i) to check or inquire on its behalf into the adequacy or completeness of any information provided by Ensign Canada, the Borrower or a Material Subsidiary under or in connection with this Agreement, the other Credit Documents or the transactions herein contemplated (whether or not such information has been or is hereafter distributed to such Lender by the Agent) or (ii) to assess or keep under review on its behalf the financial condition, creditworthiness, property, affairs, status or nature of Ensign Canada, the Borrower or Material Subsidiary.
- (b) Each Lender represents and warrants that it has the legal capacity to enter into this Agreement pursuant to its charter and any Applicable Laws and has not violated its charter, constating documents or any Applicable Laws by so doing.
- (c) Each Lender agrees to indemnify the Agent (to the extent not reimbursed by the Borrower), rateably according to its Proportionate Share of the Credit from and against any and all liabilities and obligations (whether direct or indirect, contingent or otherwise), losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of the Credit Documents or the transactions therein contemplated, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limiting the generality of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand rateably according to its Proportionate Share of the Credit for any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preservation of any rights of the Agent or the Lenders under, or the enforcement of, or legal advice in respect of rights or responsibilities under this Agreement or under the other Credit Documents, to the extent that the Agent is not promptly reimbursed for such expenses by the Borrower. The obligation of the Lenders to indemnify the Agent shall survive the termination of this Agreement.
- (d) Each Lender acknowledges and agrees that its obligation to make its Advances, in accordance with the terms of this Agreement is independent and in no way related to the obligation of any other Lender hereunder.
- (e) Each Lender hereby acknowledges receipt of a copy of this Agreement and the other Credit Documents (to the extent that such Credit Documents have been delivered) and acknowledges that it is satisfied with the form and content of such documents.
- (f) Except to the extent recovered by the Agent from the Borrower, promptly following demand therefor, each Lender shall pay to the Agent an amount equal to such Lender's

Proportionate Share of any and all reasonable costs, expenses, claims, losses and liabilities incurred by the Agent in connection with this Agreement and the other Credit Documents (including, without limitation, the collection or enforcement thereof, which shall be based on each Lender's Proportionate Share of the Obligations) except for those incurred by reason of the Agent's gross negligence or willful misconduct.

- (g) Each Lender shall respond promptly to each request by the Agent for the consent of such Lender required hereunder.

11.9 Action of the Lenders

Each of the Lenders hereby acknowledges that to the extent permitted by Applicable Law, the remedies available to the Lenders under the Credit Agreement and the other Credit Documents are for the benefit of the Lenders collectively and that its rights hereunder and under the Guarantee and Subordination Agreements are to be exercised by the Agent as required by this Agreement. Accordingly, except as otherwise expressly provided herein, each of the Lenders hereby covenants and agrees that it shall not take any action hereunder or under or the Guarantee and Subordination Agreements but that any such action shall be taken only by the Agent, in its discretion. Each of the Lenders hereby further covenants and agrees that it shall co-operate fully with the Agent to the extent requested by the Agent in connection with the enforcement of any of the rights of the Lenders under this Agreement or any other Credit Document. Notwithstanding the foregoing, where in the sole opinion of the Agent, acting reasonably and in good faith, the exigencies of the situation warrant action, the Agent may without notice to or consent of the Lenders take such action on behalf of the Lenders as it deems appropriate or desirable in the interest of the Lenders.

11.10 Successor Agent

Subject to the appointment and acceptance of a Successor Agent as provided in this Section, the Agent may resign at any time by giving 30 days' written notice thereof to the Lenders and Ensign Canada, and may be removed at any time by all of the Lenders upon 30 days' written notice if the Agent has been grossly negligent hereunder. Upon receipt of notice by the Lenders of the resignation of the Agent, or upon giving notice of termination to the Agent, the Lenders may with the consent of Ensign Canada (provided that the Lenders shall only be obligated to obtain such consent if no Default or Event of Default exists), such consent not to be unreasonably withheld, within 21 days, appoint a successor from among the Lenders or, if no Lender is willing to accept such an appointment, from among other banks to which the *Bank Act* (Canada) applies, which each have combined capital and reserves in excess of \$250,000,000, and which have offices in Calgary, Alberta and New York, New York (the "**Successor Agent**"). If no Successor Agent has been so appointed and has accepted such appointment within 21 days after the retiring Agent's giving of notice of resignation or receiving of notice of termination, then the retiring Agent may, on behalf of the Lenders, appoint a Successor Agent. If neither the Lenders nor the Agent appoint a Successor Agent within such 21 days, then the Lenders or the Agent may apply to a Justice of the Court of Queen's Bench of the Province of Alberta, on such notice as the Justice may direct, for the appointment of a Successor Agent, but any Successor Agent so appointed by the Court shall be subject to removal as aforesaid by the Lenders. Upon the acceptance of any appointment as Agent hereunder by a Successor Agent, the Successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of

the retiring Agent, and the retiring Agent shall be discharged from its further duties and obligations as Agent under this Agreement and the other Credit Documents. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall continue to enure to its benefit and be binding upon it as to any actions taken or omitted to be taken by it while it was Agent hereunder.

11.11 Provisions Operative Between Lenders and Agent Only

Except for the provisions of Sections 11.6(b), 11.8(b), 11.8(d) and 11.10, the provisions of this Article relating to the rights and obligations of the Lenders and the Agent inter se shall be operative as between the Lenders and the Agent only, and the Borrower shall not have any rights or obligations under or be entitled to rely for any purpose upon such provisions.

ARTICLE 12

ADDITIONAL LENDERS, SUCCESSORS AND ASSIGNS

12.1 Successors and Assigns

- (a) The Credit Documents shall be binding upon and enure to the benefit of the Agent, each Lender, Ensign Canada, the Borrower, the Subsidiaries of Ensign Canada that are a party thereto and their successors and assigns (including without limitation, any successor resulting from the amalgamation of Ensign Canada, the Borrower or a Subsidiary with one or more corporations or resulting from the winding-up of one or more corporations into Ensign Canada, the Borrower or a Subsidiary), except that, other than as provided herein, none of Ensign Canada or the Borrower shall assign any rights or obligations with respect to this Agreement or any of the other Credit Documents without the prior written consent of the Lenders.

The collective rights and obligations of the Lenders under this Agreement are assignable in whole or in part and any Lender shall be entitled to assign in whole or in part its individual rights and obligations hereunder or to permit other financial institutions to participate in the Credits, all in accordance with the provisions of Section 12.2 and the other terms of this Agreement. The Borrower hereby consents to the disclosure of any information and opinions relating to it and its Subsidiaries to any potential Lender or participant provided that the potential Lender or participant agrees in writing to keep the information confidential and to return such information if it does not become a Lender or a participant.

Each assignment shall be of a uniform, and not a varying, percentage of all rights and obligations of the assignor(s) under or in respect of the Credit.

Notwithstanding any other provisions of this Agreement, each Lender agrees that it shall not offer to assign or assign or offer to sell or sell a participation in any portion of its rights and obligations under this Agreement including, without limitation, any portion of its Commitment, (i) on or before the first anniversary of the Closing Date and (ii) thereafter without the prior written consent of and ten Business Days' prior notice to the Agent and, unless a Default or an Event of Default has occurred and is continuing and except in the case of an offer to sell or the sale of a participation, without the prior

consent of and notice to, Ensign Canada. The consent of Ensign Canada and the Agent shall not be unreasonably withheld.

- (b) A Participation by a Lender of its interest (or a part thereof) hereunder or a payment by a Participant to a Lender as a result of the Participation will not constitute a payment hereunder to the Lender or an Advance to the Borrower.

12.2 Assignments

- (a) Subject to Section 12.1 and the other terms of this Agreement, the Lenders collectively or individually may assign to one or more banks or other financial institutions all or a portion of their respective rights and obligations under this Agreement (including, without limitation, all or a portion of their respective Commitments); provided however, after the Agent gives an Acceleration Notice to the Borrower, a Lender may assign any of its rights and obligations under this Agreement to any Person. The parties to each such assignment shall execute and deliver an Assignment Agreement to the Agent and, unless a Default or an Event of Default has occurred and is continuing, to Ensign Canada, for its consent and acknowledgement to the extent required by Section 12.1(a), as the case may be. After such execution, delivery and acknowledgement (i) the assignee thereunder shall be a party to this Agreement and, to the extent that rights and obligations hereunder have been assigned to it, have the rights and obligations of a Lender hereunder and (ii) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, relinquish its rights and be released from its obligations under this Agreement, other than obligations in respect of which it is then in default or which arose prior to its assignment, and, in the case of an Assignment Agreement covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto.
- (b) The agreements of an assignee contained in an Assignment Agreement shall benefit the assigning Lender thereunder, the other Lenders, the Agent and the Borrower, all in accordance with the terms of the Assignment Agreement.
- (c) The Agent shall maintain at its address referred to herein a copy of each Assignment Agreement delivered to and acknowledged by it.
- (d) Upon its receipt of an Assignment Agreement executed by an assigning Lender and an assignee and approved by Ensign Canada (if applicable) and the Agent, the Agent shall, if the Assignment Agreement has been completed and is in the required form with such immaterial changes as are acceptable to the Agent:
 - (i) acknowledge the Assignment Agreement; and
 - (ii) give prompt notice thereof to Ensign Canada and the other Lenders, and provide them with an updated version of Schedule "B".

12.3 Participation

Each Lender may sell an interest (other than by way of assignment pursuant to Section 12.2) to one or more banks, financial institutions or other Persons (a "**Participant**") in or to all or a portion of its rights and obligations (including, without limitation, all or a portion of its Commitment) under this Agreement, (such interest is referred to herein as a "**Participation**") but the Participant shall not become a Lender and:

- (a) the Lender's obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged;
- (b) the Lender shall remain the lender of record and solely responsible to the other parties hereto for the performance of such obligations;
- (c) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement; and
- (d) no Participant shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by any Person therefrom.

ARTICLE 13

MISCELLANEOUS PROVISIONS

13.1 Headings and Table of Contents

The headings of the Articles and Sections and the Table of Contents are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

13.2 Accounting Terms

Each accounting term used in this Agreement, unless otherwise defined herein, has the meaning assigned to it under GAAP.

13.3 Capitalized Terms

All capitalized terms used in any of the Credit Documents (other than this Agreement) which are defined in this Agreement shall have the meaning defined herein unless otherwise defined in the other document.

