

Cautionary Note For Readers

This Purchase and Sale Agreement has been filed with certain securities regulatory authorities in Canada pursuant to National Instrument 51-102, which requires Total Energy Services Inc. (the "Corporation") to file certain material contracts to which it is a party. **Unlike certain other documents filed on behalf of the Corporation, this Purchase and Sale Agreement has not been prepared as a disclosure document and is not intended to provide factual information about the Corporation (or any other party) for the benefit of investors or others.** This Purchase and Sale Agreement contains representations and warranties made by the Corporation and the other parties thereto for risk allocation purposes. National Instrument 51-102 allows reporting issuers to omit certain provisions of material contracts and readers are cautioned that statements made by the Corporation or others in this Purchase and Sale Agreement may be qualified (in whole or in part) by information redacted from the attached copy of the Purchase and Sale Agreement, which information is not otherwise available to the public. As well, exceptions to representations and warranties made by the Corporation or others in this Purchase and Sale Agreement may be applicable, and information concerning those exceptions may not be available to the public. **Accordingly, investors and security holders should not rely on statements set out in this Purchase and Sale Agreement as accurate statements of fact.** Moreover, information concerning the Corporation and the other parties to this Purchase and Sale Agreement and the subject matter of statements made in the Purchase and Sale Agreement concerning the Corporation and such other parties may change after the date of this Purchase and Sale Agreement, and subsequent information may or may not be fully reflected in the Corporation's public disclosures.

PURCHASE AND SALE AGREEMENT

BETWEEN

TOTAL ENERGY SERVICES INC.

DC ENERGY SERVICES INC.

VENTANA BEAUMONT LTD.

886453 ALBERTA LTD.

DAVID LAMBERT

ALEX LAMBERT

January 11, 2010

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PURCHASE AND SALE AGREEMENT

This Agreement is made as of the 11th day of January, 2010;

BETWEEN:

DC ENERGY SERVICES INC., a body corporate amalgamated under the laws of Alberta and having an office in the City of Calgary, Alberta (hereinafter referred to as "**DC Energy**")

- and -

VENTANA BEAUMONT LTD., a body corporate incorporated under the laws of Alberta and having an office in the City of Calgary, Alberta (hereinafter referred to as "**VBL**")

- and -

886453 ALBERTA LTD., a body corporate incorporated under the laws of Alberta and having an office in the City of Calgary, Alberta (hereinafter referred to as "**886453**")

- and -

DAVID LAMBERT, an individual residing in Calgary, Alberta (hereinafter referred to as "**DL**")

- and -

ALEX LAMBERT, an individual residing in Canmore, Alberta (hereinafter referred to as "**AL**")

- and -

TOTAL ENERGY SERVICES INC., a body corporate amalgamated under the laws of the Province of Alberta and having an office in the City of Calgary, Alberta (hereinafter referred to as the "**Purchaser**")

Background:

- (a) DC Energy is engaged in the business of oilfield equipment rentals, fluid services and management and oilfield equipment transportation in Western Canada and Alaska (collectively, the "**Business**");

- (b) VBL and 886453, respectively, were, prior to the completion of the Reorganization (as defined herein), the legal and beneficial owners of, certain assets used in the conduct of the Business;
- (c) DL owns, legally and beneficially, certain of the outstanding shares of DC Energy and all of the outstanding shares of VBL, and, accordingly, has a material indirect interest in the transactions described in this Agreement;
- (d) AL owns, legally and beneficially, certain of the outstanding shares of DC Energy and all of the outstanding shares of 886453 and, accordingly, has a material indirect interest in the transactions described in this Agreement;
- (e) Prior to the completion of the Reorganization, all of the assets used in the conduct of the Business were legally and beneficially owned by DC Energy, VBL, 886453 and 1150835 or were leased or licensed by DC Energy under existing leases or licenses, as more particularly set out in this Agreement;
- (f) The Parties entered into a letter agreement, dated November 26, 2009 and released from escrow on December 8, 2009, which provides for the purchase by the Purchaser of the Partnership Interests, the Partnerco Shares and the Pre-Closing Receivables (the "**Letter Agreement**"); and
- (g) As contemplated by the Letter Agreement, DC Energy, VBL, 886453 and 1150835 have effected the Reorganization;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations, warranties and indemnities of the Parties set out in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each Party), the Parties agree as follows.

ARTICLE I

INTERPRETATION, ETC.

1.1 Defined Terms

Whenever used in this Agreement, unless the context otherwise requires, the following words and terms shall have the indicated meanings and grammatical variations of such words and terms shall have corresponding meanings:

- (a) "**1150835**" means 1150835 Alberta Ltd., a body corporate incorporated under the laws of the Province of Alberta;
- (b) "**886543 Financial Statements**" means the unaudited balance sheet of 886543 as at September 30, 2008 and the statements of income and retained earnings for the year then ended;
- (c) "**Agreement**" means this Purchase and Sale Agreement;

- (d) **"Agreement Default"** means any misrepresentation or breach of warranty made by a Party, or the failure of a Party to perform or observe in any respect any of the covenants or agreements to be performed by such Party under this Agreement or under any agreement, certificate, document or other instrument delivered or given pursuant to this Agreement other than the Debenture;
- (e) **"Applicable Securities Laws"** means all applicable securities laws, rules, regulations, notices and policies in force in the jurisdictions in Canada in which the Purchaser is a reporting issuer and the rules of the Toronto Stock Exchange;
- (f) **"Assets"** means all of the property, assets, rights and interests, of every kind and description and wheresoever situate used in connection with, or related to, the Business, including without limitation and without duplication:
 - (i) *Oilfield Rental Equipment*: all of the tangible oilfield rental equipment utilized in the operation of the Business, which includes the equipment described in **Schedule 1.1(f)(i)**;
 - (ii) *Trucks and Trailers*: all trucks, trailers and other transportation equipment utilized in the operation of the Business, which includes the trucks and trailers described in **Schedule 1.1(f)(ii)**;
 - (iii) *Inventories*: all inventories of parts, supplies, equipment and fluids relating to the Business, which includes all of the hoses, spare parts, equipment, tools, shop equipment and other equipment described in **Schedule 1.1(f)(iii)**;
 - (iv) *Leased Equipment*: all right, title and interest of the lessee under the Leased Equipment;
 - (v) *Machinery, Equipment, Computer Hardware and Furniture*: all machinery, equipment, tools, furniture and furnishings and computer hardware as well as other miscellaneous items used in or relating to the Business;
 - (vi) *Books and Records*: all books and records relating to the Business or the Assets, including, sales records, price lists and catalogues, sales literature, advertising material, supply records, inventory records and correspondence files, maintenance records, customer lists, files, data and information relating to customers and prospective customers of the Business, financial statements relating to the Business for financial years or interim periods ended on or subsequent to April 30, 2007, but excluding tax returns and business records relating to no longer applicable historical operations (together with, in the case of any such information that is stored electronically, the media on which the same is stored) and all information required by the Purchaser to prepare the Tax Returns for Partnerco and the Partnership as required in **Section 7.23**;

- (vii) *Deposits*: all prepaid expenses associated with the Business (excluding only those prepaid expenses that are classified as Excluded Assets on **Schedule 1.1(bb)** and made in relation to any Assumed Contract (including leases of real or personal property and conditional sales contracts));
- (viii) *Warranty Rights and Maintenance Contracts*: all warranties and warranty rights (express and implied) against manufacturers or sellers of any of the Assets, and all maintenance contracts, manifests and equipment certifications in respect of any Assets;
- (ix) *Assumed Contracts and Customer Contracts*: all of the rights and interests of DC Energy (prior to the Reorganization) in and to all of the Assumed Contracts and Customer Contracts;
- (x) *Goodwill, Phone Numbers, E-mail, etc.*: the goodwill of the Business, together with the exclusive right of the Purchaser and the Partnership to represent themselves as carrying on the Business in continuation of and in succession to DC Energy, and the phone (including cellular phone) and facsimile numbers and any e-mail addresses and domain names used in the operation of the Business;
- (xi) *Technology, Intellectual Property and Software*: all technology, intellectual property or software used or relied upon in the conduct of the Business, including: (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions and re-examinations thereof; (ii) all trade-marks, trade-names, trade dress, logos, business names, corporate names, domain names, uniform resource locators (URL's) and the internet websites related thereto, and including all goodwill associated therewith and all applications, registrations and renewals in connection therewith; (iii) all copyrightable works, all copyrights and all applications, registrations and renewals in connection therewith; (iv) all industrial designs and all applications, registrations and renewals in connection therewith; (v) all proprietary, technical or confidential information, including all trade secrets, processes, procedures, know-how, show-how, formulae, methods, data, databases and corresponding information contained therein; and (vi) all computer software (including all source code, object code and related documentation); together with: (vii) all copies and tangible embodiments of the foregoing (in whatever form or medium); (viii) accounting and inventory systems; (ix) all improvements, modifications, translations, adaptations, refinements, derivations and combinations thereof; and (x) all intellectual property rights therein or related thereto and without limitation, including those set out in **Schedule 1.1(f)(xi)** (collectively, the "**Intellectual Property**");

