ASSET PURCHASE AGREEMENT

by and between

ENERCHEM INTERNATIONAL INC.
as the SELLER,

and

M-I DRILLING FLUIDS CANADA, INC.
as the BUYER

Dated as of December 15, 2005

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LIST OF SCHEDULES TO AGREEMENT

Schedules

[OMITTED FOR REASONS OF CONFIDENTIALITY]

LIST OF EXHIBITS TO AGREEMENT

Exhibits

Exhibit A	-	Bill of Sale, Assignment and Assumption Agreement
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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "***Agreement***") is made and entered into as of December 15, 2005 by and between ENERCHEM INTERNATIONAL INC., an Alberta company (the "***Seller***"), and M-I Drilling Fluids Canada, Inc., a corporation duly formed under the laws of the province of Alberta (the "***Buyer***"). Certain capitalized terms used herein are defined in Section 9.

RECITALS:

WHEREAS, the Seller desires to sell to the Buyer substantially all of the assets associated with the Seller's Specialty Chemicals Group business of producing and selling specialty chemicals for use in the oilfield production market segment and its Sulfex/HD 1090 product lines (collectively, the "***Business***"), which assets are more fully described in Section 1.1, and the Buyer desires to acquire ownership, possession, and use of such Business assets to allow Buyer to carry on the Business, in consideration of the payment by the Buyer of the purchase price provided for herein, all upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the respective representations, warranties and covenants and indemnities contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT

1. Purchase and Sale of Assets.

1.1 Transfer of Assets. On the terms and subject to the conditions set forth in this Agreement, on the Closing Date (as defined in Section 2.1), the Seller shall sell, convey, assign, transfer and deliver to the Buyer, and the Buyer shall purchase and acquire from the Seller (except as provided in Section 1.2) all of the assets, rights and properties of the Seller used by or associated with the Business including, without limitation, the following:

(a) The equipment, trucks, trailers, vehicles, furniture, furnishings, machinery, vehicles, tools, spare parts, maintenance supplies, supplies, computer equipment and hardware (including all central processing units, terminals, disk drives, servers, tape drives, printers, keyboards, screens, peripherals, modems and appurtenances thereto), goods and other tangible personal property associated with the Business, including, without limitation, those items of personal property listed on Schedule 1.1(a) hereto (collectively, the "***Equipment***"), and all warranties and guarantees, if any, express or implied, existing for the benefit of the Seller in connection with the Equipment;

(b) All right, title and interest of the Seller in, to and under all price lists, customer lists, computer programs, software, disks and tapes, distribution lists, copies of files and records, sales promotion and advertising materials, supplier lists, catalogs, research material, technical information, formulations, specifications, blueprints, operating manuals, designs, drawings and quality control that are used in and necessary for the operation of the Business and other similar data used in the Business, including any materials relating to the design, engineering, manufacture or assembly of the specialty chemicals sold by the Seller in the oilfield production market segment and the Seller's Sulfex/HD 1090 product lines;

(c) The rights of the Seller under all of the contracts and agreements listed on Schedule 1.1(c) hereto (collectively, the "***Scheduled Contracts***");

(d) The rights of the Seller under all federal, state, provincial or municipal Permits relating to the conduct of the Business, including without limitation those listed on Schedule 1.1(d) hereto, to the extent that such Permits are transferable;

(e) All Intellectual Property of the Seller, including formulations, and any goodwill associated therewith, used in the conduct of the Business, including but not limited to the items listed on Schedule 1.1(e) hereto;

(f) All inventories of products of the Business, including raw materials, work in process, finished goods and packaging materials, and component parts on hand or in transit, including, but not limited to the items listed on Schedule 1.1(f) hereto (collectively, the "***Inventory***");

(g) The real property described on Schedule 1.1(g) hereto, including all buildings, structures, fixtures and other improvements situated thereon, and all appurtenances, easements, privileges, rights-of-way and other rights associated therewith (the "***Real Estate***");

(h) All backlog orders for products sold by the Business which are (1) accepted by the Seller in the ordinary course of business consistent with past practices prior to the Closing, and (2) are listed on Schedule 1.1(h) hereto (collectively, the "***Backlog Orders***");

(i) All deposits, prepayments and prepaid expenses relating to the Business;

(j) All rights, claims or choses in action of the Seller against any Person relating to the Assets;

(k) All information and data from the Seller's files and records (but not the actual files and records) that are necessary to permit the Buyer to carry on the Business from the Closing Date; and

(l) All telephone numbers used by the Business set out in Schedule 1.1(l). Seller agrees that for a period of one (1) year after the Closing Date, if Seller receives any calls respecting the Business or intended for the Buyer, it shall direct them to the Buyer.

The assets described in this Section 1.1 as being sold, conveyed, assigned, transferred and delivered to the Buyer hereunder are sometimes hereinafter referred to collectively as the "***Assets***".

1.2 Excluded Assets. It is expressly understood and agreed that the Assets shall not include the following:

(a) Cash and cash equivalents or similar type investments, such as certificates of deposit and other marketable securities;

(b) All accounts, notes and other receivables of the Seller to the extent that such accounts, notes or receivables are attributable to the operation of the Business before the Closing Date;

(c) Claims for refunds of taxes and other governmental charges to the extent such refunds relate to periods ending on or prior to the Closing Date;

(d) The assets of any Seller Benefit Plan (as defined in Section 3.1(v));

(e) Any of the agreements of the Business that are not Scheduled Contracts;

(f) The Seller's ownership interest in Egyptian Canadian Company For Chemical Industries F.Z.;

(g) Any insurance policies maintained by the Seller; and

(h) Any assets, rights and properties of the Seller not used by or associated with the Business including, without limitation, the following:

(i) The equipment, trucks, trailers, vehicles, furniture, furnishings, machinery, vehicles, tools, spare parts, maintenance supplies, supplies, computer equipment and hardware (including all central processing units, terminals, disk drives, servers, tape drives, printers, keyboards, screens, peripherals, modems and appurtenances thereto), goods and other tangible personal property not associated with or used by the Business (***"non-Business property"***), and all warranties and guaranties, if any, express or implied, existing for the benefit of the Seller in connection with the non-Business property.

(ii) All right, title and interest of the Seller in, to and under all price lists, customer lists, computer programs, software, disks, and tapes, distribution lists, copies of files and records, sales promotion and advertising materials, supplier lists, catalogs, research material, technical information, formulations, specifications, blueprints, operating manuals, designs, drawings, and quality control that are not used in and necessary for the operation of the Business and other similar data not used in the Business.

(i) Any rights to the name "Enerchem", except for the right to use the Enerchem name for a period of three months after the Closing Date to the extent necessary for the Buyer to conduct Business, and for an additional period beyond three months after the Closing Date as needed to dispose of any Enerchem-labeled inventory.

1.3 Liabilities. From and after the Closing Date, the Buyer will assume and pay, perform, fulfill and discharge, the obligations of the Seller which accrue and are due and payable (or performable) subsequent to the Closing Date under the Scheduled Contracts listed on Schedule 1.1(c) provided that the rights thereunder have been duly and effectively assigned to the Buyer (collectively, the "***Assumed Liabilities***"). The Buyer does not assume any direct or indirect duties, liabilities or obligations of the Seller of any kind or nature, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, known or unknown, accrued, absolute, contingent or otherwise (collectively, the "***Liabilities***"), other than the Assumed Liabilities. It is understood and agreed that all such Liabilities other than the Assumed Liabilities (the "***Retained Liabilities***") are retained by the Seller and the Seller shall be responsible for the payment and discharge of all such Retained Liabilities. Without limiting the generality of the foregoing, the Buyer shall not be liable for any Liabilities (i) with respect to any federal, state or local income, property or other tax attributable to the Business or the ownership of the Assets with respect to any period prior to the Closing Date, (ii) with respect to any Proceeding, whether disclosed or not, including any arising out of or relating to the violation by the Seller of any agreement, contract or understanding by which the Seller is bound, or the violation of any law, rule, regulation or order that applies to the Seller or the Business, (iii) arising out of or existing due to any breach or untimely performance by the Seller, including the Seller's failure to perform or negligent, improper or untimely performance of, any Scheduled Contract in accordance with its terms prior to the Closing, (iv) relating to any asset not included in the Assets, (v) based upon, arising from or attributable to claims made before, on or after the Closing Date for personal injuries (including claims for wrongful death), property damages or consequential damages with respect thereto in each case with third parties, which liability arises from or is attributable to the operations of the Seller prior to the Closing Date, (vi) arising out of any Environmental Condition existing prior to the Closing Date, (vii) arising out of any employment agreement, benefit plan, bonus arrangement, incentive plan or similar employee benefit existing prior to the Closing Date; (viii) any and all accrued and accruing liabilities and obligations of the Seller, at law or in contract, on account of the termination of the Seller by the Seller's Business Employees or Contractors, including without limitation, salary, benefits, vacation pay, bonuses and similar payment obligations (collectively, the ***"Severance Obligations"***); and (ix) arising out of, resulting from or relating to a breach by the Seller of (A) any representation or warranty contained in this Agreement for which the Seller has an indemnification obligation pursuant to the terms of this Agreement, (B) any covenant or agreement contained in this Agreement, or (C) any trade payable obligation or other accounts payable obligation or debt of the Seller.