13.4 Severability

Any provision of this Agreement which is or becomes prohibited or unenforceable in any relevant jurisdiction shall not invalidate or impair the remaining provisions hereof which shall be deemed severable from such prohibited or unenforceable provision and any such prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Should this Agreement fail to provide for any relevant matter, the validity, legality or enforceability of this Agreement shall not hereby be affected.

13.5 Number and Gender

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa, words importing any gender include all genders and references to agreements and other contractual instruments shall be deemed to include all present or future amendments, supplements, restatements or replacements thereof or thereto.

13.6 Amendment, Supplement or Waiver

No amendment, supplement or waiver of any provision of the Credit Documents, nor any consent to any departure by Ensign Canada, the Borrower or any Subsidiary of Ensign Canada therefrom, shall in any event be effective unless it is in writing, makes express reference to the provision affected thereby and is signed by the Agent for and on behalf of the Lenders and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No waiver or act or omission of the Agent, the Lenders, or any of them, shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or breach by Ensign Canada, or the Borrower of any provision of the Credit Documents or the rights resulting therefrom.

13.7 Governing Law

Each of the Credit Documents, except for those which expressly provide otherwise, shall be conclusively deemed to be a contract made under, and shall for all purposes be governed by and construed in accordance with, the laws of the Province of Alberta and the laws of Canada applicable in Alberta. Each party to this Agreement hereby irrevocably and unconditionally attorns to the non-exclusive jurisdiction of the courts of Alberta and all courts competent to hear appeals therefrom.

13.8 This Agreement to Govern

In the event of any conflict or inconsistency between the terms of this Agreement and the terms of any other Credit Document, the provisions of this Agreement shall govern to the extent necessary to remove the conflict. Provided however, that a conflict or inconsistency shall not be deemed to exist only by reason of one of the Credit Documents providing for a matter and another of the Credit Documents not providing for such matter.

13.9 Permitted Encumbrances

The designation of any encumbrance or Security Interest as a Permitted Encumbrance in this Agreement or in any other of the Credit Documents is not, and shall not be deemed to be, an acknowledgement by the Lenders that the encumbrance or the Security Interest shall have priority over any interest of the Lenders in the Property of Ensign Canada, the Borrower or any Subsidiary of Ensign Canada.

13.10 Currency

All payments made hereunder shall be made in the currency in respect of which the obligation requiring such payment arose. Unless the context otherwise requires, all amounts expressed in this Agreement in terms of money shall refer to U.S. Dollars.

Except as otherwise expressly provided in this Agreement, wherever this Agreement contemplates or requires the calculation of the equivalent in Canadian Dollars or U.S. Dollars of an amount expressed in another of those currencies, the calculation shall be made on the basis of the Exchange Rate at the effective date of the calculation.

13.11 Liability of Lenders

The liability of the Lenders in respect of all matters relating to this Agreement and the other Credit Documents is several and not joint or joint and several.

13.12 Expenses and Indemnity

All statements, reports, certificates, opinions, appraisals and other documents or information required to be furnished to the Lenders, the Agent, or any of them, by Ensign Canada, the Borrower or any Subsidiary of Ensign Canada under this Agreement shall be supplied without cost to the Lenders, the Agent, or any of them. The Borrower shall pay on demand all reasonable out of pocket costs and expenses of the Agent (including, without limitation, reasonable fees and expenses of attorneys and other counsel for the Agent) and the reasonable out of pocket expenses of the Lenders, incurred in connection with (i) the preparation, execution, delivery, administration, periodic review, modification or amendment of the Credit Documents; (ii) any enforcement of the Credit Documents; (iii) obtaining advice as to their rights and responsibilities in connection with the Credit and the Credit Documents; (iv) reviewing, inspecting and appraising the Property of Ensign Canada, the Borrower and the Subsidiaries of Ensign Canada at reasonable intervals as provided for herein; and (v) other matters relating to the Credit.

The Borrower hereby indemnifies and agrees to indemnify, defend and hold harmless each of the Lenders, the Agent, their directors, officers, affiliates, employees and representatives (the "**Indemnified Parties**") from and against any and all actions, proceedings, losses, costs, expenses, damages, claims or liabilities incurred by any Indemnified Party, with respect to any Advance to the Borrower hereunder whether before, during or after any period that such Advance is outstanding including, without limitation, any loss of profits, break fees, commissions or fees anticipated hereunder, and any expense or costs incurred in the liquidation and re-deployment of any funds required by the Lenders to fund or maintain any portion of such Advance hereunder, in all cases as a result of:

- (a) the failure of the Borrower to borrow or make repayments on the dates required hereunder or in accordance with the terms specified by the Borrower pursuant to any oral instructions or written notices provided to the Agent or the Lenders;
- (b) the repayment, prepayment or Conversion (whether by acceleration or otherwise) of a LIBOR Advance by the Borrower on a date other than the maturity date thereof;
- (c) the failure by the Borrower to give any notice required to be given by it to the Agent or any Lender pursuant to the provisions of this Agreement;
- (d) the failure of the Borrower to effect any payment, repayment, prepayment or Conversion arising from the circumstances referred to in Section 13.14; or

- (e) the occurrence of an Event of Default;

provided, however, that this indemnity shall not apply in respect of any of the foregoing which is caused by the gross negligence or willful misconduct of the Lenders.

Whenever any such claim shall arise, the Indemnified Party shall promptly notify Ensign Canada of the claim and, when known, the facts constituting the basis for such claim, and if known, the amount or an estimate of the amount of the claim. The failure of an Indemnified Party to give notice of a claim promptly shall not adversely affect the Indemnified Party's rights to indemnity hereunder. The Indemnified Party shall not settle or compromise any claim by a third party for which it is entitled to indemnification under this Section 13.12, without the prior written consent of Ensign Canada. Ensign Canada at its sole cost and expense may, upon written notice to the Indemnified Party, assume the defence of any such claim or any legal proceeding resulting therefrom. The Indemnified Party shall be entitled to participate in (but not control) the defence of any such action, with its own counsel and at its own expense. If Ensign Canada does not assume the defence of any such claim or litigation resulting therefrom, the Indemnified Party may defend against such claim or litigation, in such manner as it may deem appropriate and at the expense of Ensign Canada, including, but not limited to, settling such claim or litigation, after giving notice of the same to Ensign Canada. In such case Ensign Canada shall be entitled to participate in (but not control) the defence of such action, with its own counsel and at its own expense.

The Agreements in this Section shall survive the termination of this Agreement and repayment of the Obligations owing by the Borrower.

13.13 Manner of Payment and Taxes

- (a) **"Indemnified Tax Liabilities"** means any and all present and future Taxes (including for certainty all present or future stamp, mortgage recording, or documentary taxes or any other excise or property Taxes, charges or similar levies), and all liabilities with respect thereto arising out of or in connection with the Credit Documents, any payment made or required to be made hereunder or from the execution, delivery, registration or enforcement of, or otherwise with respect to, the Credit Documents, including interest, fines, penalties or other additions to Taxes, but excluding Excluded Taxes.
- (b) Any and all payments or reimbursements by or on account of any obligation of the Borrower or the Guarantors under the Credit Documents shall be made without setoff, counterclaim or other defense and free and clear of and without deduction or withholding for or on account of any Indemnified Tax Liabilities, provided that to the extent that the Borrower or any Guarantor shall be required by Applicable Laws to deduct or withhold any Indemnified Tax Liabilities from, or in respect of, such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to additional sums payable under the Credit Documents) the applicable Lender receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) the Borrower shall make (or cause to be made) such deductions or withholdings and (iii) the Borrower shall timely pay (or cause to be paid) the full amount deducted or withheld to the relevant Governmental Body in accordance

with Applicable Laws. The applicable Lender's calculations of the amount of the payments that are required to be made by the Borrower pursuant to this Section 13.13 shall be conclusive and binding for all purposes, absent manifest error. Without limiting the foregoing, the Borrower shall timely pay any Indemnified Tax Liabilities to the relevant Governmental Body in accordance with Applicable Laws.

- (c) The Borrower must promptly pay all stamp duty, transaction, registration and similar Taxes, including fines and penalties which may be payable to, or required to be paid by, any appropriate Governmental Body or determined to be payable in connection with the execution, delivery or performance of the Credit Documents by Ensign Canada, the Borrower and any Guarantor and in connection with the enforcement of the Credit Documents or any payment, receipt or other transaction contemplated by them.
- (d) The Borrower shall indemnify, without duplication, each Lender within (20) days after written demand therefor, for the full amount of any Indemnified Tax Liabilities (including, without limitation, Indemnified Tax Liabilities imposed by any jurisdiction or asserted on or attributable to amounts payable under this Subsection 13.13(d) payable by such Lender on or with respect to any payment by or on account of any obligation of the Borrower or any Guarantor under the Credit Documents and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Tax Liabilities were correctly or legally imposed or asserted by the relevant Governmental Body. Payment under this indemnification shall be made within 20 days from the date the applicable Lender makes written demand therefor. A certificate as to the amount of such payment or liability delivered to the Borrower by the applicable Lender shall be conclusive and binding for all purposes, absent manifest error. Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Credit Document shall deliver to the Borrower (with a copy to the Agent), at the time or times prescribed by Applicable Law or reasonably requested by the Borrower or the Agent, such properly completed and executed documentation prescribed by Applicable Law as will permit such payments to be made without withholding or at a reduced rate of withholding.
- (e) Notwithstanding the foregoing, the Borrower shall not be liable for any such Taxes, or any liabilities in respect of any thereof, (a) imposed on the net income of a Lender by the jurisdiction under the laws of which such Lender is organized or doing business or any political subdivision thereof and (b) imposed on its net income by the jurisdiction of a Lender's applicable lending office or any political subdivision thereof (the Taxes set forth in the foregoing clauses (a) and (b), and liabilities in respect thereof are referred to herein as "**Excluded Taxes**").
- (f) Notwithstanding the definition of Excluded Taxes, if any amounts are payable in respect of Indemnified Tax Liabilities pursuant to this Section 13.13, the Borrower shall reimburse each Lender for Taxes, if any, imposed on or measured by the net income or profits (including branch profits taxes) and franchise or similar Taxes imposed in lieu of income taxes of such Lender pursuant to the laws of the jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such

Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located, to the extent attributable to such amounts payable.