- (xii) *Premises*: all right, title and interest of the lessee under the Premises Leases;
- (xiii) *Regulatory Licences*: all licences, registrations and qualifications procured for, or relied upon in the operation of, the Business (including Environmental Permits) issued by any Governmental Authority, to the extent the same are transferable; and
- (xiv) *Insurance Benefits*: any benefits payable under insurance policies relating to the Business or any of the Assets in respect of claims based on occurrences prior to the Closing Time with the exception of any such benefits payable solely to persons other than the Partnership or Partnerco;

but excluding the Excluded Assets;

- (g) "**Assumed Contracts**" means the Contracts assigned to the Partnership in connection with the Reorganization, which Contracts are identified as such on **Schedule 1.1(g)**;
- (h) "**Business**" has the meaning ascribed thereto in Recital (a) above;
- (i) "**Business Day**" means any day, other than a Saturday, Sunday or a statutory holiday in Calgary, Alberta;
- (j) "**Closing**" means the sale, assignment, conveyance and transfer of the Partnership Interests, the Partnerco Shares and the Pre-Closing Receivables to the Purchaser in consideration of the payment of the Purchase Price to the Vendors;
- (k) "**Closing Date**" means January 15, 2010, or such other date as DC Energy and the Purchaser may agree upon in writing;
- (l) "**Closing Time**" means 10:00 AM (Calgary time) on the Closing Date, or such other time on the Closing Date as DC Energy and the Purchaser may agree upon in writing;
- (m) "**Continuing Employee Release**" means a release substantially in the forms set out in **Schedule 1.1(m)**;
- (n) "**Continuing Employees**" means those Key Employees and Regular DC Employees who accept offers of employment with the Partnership;
- (o) "**Contract**" means any agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other binding commitment, whether written or oral;
- (p) "**Contribution Agreements**" means the contribution agreements, each dated effective as of December 1, 2009, between the Partnership and each of DC Energy, VBL, 886453 and 1150835, respectively;
- (q) "**Customer Contracts**" means the Contracts identified as "**Customer Contracts**" on **Schedule 1.1(g)**;

- (r) **"DC Energy Financial Statements"** means the audited balance sheet of DC Energy as at April 30, 2009, the audited statements of income, retained earnings and cash flows for the year-ended April 30, 2009, and the unaudited balance sheet and income statement of DC Energy for the period from May 1, 2009 to October 31, 2009, copies of which are attached as **Schedule 1.1(r)**;
- (s) **"Debenture"** has the meaning ascribed thereto in **Section 3.4(a)(ii)**;
- (t) **"Discharged Encumbrances"** means those Encumbrances with respect to which no interest letters in a form satisfactory to the Purchaser shall be delivered at the Closing, being those Encumbrances listed on Part II of **Schedule 1.1(ddd)**;
- (u) **"Effective Date"** means January 1, 2010;
- (v) **"Effective Time"** means 12:01 a.m. on the Effective Date;
- (w) **"Employee Release"** means a release substantially in the form attached as **Schedule 1.1(w)**;
- (x) **"Encumbrance"** includes a lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest adverse claim, exception, reservation, easement, right of occupation, any interest capable of registration against title, option, right of pre-emption or privilege and any Contract to create any of the foregoing;
- (y) **"Environmental Permits"** has the meaning ascribed thereto in **Section 4.10(a)(ii)**;
- (z) **"Equipment Leases"** means the leases and agreements to lease under which equipment (including vehicles) is leased for use in the conduct of the Business, as more particularly described on **Schedule 1.1(mm)**;
- (aa) **"ETA"** means the *Excise Tax Act* (Canada), as in effect on the date hereof;
- (bb) **"Excluded Assets"** means those assets listed on **Schedule 1.1(bb)**;
- (cc) **"Excluded Employees"** means each of DL, AL, [Redacted -- names of 4 Excluded Employees];
- (dd) **"Governmental Authority"** means any government (whether federal, provincial, municipal or foreign) and any agency exercising executive, legislative, judicial, regulatory or administrative functions of government (including taxation authorities);
- (ee) **"GST"** means all goods and services tax payable under the ETA, and any reference to a specific provision of the ETA shall refer to any successor provision thereto of like or similar effect;
- (ff) **"Indemnified Loss"** has the meaning ascribed thereto in **Section 10.2(a)**;

- (gg) "**Indemnified Party**" has the meaning ascribed thereto in **Section 10.7**;
- (hh) "**Indemnifying Party**" has the meaning ascribed thereto in **Section 10.7**;
- (ii) "**Indemnity Claim**" has the meaning ascribed thereto in **Section 10.7**;
- (jj) "**Intellectual Property**" has the meaning ascribed thereto in **Section 1.1(f)(xi)**;
- (kk) "**Intellectual Property Licenses**" means the licenses in respect of Intellectual Property licensed to DC Energy and assigned to the Partnership in connection with the Reorganization and identified in **Schedule 1.1(f)(xi)**;
- (ll) "**Key Employees**" mean the DC Energy employees identified in the schedule attached to the Side Letter;
- (mm) "**Leased Equipment**" means the vehicles and equipment listed on **Schedule 1.1(mm)**;
- (nn) "**Leases and Licenses**" means the Equipment Leases, the Premises Leases and the Intellectual Property Licenses;
- (oo) "**Letter Agreement**" has the meaning ascribed thereto in Recital (f);
- (pp) "**Losses**" means, in respect of any matter, all claims, demands, proceedings, losses, damages, liabilities, deficiencies, costs and expenses (including all legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement), arising directly or indirectly as a consequence of such matter;
- (qq) "**Missing Assets**" means those assets listed in **Schedule 1.1(qq)**;
- (rr) "**Net Partnership Receivables Value**" has the meaning ascribed thereto in **Section 3.6**;
- (ss) "**Net Receivables Value**" has the meaning ascribed thereto in **Section 3.2(a)**;
- (tt) "**Non-Competition Agreement**" means a non-competition agreement substantially in the form attached as **Schedule 1.1(tt)**;
- (uu) "**Parties**" means DC Energy, VBL, 886453, DL, AL and the Purchaser, and "**Party**" means any of them;
- (vv) "**Partnerco**" means DCES GP Corp., a body corporate incorporated under the laws of Alberta;
- (ww) "**Partnerco Shares**" means all of the issued and outstanding shares of Partnerco, being the following shares:

<u>Name of Shareholder</u>	<u>Class of Shares Held</u>	<u>Number of Shares Held</u>
DC Energy	Common	100

- (xx) **"Partnership"** means DC Energy Services LP, an Alberta limited partnership;
- (yy) **"Partnership Agreement"** means the limited partnership agreement dated November 30, 2009 among DCES GP Corp., as general partner, and DC Energy, VBL, 886453 and 1150835, as limited partners;
- (zz) **"Partnership Interests"** means all of the outstanding units of the Partnership being the following units:

Name of Unitholder	Number and Type of Units Held
DCES GP Corp.	1 GP Unit
DC Energy	42,856,989 LP Units
VBL	852,647 LP Units
886453	690,264 LP Units

- (aaa) **"Partnership Payables"** means the arm's length accounts payable of the Partnership as at the close of business on December 31, 2009;
- (bbb) **"Partnership Receivables"** means the accounts receivable of the Partnership as at the close of business on December 31, 2009;
- (ccc) **"Partnership Release"** means a release of liability from the Vendors and the Principals to the Partnership and Partnerco in the form attached hereto as **Schedule 1.1(ccc)**;
- (ddd) **"Permitted Encumbrances"** means the interests of lessors and licensors under the Leases and Licenses (as set out in the applicable lease and license agreements) and the Encumbrances noted on Part I of **Schedule 1.1(ddd)**;
- (eee) **"person"** includes individuals, companies, corporations, partnerships, joint ventures, business trusts, associations, unincorporated organizations, Governmental Authorities and other legal or business entities of any kind whatsoever;
- (fff) **"Pre-Closing Payables"** has the meaning ascribed thereto in **Section 3.2(a)**;
- (ggg) **"Pre-Closing Receivables"** means all arm's length accounts receivable of DC Energy that are not Excluded Assets and relate to business conducted on or before December 31, 2009 and which are not collected as of the Closing Date;
- (hhh) **"Pre-Existing Environmental Condition"** means all environmental conditions affecting any Premises as at the Closing Date, including those described in **Schedule 4.10** (including all soil, subsoil, water and groundwater impacts or contamination or issues of noncompliance with Environmental Laws, as defined in **Section 4.10(a)(i)**, associated with or related to any such environmental conditions);
- (iii) **"Premises"** means the premises and real estate subject to the leases described in **Schedule 1.1(iii)**;