2. Closing; Purchase Price.

2.1 Closing Date. Provided that all of the conditions precedent set forth in Article 4 hereof have been satisfied, the closing with respect to the transactions provided for in this Agreement (the "***Closing***") shall take place at the offices of Chamberlain Hutchison, 1310, 100025 – 102 A Avenue, Edmonton, Alberta, at 10:00 a.m., local time, on December 30, 2005 (provided, however, that the closing documents may be delivered for the Closing without the necessity of representatives of the Buyer attending the Closing in person), or at such other time and place as shall be agreed upon by the Seller and the Buyer. The Closing shall be effective for all purposes at 11:59 p.m. Mountain local time on December 31, 2005 (the "***Closing Date***").

2.2 Closing Deliveries.

(1) At the Closing, the Seller shall deliver the following instruments:

(a) A Bill of Sale, Assignment and Assumption Agreement, in the form attached hereto as Exhibit A, which shall be effective to vest in the Buyer good and marketable title to the Assets free and clear of all Encumbrances and to evidence the Buyer's assumption of the Assumed Liabilities, duly executed and acknowledged by each of the Buyer and the Seller.

(b) One or more registerable transfers of land, in form and substance reasonable satisfactory to the Buyer, for each parcel of the Real Estate with the undertaking of the Seller's outside counsel to provide to convey good, marketable and indefeasible title to all of the Real Estate to the Buyer free and clear of all Encumbrances, duly executed and acknowledged by the Seller.

(c) All appropriate documents for the assignment as of the Closing Date of the Seller' rights under the Permits referred to in Section 1.1(d) hereof and of all registrations, permits, licenses, equipment or motor vehicle leasing agreements, motor vehicle and rolling stock titles, rights under sales and/or purchase orders and rights under all other contracts constituting a part of the Assets, together with all consents of third parties required to make such assignments effective as to such third parties.

(d) All appropriate documents, in form and substance reasonable satisfactory to the Buyer, including but not limited to the forms attached hereto as Exhibits B, C and D for the assignment by the Seller as of the Closing Date of all patents, trademarks, trade names and other Intellectual Property referred to in Section 1.1(e) hereof, duly executed and acknowledged by the Seller.

(e) Certificate of Seller enclosing copies of, or authorizing reasonable access to, all of the Contracts, commitments, books, records, files and other data that (i) are included in the Assets or (ii) relate to or affect the Assets as of the time of Closing and are reasonably necessary for the continued conduct of the Business.

(f) A certificate executed by an officer of the Seller, dated as of the Closing Date, certifying that the conditions set forth in Sections 4.2(a) and (b) have been fulfilled. The form of certificate is attached as Exhibit E.

(g) "No interest" letters from any financial institutions that have charges, liens or Encumbrances against the Assets, including but not limited to HSBC Bank Canada and Hongkong Bank of Canada.

(h) Such other instruments of transfer and assignment in respect of the Assets as the Buyer shall reasonably require and as shall be consistent with the terms and provisions of this Agreement.

(i) Release letters and/or certificates of compliance or good standing from the Alberta Workers' Compensation Board, the British Columbia Workers' Compensation Board, and the Saskatchewan Workers' Compensation Board stating that Seller has no liability with regards to workers compensation for the Hired Employees.

(j) Certificates from the provinces of British Columbia and Saskatchewan attesting that all provincial sales tax ("PST") collected by the Seller, or for which the Seller has become liable to the province, has been paid.

(k) Certificates evidencing insurance coverage reflecting existing insurance coverage, until its renewal date, by Seller for employment practices liability that occurred prior to the Closing Date and insurance coverage for environmental legal liability on the owned and leased Real Estate to cover liability which occurred or resulted prior to the Closing Date, but was reported after the Closing Date, and an undertaking from the Seller to renew and maintain such insurance coverage in place until at least two years after Closing.

(l) Undertaking to remedy respecting the property located at 5209 – 55A Street, Drayton Valley, Alberta, in the form attached hereto as Exhibit G.

(2) At the Closing, the Buyer shall deliver the following instruments:

(a) Employee Offer Letters executed by the Hired Employees with respect to terms of employment with the Buyer.

(b) Contractor Offer Letters executed by the Hired Contractors with regards to terms of contracting arrangement with the Buyer.

(c) A certificate executed by an officer of the Buyer, dated as of the Closing Date, certifying that the conditions set forth in Sections 4.3(a) and (b) have been fulfilled. The form of certificate is attached as Exhibit E.

(3) At the Closing, both parties will execute and file such documents as required to eliminate any requirement of Buyer to pay any goods and services taxes associated with the acquisition of Assets by the Buyer.

From time to time after the Closing, the Seller will execute and deliver, or cause to be executed and delivered, without further consideration, such other instruments of conveyance, assignment, transfer and delivery and will take such other actions as the Buyer may reasonably request in order to more effectively transfer, convey, assign and deliver to the Buyer, and to place the Buyer in possession and control of any of the Assets or to enable the Buyer to exercise and enjoy all rights and benefits of the Seller with respect thereto.

2.3 Purchase Price; Payment. As consideration for the Assets, and subject to the terms and conditions of this Agreement, the Buyer shall assume the Assumed Liabilities and shall pay to the Seller as the purchase price for the Assets (the "***Purchase Price***") an amount equal to Thirteen Million Canadian Dollars (CDN$13,000,000), subject to an adjustment as provided in Section 2.5, [OMITTED FOR REASONS OF CONFIDENTIALITY]. At the Closing, the Buyer shall deliver to the Seller the Purchase Price, as adjusted in accordance with Section 2.5, and less the Holdback Amount, by wire transfer of funds in immediately available funds to such bank accounts as designated in writing three (3) days prior to the Closing by the Seller. The Holdback Amount shall be deposited with the Buyer's solicitors in trust on the Closing.

2.4 Closing Statement.

(a) At least three (3) days prior to the anticipated Closing Date, the Seller shall deliver to the Buyer an estimated closing statement that shall set forth the Seller's best estimate of the Inventory level as of the anticipated Closing Date and all of the adjustments to be made to the Purchase Price as required by Section 2.5. The parties shall attempt to resolve in good faith any differences regarding the adjustments by the Closing Date but if the parties are unable to agree upon such adjustments and the amount in dispute is less than CDN$250,000, the Purchase Price shall be adjusted at Closing by only the amount not in dispute, and any disputed portion shall be resolved by the provisions of Section 2.4(c). If the amount in dispute is more than CDN$250,000, then the Buyer may elect to not proceed with the Closing or to holdback and deposit into trust with its lawyers the amount that is in dispute until such dispute is resolved in accordance with the provisions of Section 2.4(c).

(b) Within 30 days after the Closing Date, the Seller shall prepare and deliver to the Buyer a final closing statement (the "***Post-Closing Statement***") that shall set forth the actual adjustments (the "***Actual Adjustments***") to the Purchase Price required by this Agreement to be made as of the Closing and the aggregate difference, whether positive or negative, between the adjustments made at Closing and the Actual Adjustments. Said Post-Closing Statement will also include any additional amounts owed to Buyer such as amounts collected by Seller on receivables from customers that should have been paid to Buyer. Within 15 days after the delivery of the Post-Closing Statement by the Seller to the Buyer, the Buyer may deliver written objections in good faith to the Actual Adjustments, stating in reasonable detail its objections thereto and the amounts to which it objects. If the Buyer does not timely object in accordance with the preceding sentence, the Post-Closing Statement shall become final and binding on the Seller and the Buyer. The Buyer shall provide the Seller with full access to the records of the Business and shall permit the Seller to examine the Inventory and other of the Assets as may be required to prepare the Post-Closing Statement. Any delays in providing the Seller with access described in the preceding sentence shall extend the time within which the Seller is to prepare the Post-Closing Statement.