- (g) Any and all amounts required to be paid by Borrower pursuant to this Section 13.13 shall constitute part of the Obligations.
- (h) The consideration payable for any supply made by or through an entity (a "**Supplier**") under or in connection with any Credit Documents does not include GST.

If GST is payable in respect of any supply made by or through a Supplier under or in connection with any Credit Document ("**GST Liability**") then:

- (i) where consideration is provided by a party (a "**Recipient**") in relation to that supply, the Recipient will pay an additional amount to the Supplier equal to the full amount of the GST Liability; and
- (ii) except where Section 13.13(h)(i) applies, the Recipient will indemnify and keep the Supplier indemnified for the full amount of the GST Liability.

If required by Applicable Law, each Supplier will provide to the relevant Recipient or the Borrower, as applicable, a tax invoice complying with the Applicable Law relating to any payment made to it in accordance with this Section 13.13(h).

Any payment or reimbursement required to be made to a Supplier under any Credit Document that is calculated by reference to a cost, expense, charge, liability or disbursement (a "**Cost**") or other amount paid or incurred will be limited to the total Cost or other amount less the amount of any input tax credit or other credit to which the relevant Supplier is entitled in connection with the Cost.

13.14 Increased Costs etc.

- (a) If, after the date hereof, the introduction of or any change in any Applicable Laws or in the interpretation or application thereof by any court or by any judicial or governmental authority charged with the interpretation or administration thereof, or if compliance by any Lender with any request or directive from any central bank or other fiscal, monetary or other authority issued after the date hereof (whether or not having the force of law):
 - (i) subjects the Lenders (or any of them) to, or causes the withdrawal or termination of a previously granted exemption with respect to, any Taxes, or changes the basis of taxation of payments due to the Lenders (or any of them), or increases any existing Taxes on payments of principal, interest or other amounts payable by the Borrower to the Lenders (or any of them) 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 the Lenders (or any of them), 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 any Available Credits;

- (iii) imposes on the Lenders (or any of them) or requires there to be maintained by the Lenders (or any of them) any capital adequacy or additional capital requirements (including, without limitation, a requirement which affects a Lenders' allocation of capital resources to its obligations) in respect of any Advance or obligation of a Lender hereunder, or any other condition with respect to this Agreement;
- (iv) otherwise imposes on the Lenders (or any of them), any other condition or requirement affecting this Agreement or any Advance or any obligation of the Lenders (or any of them) hereunder which directly or indirectly affects the cost to the Lenders (or any of them) of making available, funding or maintaining any Advance or the Obligations owing by the Borrower hereunder;

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

- (v) to increase the cost to such Lender of performing its obligations hereunder with respect to any Advance;
- (vi) to reduce any amount received or receivable by such Lender hereunder or its effective return hereunder or on its capital in respect of any Advance;
- (vii) to reduce the interest, Duration Fees or other fees payable to the Lenders hereunder; or
- (viii) 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 Advance;

such Lender shall determine such additional cost, reduction in income or payment, without duplication, (the "**Additional Compensation**") and shall promptly notify Ensign Canada. Such affected Lender shall provide to Ensign Canada a photocopy of the relevant law, rule, guideline, regulation, treaty, or official directive and a certificate of a duly authorized officer of such Lender setting forth the Additional Compensation and the basis of calculation thereof and for the purposes of calculating such amount such Lender shall treat the Borrower, and the Credit in a manner consistent with comparable borrowers and transactions. The Borrower shall pay to such affected Lender forthwith following the giving of such notice such Additional Compensation calculated from the effective date of the relevant adoption or change; provided that the affected Lender shall not be entitled to Additional Compensation to the extent that such increase in costs or reduction in amounts received or to be received or reduction in return is reflected in or recovered by an increase in the interest or other amounts payable hereunder other than pursuant to this Section 13.14. Such affected Lender shall endeavour to minimize the incidence of any Additional Compensation.

Failure or delay on the part of any Lender to demand Additional Compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such Additional Compensation, except that the Borrower shall be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than six months prior to the date that such Lender notifies the Borrower of the change in Applicable Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefore, unless the change in Applicable Law giving rise to such increased costs or reductions is retroactive, in which case the six month period referred to above shall be extended to include the period of retroactive effect thereof.

- (b) If a Lender notifies Ensign Canada that Additional Compensation is owed to such Lender, Ensign Canada shall have the right, upon at least two Business Days' irrevocable written notice to such affected Lender:
 - (i) to (subject to limitations on repayments contained in Section 5.5) cause the Borrower to repay to such Lender the relevant portion of any Advance on the date specified in such notice together with all interest accrued thereon to the date of repayment, the Additional Compensation if any to the date of payment and all other amounts, if any, payable for the account of the Lender hereunder in respect of such Advance (including any amounts payable under Section 13.12); or
 - (ii) to cause the Borrower to effect a Conversion of the relevant portion of any Advance (subject always to the provisions of this Agreement); and
- (c) Each Lender shall use its reasonable efforts to reduce the amount of Additional Compensation payable pursuant to this Section 13.14; provided, however, that no Lender shall have an obligation to expend its own funds, suffer any economic hardship or take any action detrimental to its interests in connection therewith.

13.15 Interest on Miscellaneous Amounts

If the Borrower fails to pay any amount payable hereunder (other than principal, interest thereon or interest upon interest which is payable as otherwise provided in this Agreement) on the due date, the Borrower shall, on demand, pay interest on such overdue amount to the Agent from and including such due date up to but excluding the date of actual payment, both before and after demand, default or judgment, at a rate of interest per annum, compounded monthly, equal to the sum of the U.S. Base Rate plus the Applicable Margin and 2.0% per annum for overdue amounts in U.S. Dollars.

13.16 Interest Rate Limitation

It is the intention of the parties hereto that each Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to any Lender under laws applicable to it (including the laws of each the Relevant Jurisdiction or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any of the Credit Documents or any agreement entered into in

connection with or as security for the Obligations, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to any Lender that is contracted for, taken, reserved, charged or received by such Lender under any of the Credit Documents or agreements or otherwise in connection with the Credit shall under no circumstances exceed the maximum amount allowed by such Applicable Law, and any excess shall be canceled automatically and if theretofore paid shall be credited by such Lender on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Credit is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to any Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be cancelled automatically by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by such Lender to the Borrower). All sums paid or agreed to be paid to any Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to such Lender, be amortized, prorated, allocated and spread throughout the stated term of the Credit until payment in full so that the rate or amount of interest on account of any of the Credit hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of interest payable to any Lender on any date shall be computed at the Highest Lawful Rate applicable to such Lender pursuant to this Section 13.16 and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to such Lender would be less than the amount of interest payable to such Lender computed at the Highest Lawful Rate applicable to such Lender, then the amount of interest payable to such Lender in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to such Lender until the total amount of interest payable to such Lender shall equal the total amount of interest which would have been payable to such Lender if the total amount of interest had been computed without giving effect to this Section 13.16.

13.17 Currency Indemnity

In the event of a judgment or order being rendered by any court or tribunal for the payment of any amounts owing under this Agreement or for the payment of damages in respect of any breach of this Agreement or under or in respect of a judgment or order of another court or tribunal for the payment of such amounts or damages, such judgment or order being expressed in a currency (the "**Judgment Currency**") other than the currency payable hereunder or thereunder (the "**Agreed Currency**"), each party against whom the judgment or order is made shall indemnify and hold each party in whose favour the judgment or order is made harmless against any deficiency in terms of the Agreed Currency in the amounts received by such party arising or resulting from any variation as between (i) the exchange rate at which the Agreed Currency is converted into the Judgment Currency for the purposes of such judgment or order, and (ii) the Exchange Rate at which such party is able to purchase the Agreed Currency with the amount of the Judgment Currency actually received by such party on the date of such receipt. The indemnity in this Section shall constitute a separate and independent obligation from the

other obligations of the parties hereunder, shall apply irrespective of any indulgence granted hereunder.

13.18 Environmental Indemnity

The Borrower hereby agrees to indemnify, defend and hold harmless the Lenders, the Agent and each of them from and against any and all losses, costs, expenses, damages, claims and liabilities (collectively, "**Environmental Claims**") incurred by the Lenders, the Agent and any of them as a result of:

- (a) any breach of Applicable Environmental Laws which relates to the property or operations of Ensign Canada, the Borrower or any Subsidiary of Ensign Canada;
- (b) any Release, presence, use, creation, transportation, storage or disposal of Hazardous Materials which relate to the property or operations of Ensign Canada, the Borrower or any Subsidiary of Ensign Canada; or
- (c) any claim or order for any clean-up, restoration, detoxification, reclamation, repair or other securing or remedial action which relates to the property or operations of Ensign Canada, the Borrower or any Subsidiary of Ensign Canada;

provided, however, that this indemnity shall not apply in respect of any such Environmental Claims which are caused by the gross negligence or willful misconduct of the Agent or the Lenders or by reason of any act of, or any act or omission taken at the direction of the Agent or any Lender or any of the officers, directors, employees, agents or assignees thereof. This indemnity shall extend to the officers, directors, employees, agents and assignees of the Lenders, the Agent, and each of them as well as to the Lenders, the Agent and each of them itself, and the Lenders, the Agent and each of them will hold the benefit of this indemnity in trust for such other indemnified Persons to the extent necessary to give effect thereto.

13.19 Illegality

If a Lender determines, in good faith, that (a) the introduction of or any change in any Applicable Laws or in the interpretation or application thereof by any court or by any judicial or governmental authority charged with the interpretation or administration thereof that has occurred after the date hereof or (b) compliance by such Lender with any request or directive from any central bank or other fiscal, monetary or other authority (whether or not having the force of law) issued after the date hereof has made it unlawful for such Lender to make, maintain or fund all or any portion of its Commitment or to perform its obligations in respect of the Credit hereunder or any relevant portions thereof as contemplated hereby, such Lender may, by notice in writing to the Borrower and the Agent, declare that its obligations hereunder in respect of its Commitment or the Credit so affected shall be terminated forthwith, whereupon such obligations shall be so terminated and the Borrower shall request a conversion of such Advances to other types of Advances not affected by this Section 13.19 (subject always to the provisions of this Agreement).