- (jjj) "**Premises Leases**" means those real property leases listed in **Schedule 1.1(iii)**;
- (kkk) "**Prime Rate**" means the annual rate of interest designated by the main branch in Calgary of the HSBC Bank of Canada as its reference rate for Canadian dollar commercial loans made in Canada and which is announced by such bank as its prime rate;
- (lll) "**Principals**" means, collectively, DL and AL and "**Principal**" means either of them;
- (mmm) "**Provincial Tax**" means provincial sales taxes, if any, payable in respect of any of the transactions contemplated by this Agreement (including the Reorganization);
- (nnn) "**Purchase Price**" has the meaning ascribed thereto in **Section 3.1**;
- (ooo) "**Receivables Purchase Price**" has the meaning ascribed thereto in **Section 3.2(a)**;
- (ppp) "**Regular DC Employees**" means all DC Energy employees other than Excluded Employees and Key Employees;
- (qqq) "**Reorganization**" means the reorganization of the Business described in **Schedule 1.1(qqq)**;
- (rrr) "**Responsible Persons**" means DL, AL, [Redacted – Two Employee Names];
- (sss) "**Restricted Persons**" means DC Energy, VBL, 886453, DL and AL;
- (ttt) "**Shareholders**" means, collectively, IDL Holdings Company Limited and 594264 Alberta Ltd. and "**Shareholder**" means either of them;
- (uuu) "**Side Letter**" means the letter dated November 26, 2009 and released from escrow on December 8, 2009 from the Purchaser to DC Energy, DL and AL, respecting employment arrangements between the Partnership, the Purchaser and Key Employees, as amended;
- (vvv) "**Tax**" or "**Taxes**" means Canadian federal, provincial, territorial, municipal or local taxes, levies, duties, tariffs, imposts or assessments, including those relating to net income, capital, goods and services, gross receipts, gross income, capital stock, franchise, profits, employees and payroll, withholding, unemployment, disability, real property, personal property, intangibles, stamp, excise, sales, use, transfer, occupation, value added, ad valorem, customs, premium, windfall profits, or alternative minimum taxes, and any taxes payable under the tax laws of any jurisdiction (other than Canada), including any political subdivision thereof, together with any interest, penalties or additions to tax with respect to the foregoing;
- (www) "**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time;

- (xxx) "**Tax Returns**" includes all returns, reports, declarations, designations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form), including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed under applicable laws in respect of Taxes;
- (yyy) "**Terminated Employees**" means each of those Regular DC Employees and Key Employees who do not accept offers of employment from the Partnership;
- (zzz) "**Terminated Employee Release**" means a release in substantially the form attached as **Schedule 1.1(zzz)**;
- (aaaa) "**Transferred Information**" means the personal information (namely, information about an identifiable individual other than such individual's business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) to be disclosed or conveyed to the Purchaser or any of its representatives or agents by or on behalf of DC Energy, VBL, 886453, DL or AL as a result, of or in connection with, the transactions contemplated herein and includes all such personal information disclosed to the Purchaser prior to the execution of this Agreement;
- (bbbb) "**TSX**" means the Toronto Stock Exchange;
- (cccc) "**VBL Financial Statements**" means the unaudited balance sheet of VBL as at December 31, 2008 and the statements of income and retained earnings for the year then ended; and
- (dddd) "**Vendors**" means DC Energy, VBL and 886453, collectively, and "**Vendor**" means any one of them.

1.2 Currency

All dollar amounts referenced in this Agreement are expressed in Canadian funds.

1.3 Sections and Headings

The division of this Agreement into Articles, Sections and Paragraphs and the insertion of a table of contents and headings are for convenience of reference only and shall not affect the interpretation of this Agreement. Unless otherwise indicated, any reference in this Agreement to an Article, Section, Paragraph or Schedule refers to the specified Article, Section or Paragraph of, or Schedule to, this Agreement. The terms "**hereof**", "**hereunder**", "**hereto**" and similar expressions refer to this Agreement and not to any particular Article, Section, Paragraph, Schedule or other portion of this Agreement and include any agreement supplemental hereto.

1.4 Number and Gender

In this Agreement, words importing the singular number only include the plural and *vice versa*, words importing gender include all genders.

1.5 Time of Essence

Time shall be the essence of this Agreement.

1.6 Inclusive Terminology

Whenever used in this Agreement, the words "**includes**" and "**including**" and similar terms of inclusion will not, unless expressly modified by the words "**only**" or "**solely**", be construed as terms of limitation, but rather will mean "**includes but is not limited to**" and "**including but not limited to**", so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive.

1.7 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributed thereto under Canadian generally accepted accounting principles and all determinations of an accounting nature required to be made hereunder will be made in a manner consistent with Canadian generally accepted accounting principles consistently applied.

1.8 Governing Law

This Agreement, and each of the documents contemplated by or delivered under or in connection with this Agreement (to the extent no choice of law is specified therein), shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, without reference to conflict of laws rules. The Parties agree that the courts of the Province of Alberta will have exclusive jurisdiction to determine all disputes and claims arising between the Parties (or any of them) in respect of this Agreement and the matters contemplated hereby and each of the Parties hereby irrevocably attorns to the jurisdiction of such courts.

1.9 Interpretation Not Affected By Party Drafting

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

1.10 Knowledge

Where in this Agreement, or in any certificate or document delivered in connection herewith or in implementation of any of the transactions contemplated hereby, any statement, representation or warranty is made as to, or as being based on, the knowledge, information or belief of any of the Vendors or the Principals, such knowledge, information or belief shall be construed as consisting only of the actual knowledge, information or belief (as applicable) of the Responsible Persons and the knowledge that the Responsible Persons would have had after review of files or records of the Vendors and reasonable inquiry of those of their respective employees and professional advisors who would reasonably be expected to have knowledge of the matter, but otherwise without independent investigation, and does not include the knowledge, information or belief of any other person.

1.11 Schedules

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

Schedule 1.1(f)(i)	-	Oilfield Rental Equipment
Schedule 1.1(f)(ii)	-	Trucks and Trailers
Schedule 1.1(f)(iii)	-	Inventory
Schedule 1.1(f)(xi)	-	Intellectual Property and Intangibles
Schedule 1.1(g)	-	Assumed Contracts, Customer Contracts and Liabilities
Schedule 1.1(m)	-	Form of Continuing Employee Releases
Schedule 1.1(r)	-	DC Energy Financial Statements
Schedule 1.1(w)	-	Form of Employee Release
Schedule 1.1(bb)	-	Excluded Assets
Schedule 1.1(mm)	-	Leased Equipment
Schedule 1.1(qq)	-	Missing Assets
Schedule 1.1(tt)	-	Form of Non-Competition Agreement
Schedule 1.1(ccc)		Form of Partnership Release
Schedule 1.1(ddd)	-	Permitted Encumbrances
Schedule 1.1(iii)	-	Premises
Schedule 1.1(qqq)	-	Reorganization
Schedule 1.1(zzz)	-	Form of Terminated Employee Release
Schedule 2.3	-	Trust Assets
Schedule 3.3	-	Allocation of Purchase Price
Schedule 3.4	-	Form of Debenture
Schedule 4.6	-	Condition of Assets
Schedule 4.10	-	Environmental Matters
Schedule 4.13	-	Required Consents
Schedule 4.15	-	Litigation
Schedule 4.16	-	Material Contracts
Schedule 4.30	-	Employee Matters
Schedule 7.12(a)	-	Form of Regular DC Employee Offer
Schedule 7.12(b)	-	Form of Key Employee Offer

ARTICLE II

PURCHASE AND SALE OF THE PARTNERSHIP INTERESTS, PARTNERCO SHARES AND PRE-CLOSING RECEIVABLES

2.1 Purchase and Sale

On the terms and subject to fulfillment of the conditions set out herein, the Vendors, respectively, hereby agree to sell, assign, transfer, convey and deliver the Partnership Interests, the Partnerco Shares and the Pre-Closing Receivables to the Purchaser and the Purchaser agrees to purchase the Partnership Interests, the Partnerco Shares and Pre-Closing Receivables from the Vendors, as applicable, on the Closing Date, with effect as of the Effective Time.

2.2 Unassignable Receivables

If any rights, benefits or remedies (hereinafter in this **Section 2.2** collectively called the "**Rights**") arising under any of the Pre-Closing Receivables are not assignable by DC Energy to the Purchaser without the consent of the other party or parties thereto and such consent is not

obtained, then, unless such Rights are rendered void or unenforceable by virtue of the completion of the transactions contemplated by this Agreement then, at all times after the Closing, (but subject to **Section 3.10**):

- (a) DC Energy will hold the Rights in trust for the benefit of the Purchaser;
- (b) DC Energy will, at the request and expense and under the direction of the Purchaser, in the name of DC Energy or otherwise as the Purchaser may reasonably specify, take all such actions and do all such things as the Purchaser may reasonably request in order that the value of the Rights is preserved for the Purchaser and such that all moneys receivable in relation to such Right may be received by the Purchaser; and
- (c) DC Energy will retain for its own account all moneys collected by DC Energy in respect of the Rights prior to the Closing Date and shall pay over to the Purchaser any amounts collected after the Closing Date.

2.3 Assumed Assets Held in Trust

To the extent any of the Vendors holds an Assumed Contract or other Asset in trust (collectively, the "**Trust Assets**") for the Partnership as at the Closing Date pursuant to a Contribution Agreement, such Vendor shall continue to hold such Trust Assets in trust for the Partnership following the Closing Date, and the provisions of the applicable Contribution Agreement relating to such Trust Assets held in trust shall continue beyond the Closing Date. **Schedule 2.3** sets out a list of the Trust Assets as at the date hereof.