(c) If either (i) the Buyer does timely object to the Post-Closing Statement and the parties are unable to resolve any differences within 45 days following the Buyer's receipt of the Post-Closing Statement, or (ii) if the Buyer elects not to proceed with the Closing or to holdback the disputed amount pursuant to Section 2.4(a) because the amount of adjustments in dispute is more than CDN$250,000, then the disputed items shall be promptly submitted to the Independent Accountants for resolution within 30 days of such submission. The fees and expenses of the Independent Accountants shall be borne 50% by the Buyer and 50% by the Seller. The determination of the Independent Accountants shall be final and binding upon the Buyer and the Seller and the adjustments to the Purchase Price shall be settled to reflect such determination.

(d) Payment of the aggregate difference between the adjustments made at Closing and the Actual Adjustments shall be made by the applicable party within 15 days of the date that such difference is deemed to be finally determined pursuant to this Section 2.4.

2.5 Adjustments to the Purchase Price.

(a) *Inventory Adjustment*. As of the close of business on the day immediately prior to the Closing Date, representatives of the Seller and the Buyer shall jointly conduct a review of the Inventory to determine the amount of the Inventory. If the value of the Inventory as of such time differs from the value of the Inventory set forth in the Unaudited Interim Balance Sheet (as defined in Section 3.1(d)), then the Purchase Price shall be increased by the amount of any increase in the value of the Inventory or it shall be decreased by the amount of any decrease in the value of the Inventory, as applicable. The value of the Inventory shall be calculated in a consistent manner in accordance with GAAP and in a manner consistent with that used in the Seller's audited financial statements for the previous fiscal year.

(b) *Adjustment for Utilities, Rents, or Special Assessments and Other Items*. The Buyer and the Seller agree that all utilities, rents, taxes and other items customarily prorated shall be prorated and charged as of the Closing Date, without any duplication of payment, with the Seller being liable to the extent such items relate to the period prior to the Closing Date and the Buyer being liable to the extent such items relate to the period on or after the Closing Date, provided, however, that the Seller shall not pay any amount under this Section that constitutes an Assumed Liability and the Buyer shall not pay any amount under this Section that constitutes a Retained Liability. With respect to any real property taxes, personal property taxes or special assessments on the Acquired Assets, the Seller shall be responsible for all real property taxes, personal property taxes and special assessments attributable to and/or assessed during any period through and prior to the Closing Date, notwithstanding that the same may be payable after the Closing Date. The Buyer shall be responsible for such real property taxes, personal property taxes and special assessments for the balance of 2005. The Buyer hereby expressly assumes all liability for real property taxes, personal property taxes and special assessments for calendar year 2005, provided the Seller's portion of the pro-rated taxes and assessments will be paid to the Buyer at Closing as an adjustment to the Purchase Price for the Acquired Assets. If the assessment for calendar year 2005 is not known on the Closing Date, the proration will be based on the real property taxes, personal property taxes and special assessments for calendar year 2004, and the Buyer and the Seller will adjust the prorations in cash within thirty (30) days of when the actual assessment and real property taxes, personal property taxes and any special assessments are known. The Seller will notify the Buyer of all notices of proposed or final tax valuations and assessments that the Seller receives after the Closing Date.

2.6 Purchase Price Allocation. The Seller and the Buyer agree to work together to jointly determine the allocation of the Purchase Price among the Assets consistent with the categories provided for in Schedule 2.6 attached hereto. Such allocation shall be finalized and agreed to by the parties within ninety (90) days of the Closing Date. After agreement, each party hereto agrees not to assert, in connection with any tax return, tax audit or similar proceeding any allocation that differs from the agreed final allocation. If the Seller and the Buyer are not able to agree upon the allocation of the Purchase Price within the said 90 days, the matter shall be submitted to the Independent Accountant for determination in the same manner provided for in Section 2.4(c).

2.7 Expenses; Consents and Taxes. The Seller shall pay, or cause to be paid, (i) all costs and expenses of obtaining all consents of third parties to the assignments and subleases contemplated by Section 2.2(1)(c), and (ii) all transfer, stamp, sales, use or other similar taxes or duties payable in connection with the sale and transfer of the Assets to the Buyer.

2.8 Survey / Real Property Report. Prior to the Closing Date, the Seller shall provide to the Buyer a survey and real property report for each parcel of the Real Estate prepared by a licensed surveyor, together with legible copies of all instruments referred to in such documents as constituting exceptions to or restrictions upon the fee simple title of the Seller to the Real Estate. The Seller will take such steps as shall be necessary to cause any encumbrances affecting the Real Estate to be removed or cured prior to the Closing. The surveys shall (a) reflect the actual dimensions of, and area within, the Real Estate, the location of all easements, set-back lines, encroachments or overlaps thereon or thereover, and the outside boundary lines of all improvements, (b) identify all easements, set-back lines and other matters referred to in the documents, (c) include the surveyor's registered number and seal, the date or dates of the survey and a certificate satisfactory to the Buyer of such surveyor, (d) reflect that there is access to and from the Real Estate from a publicly dedicated street or road, (e) reflect any area that has been designated by any governmental agency or body as being subject to special or increased hazards, (f) show all items affecting such property, (g) containing a metes and bounds description of each such parcel of Real Estate and (h) in general, comply with the requirements of a standard land title survey.

2.9 Stock Point Locations. For each of the Seller's stock point locations for which the Buyer does not assume the lease arrangements the Buyer shall:

(a) on Closing, pay to the Seller an amount equal to one (1) month's rent on each such location;

(b) pay, immediately upon invoice, the transportation costs of transporting the inventory located at such stock points to such locations that may be designated or, alternatively, arrange for the transport of such inventory for its own account and at its own cost; and

(c) with respect to any inventory removed from the Seller's stock points prior to the Closing at the request of the Buyer to the Buyer's designated location, pay for such inventory prior to its removal, at the Seller's cost of such inventory (which payment shall be reflected in the adjustments to the Purchase Price);

all of which payments shall be in addition to the Purchase Price.

3. Representations and Warranties.

3.1 Representations and Warranties of the Seller. The Seller represents and warrants to the Buyer as follows:

(a) Due Organization; Good Standing and Power. The Seller is duly organized, validly existing and in good standing under the laws of the jurisdiction of Alberta and is authorized to conduct business through extra provincial registration in the provinces of British Columbia and Saskatchewan. The Seller has the corporate power and authority to own, lease and operate its assets and to conduct its business as now conducted. The Seller is duly authorized, qualified or licensed to do business and is in good standing in each jurisdiction in which its right, title or interest in or to any of its assets, or the conduct of its business, requires such authorization, qualification or licensing. The Seller is a G.S.T. registrant. The Seller has conducted the Business only in the names of Enerchem International Inc., or Enerchem.

(b) Corporate Authority. The execution, delivery and performance of this Agreement by the Seller have been duly authorized by all requisite corporate action, including any necessary board or shareholder approvals. No other corporate action is necessary for the authorization, execution, delivery, and performance by the Seller of this Agreement and the consummation by the Seller of the transactions contemplated hereby.

(c) Validity of Agreement; Approvals, No Conflict with Instruments. This Agreement has been duly executed and delivered by the Seller and constitutes a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by general equity principles. Except as described in Schedule 3.1(c) hereto, the execution, delivery and performance of this Agreement by the Seller and the consummation by the Seller of the transactions contemplated hereby (i) will not violate (with or without the giving of notice or the lapse of time or both) or require any consent, approval, filing or notice under, any provision of any law, rule or regulation, court order, judgment or decree applicable to the Seller and (ii) will not conflict with, or result in the breach or termination of any provision of, or constitute a default under, or result in the acceleration of the performance of the obligations of the Seller under, or result in the creation of an Encumbrance upon any portion of the assets of the Seller pursuant to, the charters or bylaws of the Seller, or any indenture, mortgage, deed of trust, lease, licensing agreement, contract, instrument or other agreement to which the Seller is a party or by which it or any of its assets is bound or affected.