13.20 Confidentiality

The Agent and the Lenders agree to maintain the confidentiality of the Information (as defined below) except that, the Agent or any Lender may in their sole discretion, deliver copies of any financial statements and other documents delivered to the Agent or the Lenders, and disclose any other Information disclosed to the Agent or the Lenders, by or on behalf of Ensign Canada, the Borrower and the Material Subsidiaries in connection with or pursuant to the Credit Documents to:

- (a) each of the Agent's and the Lenders' directors, officers, affiliates, employees, agents and professional consultants who have a need to access such information and the Agent and the applicable Lender shall remain responsible for ensuring that arrangements are in place so that such Person maintains the confidentiality of such Information;
- (b) any regulatory authority having jurisdiction over the Agent or Lenders; or
- (c) any other Person to whom such delivery or disclosure may be necessary or appropriate
 - (i) in connection with any assignment or proposed assignment by the Agent or a Lender of any of its interests under the Credit Documents, (ii) in compliance with any Applicable Laws, applicable to the Lender, (iii) in response to any subpoena or other legal process, or (iv) in connection with any litigation to which the Lender is a party in any way relating to the Borrower, any Subsidiary of Ensign Canada, the Credit Documents and the transactions contemplated therein.

"Information" means all information received from Ensign Canada, the Borrower or any Subsidiary relating to Ensign Canada, the Borrower or Subsidiary and their businesses, other than any such information that is available to the Agent or any Lender on a nonconfidential basis prior to disclosure by Ensign Canada, the Borrower or a Subsidiary. Any Person required to maintain the confidentiality of Information as provided in this Section 13.20 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

13.21 Address for Notice

Any notice, demand or other communication (a **"Notice"**) to be given under the Credit Documents shall, except as otherwise specifically provided, be in writing addressed to the party for whom it is intended and, may be delivered by courier or telecopied, with transmission confirmed by a transmission report. Notwithstanding any provision of this Agreement to the contrary, if Notice is required herein to be given to Ensign Canada or the Borrower, such Notice shall be deemed to be validly given to Ensign Canada and the Borrower, if such Notice is provided to Ensign Canada only. Except as otherwise explicitly provided, every Notice shall be deemed to have been duly given, served or received on the date on which it is delivered (or if such date is not a Business Day, the next following Business Day) or on the date of transmission, if transmission is completed prior to 3:00 p.m. (Calgary time) on a Business Day (or the next Business Day if the transmission is completed after 3:00 p.m. (Calgary time) on a Business Day or on a day that is not a Business Day). The addresses of the parties hereto for the purposes hereof shall be the addresses specified beside their respective signatures to this Agreement or

any Assignment Agreement, or such other mailing or facsimile addresses as each party from time to time may notify the other as aforesaid.

13.22 Time of the Essence

Time shall be of the essence in this Agreement.

13.23 Further Assurances

Ensign Canada and the Borrower shall, at the request of the Agent, do all such further acts and execute and deliver all such further documents as may, in the reasonable opinion of the Agent, be necessary or desirable in order to fully perform and carry out the purpose and intent of the Credit Documents.

13.24 Term of Agreement

Except as otherwise provided herein, this Agreement shall remain in full force and effect until the payment and performance in full of all of the Obligations owing by the Borrower hereunder and the Lenders have no further obligation to make any Advances available to the Borrower

13.25 Payments on Business Day

Whenever any payment or performance under the Credit Documents would otherwise be due on a day other than a Business Day, such payment shall be made on the following Business Day.

13.26 Counterparts and Facsimile

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement. For the purposes of this Section, the delivery of a facsimile or PDF electronic copy of an executed counterpart of this Agreement shall be deemed to be valid execution and delivery of this Agreement, but the party delivering a facsimile or PDF electronic copy shall deliver an original copy of this Agreement as soon as possible after delivering the facsimile copy.

13.27 Statute References

All references herein to a statute include, unless otherwise stated, regulations passed or in force pursuant thereto and any amendments to such statute or to such regulations from time to time, and any legislation or regulations substantially replacing the same or substantially replacing any specific provision to which such reference is made.

13.28 Non-Merger

The Borrower covenants and agrees with the Agent and the Lenders that, in the case of any judicial or other proceeding to enforce the rights and remedies of the Agent or the Lenders under the Credit Documents (or any part thereof), judgment may be rendered against the Borrower in favour of the Lenders, or any of them, for any amount owing by them under the Credit Documents (or for which the Borrower may be liable thereunder after the application to

the payment thereof of the proceeds of any sale of any of the property, assets or undertaking of the Borrower). The covenants of the Borrower to pay interest at the rate provided for in this Agreement shall not merge in any such judgment and such judgment in: (a) Canadian Dollars shall bear interest at the Cdn. Prime Rate plus 2.0% per annum, and (b) in U.S. Dollars shall bear interest at the U.S. Prime Rate plus 2% per annum, in each case until such judgment and all Obligations of the Borrower to the Lenders under the Credit Documents have been paid in full. The Borrower waives the provisions of the *Judgment Interest Act* (Alberta) to the fullest extent permitted by law.

13.29 Exculpation Provisions

EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS; THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS; AND HAS RECEIVED THE ADVICE OF ITS LEGAL COUNSEL IN ENTERING INTO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT "CONSPICUOUS."

13.30 Waiver of Jury Trial

Each of the parties hereto hereby (i) irrevocably and unconditionally waives, to the fullest extent permitted by law, trial by jury in legal action or proceeding relating to this Agreement or any other Credit Document and for any counterclaim therein; (ii) irrevocably waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages; (iii) certifies that no other party hereto nor any of their representatives, agents or counsel has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers, and (iv) acknowledges that the other parties hereto have been induced to enter into this Agreement, the Credit Documents and the transactions contemplated hereby and thereby by, among other things, the waivers and certifications contained in this Section 13.30.

13.31 USA Patriot Act Notice

Each Lender hereby notifies the Borrower that pursuant to the requirements of the *USA Patriot Act* (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**USA Patriot Act**"), it is required to obtain, verify and record information that identifies the Borrower and its Subsidiaries, which information includes the name and address of the Borrower and its

Subsidiaries other information that will allow such Lender to identify the Borrower and its Subsidiaries in accordance with the USA Patriot Act.

13.32 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto concerning the matters addressed in this Agreement, and cancel and supersede any prior agreements, undertakings, declarations or representations, written or verbal, in respect thereof.

[Remainder of page deliberately blank - signature page follows]

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

ADDRESS FOR NOTICE:
ENSIGN ENERGY SERVICES INC.
1000, 400 - 5th Avenue S.W.
Calgary, AB T2P 0L6

ENSIGN ENERGY SERVICES INC.

By: (Originally signed)

By: (Originally signed)

ADDRESS FOR NOTICE:
ENSIGN UNITED STATES DRILLING INC.
1000, 400 - 5th Avenue S.W.
Calgary, AB T2P 0L6

ENSIGN UNITED STATES DRILLING INC.

By: (Originally signed)

ADDRESS FOR NOTICE:

HSBC BANK CANADA, as Agent
9th Floor, 407 - 8th Avenue S.W.
Calgary, AB T2P 1E5

HSBC BANK CANADA, as Agent

By: (Originally signed)

By: (Originally signed)

ADDRESS FOR NOTICE:

HSBC BANK CANADA, as Lender
9th Floor, 407 - 8th Avenue S.W.
Calgary, AB T2P 1E5

HSBC BANK CANADA, as Lender

By: (Originally signed)

By: (Originally signed)

ADDRESS FOR NOTICE:

HSBC BANK USA, National Association, as Lender
3050 Post Oak Boulevard, Suite 600
Houston, TX 77056

HSBC BANK USA, National Association, as Lender

By: (Originally signed)

Attention: Bruce Robinson/Stanley Varghese

Address for Drawdown Notices, Conversion
Notices, Rollover Notices and Repayment Notices:
Sue Smythe
Customer Service Manager
1 HSBC Plaza – 5th Floor
Rochester, New York

With a copy to:

HSBC BANK USA, National Association, as Lender
3050 Post Oak Boulevard, Suite 600
Houston, TX 77056

Attention: Bruce Robinson/Stanley Varghese

SCHEDULE "A" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor and Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT made this • day of •.

B E T W E E N:

• (the "Lender")

OF THE FIRST PART

- and -

• (the "Assignee")

OF THE SECOND PART

WHEREAS the Lender is a party to a credit agreement made as of August 30, 2011, among Ensign Energy Services Inc. ("Ensign Canada"), Ensign United States Drilling Inc. ("Ensign US"), the Lenders (as defined therein) and HSBC Bank Canada, as agent (the "Agent"), as amended, supplemented, restated or replaced from time to time (the "Credit Agreement");

AND WHEREAS the Lender desires to assign to the Assignee a portion of its rights and obligations under the Credit Agreement (including, without limitation, that same portion of the Commitments) and the other Credit Documents;

AND WHEREAS pursuant to the terms of the Credit Agreement, the Lender has complied with the provisions set out in Article 12 of the Credit Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that the parties hereto agree as follows:

1. All capitalized terms used herein and not defined shall have the meaning ascribed thereto in the Credit Agreement.
2. Pursuant to and in accordance with Article 12 of the Credit Agreement, the Lender hereby irrevocably assigns and transfers to the Assignee and the Assignee hereby purchases from the Lender and assumes, all rights and obligations of the Lender under the Credit Agreement with respect to that portion of its Commitment(s) set forth in Appendix I hereto.
3. The Assignee agrees to be bound by the terms and conditions of the Credit Agreement and to perform all of the obligations of the Lender thereunder from and after the effective date of this assignment.
4. The Assignee hereby confirms and agrees to the appointment of HSBC Bank Canada as Agent.

5. All of the acknowledgements and representations of a Lender contained in Section 11.8 of the Credit Agreement are true and correct with respect to the Assignee and the Assignee hereby agrees to be bound by the covenants of a Lender under the Credit Agreement.
6. The representations, warranties, covenants and agreements contained herein shall survive the execution and delivery of this Assignment Agreement.
7. The parties hereto acknowledge and agree that the provisions of this Assignment Agreement shall enure to benefit the Lender, the Agent and such other Lenders as may from time to time become parties to the Credit Agreement.
8. This Assignment Agreement shall be construed in accordance with, and all the rights of the parties hereto, shall be governed by, the laws of the Province of Alberta and the laws of Canada applicable therein.
9. This Assignment Agreement and any acknowledgements and approvals thereof may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement.