ARTICLE III PURCHASE PRICE

3.1 Purchase Price of Partnership Interests and Partnerco Shares

Subject to any adjustment set out in this Agreement, the purchase price payable to the Vendors (the "**Purchase Price**") for the Partnership Interests and Partnerco Shares shall be FORTY FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS (\$44,500,000), such Purchase Price to be allocated in accordance with **Schedule 3.3**.

3.2 Purchase Price of Pre-Closing Receivables

- (a) Provided such net value is in excess of \$1.00, the purchase price payable to DC Energy on account of the Pre-Closing Receivables will be an amount equal to the net value of the Pre-Closing Receivables, calculated as the aggregate amount of the Pre-Closing Receivables actually collected by the Partnership or the Purchaser on or prior to June 30, 2010, minus all arms' length accounts payable of DC Energy that arise, or relate to any time, prior to the close of business on December 31, 2009 (the "**Pre-Closing Payables**") that are actually paid by the Partnership or the Purchaser on or prior to June 30, 2010 or for which the Partnership or the Purchaser has received an invoice, statement of account or similar document on or prior to June 30, 2010 (such net value being hereinafter

referred to as the "**Net Receivables Value**" and the purchase price payable in respect thereof, the "**Receivables Purchase Price**").

- (b) For greater certainty, neither the Purchaser, the Partnership nor Partnerco will assume, or be liable to any third party for, any of the Pre-Closing Payables, provided that, following the Closing Date (and provided that the Net Receivables Value is in excess of \$1.00), the Purchaser will cause the Partnership to make payments to third parties (who are not affiliates or related parties of DC Energy, Partnerco, VBL, 886453, DL or AL) on account of Pre-Closing Payables (excluding, for greater certainty, obligations and liabilities incurred by DC Energy, VBL and 886453 in connection with the transactions contemplated by this Agreement) evidenced by invoices, statements of account or similar documents properly presented to the Partnership (either by DC Energy or the applicable third party) prior to June 30, 2010. For greater certainty, neither the Purchaser, the Partnership nor Partnerco will have any obligation under this **Section 3.2(b)** in respect of any Pre-Closing Payable if the invoice, statement of account or other document evidencing such Pre-Closing Payable is not received by the Partnership prior to June 30, 2010 and the Purchaser and the Partnership may cease payment of any such amounts to third parties if the Purchaser determines, in its reasonable discretion, that the Net Receivables Value is less than \$1.00.

3.3 Allocation of Purchase Price

The Vendors and the Purchaser shall file their respective Tax Returns based upon and in accordance with the allocations of the Purchase Price set out in **Schedule 3.3** and will not make any inconsistent statements or take any inconsistent positions on any Tax Returns, in any refund claims or during the course of any audits by any taxing authorities.

3.4 Payment of Purchase Price

- (a) The Purchase Price shall be paid by the Purchaser to the Vendors, or as the Vendors may otherwise direct in writing, as follows:
 - (i) \$32,000,000 in cash, subject to adjustment as provided herein; and
 - (ii) \$12,500,000, subject to adjustment, through the issuance to DC Energy of an unsecured convertible debenture of the Purchaser in the form attached as **Schedule 3.4** (the "**Debenture**").

3.5 Payment of Receivables Purchase Price

- (a) The Receivables Purchase Price will be paid to the Vendors by the Purchaser as soon as reasonably practicable following June 30, 2010 and, in any event, not later than July 30, 2010.
- (b) The Receivables Purchase Price will be paid in cash.
- (c) No interest will be payable on Receivables Purchase Price.

- (d) Without limiting the generality of **Section 3.10**, to the extent that any Pre-Closing Receivables are collected by the Partnership subsequent to June 30, 2010 and the total amount of the Pre-Closing Receivables collected by the Partnership or the Purchaser exceeds the total amount of Pre-Closing Payables paid by the Partnership or the Purchaser as contemplated by this Agreement, the Purchaser will cause the Partnership to pay any such collected amounts to the Vendors, without interest, as soon as reasonably practicable following receipt. The Purchaser will cause the Partnership to pay any amount payable to the Vendors pursuant to this **Section 3.5(d)** directly to DC Energy for its own account and as agent for VBL and 886453 and such payment to DC Energy will satisfy all obligations of the Purchaser to VBL and 886453 under this **Section 3.5(d)**. For greater certainty, no amounts shall be payable by the Purchaser in respect of Pre-Closing Receivables where the aggregate amount of Pre-Closing Receivables collected by the Partnership or the Purchaser is less than the aggregate amount of Pre-Closing Payables.

3.6 Purchase Price Adjustment in Respect of Net Partnership Receivables

If the Partnership Receivables exceed the Partnership Payables, then the Purchaser will cause the Partnership to pay to the Vendors in cash, as soon as reasonably practicable following June 30, 2010 (and, in any event, prior to July 30, 2010), an amount equal to the aggregate amount collected by the Partnership or the Purchaser on account of the Partnership Receivables prior to June 30, 2010, less the aggregate amount of Partnership Payables evidenced by invoices, statements of account or similar documents properly presented to the Partnership or the Purchaser prior to June 30, 2010 (such difference being hereinafter referred to as the "**Net Partnership Receivables Value**") and the amounts so paid by the Partnership shall be accounted for as an adjustment to the Purchase Price. For greater certainty, no invoice, statement of account or other document evidencing a Partnership Payable shall be taken into consideration for purposes of this **Section 3.6** if such invoice, statement of account or other document is received by the Partnership after June 30, 2010. No interest will be payable on the Net Partnership Receivables Value. The Purchaser will cause the Partnership to pay any amount payable to the Vendors pursuant to this **Section 3.6** directly to DC Energy for its own account and as agent for VBL and 886453 and such payment to DC Energy will satisfy all obligations of the Purchaser to VBL and 886453 under this **Section 3.6**.

3.7 Effective Time of Transfer

Notwithstanding the payment of a portion of the Purchase Price and the Receivables Purchase Price following the Closing Date, title to and ownership of the Partnership Interests, the Partnerco Shares and the Pre-Closing Receivables will be transferred to, and fully vest in, the Purchaser as at the Closing Date.

3.8 Purchase Price Adjustments

- (a) The Purchase Price will be reduced by the aggregate principal amount owing in respect of any vehicles or other equipment subject to a capital lease or conditional sales contract referred to in **Schedule 1.1(g)** as of the Closing Date. Subject to **Section 3.8(b)**, the amount of any reduction in the Purchase Price contemplated by this **Section 3.8(a)** will reduce the cash portion of the Purchase Price.

- (b) Notwithstanding the foregoing provisions of this **Section 3.8**, if the aggregate reduction in the amount of the Purchase Price (determined as set forth above) exceeds \$500,000, then the cash portion of the Purchase Price shall be reduced by \$500,000 and the balance of the reduction will reduce the aggregate principal amount of the Debenture. For greater certainty, all aggregate increases in the amount of the Purchase Price (determined as set forth above) will be made solely by way of increase in the cash portion of the Purchase Price.

3.9 Effective Time

Except as otherwise set out in this Agreement, the sale, assignment, transfer and conveyance of the Partnership Interests, Partnerco Shares and Pre-Closing Receivables shall be effective as at the Effective Time, it being understood and agreed by the Parties that there shall be no adjustment to the Purchase Price on account of the Closing Time occurring after the Effective Time. Any payables, liabilities (including liabilities for any environmental damage), costs or obligations relating to the Business and accruing prior to the Effective Time or relating to periods prior to the Effective Time shall be for the account of the Vendors and any payables, liabilities, costs or obligations relating to the Business and accruing on or after the Effective Time shall be for the account of the Purchaser.

3.10 Assignment of Uncollected Receivables

The Purchaser will, as soon as reasonably practicable following June 30, 2010 assign to DC Energy and will cause the Partnership to assign to DC Energy, for nominal consideration, any Pre-Closing Receivables and Partnership Receivables, respectively, that have not been collected by the Partnership or the Purchaser as of such date.

3.11 Form of Payments

All payments to be made "**in cash**" by a Party pursuant to this Agreement shall be paid

- (a) for payments in excess of \$25,000,000, by wire transfer or electronic funds transfer (including to the solicitors for the receiving Party in trust); and
- (b) for payments less than \$25,000,000, by any of a certified cheque, solicitor's trust cheque, electronic funds transfer (including to the solicitors for the receiving Party in trust), bank draft or wire transfer (including to the solicitors for the receiving Party in trust).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE VENDORS AND PRINCIPALS

Each of the Vendors and the Principals hereby jointly and severally represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on such representations and warranties in connection with the execution and delivery of this Agreement and the purchase by the Purchaser of the Partnership Interests, Partnerco Shares and Pre-Closing Receivables.

General Matters

4.1 Organization and Capacity

Each of the Vendors is a corporation duly incorporated or amalgamated and organized and validly subsisting under the laws of the Province of Alberta. Each of the Vendors has the corporate power and capacity to own and lease its assets and property, to carry on its business as now conducted by it and to enter into this Agreement and perform its obligations under this Agreement.