(d) Financial Information and Absence of Certain Changes. Attached hereto as Schedule 3.1(d) are copies of the following financial statements (collectively, the "***Financial Statements***"): (i) the audited balance sheets of the Seller as of December 31 of each of 2003 and 2004 and the related audited consolidated statements of operations, shareholders' equity and cash flows of the Seller for each of the years then ended, and the notes and schedules thereto, prepared in conformity with GAAP (the "***Annual Financial Statements***"), (ii) the unaudited balance sheet (the "***Unaudited Interim Balance Sheet***"), and the related unaudited statements of operations, shareholders' equity and cash flows of the Seller for the nine-month period ended September 30, 2005, for the Seller and the notes and schedules thereto (the "***Unaudited Interim Financial Statements***"), and (iii) unaudited internal statements of operations and identifiable assets for the Business (Specialty Chemicals and Sulfex/HD 1090) for the years ended December 31, 2003 and 2004 and the nine-month period ended September 30, 2005 (collectively, the "***Unaudited Internal Financial Statements***"), and (iv) the unaudited internal balance sheet of identifiable assets of the Business (Specialty Chemical and Sulfex/HD 1090) as at September 30, 2005 (the "***Unaudited Internal Balance Sheet***"). The Financial Statements (i) represent actual bona fide transactions, (ii) have been prepared from the books and records of the Seller on a basis consistent with preceding years throughout the periods involved, except that the Unaudited Internal Financial Statements and the Unaduited Internal Balance Sheet are not accompanied by notes or other textual disclosure required by GAAP, and (iii) present fairly in all material respects the financial position of the Seller and the Business as of the respective dates thereof and their consolidated results of operations and cash flows for the periods then ended, except that the Unaudited Interim Financial Statements, the Unaudited Internal Financial Statements, and the Unaudited Internal Balance Sheet are subject to normal year-end adjustments consistent with past practice, which will not be material in the aggregate. The Seller does not have any liability or obligation that would materially and adversely affect the Business or the Assets, whether accrued, absolute, contingent, or otherwise, except as set forth on the Unaudited Interim Balance Sheet. Since the date of the Unaudited Interim Balance Sheet, there has not been nor will there be any change in the assets, liabilities, financial condition, or operations of the Seller from that reflected in the Financial Statements, other than changes in the ordinary course of business, none of which individually or in the aggregate have had or will have a material adverse effect on such assets, liabilities, financial condition, or operations. Without limiting any of the foregoing, since the date of the Unaudited Interim Balance Sheet and until the Closing Date, except as disclosed on <u>Schedule 3.1(d)</u> the Seller has not and will not have:

(i) incurred or become subject to, or agreed to incur or become subject to, any obligation or liability, absolute or contingent, pertaining to the Business, except current liabilities incurred in the ordinary course of business;

(ii) mortgaged, pledged, or subjected to any Encumbrance (or agreed to do so with respect to) any of the Assets, or discharged or satisfied any Encumbrance, or paid or satisfied any obligation or liability pertaining to the Business other than in the ordinary course of business and consistent with past practice;

(iii) sold or transferred, or agreed to sell or transfer, any of the assets of the Business, or canceled or agreed to cancel, any debts due it or claims therefor, except, in each case, for full consideration and in the ordinary course of business;

(iv) engaged in any transactions adversely affecting the Business or the Assets or suffered any extraordinary losses or waived any rights of substantial value not in the ordinary course of business;

(v) increased any salaries or granted or agreed to grant, or paid, or agreed to pay, any bonus, loan, incentive payment or other item of value or made any other similar agreement, to or with any of the Business Employees, Contractors, or agents of the Business except as compensation in the ordinary course of business for appropriate services performed;

(vi) made or authorized any capital expenditure for the Business of more than CDN$50,000 in the aggregate that would be delivered after the Closing;

(vii) entered into any representative, distributorship, supply, agency or other similar agreements pertaining to the Business;

(viii) incurred or suffered any damage, destruction, or loss, whether or not covered by insurance, materially affecting the Business or any of the Assets;

(ix) made or applied to make any change in accounting methods or practices, including for tax purposes; or

(x) entered into any agreement, commitment or understanding, whether or not in writing, with respect to any of the foregoing.

(e) Title to Properties, Absence of Liens and Encumbrances. Except as set forth on Schedule 3.1(e) hereto, the Seller owns good, marketable and indefeasible title to all of the Assets, free and clear of all claims, liens, security interests, charges, leases, Encumbrances, licenses or sublicenses and other restrictions of any kind and nature. The Assets comprise all of the assets the use of which is necessary for the continued conduct by the Buyer of the Business as now being conducted by the Seller.

(f) Condition and Sufficiency of Assets. Except as set forth on Schedule 3.1(f) hereto, the buildings, plants, structures and the Equipment included in the Assets are structurally sound, and in good operating condition and repair, Seller has provided Buyer with access to such buildings, plants, structures and the Equipment to perform any inspections as required by Buyer, and are adequate for the uses to which they are being put, and none of such buildings, plants, structures, or the Equipment is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The building, plants, structures, and the Equipment included in the Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing.

(g) Agreements Not Assigned, Permits and Leased Equipment.

(i) Excluding the Scheduled Contracts, Schedule 3.1(g)(i) hereto contains a complete and correct list of all contracts, leases, licenses and other agreements of the Seller pertaining to the Business or to which any of the Assets are subject that are not being assigned to Buyer. True and complete copies of the Scheduled Contracts and all documents (including all amendments thereto) referred to in Schedule 3.1(g)(i) hereto have been delivered to or made available for inspection by the Buyer. All of the Scheduled Contracts are in full force and effect and are valid and enforceable in accordance with their respective terms, and there are no defaults by the Seller thereunder, or, to the knowledge of the Seller, by any other party thereto.

(ii) Schedule 3.1(g)(ii) hereto contains a complete and correct list of all Permits relating to the development, use, maintenance or occupation of the Real Estate or the conduct of the Business, all of which are in full force and effect and are valid and enforceable in accordance with their respective terms.

(iii) Schedule 3.1(g)(iii) hereto contains a complete and correct list of all of the Equipment that is leased by the Seller.

(h) Proceedings. Except as described in Schedule 3.1(h) hereto, (i) there is no Proceeding pending or, to the knowledge of the Seller, threatened seeking relief or damages which, if granted, would adversely affect the Assets, or the ability of the Buyer to use and operate the Assets or which would prevent the consummation of the transactions contemplated by this Agreement, and (ii) the Seller has not been charged with any violation of or, to the knowledge of the Seller, threatened with a charge or violation of, nor is the Seller aware of any facts or circumstances that, if discovered by third parties, could give rise to a charge or a violation of, any provision of Applicable Law or regulation which charge or violation, if determined adversely to the Seller would adversely affect the Business or that might reasonably be expected to affect the right of the Buyer to own the Assets or operate the Business after the Closing Date in substantially the manner in which it is currently operated.

(i) Insurance. Schedule 3.1(i) hereto sets forth a list and brief description of the insurance policies relating to the Assets and the conduct of the Business of the Seller. All premiums due and arising thereon have been paid and such policies are in full force and effect.

(j) Intellectual Property.

(i) Schedule 3.1(j) lists (i) all Intellectual Property that the Seller owns or is licensed or otherwise has the right to use and which the Seller uses in the Business, (ii) whether the Seller owns, is licensed or otherwise has the right to use each such item and (iii) all license fees, rents, royalties or other charges that the Seller is required or obligated to pay with respect to such Intellectual Property.

(ii) All of the Intellectual Property comprising part of the Assets is valid and subsisting and not unenforceable in whole or part, and the Seller has sole, full and clear title to such Intellectual Property, except as described in Schedule 3.1(j), free and clear of all Encumbrances (either as licensee or licensor), including claims or rights of employees, agents, consultants or other parties involved in the development or creation of such Intellectual Property.

(iii) Except as set forth in any license or other agreements listed in Schedule 3.1(j), the Seller has the right and license to use, sublicense, assign, modify and transfer all of the Intellectual Property comprising part of the Assets free and clear of any Encumbrances, such Intellectual Property is not dependent upon any other intellectual property in order to be freely operated or utilized and the Buyer may use all such Intellectual Property after the Closing to the same extent as the Seller used them prior to the Closing, without any Encumbrances.

(iv) The Seller (i) is not currently in receipt of any notice of any violation of, and is not violating or infringing upon and has not violated or infringed, the rights of any other Person in any Intellectual Property comprising part of the Assets, or other intangible property right or asset, or (ii) has conducted any acts of unfair competition under applicable law governing such Intellectual Property. No other Person is infringing any intellectual property rights of a Seller with respect to the Intellectual Property included in the Assets.

(k) Government Licenses, Permits and Related Approvals. Schedule 3.1(k) lists all of the Permits relating to the development, use, maintenance or occupation of the Real Estate or required for the conduct of the Business as presently conducted, all of which are held by the Seller and in full force and effect, which are not transferable to Buyer.

(l) Conduct of Business in Compliance with Regulatory and Contractual Requirements. Except as described on Schedule 3.1(l) hereto, the Seller has conducted the Business in compliance with all Applicable Laws, ordinances, regulations, rights of concession, licenses, know-how or other proprietary rights of others.

(m) Certain Fees. Neither the Seller, nor its officers, directors or employees on behalf of the Seller, have employed any broker or finder or incurred any other liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated hereby.