• [Lender]

By:

By:

• [Assignee]

By:

By:

Acknowledged and Consented to this • day of •

HSBC BANK CANADA,

As Agent

By:

If no Default or Event of Default has occurred:

Ensign Energy Services Inc. hereby confirms that the representations and warranties set forth in Article 8 of the Credit Agreement are true and correct on the date hereof and that no Default or Event of Default has occurred thereunder, which is continuing. Ensign Energy Services Inc. hereby consents to the foregoing as of this • day of •.

ENSIGN ENERGY SERVICES INC.

By: _____

Appendix I

NAME AND ADDRESS OF LENDER

•

Attention: •

NAME AND ADDRESS OF ASSIGNEE

LENDER'S COMMITMENT TO BE ASSIGNED
\$• of the <> Tranche

•

Attention: •

Payments

All interest payments or other payments to be made to the Assignee by [bank wire transfer] to:

Notices

All notices and communications, except notice with respect to payment, and written confirmation of each such payment, to be addressed to the Assignee at:

•

Attention: •

Notices with respect to payment, and written confirmation of each such payment, to be addressed to the Assignee at:

•

Attention: •

SCHEDULE "B" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor, Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

COMMITMENTS OF LENDERS

<u>Name of Address of Lender</u>	<u>Commitment (Cdn. \$)</u>
HSBC BANK CANADA 9th Floor, 407 - 8 th Avenue S.W. Calgary, AB T2P 1E5	U.S. \$200,000,000 under Tranche #1
HSBC BANK USA, NATIONAL ASSOCIATION 3050 Post Oak Boulevard, Suite 600 Houston, TX 77056	U.S. \$200,000,000 under Tranche #2

SCHEDULE "C" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor, Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

COMPLIANCE CERTIFICATE

TO: HSBC Bank Canada
9th Floor, 407 - 8th Avenue S.W.
Calgary, AB T2P 1E5

Dear Sirs:

1. Reference is made to the credit agreement made as of August 30, 2011, among Ensign Energy Services Inc. ("Ensign Canada") as Guarantor and Covenantor, Ensign United States Drilling Inc., as Borrower, the Lenders (as defined therein), HSBC Bank Canada, as agent (the "Agent"), as amended, supplemented, restated or replaced from time to time (the "Credit Agreement"). All terms and expressions used herein but not otherwise defined, shall have the same meanings herein as ascribed thereto in the Credit Agreement.
2. I/We, [names], in [my/our] capacity as [title and title] of Ensign Canada respectively, and not in any personal capacity, hereby certify that as of the date hereof:
 - (i) the representations and warranties set forth in the Credit Agreement are true and correct on the date hereof; and
 - (ii) no Default or Event of Default has occurred and is continuing.
3. As at the [insert March 31, June 30, September 30 or December 31, as applicable]:
 - (a) the Consolidated Debt to Consolidated EBITDA Ratio is ●:●;
 - (b) the Consolidated Debt to Consolidated Capitalization Ratio is <>%; and
 - (c) the Consolidated EBITDA to Consolidated Interest Expense Ratio is ●:●.
4. [If required by the Agent pursuant to Section 9.2(d): Attached hereto is a detailed list and description of all of the Hedge Agreements to which the Borrower and the Subsidiaries of Ensign Canada are a party (which description includes the specific terms and provisions of such Hedge Agreements), together with the Market Value of each such Hedge Agreement as at [insert March 31, June 30, September 30 or December 31, as applicable]. "Market Value" means, with respect to the obligations of the Borrower and the Subsidiaries of Ensign Canada under each Hedge Agreement on any day on which the Market Value is calculated, an amount, whether positive or negative, if any, which could be owing by the Borrower or the Subsidiaries of Ensign Canada with respect to their obligations under each such Hedge Agreement, calculated (whether or not governed by an ISDA Master Agreement) by making an estimation at mid-market the calculations required by section 6(e)(ii)(2)(A) of the ISDA Master Agreement as if the ISDA Master Agreement were being terminated as a result of a Termination Event with two Affected Parties on that day of calculation. Capitalized terms not defined in this Certificate shall have the meanings ascribed to them in the ISDA Master Agreement.]

The detailed calculation of each ratio referred to in Section 3 above is as set out on Schedule "A" attached hereto.

DATED this _____ day of _____, _____.

ENSIGN ENERGY SERVICES INC.

Per: _____

Name:

Title:

SCHEDULE "D" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor, Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

CONVERSION NOTICE

TO: HSBC Bank Canada
9th Floor, 407 - 8th Avenue S.W.
Calgary, AB T2P 1E5

Dear Sirs:

1. Reference is made to the credit agreement made as of August 30, 2011, among Ensign Energy Services Inc. ("Ensign Canada") as Guarantor and Covenantor, Ensign United States Drilling Inc. ("Ensign US"), as Borrower, the Lenders (as defined therein), HSBC Bank Canada, as agent (the "Agent"), as amended, supplemented, restated or replaced from time to time (the "Credit Agreement"). All terms and expressions used herein but not otherwise defined, shall have the same meanings herein as ascribed thereto in the Credit Agreement.
2. Pursuant to Section 5.4 of the Credit Agreement, Ensign US hereby requests the following Conversion:
 - (a) Conversion Date:
 - (i) Applicable Tranche:
 - (ii) Type and amount of existing Advance (prior to Conversion):
 - (iii) Type and amount of converted Advance (after Conversion):
 - (iv) Maturity Date (after Conversion) (if applicable):
 - (v) Borrower's account(s) (if any):
 - (vi) Special Instructions (if any):
 - (vii) **[Libor Period]:**
3. No Default or Event of Default has occurred and is continuing.

DATED this _____ day of _____, _____.

ENSIGN UNITED STATES DRILLING INC.

Per: _____

Name:

Title:

SCHEDULE "E" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor, Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

DRAWDOWN NOTICE

TO: HSBC Bank Canada
9th Floor, 407 - 8th Avenue S.W.
Calgary, AB T2P 1E5

Dear Sirs:

1. Reference is made to the credit agreement made as of August 30, 2011, among Ensign Energy Services Inc. ("Ensign Canada") as Guarantor and Covenantor, Ensign United States Drilling Inc. ("Ensign US"), as Borrower, the Lenders (as defined therein), HSBC Bank Canada, as agent (the "Agent"), as amended, supplemented, restated or replaced from time to time (the "Credit Agreement"). All terms and expressions used herein but not otherwise defined, shall have the same meanings herein as ascribed thereto in the Credit Agreement.
2. Pursuant to Section 5.4 of the Credit Agreement, Ensign US hereby requests the following Drawdown:
 - (a) Drawdown Date:
 - (i) Applicable Tranche:
 - (ii) Type and amount of Advance:
 - (iii) Maturity Date (if applicable):
 - (iv) Borrower's account(s) (if any):
 - (v) Special Instructions (if any):
 - (vi) **[Libor Period]:**
3. The representations and warranties set forth in the Credit Agreement are true and correct on the date hereof except for those expressly stated to be made as of the date of the Credit Agreement.
4. No Default or Event of Default has occurred and is continuing.

[except those set out below, which have been expressly disclosed to and waived or agreed to by the Lenders in writing].

DATED this _____ day of _____, _____.

ENSIGN UNITED STATES DRILLING INC.

Per: _____

Name:

Title:

SCHEDULE "F" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor, Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

REPAYMENT NOTICE

TO: HSBC Bank Canada
HSBC Bank USA, National Association

Dear Sirs:

1. Reference is made to the credit agreement made as of August 30, 2011, among Ensign Energy Services Inc. ("Ensign Canada") as Guarantor and Covenantor, Ensign United States Drilling Inc. ("Ensign US"), as Borrower, the Lenders (as defined therein), HSBC Bank Canada, as agent (the "Agent"), as amended, supplemented, restated or replaced from time to time (the "Credit Agreement"). All terms and expressions used herein but not otherwise defined, shall have the same meanings herein as ascribed thereto in the Credit Agreement.
2. Pursuant to Section 5.4 of the Credit Agreement, Ensign US hereby advises of the following repayment:
 - (a) Repayment Date:
 - (i) Applicable Tranche:
 - (ii) Type and amount of Advance Repaid:
 - (iii) Special Instructions (if any):

DATED this _____ day of _____, _____.

ENSIGN UNITED STATES DRILLING INC.

Per: _____
Name:
Title:

SCHEDULE "G" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor, Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

ROLLOVER NOTICE

TO: HSBC Bank Canada
9th Floor, 407 - 8th Avenue S.W.
Calgary, AB T2P 1E5

Dear Sirs:

1. Reference is made to the credit agreement made as of August 30, 2011, among Ensign Energy Services Inc. ("Ensign Canada") as Guarantor and Covenantor, Ensign United States Drilling Inc. ("Ensign US"), as Borrower, the Lenders (as defined therein), HSBC Bank Canada, as agent (the "Agent"), as amended, supplemented, restated or replaced from time to time (the "Credit Agreement"). All terms and expressions used herein but not otherwise defined, shall have the same meanings herein as ascribed thereto in the Credit Agreement.
2. Pursuant to Section 5.4 of the Credit Agreement, Ensign US hereby requests the following Rollover:
 - (a) Rollover Date:
 - (i) Applicable Tranche:
 - (ii) Type and amount of existing Advance (prior to Rollover):
 - (iii) Type and amount of converted Advance (after Rollover):
 - (iv) Maturity Date (after Rollover) (if applicable):
 - (v) Borrower's account(s) (if any):
 - (vi) Special Instructions (if any):
 - (vii) **[Libor Period]:**
3. No Default or Event of Default has occurred and is continuing.

DATED this _____ day of _____, _____.

ENSIGN UNITED STATES DRILLING INC.

Per: _____

Name:

Title:

SCHEDULE "H" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor, Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

**DISCLOSURE INFORMATION RELATING TO
SUBSIDIARIES AND MATERIAL SUBSIDIARIES**

SCHEDULE "I" attached to and forming part of the Credit Agreement made as of August 30, 2011, among Ensign Energy Services Inc., as guarantor, Ensign United States Drilling Inc., as borrower, HSBC Bank Canada and HSBC Bank USA, National Association, as lenders, HSBC Bank Canada, as agent.