4.2 Authorization; Binding Effect

Each of the Vendors has full corporate power and authority to enter into this Agreement and to perform all of their respective obligations under this Agreement. The shareholders and the directors of each of the Vendors have taken all necessary or desirable actions, steps and corporate and another proceedings to approve or authorize, validly and effectively, the entering into and the execution and delivery of this Agreement by the applicable Vendor and the performance by the applicable Vendor of its respective obligations hereunder. This Agreement represents a legal, valid and binding obligation of each of the Vendors enforceable against it in accordance with its terms subject to: (i) applicable bankruptcy, insolvency, moratorium, reorganization and other laws relating to or affecting the enforcement of creditors' rights generally; and (ii) the general principles of equity, including that equitable remedies, such as the remedies of specific performance and injunctive relief, may only be granted in the discretion of a court of competent jurisdiction.

4.3 No Other Agreements to Purchase

No person other than the Purchaser has any written or oral agreement, or any option or other right or privilege (whether by law, pre-emptive, contractual or otherwise) capable of becoming an agreement or option, for the purchase or acquisition from the Vendors of any of the Partnership Interests or the Partnerco Shares or the Pre-Closing Receivables or the purchase from the Vendors or the Partnership of any of the Assets or any interest therein. There is no commission or other remuneration payable to any broker, agent or other intermediary who has acted for or on behalf of any of the Vendors or Principals, in connection with the transactions contemplated hereby, except for fees owing to Ernst & Young Orenda Corporate Finance Inc. For greater certainty, the fees owing to Ernst & Young Orenda Corporate Finance Inc. shall be paid by the Vendors directly and such fees shall not form part of the Pre-Closing Payables.

4.4 No Other Interests

Other than through the direct or indirect ownership of shares in the capital of the Vendors, none of the Shareholders or Principals has any interest, legal or beneficial, direct or indirect, in the Business or Assets, and no other person has any interest, legal or beneficial, direct or indirect, in the Business or Assets, other than: (i) lessors and licensors, as the case may be, of the Leases and Licenses; and (ii) the holders of Permitted Encumbrances.

4.5 No Violation

The execution and delivery of this Agreement by the Vendors and the Principals, the completion of the sale of the Partnership Interests, Partnerco Shares and the Pre-Closing Receivables and the

completion of the Reorganization as provided for in, or contemplated by, this Agreement will not result in, and has not resulted in:

- (a) any breach or violation of or default under, or a conflict with or the acceleration of any obligation of any of the Vendors or Principals under:
 - (i) any Contract to which any of the Vendors or Principals is a party or by which any of the Vendors or Principals is bound;
 - (ii) any provision of the articles or by-laws of any of the Vendors, respectively, or any resolutions of the board of directors (or any committee thereof) or shareholders of any of the Vendors;
 - (iii) any judgment, decree, order or award of any arbitrator or any court or other Governmental Authority having jurisdiction over any of the Vendors or Principals; or
 - (iv) any applicable law, statute, ordinance, regulation or rule; or
- (b) the creation or imposition of any Encumbrance on any of the Assets, Partnership Interests, Partnerco Shares or Pre-Closing Receivables, other than Permitted Encumbrances.

4.6 Condition of Assets; Missing Assets

- (a) Except as disclosed in Schedule 4.6, all of the tangible Assets are in the same operating condition and state of repair as they were when inspected by the Purchaser on or about December 14, 2009 to December 22, 2009, normal wear and tear excepted.
- (b) The Missing Assets constitute all of the Assets which are permanently missing or which the Vendors, Partnerco or the Partnership have been unable to locate prior to the date hereof from the list of Purchased Assets, as defined in the Letter Agreement. The net book value of all such Missing Assets is reflected on **Schedule 1.1(qq)**.
- (c) The aggregate current net book value of: (i) the Missing Assets; and (ii) the Assets sold subsequent to November 26, 2009, less the current net book value of Assets purchased on or after November 26, 2009, does not exceed \$200,000.

4.7 Product Warranties

- (a) All accepted and unfilled orders for the sale of products and the performance of services entered into by the Partnership or assumed by the Partnership in connection with the Reorganization and all outstanding contracts or commitments for the purchase of supplies, materials and services were made in bona fide transactions in the ordinary course of the Business; (b) there is no basis for any claim against the Partnership or Partnerco in respect of the return of any products by reason of over-shipments, defective products or otherwise, or of products in the hands of customers, retailers or distributors under an understanding that such products would be returnable; (c) there are no pending or, to the knowledge of the Vendors,

threatened claims against Partnerco or the Partnership with respect to any product or service warranty (including implied warranties) or product return; (d) neither the Partnership, Partnerco nor any of the Vendors has any liability with respect to any product warranty (including implied warranties), whether absolute, accrued, contingent or otherwise; and (e) there are no product liability or warranty claims relating to the sale of fluids by any of the Vendors or the Partnership (prior to the Closing Date) for which any of the Purchaser, Partnerco or the Partnership (following the Closing Date) may have any liability.

4.8 Title

- (a) With the exception of the tangible property subject to the Leases and Licenses, the Partnership is the legal and beneficial owner of the Assets and has good and marketable title to the Assets and the Assets are free and clear of any and all Encumbrances, other than Permitted Encumbrances and the Discharged Encumbrances. The rights of DC Energy under the Leases and Licenses have been duly and properly assigned to the Partnership subject only to Permitted Encumbrances and the Discharged Encumbrances. True copies of all Leases and Licenses have been provided to the Purchaser.
- (b) The Partnership Interests and the Partnerco Shares are legally and beneficially owned by the respective Vendors free and clear of any Encumbrances other than the Discharged Encumbrances. The Partnerco Shares have been issued as fully paid and non-assessable shares of Partnerco. The Partnership Interests have been validly issued pursuant to the Partnership Agreement and in compliance with applicable laws.

4.9 No Expropriation

None of the Assets, the Partnership Interests, Partnership Shares or Pre-Closing Receivables have been taken or expropriated by any Governmental Authority, nor has any notice or proceeding in respect thereof been given or commenced, nor is any Vendor or any Principal aware of any intent or proposal to give any such notice or commence any such proceedings.

4.10 Environmental Matters

- (a) For the purposes of this **Section 4.10**, the following terms and expressions have the indicated meanings:
 - (i) "**Environmental Laws**" means all applicable statutes, regulations, ordinances, by-laws, orders and codes now or hereafter in existence in Canada (whether federal, provincial or municipal) and the common law, relating to the protection, preservation and remediation of the environment, occupational health and safety, product safety, transportation of dangerous goods, product liability or Hazardous Substances, including, without limitation, the *Environmental Protection and Enhancement Act* (Alberta), as amended from time to time, the *Environmental Management Act* (British Columbia) as amended from time to time, and the *Canadian Environmental Protection Act* (Canada), as amended from time to time (the "**CEPA**").

- (ii) **"Environmental Permits"** includes all orders, permits, certificates, approvals, consents, registrations, licences or other authorizations issued by a Governmental Authority under Environmental Laws.
 - (iii) **"Hazardous Substance"** means, collectively, any substance that causes or may cause an adverse effect, toxic substance (as defined in the CEPA), dangerous goods (as defined in the *Transportation of Dangerous Goods Act* (Canada), as amended from time to time), hazardous waste (as defined in the *Environmental Management Act* (British Columbia), as amended from time to time) or pollutant or any other substance or combination thereof that, when released to the environment, causes or may cause, harm or degradation to the environment, safety, health or property.
 - (iv) **"Release"** means any release, spill, leak, emission, discharge, migration, dumping, escape or other disposal that is occurring or has occurred in contravention of any Environmental Laws or causes or may cause an adverse effect, harm or degradation to the environment, safety, health or property.
- (b) Except for Pre-Existing Environmental Conditions as disclosed in Part I of **Schedule 4.10**, DC Energy (with respect to the Business), the operation of the Business, the property and assets owned or used by DC Energy and the Partnership, including the Premises and the Assets, and the use, maintenance and operation thereof have been and are in compliance with all Environmental Laws. The Vendors, in the operation of the Business, and the Partnership and Partnerco have complied with all reporting and monitoring requirements under all Environmental Laws. With respect to the Business, none of the Vendors, the Principals, the Partnership or Partnerco has received any notice of any non-compliance with any Environmental Laws and none of the Vendors, with respect to the Business, and the Partnership or Partnerco has ever been convicted of an offence for non-compliance with any Environmental Laws or been fined or otherwise sentenced on account of any such non-compliance or settled any prosecution on account of any non-compliance short of conviction, nor is there any basis therefor. No litigation or regulatory action is pending or underway, or, to the knowledge of the Vendors, threatened, in respect of non-compliance by any of the Vendors (with respect to the Business) or, the Partnership or Partnerco with Environmental Laws or in respect of any Hazardous Substance or any Release.
- (c) DC Energy, the Partnership and Partnerco have obtained all Environmental Permits necessary to conduct the Business and to own, use and operate the Assets. All such Environmental Permits are listed on Part II of **Schedule 4.10**, and complete and correct copies thereof have been provided to the Purchaser. Except as noted on **Schedule 4.10**, all Environmental Permits listed therein are valid and in full force and effect. No such permits shall become void or voidable as a result of the consummation of the transactions contemplated hereby; and, except as set forth on **Schedule 4.10**, no consent to such transactions is required to maintain such Environmental Permits in full force and effect. Each of the Vendors and Principals shall provide all assistance reasonably requested by the Purchaser in connection with the filing of any applications for Environmental Permits

considered necessary by the Purchaser (acting reasonably) and in connection with the transfer of any existing Environmental Permits identified by the Purchaser.