(n) Environmental, Health and Safety Compliance. Except as described on Schedule 3.1(n) hereto,

(i) the Seller is, and has continuously been, in compliance with all Environmental Laws with respect to the Assets and the Business;

(ii) all material notices, Permits, licenses or similar authorizations, if any, required to be obtained or filed under any Environmental Law in connection with the operation of the Business have been obtained or filed;

(iii) there are no past, pending or threatened Proceedings or stop work orders against the Seller relating to the presence, Release or remediation of any Hazardous Materials or for non-compliance with any Environmental Law pertaining to the Assets or the Business;

(iv) Hazardous Materials have not been treated, stored or disposed of on, to or from any property relating in any way to the Seller or that is or was owned or leased by the Seller pertaining to the Business (including the Real Estate);

(v) none of the properties owned, leased or operated by the Seller pertaining to the Business (including the Real Estate) have been used by the Seller as landfill or waste disposal sites or are known by the Seller to contain any underground storage tanks or to have been used as landfill or waste disposal sites;

(vi) no conditions or circumstances are known to the Seller to exist or to have existed with respect to the Real Estate or the Business, including without limitation the off-site disposal of Hazardous Materials, that could give rise to any remedial action under, or impose any liability on the Seller or the Buyer with respect to any Environmental Law;

(vii) the Seller has not received any notice or claim, and is not aware of any facts suggesting, that the Seller is or may be liable to any Person as a result of any Hazardous Material generated, treated or stored at any real estate at any time owned or leased by the Seller pertaining to the Business (including the Real Estate) or released or transported from any real estate at any time owned or leased by the Seller pertaining to the Business (including the Real Estate) or any other source in the conduct of the Business by the Seller;

(viii) no conditions or circumstances are known by the Seller to exist or to have existed, and no activities are known by the Seller to be occurring or to have occurred, that are resulting or have resulted in the exposure of any Person or property to a Hazardous Material such that the owner, operator or lessee of the Real Estate or the owner of the Business may in the future be liable to such Persons or to the owners of such property for personal or other injuries or damages resulting from such exposure; and

(ix) there are no federal, provincial or state air emission credits or air or water discharge Permits related to the Real Estate that are either held by the Seller or required for the operation of the Business as presently conducted.

(o) Inventory. The Inventory, whether or not reflected in the Financial Statements, consists of a quality and quantity usable and salable in the ordinary course of business, except for obsolete items and items of below-standard quality, all of which have been written off or written down to net realizable value in the Financial Statements. All Inventory not written off has been priced at the lower of cost or market on a weighted average basis. None of the Inventory is held by the Seller on consignment.

(p) Powers of Attorney. There are no outstanding powers of attorney relating to or affecting the Business or the Assets.

(q) Taxes. The Seller is transferring the Assets to the Buyer free and clear of Tax liens and other Encumbrances arising from or related to Taxes, and the Buyer is not liable for any Taxes imposed upon the Seller as a successor to the Business or transferee of the Assets, including but not limited to any PST.

(r) Consents and Rights of Third Parties. Except as set forth on Schedule 3.1(r), the Assets (including, but not limited to, the Scheduled Contracts) are transferable and assignable to the Buyer as contemplated by this Agreement without the waiver of any right of first refusal or the consent of any other party being obtained, and there exists no preferential right of purchase in favor of any Person with respect to any of the Assets or the Business.

(s) Real Estate. Schedule 3.1(s) contains a complete and accurate list of all real property, real property leaseholds or other interests therein owned, leased or used by the Seller pertaining to the Business. The Seller has delivered to the Buyer copies of the deeds and other instruments (as recorded) by which the Seller acquired such real property and interests, and copies of opinions, abstracts, commitments, and surveys in the possession of the Seller relating to such real property or interests. The Seller has previously provided the Buyer with true, correct and complete copies of all contracts relating to or affecting such real property or any interests therein, including leasehold interests, to which the Seller is a party or by which the Seller or any of such real property is in any way bound or affected, together with all amendments and supplements thereto and modifications thereof. All such contracts, amendments, supplements and modifications relating to such real property are legally valid and binding and in full force and effect, and there are no defaults by the Seller thereunder, or, to the knowledge of the Seller, by any other party thereto. None of the rights of the Seller under any such leasehold or other interest in real property will be impaired by the consummation of the transactions contemplated by this Agreement and all of such rights will be enforceable by the Buyer after the Closing without the consent or agreement of any other Person except for consents and agreements specifically described on Schedule 3.1(r). No interest of the Seller in real property is or will be subject or subordinate to any Encumbrance, whether or not the same constitutes a lien or renders the title to such real property unmarketable.

(t) **Employee/Contractor Information.**

(i) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(ii) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(iii) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(u) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(v) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(w) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(x) Transactions with Affiliates. Except as disclosed on Schedule 3.1(x), no director or officer of the Seller or any associate of any such director or officer is currently, directly or indirectly, a party to any transaction with the Seller pertaining to the Business, including any agreement, arrangement or understanding, written or oral, providing for the employment of, furnishing of services by, rental of real or personal property from, or otherwise requiring payments to any such director, officer or associate. No director or officer of the Seller or any associate of any such director or officer owns, directly or indirectly, any interest in, or serves as a director, officer, or employee of, any customer, supplier or competitor of the Seller. For purposes of this Section 3.1(x) only, an "***associate***" of any director or officer means any member of the immediate family of such director or officer or any corporation, partnership, trust or other entity in which such director, officer or employee has a substantial ownership or beneficial interest (other than an interest in a public corporation which does not exceed three percent of its outstanding securities) or is a director, officer, partner, or trustee or Person holding a similar position.

(y) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(z) Disclosure. No representation or warranty in this Section 3.1 or in any Schedule or Exhibit to this Agreement, or in any written statement, certificate or other document furnished to the Buyer contains or will contain any untrue statement of a material fact or omits or will omit a material fact necessary to make the statements therein not misleading. There is no fact known to the Seller that has, or in the future may have, a material adverse effect on the Business or the results of operations of the Seller, which fact has not been set forth in this Agreement or in the Schedules hereto.

3.2 Representations and Warranties of the Buyer. The Buyer represents and warrants to the Seller as follows:

(a) Due Organization; Good Standing and Power. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the province of Alberta. The Buyer has all corporate power and authority to enter into this Agreement (and each other agreement expressly provided for herein) and to perform its respective obligations hereunder and thereunder. The Buyer is a G.S.T. registrant.

(b) Authorization and Validity of Agreement. The execution, delivery and performance of this Agreement by the Buyer and the consummation by the Buyer of the transactions contemplated hereby have been duly authorized by all requisite corporate action on its part, including any necessary board or shareholder approvals. No other corporate action is necessary for the authorization, execution, delivery and performance by the Buyer of this Agreement and the consummation by the Buyer of the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Buyer and constitute a legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by general equity principles.

(c) No Approvals or Notices Required; No Conflict with Instruments. Except as disclosed on Schedule 3.2(c), the execution, delivery and performance of this Agreement by the Buyer and the consummation by it of the transactions contemplated hereby (i) will not violate (with or without the giving of notice or the lapse of time or both), or require any consent, approval, filing or notice under any provision of any law, rule or regulation, court order, judgment or decree applicable to the Buyer, and (ii) will not conflict with, or result in the breach or termination of any provision of, or constitute a default under, or result in the acceleration of the performance of the obligations of the Buyer, under, the organizational documents of the Buyer or any indenture, mortgage, deed of trust, lease, licensing agreement, contract, instrument or other agreement to which the Buyer is a party or by which the Buyer or any of its assets or properties is bound.

(d) Certain Fees. Neither the Buyer nor any of its officers, directors or employees, on behalf of it, has employed any broker or finder or incurred any other liability for any brokerage fees, commissions or finders’ fees in connection with the transactions contemplated hereby.

3.3 Nature and Survival of Representations and Warranties. The parties hereto agree that all of their respective representations and warranties contained in this Agreement shall survive for a period of three (3) years after the Closing Date.

4. Conditions Precedent.

4.1 Conditions Precedent to Obligations of All Parties. The respective obligations of the parties to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction (or waiver by each party) at or prior to the Closing Date of each of the following conditions:

(a) No Governmental Action. No action of any Governmental Entity shall have been taken or threatened and no statute, rule, regulation or executive order shall have been proposed, promulgated or enacted by any Governmental Entity which seeks to restrain, enjoin or otherwise prohibit or to obtain damages or other relief in connection with this Agreement or the transactions contemplated hereby.