•
GUARANTEE AND SUBORDINATION AGREEMENT

THIS GUARANTEE AND SUBORDINATION AGREEMENT is made as of the ____ day of _____,

BY:

• (the "Guarantor"),

IN FAVOUR OF:

HSBC BANK CANADA, as agent (the "**Agent**") for and on behalf of itself and the several banks, financial institutions and others from time to time parties to the Credit Agreement

RECITALS:

WHEREAS the Guarantor has agreed to guarantee the payment and performance by the Borrower of the Guaranteed Obligations to the Agent and the Lenders under, in respect of, or in connection with, the Credit Agreement and the other Credit Documents;

AND WHEREAS as a condition precedent to the Lenders making the Credit available to the Borrower, the Lenders require the Guarantor to expressly subordinate the Subordinated Obligations to the Guaranteed Obligations;

NOW THEREFORE, for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the Guarantor), the Guarantor agrees with the Agent and the Lenders as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Capitalized terms used in this Agreement but not otherwise defined shall have the same meanings herein as are ascribed thereto in the Credit Agreement. In addition, the following expressions used in this Agreement shall have the following meanings:

"Borrower" means Ensign United States Drilling Inc., and its successors and permitted assigns;

"Credit Agreement" means the credit agreement dated as of August 30, 2011, among Ensign Canada, the Borrower, the Lenders and the Agent, as the same may be amended, modified, varied, restated or replaced from time to time;

"Credit Documents" mean the Credit Agreement, the Guarantee and Subordination Agreements and all other documents delivered or to be delivered to or for the benefit of the Agent and the Lenders pursuant to the Credit Agreement;

"Default" means any event or condition 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;

"Ensign Canada" means Ensign Energy Services Inc. and its successors and assigns;

"Event of Default" means any Event of Default under and as defined in the Credit Agreement;

"Guaranteed Obligations" means all of the obligations, liabilities and indebtedness of the Borrower to the Agent and any Lender from time to time, whether present or future, direct or indirect, absolute or contingent, liquidated or unliquidated, matured or unmatured, extended or renewed, as principal or surety, alone or with others, of whatsoever nature or kind, in any currency, under or in respect of the Credit Agreement;

"Indemnified Amounts" means the amounts to be paid by the Guarantor under Section 2.2;

"Other Guarantor Obligations" means all of the obligations, liabilities and indebtedness of the Other Guarantors (or any of them) to the Agent and any Lender from time to time, whether present or future, direct or indirect, absolute or contingent, liquidated or unliquidated, matured or unmatured, extended or renewed, as principal or surety, alone or with others, of whatsoever nature or kind, in any currency, under or in respect of all or any Credit Documents

"Other Guarantors" means the Guarantors under and as defined in the Credit Agreement, other than the Guarantor, and **"Other Guarantor"** means any one of them;

"Other Senior Lenders" means other holders of senior unsubordinated indebtedness for borrowed money of the Guarantor or the Borrower or Other Guarantor in respect of which the Guarantor has provided a guarantee and including, for certainty, (i) Royal Bank of Canada under the credit agreement dated on or about June 26, 2008, among Ensign Drilling Partnership and Royal Bank of Canada, as the same may be amended, modified, varied, restated or replaced from time to time; and (ii) HSBC Bank Canada, HSBC Bank USA, National Association, and The Hongkong and Shanghai Banking Corporation Limited Sydney Branch under the Umbrella Credit Agreement;

"Parties" means the parties to this Agreement;

"Proceedings" means any voluntary or involuntary receivership, insolvency, proposal, bankruptcy, compromise, arrangement, reorganization, registration, scheme of arrangement, winding-up, liquidation, dissolution or other similar proceedings, whether or not any of the foregoing is judicial in nature, but not including any arrangement, reorganization or winding-up that is permitted under the Credit Agreement;

"Senior Obligations" means the Guaranteed Obligations, the Indemnified Amounts and the Other Guarantor Obligations;

"Subordinated Documents" means the present and future promissory notes, commitment letters, credit agreements, guarantees, certificates, instruments, notes, securities and all other agreements and other documents creating, evidencing, securing or otherwise relating to the Subordinated Obligations;

"Subordinated Obligations" means the present and future indebtedness, liabilities and obligations of the Borrower and the Other Guarantors (or any of them) to the Guarantor, direct or indirect, absolute or contingent, joint or several, matured or unmatured; and

"Subordinated Proceeds" means all present and future payments and Property received by the Guarantor from the Borrower and the Other Guarantors (or any of them) in payment or satisfaction of any or all of the Subordinated Obligations, including without limitation, all deposits and investments made with such payments and Property, including all other proceeds thereof of whatsoever nature or kind.

1.2 References

As used herein, **"this Agreement"**, **"hereto"**, **"herein"**, **"hereof"**, **"hereby"**, **"hereunder"** and any similar expressions refer to this Agreement as it may be supplemented, amended, restated or replaced from time to time, and not to any particular Article, Section or other portion hereof. Whenever in this Agreement a particular Article, Section or other portion thereof is referred to, such reference pertains to the Article, Section or portion thereof contained herein unless otherwise indicated. In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders. The inclusion of headings in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.3 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

1.4 Entire Agreement

This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter of this Agreement. There are no warranties, representations or agreements between the Parties in connection with such subject matter, except as specifically set forth or referred to in this Agreement.

1.5 Waiver, Amendment

No amendment or waiver of this Agreement shall be binding unless executed in writing by the Agent. A waiver of any provision of this Agreement shall only constitute a waiver in the specific instance and for the specific purpose for which it is given. A waiver of any provision of this Agreement shall not constitute a continuing waiver unless expressly provided in writing by the Agent.

1.6 Governing Law, Attornment

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and the Parties hereby irrevocably attorn to the non-exclusive jurisdiction of the courts of Alberta in the City of Calgary.

1.7 Waiver of Jury Trial

The Guarantor hereby (i) irrevocably and unconditionally waives, to the fullest extent permitted by law, trial by jury in legal action or proceeding relating to this Agreement or any other Credit Document and for any counterclaim therein; (ii) irrevocably waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages; (iii) certifies that none of the Agent or the Lenders have nor any of their representatives, agents or counsel has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers, and (iv) acknowledges that the Agent and the Lenders have been induced to enter into this Agreement, the Credit Documents and the transactions contemplated hereby and thereby by, among other things, the waivers and certifications contained in this Section 1.7.

ARTICLE 2 GUARANTEE AND INDEMNITY

2.1 Guarantee

The Guarantor unconditionally and irrevocably guarantees to and for the benefit of each of the Agent and the Lenders the due and punctual payment and performance of all Guaranteed Obligations. This Agreement contained herein is an absolute, unconditional, present and continuing guarantee of payment, and not of collection, is in no way conditioned or contingent upon any attempt to collect from or enforce payment by the Borrower or any Other Guarantor or upon any other event, contingency or circumstance whatsoever and shall be binding upon and enforceable against the Guarantor without regard to the validity or enforceability of any Credit Document. If, for any reason whatsoever, the Borrower or any Other Guarantor shall fail or be unable to duly, punctually and fully pay or perform any Guaranteed Obligation as and when the same shall become due and payable, the Guarantor shall forthwith pay, cause to be paid or cause to be performed, such Guaranteed Obligation to the Agent for and on behalf of itself and the Lenders.

2.2 Indemnity

The Guarantor shall indemnify and save harmless the Agent and the Lenders from and against any and all losses, costs and expenses which they may suffer by the Guaranteed Obligations not being paid or performed in a punctual manner or by any of the Guaranteed Obligations or any Credit Document being or becoming for any reason whatsoever in whole or in part:

- (a) void, voidable, *ultra vires*, illegal, invalid, ineffective or otherwise unenforceable by the Agent or the Lenders in accordance with its terms, or
- (b) released, compromised or discharged by operation of law or otherwise,

(all of the foregoing collectively, an "**Indemnifiable Circumstance**"). For greater certainty, these losses shall include without limitation the amount of all Guaranteed Obligations which would have been payable by the Borrower or any Other Guarantor but for the existence of an Indemnifiable Circumstance but shall exclude all losses, costs and expenses arising from loss of profits, consequential, punitive or indirect damages howsoever arising.

2.3 Reinstatement

The guarantee and indemnity herein shall be reinstated if at any time any payment of any Guaranteed Obligations or Indemnified Amounts is rescinded or must otherwise be returned by the Agent or any Lender as a result of any Proceedings of or affecting the Borrower or any Other Guarantor, the Guarantor or any other Person or for any other reason whatsoever, all as though such payment had not been made. The Agent or any Lender may concede or compromise any claim that such payment ought to be rescinded or otherwise returned, without discharging, diminishing or in any way affecting the liability and the obligation of the Guarantor under this Agreement.

ARTICLE 3

SUBORDINATION

3.1 Subordination and Postponement

The Guarantor agrees that the Subordinated Documents and the Subordinated Obligations shall be fully subordinated and, subject to Section 3.3, postponed, to and in favour of the Credit Documents and the Senior Obligations in all circumstances. The Agent and the Lenders shall have priority over the Guarantor in respect of all of the present and future Property of the Borrower and any Other Guarantor, to discharge and satisfy the Senior Obligations, all in priority to any claim of the Guarantor.

3.2 Priority

The subordination of the Subordinated Documents and the Subordinated Obligations to the Credit Documents and the Senior Obligations set out in this Agreement and the other provisions of this Agreement shall apply in all events and circumstances. Without limiting the generality of the foregoing, the rights and priority of the Agent and the Lenders and the subordination of the Subordinated Documents and the Subordinated Obligations shall not be affected by:

- (a) the time, sequence or order of creating, granting, executing, delivering of, filing or registering or failing to file or register any notice or instrument in respect of the Credit Documents or the Subordinated Documents;
- (b) the date or the order of the creation of the Senior Obligations or the Subordinated Obligations;
- (c) the time or order of any advance, giving of notice or the making of any demand under the Credit Documents, the Senior Obligations, the Subordinated Documents or the Subordinated Obligations;
- (d) the taking of any collection, enforcement or realization proceedings by the Agent or the Lenders;

- (e) any Proceedings or any other process or proceeding having similar effect, involving or affecting the Borrower and/or any Other Guarantor or their Property, any judgment or order against the Borrower and/or any Other Guarantor or the date of any of the foregoing;
- (f) the giving or failure to give any notice, or the order of giving notice, to the Borrower and/or any Other Guarantor;
- (g) the failure to exercise any power or remedy reserved to the Agent and/or the Lenders under the Credit Documents or to insist upon strict compliance with any of the terms thereof;
- (h) the failure by the Borrower and/or any Other Guarantor to comply with any restrictions on borrowing or guaranteeing the obligations of others set forth in any Credit Document, or any other agreement or document, regardless of any knowledge thereof which the Agent and/or the Lenders may have or be deemed to have or with which the Agent and/or the Lenders may be charged; and
- (i) any other reason including, without limitation, any priority granted to the Guarantor, the Subordinated Documents or the Subordinated Obligations by any applicable principle of law or equity.