- (d) Except as disclosed on **Schedule 4.10**, and except for Hazardous Substances located inside tanks forming part of the Assets, there are no Hazardous Substances located in, on, under or migrating from any of the Assets or the Premises, and no Release of any Hazardous Substances has occurred on or from the Assets or Premises or has otherwise resulted from the operation of the Business. Except as disclosed on **Schedule 4.10** and except for the use of the tanks forming part of the Assets, none of the Vendors, the Partnership or Partnerco has used any of its Assets or the Premises to produce, generate, store, handle, transport or dispose of any Hazardous Substances.
- (e) Except as disclosed on **Schedule 4.10**, to the knowledge of each of the Vendors and Principals, none of the Vendors, the Partnership or Partnerco is, and there is no basis upon which the Partnership, Partnerco or the Purchaser could become, responsible for any clean-up or corrective action under any Environmental Laws relating to the Business or the use or ownership of the Assets or the Premises prior to the Closing Date.
- (f) The Vendors have provided to the Purchaser complete and accurate copies of all environmental reports, audits, studies, assessments and other environmental documents concerning or related to the Business, Assets and the Premises, of which the Vendors are aware.

4.11 Location of Operations, Etc.

Since January 1, 2007, the Business has not been conducted in any jurisdiction other than British Columbia, Alberta, Saskatchewan, Northwest Territories and Alaska.

4.12 Restricted Persons

At the Closing Time, the Restricted Persons and the Shareholders shall constitute all of the persons having a direct or indirect ownership interest in DC Energy, VBL, 886453, the Partnership, Partnerco or the Business.

4.13 Consents and Approvals

Subject to **Section 2.2** and **Section 2.3** above, all necessary consents and approvals of third parties required to be obtained by DC Energy or any Vendor or Principal to permit completion of the transactions contemplated by this Agreement (including the Reorganization) have been duly obtained. Except as set out in **Schedule 4.13**, there is no requirement for the Vendors, the Principals, the Partnership or Partnerco to make any filing with, give any notice to, or to obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the transactions contemplated by this Agreement (including the Reorganization). Except for as set out in **Schedule 4.13** there is no requirement applicable to any of the Vendors or Principals to give any notice to, or obtain the consent or approval of, any person in connection with the completion of

the Reorganization or the sale of the Partnership Interests, Partnerco Shares or the Pre-Closing Receivables.

4.14 No Changes; No Acquisition or Sale

- (a) Since October 31, 2009, the Business has been carried on in its usual and ordinary course and neither DC Energy nor the Partnership has entered into any transaction out of the usual and ordinary course of the Business, other than the Reorganization.
- (b) Since October 31, 2009, there has been no change in the affairs, business, prospects, operations or condition of the Business, financial or otherwise, whether arising as a result of fire, explosion, accident, casualty, labour dispute, flood, drought, riot, storm, condemnation, act of God, public force or any revocation of any license or right to do business, except changes occurring in the usual and ordinary course of business or the oilfield services and rental industry as a whole that have not materially adversely affected the affairs, prospects, operations or condition of the Business, financial or otherwise, and the Reorganization.
- (c) Except as otherwise disclosed to the Purchaser, since November 26, 2009, none of DC Energy, Partnerco, VBL, 886453 nor the Partnership has acquired any assets for use in the Business (other than to maintain inventories in the ordinary course of business) without the prior written consent of the Purchaser, nor have any of DC Energy, Partnerco, VBL, 886453 or the Partnership, at any time since November 26, 2009, sold or otherwise disposed of any Assets (other than fluid inventories or other inventories (that have been replenished, or will be replenished, in the ordinary course of business prior to the Closing Time)) to any person without the prior written consent of the Purchaser.
- (d) Since October 31, 2009, DC Energy, except (A) as otherwise disclosed to the officers of the Purchaser, including Gerry Crawford, Dan Halyk, Terry Bell, Mark Kearl and Brad Macson, on behalf of the Purchaser, or disclosed to the Purchaser in writing, in either case prior to the date hereof, and (B) as to those items and matters below that are not material to the Business:
 - (i) has not waived, cancelled or written-off any rights, claims, or any amounts payable to it relating to the Business;
 - (ii) has not had any supplier of goods or services to the Business terminate, or communicate to it the intention or threat to terminate, its relationship with the Business, or the intention to substantially reduce the quantity of products or services it sells, leases or provides to the Business;
 - (iii) has not had any customer of the Business terminate, or communicate to it the intention or threat to terminate, its relationship with the Business, or the intention to substantially reduce the quantity of products or services it purchases or leases from the Business, or its dissatisfaction with the products or services supplied by the Business;

- (iv) has not made any material change in the method of billing customers or the credit terms made available to customers of the Business;
- (v) has not suffered any damage, destruction or loss (whether or not covered by insurance) relating to the Business that has materially adversely affected or could materially adversely affect the Business; and
- (vi) has not suffered any extraordinary loss relating to the Business.

4.15 Litigation

Except as set out on **Schedule 4.15**, there are no actions, suits or proceedings, judicial or administrative (whether or not purportedly on behalf of the Partnership, Partnerco, DC Energy or any Principal) pending or, to the best of the knowledge of DC Energy and each of the Principals, threatened, by or against or affecting DC Energy, the Partnership or Partnerco or any of the Assets.

4.16 Material Contracts

There are no Contracts material to the conduct and operation of the Business or the ownership or use of the Assets except for the Assumed Contracts, the Customer Contracts and the other Contracts described on **Schedule 4.16**.

4.17 Privacy Matters

Each of the Vendors and Principals: (i) has provided all necessary notices to and has obtained all necessary consents from each individual to which the Transferred Information disclosed by or on behalf of such Party relates for the collection, use and disclosure of such information for the purposes for which such information is currently and was historically collected, used and disclosed by such Party and for the completion of the transactions contemplated herein; and (ii) has not received notice, and has no reason to believe, that any such consent has been withdrawn or varied. The Transferred Information is necessary for, and solely relates to, the completion of the transactions as contemplated herein, including the determination to complete such transactions.

4.18 Intellectual Property

- (a) To the knowledge of the Vendors and the Principals, the Partnership owns or has sufficient rights to use the Intellectual Property and such Intellectual Property will be owned by the Partnership or available for use by the Partnership on identical terms and conditions immediately after, and after giving effect to, Closing without the need for any further payment, fee, right, license, permission or consent in respect thereof.
- (b) **Schedule 1.1(f)(xi)** contains a complete list of all material Intellectual Property together with the details of any registrations and applications for registration with respect to any such material Intellectual Property and all such material Intellectual Property has been duly assigned and transferred to the Partnership. The registrations and applications for registration listed in **Schedule 1.1(f)(xi)** are

valid and subsisting, in good standing, and, to the knowledge of the Vendors and the Principals, enforceable against third parties and are recorded, maintained and renewed in the name of DC Energy or the Partnership in the appropriate registries or government offices to preserve the rights of DC Energy or the Partnership thereof and thereto.

- (c) There are no royalty payments, license fees or other sums payable to or by DC Energy, the Partnership or Partnerco in respect of the Intellectual Property except: (i) as listed at paragraph 28 of **Schedule 1.1(g)**; or (ii) to maintain or renew any registrations or applications for registration in relation thereto.
- (d) Neither the operation, conduct or maintenance by DC Energy, the Partnership or Partnerco of the Business as it is currently, or was prior to the date of the Reorganization, operated, conducted and maintained nor the use by DC Energy, the Partnership or Partnerco of the Intellectual Property in respect thereto, infringes, misappropriates, misuses or violates the intellectual property rights of any other person or breaches any duty or obligation owed by DC Energy, the Partnership or Partnerco to any other person. Following the Closing, the operation, conduct and maintenance by the Partnership of the Business in a manner consistent with the manner in which the Business was operated, conducted and maintained prior to the Reorganization, and the use of the Intellectual Property by the Partnership in respect thereto, will not infringe, misappropriate, misuse or violate the intellectual property rights of any other person.
- (e) None of the Vendors, the Principals, the Partnership or Partnerco has received any notice, complaint, threat or claim alleging the infringement, misappropriation, misuse or violation of any intellectual property right of any other person or breach of any duty or obligation owed to any other person or that the Partnership does not own the Intellectual Property or, in the case of Intellectual Property that is licensed to the Partnership, the Partnership does not have a valid right to use such Intellectual Property in the manner in which the Partnership currently uses the same.
- (f) The computer systems, including hardware and software, used in the operation of the Business are, to the best of the knowledge of the Vendors and the Principals, free from viruses and the Vendors, the Partnership and Partnerco have taken, and will continue to take, all commercially reasonable steps and implement all commercially reasonable procedures necessary to ensure, so far as is reasonably possible, that such systems remain free from viruses until Closing.
- (g) The Vendors have previously delivered to the Purchaser a true and complete list of all of the customers of the Business as at January 11, 2010. The Partnership is the sole and exclusive owner of, and has the unrestricted right to use, such customer list.