4.2 Conditions Precedent to Obligations of the Buyer. The obligations of the Buyer under this Agreement are subject to the satisfaction (or waiver by the Buyer) at or prior to the Closing Date of each of the following conditions:

(a) Accuracy of Representations and Warranties. All representations and warranties of the Seller contained herein or in any certificate or document delivered to the Buyer pursuant hereto shall be true and correct on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made on and as of the Closing Date, except as contemplated or permitted by this Agreement.

(b) Performance of Agreements. The Seller shall have performed all obligations and agreements, and complied with all covenants and conditions, contained in this Agreement to be performed or complied with by it prior to or at the Closing Date.

(c) Actions and Proceedings. All corporate actions, proceedings, instruments and documents of the Seller required to carry out the transactions contemplated by this Agreement or incidental thereto and all other related legal matters shall be reasonably satisfactory to counsel for the Buyer, and such counsel shall have been furnished with such certified copies of such corporate actions and proceedings and such other instruments and documents as it shall have reasonably requested.

(d) Licenses and Consents. All licenses, Permits, consents, approvals, authorizations, qualifications and orders of governmental authorities (including, without limitation, any air and water discharge permits required under Environmental Laws) which are necessary to enable the Buyer to own the Assets (and lease and operate the Real Estate) and conduct the Business after the Closing in substantially the same manner as the assets of the Seller are owned (and the

Real Estate is operated) and the Business is being conducted as of the date hereof shall be in full force and effect.

(e) Material Adverse Change. There shall have been no material adverse change in the financial condition, profitability or the results of operations of the Business or in the physical condition of the Assets from the date of this Agreement until the Closing Date, and the Buyer shall not have discovered any fact or omission materially adverse to the condition, results of operations or prospects of the Business.

(f) Lien Releases. The Seller shall have provided the Buyer with lien releases executed by the secured party which release any liens or security interests, if any, that encumber the Assets and, if necessary, any payoff letters, with per diem interest amounts, from such secured parties.

(g) Board Approval. The transactions contemplated by this Agreement shall have been approved by the board of directors or managers, as applicable, of the Seller.

(h) Third Party Consents. All necessary third party consents relating to the transactions contemplated by this Agreement shall have been obtained, including any consents required for the assignment of any Scheduled Contract by the Seller to the Buyer pursuant to the terms hereof.

(i) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(j) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(k) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(l) [OMITTED FOR REASONS OF CONFIDENTIALITY]

(m) Drayton Valley Business License. The Seller shall provide Buyer with a copy of the Drayton Valley Business License and if one is necessary for the Buyer to operate the Business, Buyer will have secured such license prior to Closing.

(n) Drayton Valley Development Agreement. The Seller shall provide Buyer with a copy of the Drayton Valley Development Agreement referenced in the Drayton Valley Development Permit, if in existence, and if outstanding obligations remain under an existing Development Agreement, the Buyer shall have the right to either assume such obligations, or require Seller to undertake and/or pay for such obligations.

4.3 Conditions Precedent to the Obligations of the Seller. The obligations of the Seller under this Agreement are subject to the satisfaction (or waiver by the Seller) at or prior to the Closing Date of each of the following conditions:

(a) Accuracy of Representations and Warranties. All representations and warranties of the Buyer contained herein or in any certificate or document delivered to the Seller pursuant hereto shall be true and correct on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made on and as of the Closing Date, except as contemplated or permitted by this Agreement.

(b) Performance of Agreements. The Buyer shall have performed all obligations and agreements, and complied with all covenants and conditions contained in this Agreement to be performed or complied with by it prior to or at the Closing Date.

(c) Actions and Proceedings. All corporate actions, proceedings, instruments and documents of the Buyer required to carry out the transactions contemplated by this Agreement or incidental thereto and all other related legal matters shall be reasonably satisfactory to counsel for the Seller, and such counsel shall have been furnished with such certified copies of such corporate actions and proceedings and such other instruments and documents as it shall have reasonably requested.

5. Employees and Contractors.

5.1 [OMITTED FOR REASONS OF CONFIDENTIALITY]

5.2 No Buyer Liability. The Buyer shall have no responsibility, liability or obligation, whether to employees, former employees, their beneficiaries or to any other Person with respect to any Seller Benefit Plan, practice, program or arrangement (including without limitation the establishment, operation or termination thereof) maintained for the Business Employees prior to the Closing. The Seller shall remain responsible for all expenses, taxes, claims, obligations or liabilities associated with, arising out of or relating to any Seller Benefit Plan, practice, program or arrangement maintained by the Seller with respect to the Business Employees prior to the Closing, including without limitation medical or disability claims incurred but unreported prior to the Closing and medical benefits with respect to any employee of the Seller whose employment by the Seller was terminated on or before the Closing Date. The Buyer shall be under no obligation to maintain or continue the medical and long-term disability insurance policies currently maintained by the Seller for the Business Employees.

5.3 [OMITTED FOR REASONS OF CONFIDENTIALITY]

5.4 [OMITTED FOR REASONS OF CONFIDENTIALITY]

6. Covenants; Action Subsequent to Closing.

6.1 Covenants Not to Compete. In order to allow the Buyer to realize the full benefit of its bargain in connection with the purchase of the Assets, including goodwill, the Seller shall not, for a period of five (5) years following the Closing Date, directly or indirectly, acting alone or as a member of a partnership or as a holder of in excess of 1% of any security of any class, or as a consultant to or representative or advisor of, any corporation or other business entity:

(a) engage in any business in competition with the Business as conducted by the Seller at the date hereof in the geographic areas of Alberta, British Columbia and Saskatchewan; or

(b) request, entice, or encourage any present customer or supplier of the Seller or future customer or supplier of the Buyer to curtail, reduce, or cancel its business or contracts with the Buyer; or

(c) induce or attempt to influence any Hired Employee to terminate his or her employment.

(d) or hire or attempt to hire any Hired Employee within two (2) years of the termination of his or her employment with the Buyer.

[OMITTED FOR REASONS OF CONFIDENTIALITY]

The Seller acknowledges that in the event the scope of the covenants set forth in this Section 6.1 is deemed to be too broad in any court proceeding, the court may reduce such scope to that which it deems reasonable under the circumstances. The parties hereto agree and acknowledge that the Buyer would not have any adequate remedy at law for the breach or threatened breach by the Seller or any of its Affiliates of the covenants and agreements set forth in this Section 6.1 and, accordingly, the Seller further agrees that the Buyer may, in addition to the other remedies which may be available to it hereunder, file suit in equity to enjoin the Seller or any of its Affiliates from such breach or threatened breach and consent to the issuance of injunctive relief hereunder. The Seller understands and agrees that the act of the Buyer in entering into this Agreement, and the Buyer's covenants and payments hereunder, shall and do constitute sufficient consideration for the Seller to agree not to compete against the Buyer as set out in this Section 6.1

6.2 Access to Books and Records. Subject to Seller's records retention policy, until the sixth anniversary of the Closing Date, the Seller shall afford, and will cause its Affiliates to afford, to the Buyer, its counsel, accountants and other authorized representatives, during normal business hours, reasonable access to the books, records and other data of the Seller related to the Business with respect to periods ending on or prior to the Closing Date to the extent that such access may be reasonably required by the Buyer to facilitate (i) the investigation, litigation and final disposition of any claims which may have been or may be made by or against the Buyer in connection with the Business, or (ii) for any other reasonable business purpose. Prior to Seller's destruction of any records relating to the Business in accordance with its records retention policy, Seller shall first offer the records to Buyer before destroying them.

6.3 Mail. The Seller authorizes and empowers the Buyer on and after the Closing Date to receive and open all mail received by the Buyer relating to the Business or the Assets and to deal with the contents of such communications in any proper manner. The Seller shall promptly deliver to the Buyer any mail or other communication received by it after the Closing Date pertaining to the Business or the Assets. The Buyer shall promptly deliver to the Seller any mail or other communication received by it after the Closing Date pertaining to the assets described in Section 1.2 hereof, and any cash, cheques or other instruments of payment in respect of such assets.

6.4 Use of Names. After the date hereof, the Seller agrees that neither it, nor any of its Affiliates shall use the names, trademarks, slogans, trade names, logos or labels to be transferred to the Buyer as provided in Section 1.1 hereof. The Seller hereby agrees to delete any reference to the name "Sulfex/HD 1090" or any substantially similar name within fifteen (15) days of the Closing Date from its marketing and sales materials, including but not limited to its website.