3.3 No Further Payments

If the Agent has provided the Borrower with notice of the occurrence and continuance of an Event of Default, the Borrowers will not, and the Borrowers will not permit any Other Guarantor to, make any further payments to the Guarantor in respect of any of the Subordinated Obligations, which are not permitted by the Credit Agreement, until the earlier of: (i) such Event of Default has been fully remedied, or (ii) until all of the Guaranteed Obligations and the Indemnified Amounts have been fully and finally paid, satisfied, performed and discharged.

3.4 Subordinated Proceeds

Without limiting the generality of the foregoing and in addition to any other rights and remedies available to the Agent and the Lenders under this Agreement, the Agent may give a written notice (a "**Default Notice**") to the Guarantor that an Event of Default has occurred and is continuing and notwithstanding the provisions of any of the Subordinated Documents, the Guarantor shall, subject to applicable laws relating to bankruptcy, insolvency or other laws affecting creditors' rights generally, hold in trust for the Agent, the Lenders and the Other Senior Lenders and immediately pay over to the Agent, and the Other Senior Lenders on a pro rata basis all Subordinated Proceeds which it then holds or it receives or holds at any time thereafter.

3.5 Insolvency/Receivership

In the event of any Proceeding involving or affecting the Borrower and/or any Other Guarantor or their Property, or any marshalling of the assets and liabilities of the Borrower and/or any Other Guarantor:

- (a) the Agent and the Lenders will be entitled to receive payment in full of the Senior Obligations before the Guarantor will be entitled to receive any payment upon the Subordinated Obligations or any distribution of any kind or character, whether in cash, securities or other Property, that may be payable or deliverable in any such event in respect of the Subordinated Obligations;
- (b) any payment or distribution of any Property of the Borrower and/or any Other Guarantor of any kind or character, whether in cash, securities or other Property, to which the Guarantor would be entitled, except for the provisions of this Section 3.5, shall, subject to applicable laws relating to bankruptcy, insolvency or other laws affecting creditors' rights generally, be paid by the Person making such payment or distribution, whether a trustee in bankruptcy, a receiver, receiver and manager or liquidator, trustee or otherwise, directly to the Agent and the Other Senior Lenders on a pro rata basis, to the extent necessary to pay in full all Senior Obligations and the Indemnified Amounts remaining unpaid after giving effect to any concurrent payment or distribution to the Agent and the Lenders; and
- (c) if any payment or distribution of property of the Borrower and/or any Other Guarantor of any kind or character, whether in cash, securities or other property, is received by the Guarantor before all Senior Obligations are paid in full, such payment or distribution shall be held in trust by the Guarantor for the benefit of and shall, subject to applicable laws relating to bankruptcy, insolvency or other laws affecting creditors' rights generally, be paid over to the Agent and the Other Senior Lenders on a pro rata basis for application to the payment of all Senior Obligations remaining unpaid until all Senior Obligations have been paid in full after giving effect to any concurrent payment or distribution to the Agent and the Lenders.

3.6 Dealings with the Borrower and the Other Guarantors

The Agent and the Lenders shall be entitled to deal with the Borrower, any Other Guarantor, the Credit Documents and the Senior Obligations as the Agent and the Lenders may see fit without in any manner affecting the guarantee of the Guaranteed Obligations or the subordination of the Subordinated Obligations to the Senior Obligations, and in particular, without limiting the generality of the foregoing, the Agent and the Lenders may from time to time:

- (a) grant time, renewals, extensions, releases, discharges or other indulgences or forbearances to the Borrower and/or any Other Guarantor;
- (b) waive timely and strict compliance with or refrain from exercising any rights under the Credit Documents or the Senior Obligations; and
- (c) take and give up security interests in the Property of the Borrower and/or any Other Guarantor and release, amend, extend, supplement, restate, substitute or replace any of the Credit Documents or the Senior Obligations in whole or in part.

3.7 Enforcement of Subordinated Documents

The Guarantor shall not enforce any right or remedy against the Borrower and/or any Other Guarantor by reason of a default by the Borrower and/or any Other Guarantor under the Subordinated Documents unless the Guarantor obtains the prior written consent of the Agent.

ARTICLE 4

ENFORCEMENT

4.1 Demand

On demand by or on behalf of the Agent (after the occurrence and during the continuance of an Event of Default), the Guarantor shall, forthwith pay to the Agent and/or perform or cause the performance of, all Guaranteed Obligations for which such demand was made. In addition, all Indemnified Amounts shall be payable by the Guarantor to the Agent forthwith upon demand by the Agent.

4.2 Right to Immediate Payment or Performance

The Agent shall not be bound to make any demand on or to seek or exhaust its recourse against the Borrower, any Other Guarantor or any other Person or any Security Interest held by it or any Lender, before being entitled to demand payment from or performance by the Guarantor and enforce its rights under this Agreement, and the Guarantor hereby renounces all benefits of discussion and division.

4.3 Subrogation

The Guarantor shall not have any right of subrogation to the Agent or any Lender or be otherwise entitled to claim the benefit of any Security Interest held by the Agent or any Lender in respect of the Guaranteed Obligations or the Indemnified Amounts, until the Agent and the Lenders have received full and final payment and performance of all Guaranteed Obligations, all Indemnified Amounts and all other amounts payable hereunder.

4.4 Principal Debtor

Any amounts which may not be recoverable from the Guarantor as guarantor under this Agreement shall be recoverable from the Guarantor as if the Guarantor were the principal debtor in respect thereof and shall be paid to the Agent by the Guarantor after demand therefor.

ARTICLE 5

PROTECTION OF AGENT AND THE LENDERS

5.1 Defects in Creation of Guaranteed Obligations

None of the Agent or the Lenders shall be concerned to see or inquire into the capacity and powers of the Borrower, the Other Guarantors or their directors, officers, employees or agents acting or purporting to act on their behalf. All obligations, liabilities and indebtedness purporting to be incurred by the Borrower and the Other Guarantors in favour of the Agent and the Lenders pursuant to the Credit Documents shall be deemed to form part of the Guaranteed Obligations even though the Borrower and the Other Guarantors may not be a legal entity or the incurring of such obligations, liabilities or

indebtedness was irregularly, fraudulently, defectively or informally effected or in excess of the capacity or powers of the Borrower, the Other Guarantors or their directors, officers, employees or agents and notwithstanding that the Agent or the Lenders has specific notice of the capacity and powers of the Borrower, the Other Guarantors or their directors, officers, employees or agents.

5.2 Liability Absolute

This Agreement shall be a continuing guarantee and subordination agreement and the liability of the Guarantor hereunder shall be absolute, unconditional and irrevocable and shall not be discharged, diminished or in any way affected by:

- (a) any amalgamation, merger, consolidation or reorganization of the Borrower, the Guarantor or any Other Guarantor or any continuation of the Borrower, the Guarantor or any Other Guarantor from the statute or laws under which it now or hereafter exists to another statute or other laws whether under the laws of the same jurisdiction or another jurisdiction;
- (b) any change in the name, business, objects, capital structure, ownership, partners, constituting documents, by-laws, declarations of trust, partnership agreements or resolutions of the Borrower, the Guarantor or any Other Guarantor, as the case may be, including without limitation any transaction (whether by way of transfer, sale or otherwise) whereby all or any part of the undertaking, property and assets of the Borrower, the Guarantor or any Other Guarantor becomes the property of any other Person;
- (c) any lack of validity, enforceability or value of any Credit Document or any other agreement or instrument relating thereto or to any Security Interest therefor;
- (d) any change in the time, manner or place of payment of, or in any other term of any Credit Document or any amendment or waiver thereof, or any consent to departure from any Credit Document;
- (e) any taking, exchange, release or non-perfection of any Security Interest, or any release or amendment or waiver of or consent to departure from any other guarantee for any Credit Document;
- (f) any manner of application of any Security Interest or proceeds of realization thereof, or any manner of sale or other disposition of any collateral or any other assets of the Borrower, the Guarantor or any Other Guarantor;
- (g) the bankruptcy, insolvency, liquidation or dissolution of the Borrower, the Guarantor or any Other Guarantor, or any other Person, and the occurrence of any Proceeding;
- (h) any amendment or modification of or supplement to or other change in any Credit Document;
- (i) any failure, omission or delay on the part of any Person to conform or comply with any term of any Credit Document;

- (j) to the extent as may be waived under applicable law, the benefit of all principles or provisions of law, statutory or otherwise, which may be in conflict with the terms hereof; or
- (k) any other circumstance which might otherwise constitute in whole or in part a defence available to, or a discharge of, the Borrower, the Guarantor, any Other Guarantor, or any other Person in respect of the Guaranteed Obligations or the other obligations of the Guarantor hereunder.

Without limiting the generality of the foregoing, the Guarantor agrees that repeated and successive demands may be made and recoveries and judgements may be had hereunder and that notwithstanding any recovery or judgement hereunder, this Agreement shall remain in force and effect. If (i) an Event of Default shall at any time have occurred and be continuing and (ii) such exercise, or any consequences thereof provided in any Credit Document, as the case may be, shall at any time be prevented by reason of the pendency against the Borrower or any Other Guarantor of a Proceeding, the Guarantor agrees that, solely for purposes of this Agreement and its obligations hereunder, such Credit Document shall be deemed to have been declared in default and all amounts thereunder shall be deemed to be due and payable, with all the attendant consequences as provided in the such agreement and if declaration of an Event of Default and the consequence thereof had been accomplished in accordance with the terms thereof, and the Guarantor shall forthwith pay and perform the Guaranteed Obligations.