4.19 Securities Matters

Each of the Vendors qualifies as an "accredited investor" within the meaning of National Instrument 45-106 – *Prospectus and Registration Exemptions* ("NI 45-106") by reason of being persons in respect of which all of the owners of interests, direct, indirect or beneficial, are accredited investors. The Vendors acknowledge and agree that they have been independently advised as to the resale restrictions that may apply with respect to both the Debenture and any common shares of the Purchaser issuable on conversion of the Debenture under Applicable Securities Laws and of the fact that they may not be able to resell the Debenture or such common shares, except in accordance with limited exemptions under Applicable Securities Laws, until the expiry of all applicable "hold" or "restriction" periods and compliance with the other requirements of applicable law, and further acknowledge that any certificates representing the Debenture or such common shares may bear legends indicating that the resale of such securities is restricted.

4.20 DC Energy Financial Statements

The DC Energy Financial Statements fairly present, in accordance with Canadian generally accepted accounting principles, the financial position of DC Energy as at the respective dates of such statements and the results of operations for the periods then ended.

4.21 886453 Financial Statements

The 886453 Financial Statements fairly present, in accordance with Canadian generally accepted accounting principles (with the exception that there are no notes thereto), the financial position of 886453 as at the date of such statements and the results of operations for the periods then ended and copies of such 886453 Financial Statements have been provided to the Purchaser.

4.22 VBL Financial Statements

The VBL Financial Statements fairly present, in accordance with Canadian generally accepted accounting principles (with the exception that there are no notes thereto), the financial position of VBL as at the date of such statements and the results of operations for the periods then ended and copies of such VBL Financial Statements have been provided to the Purchaser.

4.23 Receivables

The Pre-Closing Receivables are legally and beneficially owned by DC Energy free and clear of any Encumbrances, other than Discharged Encumbrances, and the Pre-Closing Receivables arose from bona fide transactions in the ordinary course of the Business and are valid, enforceable and fully collectible accounts (subject to a reasonable allowance, consistent with past practice, for doubtful accounts as reflected in the DC Energy Financial Statements or as previously disclosed in writing to the Purchaser). The Pre-Closing Receivables are not subject to any set off or counterclaim. The Partnership Receivables are legally and beneficially owned by the Partnership free and clear of any Encumbrances, other than the Discharged Encumbrances, and the Partnership Receivables arose from bona fide transactions in the ordinary course of the Business and are valid, enforceable and fully collectible accounts (subject to a reasonable allowance, consistent with the past practice of DC Energy, for doubtful accounts as reflected in the DC

Energy Financial Statements or as previously disclosed in writing to the Purchaser). The Partnership Receivables are not subject to any set off or counterclaim.

4.24 Premises

The Premises represent all of the physical locations used in the operation of the Business as of December 31, 2009. Except as disclosed in **Schedule 1.1(iii)**, the Partnership is exclusively entitled to all rights and benefits as lessee under the leases relating to the Premises and neither DC Energy nor the Partnership has sublet, assigned, licensed or otherwise conveyed any rights in the Premises or the associated leases to any other person. All rental and other payments and other obligations required to be paid and performed by DC Energy and the Partnership in relation to the foregoing leases have been duly paid and performed. Neither DC Energy nor the Partnership is in default of any of its obligations under any of the foregoing leases and, to the knowledge of the Vendors and the Principals, none of the landlords or other parties to such leases are in default of any of their obligations thereunder. The terms and conditions of the foregoing leases will not be affected by, nor will any of such leases be in default as a result of, the completion of the transactions contemplated by this Agreement (including the Reorganization). The use by the Partnership of the Premises is not in breach of any building, zoning or other statute, bylaw, ordinance, regulation, covenant, restriction or official plan. The Partnership has adequate rights of ingress to and egress from the Premises for the operation of the Business in the ordinary course. There are no outstanding work orders, noncompliance orders, deficiency notices or other such notices relating to the Premises, which have been issued by any regulatory authority, police or fire department, sanitation, environment, labor, health or other Governmental Authority. There are no matters under discussion with any such department or authority relating to work orders, noncompliance orders, deficiency notices or other such notices. None of the Premises is being operated in a manner that is in contravention of any statute, regulation, rule, code, standard or policy. No amounts are owing by the Partnership in respect of the Premises to any Governmental Authority or public utility other than in the ordinary course of the Business and consistent with past practice. The buildings and structures on the Premises are, to the best of the knowledge of the Vendors and the Principals, free from structural defects.

4.25 No Restrictions on Conduct of Business

Neither Partnerco nor the Partnership is party to or bound by any agreement which would restrict or limit its right to carry on business or activities or to solicit business from any person in any geographical area or to otherwise conduct the Business as the Partnership or Partnerco may determine. Neither the Partnership nor Partnerco is subject to any legislation or any judgment, order or requirement of any court or Governmental Authority that is not of general application to persons carrying on a business similar to the Business.

4.26 Insurance

Copies of all policies of insurance maintained by or on behalf of the Partnership or in respect of which the Partnership is covered in relation to its properties, assets, business or personnel have been provided to the Purchaser and such insurance policies are in full force and effect and the Partnership is not in default with respect to the payment of any premium or compliance with any of the provisions contained in any such insurance policy. To the best of the knowledge of the Vendors and the Principals, there are no circumstances under which the Partnership would be

required to or, in order to maintain its coverage, should give any notice to any insurer under any such insurance policies that has not been given. Neither the Partnership nor Partnerco has received notice from any insurer regarding cancellation of any such insurance policies. Neither the Partnership nor Partnerco has received notice from any insurer denying any claims.

4.27 Non Arms' Length Transactions

Except in respect of liabilities incurred following December 1, 2009, in the ordinary course of the Business and consistent with past practice, in respect of which DC Energy is entitled to be reimbursed by the Partnership, and except as contemplated by the Reorganization, neither Partnerco nor the Partnership is a party to or bound by any agreement with or is indebted to, and no amount is owing to Partnerco or the Partnership by, any of the Vendors or any of the Principals or any other persons not dealing in arms length with any of the foregoing.

4.28 Vehicle Unit #331

The lease in respect of vehicle unit #331 previously leased by DC Energy has been terminated and is of no further force and effect and there are no future liabilities associated therewith.

4.29 Net Receivables Value

The Net Receivables Value as at the Closing Date will be in excess of \$1.00.

Employment Matters

4.30 Employee Matters

Schedule 4.30 sets forth the current job title, duration of employment, annual salary and bonus amount, if any, and other compensation and benefits paid in the calendar year ended December 31, 2009 in respect of the employees of the Business, excluding the Excluded Employees. The financial obligations of DC Energy, as of the Effective Date, to employees on disability, maternity or workers compensation is restricted to the cost of paying any such employee's group benefits and pension plan contributions.

4.31 Employment Agreements

Except as disclosed in **Schedule 4.30**, none of the employees listed in **Schedule 4.30** is a party to any written or oral employment, service or consulting agreement with DC Energy, except for oral employment agreements which are of indefinite term and without any special arrangements or commitments with respect to the continuation of employment or payment of any particular amount upon termination of employment. DC Energy does not have any employee, excluding the Excluded Employees, who cannot be dismissed upon such period of notice as is required by law (statutory and common law) in respect of a contract of hire for an indefinite term.

4.32 Labour Matters and Employment Standards

- (a) Except as disclosed in **Schedule 4.30**, none of DC Energy, the Partnership nor Partnerco is subject to any agreement with any labour union or employee association and none of DC Energy, the Partnership or Partnerco has made any commitment to or conducted negotiations with any labour union or employee

association with respect to any future agreement and, to the best of the knowledge of the Vendors and the Principals, during the period of five years preceding the date of this Agreement, there has been no attempt to organize, certify or establish any labour union or employee association in relation to any of the employees of the Business.

- (b) There are no existing or, to the best of the knowledge of the Vendors and the Principals, threatened labour strikes or labour disputes, grievances, controversies or other labour troubles affecting the Business.
- (c) DC Energy has complied with all laws applicable to it relating to collective bargaining. All amounts due and payable to the employees of the Business have been paid in the normal course. There are no outstanding charges or complaints involving the Business relating to unfair labour practices, occupational health and safety issues or under any legislation or Law relating to employees. DC Energy has paid in full all amounts owing under any applicable workers' compensation legislation, or comparable legislation, where applicable, and the workers' compensation claims experience of DC Energy would not permit a penalty reassessment under any such legislation. In relation to the Business, the current assessment of DC Energy under any applicable workers' compensation legislation is reflected in the financial records of DC Energy and DC Energy has provided the Purchaser with copies of all orders and inspection reports prepared or rendered under the applicable occupational health and safety legislation in relation to the Business.