6.5 Third Party Consents. To the extent that the Seller's rights under any Contract or other Asset which is to be transferred to the Buyer pursuant to the terms hereof may not be transferred without the consent or approval of another Person which has not been obtained at the Closing despite the exercise by the Seller of their reasonable best efforts, this Agreement shall not constitute an agreement to transfer the same if an attempted transfer would constitute a breach thereof or be unlawful, and the Seller, at its expense, shall use its reasonable best efforts to obtain any such required consent or approval as promptly as possible, and the Buyer shall reasonably cooperate with such efforts. If any such consent or approval shall not be obtained or if any attempted transfer would be ineffective or impair the Buyer's rights to the Assets in question so that the Buyer would not in effect acquire the benefit of all such rights, the Seller, to the maximum extent permitted by law, (a) shall act after the Closing as the Buyer's agent in order to obtain for the Buyer the benefits thereunder, and (b) shall cooperate to the maximum extent permitted by Applicable Law, with the Buyer in any other reasonable arrangement designed to provide such benefits to the Buyer, including by agreeing to remain liable under any Scheduled Contract. Nothing contained in this Section 6.5 shall relieve the Seller of its obligations under any other provisions of this Agreement.

6.6 Confidentiality. The Seller acknowledges and agrees that irreparable damage would occur in the event any confidential information regarding the Business, the Assets or the Buyer were disclosed to or utilized on behalf of any Person which is in competition in any respect with the Business as conducted by the Buyer following the Closing. Accordingly, the Seller covenants and agrees that it will not ever, directly or indirectly, without the prior written consent of the Buyer, use or disclose any of such confidential information. The provisions of Section 6.6 shall not prohibit a party from disclosing any confidential information covered by this Section pursuant to a subpoena or other validly issued administrative or judicial process requesting such information; provided, however, that prompt notice is provided to the other party of the requirement of such disclosure.

6.7 Public Announcements. Prior to the Closing Date, no party hereto shall issue any press release or otherwise make any public statements with respect to this Agreement or the transactions contemplated hereby without the prior written consent of the other party, provided that a press release or other public announcement, regulatory filing or statement may be made without such consent if it is made in order to comply with Applicable Law or stock exchange regulation (but in such case the party issuing such press release or making such filing shall do so in consultation with the other party unless such consultation would prevent the dissemination or filing from being made in a timely enough manner to comply with Applicable Law or regulation).

6.8 Customer Referrals. Seller agrees that for a period of one (1) year if it receives any calls respecting the Business or intended for the Buyer it shall direct them to the Buyer. During the said one (1) year period, the Seller further agrees to cooperate with Buyer to immediately route all customer referral calls involving production chemicals (specialty chemicals) to the telephone number designated in writing from time to time by the Buyer.

7. Indemnification.

7.1 Indemnification by the Seller. The Seller shall protect, indemnify and hold harmless the Buyer, each officer, director and agent of the Buyer and each Person who controls the Buyer in respect of any losses, claims, damages, liabilities, deficiencies, delinquencies, defaults, assessments, fees, penalties or related costs or expenses, including, but not limited to, court costs and lawyers' and accountants' fees and disbursements (collectively referred to herein as "***Damages***") to which the Buyer may become subject if such Damages arise out of or are based upon the following:

(a) the Retained Liabilities;

(b) the breach of any of the (i) representations or warranties, or (ii) covenants or agreements, made by the Seller in this Agreement, including the Schedules hereto, or in any certificate or instrument delivered by or on behalf of the Seller pursuant to this Agreement;

(c) the use, operation, management and condition of the Business and the Assets before the Closing Date;

(d) any past, current or future Proceeding (including, without limitation, the Proceedings set forth on Schedule 3.1(h)) relating, directly or indirectly, in whole or in part, to events, conditions, operations, facts or circumstances relating to the Business or the Assets that occurred or existed on or before to the Closing Date;

(e) Environmental Conditions pertaining to the Assets or the Business that existed or arose prior to the Closing Date, whether known or unknown, including any remediation of such Environmental Condition and any bodily injury, loss of life, property damage or natural resource damage arising from such Environmental Conditions, and any violations or alleged violations of

Environmental Laws pertaining to the Assets or the Business prior to the Closing Date; and

(f) any liability whatsoever with respect to the Severance Obligations and Seller Benefit Plans.

7.2 Indemnification by the Buyer. The Buyer shall protect, indemnify and hold harmless the Seller, in respect of any Damages to which the Seller may become subject if such Damages arise out of or are based upon the following:

(a) the Assumed Liabilities;

(b) the breach of any of the (i) representations or warranties, or (ii) covenants or agreements, made by the Buyer in this Agreement, excluding the Schedules hereto, or in any certificate or instrument delivered by or on behalf of the Buyer pursuant to this Agreement;

(c) the use, operation, management and condition of the Business and the Assets after the Closing Date;

(d) any future Proceeding relating, directly or indirectly, in whole or in part, to events, conditions, operations, facts or circumstance relating to the Business or the Assets that occurs after the Closing Date; and

(e) Environmental Conditions pertaining to the Assets or the Business that arise after the Closing Date, whether known or unknown, including any remediation of such Environmental Condition and any bodily injury, loss of life, property damage or natural resource damage arising from such Environmental Conditions, and any violations or alleged violations of Environmental Laws pertaining to the Assets or the Business after the Closing Date.

7.3 Indemnification Procedures. The obligations and liabilities of each indemnifying party hereunder with respect to claims resulting from the assertion of liability by the other party or third parties shall be subject to the following terms and conditions:

(a) If any Person shall notify an indemnified party (the "***Indemnified Party***") with respect to any matter which may give rise to a claim for indemnification (a "***Claim***") against the other party hereto (the "***Indemnifying Party***") under this Section 7, then the Indemnified Party shall promptly notify each Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party thereby is prejudiced.

(b) Any Indemnifying Party will have the right to defend the Indemnified Party against the Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (i) the Indemnifying Party notifies the Indemnified Party in writing within 15 days after the Indemnified Party has given notice of the Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety (subject to any limitations contained in Section 7) of any Damages the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of or caused by the Claim, (ii) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Claim and fulfill its indemnification obligations hereunder, (iii) the Claim involves only money damages and does not seek an injunction or other equitable relief, (iv) settlement of, or an adverse judgment with respect to, the Claim is not, in the good faith judgment of the Indemnifying Party, likely to establish a precedential custom or practice materially adverse to the continuing business interests of the Indemnified Party, and (v) the Indemnifying Party conducts the defense of the Claim actively and diligently and in good faith.

(c) So long as the Indemnifying Party is conducting the defense of the Claim in accordance with Section 7.3(b) above, (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Claim, (ii) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Claim without the prior written consent of the Indemnifying Party (not to be withheld unreasonably), and (iii) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably).

(d) In the event any of the conditions in Section 7.3(b) above is or becomes unsatisfied, however, (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Claim in any manner it reasonably may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith), (ii) the Indemnifying Party will remain responsible for any damages the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Claim to the fullest extent provided in this Section 7.

(e) **EACH OF THE AGREEMENTS TO INDEMNIFY, DEFEND OR HOLD HARMLESS CONTAINED IN THIS SECTION 7 SHALL APPLY IRRESPECTIVE OF WHETHER THE SUBJECT CLAIM IS BASED IN WHOLE OR IN PART UPON SOLE OR CONTRIBUTORY NEGLIGENCE (WHETHER ACTIVE, PASSIVE OR GROSS), BREACH OF WARRANTY OR BREACH OR VIOLATION OF ANY DUTY IMPOSED BY ANY LAW OR REGULATION, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT.**

8. Miscellaneous.

8.1 Payment of Certain Fees and Expenses. Each of the parties hereto shall pay the fees and expenses incurred by it in connection with the negotiation, preparation, execution and performance of this Agreement, including, without limitation, brokers' fees, lawyers' fees and accountants' fees.

8.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when (a) delivered personally, (b) sent by facsimile (with receipt confirmed), provided that a copy is mailed by registered or certified mail, return receipt requested, or (c) received by the addressee, if sent by Federal Express or other express delivery service (receipt requested) or by registered or certified mail, return receipt requested, in each case to the other party at the following addresses and facsimile numbers (or to such other address or facsimile number for a party as shall be specified by like notice; provided that notices of a change of address or facsimile number shall be effective only upon receipt thereof):

(a) If to the Seller:

Enerchem International Inc.
450, 630 6 Avenue SW
Calgary, Alberta, Canada T2P 0S8
Fax No. 403-269-1559

Attn: Doug Robinson

with a copy to:

Chamberlain Hutchison
Suite 1310, Merrill Lynch Tower
10025, 102A – Avenue
Edmonton, AB T5J 2Z2
Fax No: 780-426-1293

Attn: Andrew Chamberlain

(b) If to the Buyer:

M-I Drilling Fluids Canada, Inc.
700 Second Street, SW, 5th floor
Calgary, Alberta, Canada T2P 2W2
Fax No.: 403-290-5323

Attn: Regional Vice President

with a copy to:

M-I L.L.C.
5950 North Course Drive
Houston, Texas 77072
Fax No.: 832-295-2500

Attn: General Counsel

8.3 Entire Agreement. This Agreement (including the Exhibits and Schedules hereto) constitutes the entire agreement between the parties hereto and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof, including that certain letter of intent dated as of October 13, 2005, executed by the parties hereto.