5.3 No Merger

The Guarantor covenants and agrees with the Agent and the Lenders that, in the case of any judicial or other proceeding to enforce the rights and remedies of the Agent or the Lenders hereunder (or any part hereof), judgment may be rendered against the Guarantor in favour of the Agent and Lenders (or any of them) for any amount owing under this Agreement (or for which the Guarantor may be liable hereunder after the application to the payment thereof of the proceeds of any sale of any of the Property of the Guarantor) and such judgment shall not create a merger with any other right or amount owing to the Agent and the Lenders under this Agreement or under any other Credit Document.

5.4 Dealings by the Agent and the Lenders

The Agent and the Lenders may from time to time in their absolute discretion, without discharging, diminishing or in any way affecting the liability of the Guarantor hereunder:

- (a) permit any increase or decrease, however significant, of the Guaranteed Obligations or supplement, amend, restate or substitute, in whole or in part, however significant, the Guaranteed Obligations, any Credit Document or any other agreement relating to any of the foregoing or, in whole or in part, or demand payment of all or any Guaranteed Obligations and/or the Indemnified Amounts;
- (b) enforce or take action under or abstain from enforcing or taking action under any Credit Document or any other guarantee of the Guaranteed Obligations;
- (c) receive, give up, subordinate, release or discharge any Security Interest; supplement, amend, restate, substitute, renew, abstain from renewing, perfect or abstain from perfecting or maintaining the perfection of any Security Interest; enforce, take action

under or realize in any manner or abstain from enforcing, taking action under or realizing any Security Interest; deal with or abstain from dealing with all or any part of the undertaking, property and assets subject to any Security Interest; or allow or abstain from allowing the Borrower, any Other Guarantor or other Persons to deal with all or any part of such undertaking, property and assets;

- (d) renew all or any part of the Guaranteed Obligations or grant extensions of time or any other indulgences to the Borrower, the Guarantor, any Other Guarantor or other Person liable directly or indirectly for all or any part of the Guaranteed Obligations or Indemnified Amounts;
- (e) accept or make any compositions or arrangements with or release, discharge or otherwise deal with or abstain from dealing with the Borrower, the Guarantor, any Other Guarantor or other Person liable directly or indirectly for all or any part of the Guaranteed Obligations or Indemnified Amounts;
- (f) in whole or in part prove or abstain from proving any claim of the Agent or the Lenders in any Proceedings of or affecting the Borrower, any Other Guarantor or any other Person; and
- (g) agree with the Borrower, the Guarantor, any Other Guarantor or any other Person to do anything described in paragraphs (a) to (f) above;

whether or not any of the matters described in paragraphs (a) to (g) above occur alone or in connection with one or more other such matters.

No loss of or in respect of any Security Interest for the Guaranteed Obligations, the Indemnified Amounts or any part thereof, whether occasioned through the fault of the Agent or any Lender or otherwise, shall discharge, diminish or in any way affect the liability of the Guarantor hereunder. None of the Agent or any Lender nor any of their directors, officers, employees or agents or any receiver or receiver-manager appointed by any of them or by a court shall have any liability, whether in tort, contract or otherwise, for any neglect or any act taken or omitted to be taken by them in connection with the Guaranteed Obligations or any part thereof or any Security Interest for the Guaranteed Obligations or any part thereof including without limitation any of the matters described above in this Section 5.4, except in each case and with respect to a particular Person, such Person's gross negligence or wilful misconduct.

5.5 Waiver of Notice

To the extent permitted by applicable law, the Guarantor expressly waives any right to receive notice of the existence or creation of all or any of the Guaranteed Obligations or the Indemnified Amounts and presentment, demand, notice of dishonour, protest, notice of any of the events or circumstances described in Sections 5.1, 5.2, 5.3, 5.4 and all other notices whatsoever in respect of the Guaranteed Obligations or the Indemnified Amounts. The Guarantor hereby acknowledges receipt of copies of the Credit Documents and all guarantees and other documents referred to in the Credit Agreement and of all the provisions therein contained and consents to and approves the same.

ARTICLE 6
MISCELLANEOUS

6.1 Expenses

The Guarantor shall pay on demand all reasonable out of pocket costs and expenses of the Agent and the Lenders (including, without limitation, the fees and expenses of counsel for the Agent and the Lenders) incurred in connection with any enforcement of this Agreement.

6.2 No Prejudice

None of the Agent or the Lenders shall be prejudiced in their rights and remedies hereunder by any act or failure to act of the Borrower, the Guarantor or any Other Guarantor, or any failure of the Borrower, the Guarantor or any Other Guarantor to comply with any agreement or obligation, regardless of any knowledge thereof which the Agent and/or a Lender may have or be deemed to have or with which the Agent and/or a Lender may be charged.

6.3 No Set-off by Guarantor

All amounts payable by the Guarantor under this Agreement shall be paid without set-off or counterclaim and without any deduction or withholding whatsoever.

6.4 No Challenge

None of the Guarantor, the Borrower or any Other Guarantor shall at any time challenge, dispute or contest the validity or enforceability of the guarantee, subordination and postponement provided for herein or take any action that could diminish, impair or prejudice the guarantee, subordination and postponement contemplated hereby.

6.5 Guarantor Shall Grant No Security Interest

The Guarantor will not sell, transfer, assign, negotiate, mortgage, charge, grant a Security Interest in or otherwise encumber or dispose of in any manner whatsoever its interest in the Subordinated Documents or the Subordinated Obligations, or any part thereof to any Person, unless such Person shall have first become bound by the obligations of the Guarantor set out in Article 3 of this Agreement.

6.6 No Waiver

No delay on the part of the Agent or any Lender in the exercise of any right, power or remedy hereunder or otherwise shall operate as a waiver thereof, and no single or partial exercise by the Agent or the Lenders of any right, power or remedy shall preclude other or further exercise thereof or the exercise of any other right, power or remedy. No action of the Agent or any Lender permitted hereunder shall in any way impair or affect its rights, powers or remedies under this Agreement.

6.7 Additional Security

This Agreement shall be in addition to, and shall not be in any way prejudiced by nor shall this Agreement prejudice:

- (a) any Security Interest or guarantee now or hereafter held by the Agent or any Lender;
and
- (b) the endorsement by the Guarantor of any notes or other documents,

and rights of the Agent and the Lenders under this Agreement shall not be merged in any such other Security Interest, guarantee or endorsement.

6.8 Assignment

The Guarantor shall not assign any of its obligations with respect to this Agreement without the prior written consent of the Lenders except to the extent permitted under the Credit Agreement.

6.9 Communication

Any demand, notice or other communication required or permitted to be given hereunder shall be in writing and shall be given in accordance with the Credit Agreement and addressed as follows:

(a) Agent:

HSBC Bank Canada
9th Floor, 407 - 8th Avenue S.W.
Calgary, AB T2P 1E5

Attention: Vice President, Energy Financing
Fax: [REDACTED]

(b) Guarantor:

c/o Ensign Energy Services Inc.
1000, 400 - 5th Avenue S.W.
Calgary, AB T2P 0L6

Attention: Chief Financial Officer
Fax: [REDACTED]

6.10 Successors and Assigns

This Agreement shall be binding upon the Guarantor and its successors (including any successor by reason of amalgamation, winding-up or merger) and permitted assigns and enure to the benefit of the Agent and the Lenders and their respective successors and assigns.

6.11 Foreign Currency

With respect to any portion of the Guaranteed Obligations or Indemnified Amounts which are payable in a currency other than Canadian dollars (the "Foreign Currency Obligation"), the following provisions shall apply:

- (a) Payment hereunder with respect to the Foreign Currency Obligation shall be made in immediately available funds in lawful money of the jurisdiction in the currency of which the Foreign Currency Obligation is payable (the "Foreign Currency") in such form as shall be customary at the time of payment for settlement of international payments in Calgary, Alberta without set-off, counterclaim or deduction and free and clear of and without deduction for any and all present and future taxes, levies, imposts, deductions, charges and withholdings with respect thereto.

- (b) The Guarantor agrees to indemnify and hold the Agent and the Lenders harmless from any loss incurred by any of them arising from any change in the value of the Canadian dollar in relation to the Foreign Currency between the date the Foreign Currency Obligation becomes due and the date of payment thereof, if such payment is not made in the Foreign Currency.
- (c) If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in the Foreign Currency into Canadian dollars, the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase the Foreign Currency with Canadian dollars on the Business Day preceding that on which final judgment is given.
- (d) The obligation of the Guarantor in respect of any Foreign Currency Obligation due by it to the Agent and the Lenders hereunder shall, notwithstanding any judgment in Canadian dollars, be discharged only to the extent that on the Business Day following receipt by the Agent of any sum adjudged to be so due in Canadian dollars the Agent may in a commercially reasonable manner, in accordance with normal banking procedures for transactions in the approximate amount received by the Agent purchase the Foreign Currency with the Canadian dollars; if the amount of the Foreign Currency so purchased is less than the sum originally due to the Agent and the Lenders in the Foreign Currency the Guarantor agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Agent and the Lenders against such loss and if the Foreign Currency purchased exceeds the sum originally due to the Agent and the Lenders in the Foreign Currency the Agent agrees to remit such excess to the Guarantor as the Guarantor may be entitled thereto.

6.12 Copy Received

The Guarantor acknowledges receipt of a copy of this Agreement.

6.13 Time of the Essence

Time shall be of the essence.

6.14 Taxes

If any payment made by the Guarantor to the Agent or any Lender becomes subject to any withholding or deduction with respect to Taxes, the Guarantor shall also duly and punctually pay to the Agent or such Lender such additional amount as may be necessary to ensure that the Agent or such Lender receives an amount, after taking into account all applicable Taxes, equal to the amount which would have been received by the Agent or such Lender had such payment not been made subject to any withholding or deduction. In any such circumstance, the Guarantor shall also promptly remit to the Agent the relevant official receipts or other evidence satisfactory to the Agent evidencing payment to the appropriate taxing authority of each such Tax by the Guarantor on behalf of the Agent or such Lender.

Upon the cancellation of all of the Commitments and the full and final payment of the Guaranteed Obligations arising under, out of or in connection with the Credit Agreement, the Agent

shall be fully, finally and absolutely released from all liabilities and obligations arising under, out of or in connection with this Agreement.

IN WITNESS WHEREOF the Guarantor has executed this Agreement as of the day and year first above written.

•

Per: _____

Name:

Title:

Per: _____

Name:

Title:

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