8.4 Binding Effect; Benefit. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, personal representatives, successors and assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto or their respective heirs, personal representatives, successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

8.5 Assignability. This Agreement shall not be assignable by any party hereto with the prior written consent of the other party, provided, however, that the Buyer shall be entitled to assign this Agreement to an Affiliate without the consent of the Seller.

8.6 Amendment; Waiver. This Agreement may be amended, supplemented or otherwise modified only by a written instrument executed by the parties hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and executed by the party so waiving. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants, or agreements contained herein, and in any documents delivered or to be delivered pursuant to this Agreement and in connection with the Closing hereunder. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

8.7 Section Headings; Index. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

8.8 Severability. If any provision of this Agreement shall be declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement shall not be affected and shall remain in full force and effect.

8.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

8.10 Applicable Law and Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Alberta. Any process against a party hereto in, or in connection with, any Proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement may be served personally or by certified mail at the address set forth in Section 8.2 with the same effect as though served on such party personally. The parties hereby irrevocably submit in any suit, action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement to the exclusive jurisdiction and venue of a court of competent jurisdiction in the province of Alberta and waive any and all objections to such jurisdiction and review or venue that they may have.

8.11 [OMITTED FOR REASONS OF CONFIDENTIALITY]

9. Definitions.

9.1 Defined Terms. As used in this Agreement, each of the following terms has the meaning given it below:

"***Affiliate***" means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

"***Applicable Law***" means any statute, law, rule or regulation or any judgment, order, writ, injunction or decree of any Governmental Entity to which a specified Person or property is subject.

"***Encumbrances***" means liens, charges, pledges, options, mortgages, deeds of trust, security interests, claims, restrictions (whether on voting, sale, transfer, disposition or otherwise), easements and other encumbrances of every type and description, whether imposed by law, agreement, understanding or otherwise.

"***Environmental Condition***" means the presence of Hazardous Materials or the Release to the environment of Hazardous Materials, including any migration of Hazardous Materials through air, soil, or groundwater.

"***Environmental Laws***" means any present (or as of the Closing Date) federal, provincial, state and local laws, statutes, ordinances, rules, regulations, standards, policies and other directives or requirements of any Governmental Entity (including common law if applicable), that apply to the Seller or the Real Estate or any other Asset or the Business and relate to Hazardous Materials, including, without limitation, Alberta's environmental Protection and Enhancement Act, the Canadian Environmental Protection Act, the Transportation of Dangerous Goods Regulations, and the Environmental

Operating Guidelines for the Alberta Petroleum Industry, as all such laws or acts have been amended.

"***GAAP***" means generally accepted accounting principles in Canada as in effect on the date of this Agreement.

"***Governmental Entity***" means any court or tribunal in any jurisdiction (domestic or foreign) or any public, governmental or regulatory body, agency, department, commission, board, bureau or other authority or instrumentality (domestic or foreign).

"***Hazardous Material***" means any chemical, material or substance in any form, whether solid, liquid, gaseous, semisolid, or any combination thereof, whether waste material, raw material, chemical, finished product, byproduct or any other material or article that is listed or regulated under Environmental Laws as a "hazardous substance," "hazardous material," "hazardous waste," "toxic substance," "toxic pollutant," "contaminant," "pollutant" or other words of similar import, or is otherwise listed or regulated under Environmental Laws because it poses a hazard to human health or the environment, including, without limitation, petroleum products and compounds, explosives and flammable materials, radioactive materials, polychlorinated biphenyls and compounds containing them, lead and lead-based paint, asbestos or asbestos-containing materials in any form that is friable.

"***Independent Accountants***" means KPMG LLP or if such firm is unable or unwilling to serve (or is, at the time of retention under this Agreement, not independent as to the Seller or the Buyer), such other independent accounting firm as is mutually appointed by the Seller and the Buyer.

"***Intellectual Property***" means patents, trademarks, service marks, trade names, copyrights, trade secrets, know-how, inventions, logos, and similar rights, and all registrations, applications, licenses and rights with respect to any of the foregoing.

"***Permits***" means licenses, permits, franchises, qualifications, orders, consents, approvals and other authorizations of or from Governmental Entities.

"***Person***" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, enterprise, unincorporated organization or Governmental Entity.

"***Proceedings***" means all proceedings, actions, claims, suits, investigations and inquiries by or before any arbitrator or Governmental Entity.

"***reasonable best efforts***" means a party's best efforts in accordance with reasonable commercial practice and without the incurrence of unreasonable expense.

"***Release***" means any release, spill, leak, discharge, abandonment, disposal, pumping, pouring, emitting, emptying, ejecting, dumping, depositing, allowing to escape or migrate into or through the environment (including ambient air, surface water, ground water, land surface and subsurface strata or within any building or structure) of any Hazardous Material, including the abandonment of Hazardous Material in barrels, drums or other containers.

"***Taxes***" means all taxes, duties, fees, assessments and other charges of any kind imposed by any taxing or other Government Entity, including sales, excise, goods and services, value added and property taxes, including interest, penalties, or additions attributable thereto.

"***Tax Return***" means any return or report, including any related or supporting information, with respect to Taxes.

9.2 Certain Additional Defined Terms. In addition to such terms as are defined in Section 9.1, the following terms are used in this Agreement as defined in the Sections of this Agreement referenced opposite such terms:

Defined Terms	Reference
Actual Adjustments	Section 2.4(b)
Agreement	Preamble
Annual Financial Statements	Section 3.1(d)
Assets	Section 1.1
Associate	Section 3.1(x)
Assumed Liabilities	Section 1.3
Backlog Orders	Section 1.1(h)
Business	Recitals
Business Employees	Section 3.1(t)(i)
Buyer	Preamble
Claim	Section 7.3(a)
Closing	Section 2.1
Closing Date	Section 2.1
Contractors	Section 3.1(t)(ii)
Damages	Section 7.1
Environmental Assessment	Section 4.2(f)
Environmental Laws	Section 3.1(n)
Equipment	Section 1.1(a)
Financial Statements	Section 3.1(d)
Hazardous Material	Section 3.1(n)
Hired Contractors	Section 3.1(t)(ii)
Hired Employees	Section 3.1(t)(iii)
Holdback Amount	Section 2.3
Indemnified Party	Section 7.3(a)
Indemnifying Party	Section 7.3(a)
Inventory	Section 1.1(f)
Liabilities	Section 1.3
Offer Letters	Section 5.3

Post-Closing Statement	Section 2.4(b)
Purchase Price	Section 2.3
Real Estate	Section 1.1(g)
Retained Liabilities	Section 1.3
Scheduled Contracts	Section 1.1(c)
Seller	Preamble
Seller Benefit Plans	Section 3.1(v)
Severance Amount	Section 3.1(t)(i)
Severance Obligations	Section 1.3
Solvents	Section 6.1(a)
Unaudited Financial Statements	Section 3.1(d)
Unaudited Interim Balance Sheet	Section 3.1(d)
Unaudited Interim Financial Statements	Section 3.1(d)
Unaudited Internal Balance Sheet	Section 3.1(d)
Unaudited Internal Financial Statements	Section 3.1(d)

9.3 References. All references in this Agreement to Sections, paragraphs and other subdivisions refer to the Sections, paragraphs and other subdivisions of this Agreement unless expressly provided otherwise. The words "this Agreement", "herein", "hereof", "hereby", "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. Whenever the words "include", "includes" and "including" are used in this Agreement, such words shall be deemed to be followed by the words "without limitation". Each reference herein to a Schedule, Exhibit or Annex refers to the item identified separately in writing by the parties hereto as the described Schedule, Exhibit or Annex to this Agreement. All Schedules, Exhibits and Annexes are hereby incorporated in and made a part of this Agreement as if set forth in full herein.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the date first above written.

ENERCHEM INTERNATIONAL INC.

By:______________________________
Name: ___________________________
Title:_____________________________

M-I DRILLING FLUIDS CANADA, INC.

By:______________________________
Name: ___________________________
Title:_____________________________

[SCHEDULES AND EXHIBITS OMITTED FOR REASONS OF CONFIDENTIALITY]