4.33 Employee Benefit and Pension Plans

Except as disclosed on **Schedule 4.30**, none of the employees listed in **Schedule 4.30** are entitled to any rights or benefits under any pension plan (defined benefit, defined contribution or otherwise), deferred compensation plan, retirement income or group registered retirement savings plan, stock option, stock appreciation rights, phantom stock or stock purchase plan, profit sharing plan, bonus plan or policy, commission or incentive compensation plan, change of control agreement, retention bonus plan or agreement, severance or termination pay arrangement, employee life or other group insurance plan, savings plan, employee loan, indemnity, education or hospitalization plan, medical or dental plan, long-term or short-term disability plan or other employee benefit plan, program, policy or practice, formal or informal, or any other similar benefit, plan or entitlement. There are no material employment policies or work rules, whether written or oral, that have been established in relation to any employees of the Business which have not been previously provided or disclosed to the officers of the Purchaser, including Gerry Crawford, Dan Halyk, Terry Bell, Mark Kearl and Brad Macson, on behalf of the Purchaser, or disclosed to the Purchaser in writing, in either case prior to the date hereof.

Tax Matters

4.34 Tax Matters

- (a) Each of the Vendors and Principals is a resident of Canada for the purposes of the Tax Act.

- (b) All Tax Returns, if any, required to be filed by or on behalf of Partnerco and the Partnership have been duly filed on a timely basis and such Tax Returns were complete and correct in all material respects. All Taxes shown to be payable on such Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis and no other Taxes are payable by Partnerco and the Partnership with respect to items or periods covered by such Tax Returns.
- (c) No material deficiencies exist or have been asserted against Partnerco or the Partnership with respect to Taxes. None of Partnerco or the Partnership is a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or to the Vendor's or the Principals' knowledge threatened against Partnerco or the Partnership or any of their assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Tax Returns of Partnerco or the Partnership. There is no audit in process, pending or, to the knowledge of the Vendors or the Principals, threatened by a Governmental Authority relating to the Tax Returns of Partnerco or the Partnership.
- (d) Partnerco and the Partnership have withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the Tax Act, all amounts required by law and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Partnerco and the Partnership have remitted all Canada Pension Plan contributions, employment insurance premiums, and other Taxes payable by it in respect of its employees and has remitted such amounts to the proper Governmental Authority within the time required by applicable law. Partnerco and the Partnership have charged, collected and remitted on a timely basis all Taxes as required by applicable law on any sale, supply or delivery whatsoever, made by Partnerco or the Partnership.
- (e) Partnerco and the Partnership have paid, collected and remitted on a timely basis, all goods and services tax, other applicable value added taxes, provincial sales tax and other applicable sales or use taxes properly payable by it.
- (f) There are no circumstances existing which would reasonably be expected to result in the application of section 78, section 79, or sections 80 to 80.04 of the Tax Act, or any equivalent provision under applicable provincial law, to Partnerco or the Partnership.
- (g) Neither Partnerco or the Partnership has claimed any reserve under any provision of the Tax Act or any equivalent provincial provision, if such amount could be included in the income of the Partnership for any period ending after the Closing Time.
- (h) Except as disclosed in writing to the Purchaser, Partnerco and the Partnership have not filed any elections, designations or similar filings.
- (i) Partnerco and the Partnership have not been a party to a transaction on or prior to the Closing Time in circumstances where section 160 of the Tax Act could apply.

- (j) Partnerco is a taxable Canadian corporation within the meaning of subsection 89(1) of the Tax Act. The Partnership has at all times since its formation to the Closing Time been a "Canadian partnership" within the meaning of the Tax Act.
- (k) At the commencement of the Partnership's second taxation year, the undepreciated capital cost of depreciable property of the Partnership will not be less than [Redacted – Amount Stated in Dollars] and not less than [Redacted – Amount Stated in Dollars] of such depreciable property will be in undepreciated capital cost allowance classes with a rate as determined in Regulation 1100(1)(a) of the Tax Act of 20% or higher.

4.35 GST Registration

Each of DC Energy, VBL and 886453 are registrants for purposes of the ETA and their GST registration numbers are as follows:

	<u>GST Registration Number</u>
VBL	86510 8989
886453	86542 4899
DC Energy	89251 6097

Partnership and Partnerco Matters

4.36 Organization and Capacity (Partnerco and Partnership)

Partnerco is a corporation duly incorporated (on November 27, 2009) and organized and validly subsisting under the laws of the Province of Alberta. Partnerco has the corporate power and capacity to own and lease its assets and property, to carry on its business as now conducted by it and to enter into this Agreement and perform its obligations hereunder. Partnerco has not carried on any business of any nature or kind whatsoever, except as general partner of the Partnership, and Partnerco has no obligations or liabilities of any nature or kind whatsoever, other than obligations and liabilities of the Partnership for which it is responsible in its capacity as a general partner of the Partnership. Partnerco is not a "reporting issuer" or equivalent in any province of Canada. The Partnership is a limited partnership duly formed (on November 30, 2009) and validly subsisting under the laws of the Province of Alberta. The Partnership has the power and capacity to own and lease its assets and property, to carry on its business as now conducted by it and to enter into this Agreement and perform its obligations hereunder and has been duly registered in each of the jurisdictions in which it carries on business (other than the Northwest Territory, and the Partnership is in the process of making such registration). The Partnership is duly and properly registered as a limited partnership under the laws of each jurisdiction in which the Partnership conducts business and such registration is required by applicable law. The Partnership is not a "reporting issuer" or equivalent in any province of Canada. There is no published market (as defined under Applicable Securities Laws) for the Partnerco Shares or the Partnership Interests.

4.37 Authorizations (Partnerco and Partnership)

The Partnership Agreement: (i) has been duly authorized by each of Partnerco and the Vendors (ii) has been duly executed and delivered by each of Partnerco and the Vendors, and (iii) is a legal, valid and binding obligation of each of Partnerco and the Vendors, enforceable against each such party thereto in accordance with its terms subject to (A) applicable bankruptcy, insolvency, moratorium, reorganization and other laws relating to or affecting the enforcement of creditors rights generally; and (B) the general principles of equity, including that equitable remedies, such as the remedies of specific performance and injunctive relief, may only be granted in the discretion of a court of competent jurisdiction.

4.38 Absence of Certain Changes or Events Relating to Partnerco and the Partnership

Since the date of their formation, none of Partnerco or the Partnership except (A) as otherwise disclosed to the officers of the Purchaser, including Gerry Crawford, Dan Halyk, Terry Bell, Mark Kearn and Brad Macson, on behalf of the Purchaser, or disclosed to the Purchaser in writing, in either case prior to the date hereof, and (B) as to those items and matters below that are not material to the Business:

- (a) has waived, cancelled or written-off any rights, claims, or any amounts payable to it relating to the Business;
- (b) had any supplier of goods or services to the Partnership terminate, or communicate to it the intention or threat to terminate, its relationship with the Partnership, or the intention to substantially reduce the quantity of products or services it sells, leases or provides to the Partnership;
- (c) had any customer of the Partnership terminate, or communicate to it the intention or threat to terminate, its relationship with the Partnership, or the intention to substantially reduce the quantity of products or services it purchases or leases from the Partnership, or its dissatisfaction with the products or services supplied by the Partnership;
- (d) made any material change in the method of billing customers or the credit terms made available to customers of the Partnership;
- (e) suffered any damage, destruction or loss (whether or not covered by insurance) relating to the Business that has materially adversely affected or could materially adversely affect the Business;
- (f) suffered any extraordinary loss relating to the Business;
- (g) declared or made any dividends or distributions; or
- (h) carried on any business activities except (i) in the case of the Partnership, the Business, and (ii) in connection with the Reorganization.

4.39 Partnership Employees

Prior to the Closing Time, the Partnership shall not have, and shall not have had, any employees. Immediately following the Closing Time, the Partnership will have only the Continuing Employees.

4.40 Reorganization

- (a) The shareholders and the directors of each of the Vendors and 1150835 have taken all necessary or desirable actions, steps and corporate and other proceedings to approve or authorize, validly and effectively, the entering into and the execution and delivery of the Contribution Agreements by the Vendors and 1150835, respectively, and the performance by each of the Vendors and 1150835, respectively, of their respective obligations thereunder. Each of the Contribution Agreements has been duly executed and delivered and represents a legal, valid and binding obligation of the party thereto other than the Partnership, enforceable against such party in accordance with its terms subject to: (i) applicable bankruptcy, insolvency, moratorium, reorganization and other laws relating to or affecting the enforcement of creditors' rights generally; and (ii) the general principals of equity, including that equitable remedies, such as the remedies of specific performance and injunctive relief, may only be granted in the discretion of a court of competent jurisdiction.
- (b) The execution and delivery of each Contribution Agreement by the party thereto other than the Partnership, the completion of the sale of Assets to the Partnership by such party pursuant to such Contribution Agreement and the completion of the Reorganization as provided for in, or contemplated by, this Agreement has not resulted in, and will not result in:
 - (i) any breach or violation of, or default under, or a conflict with or the acceleration of any obligation of such party under:
 - (A) any Contract to which such party is a party or by which such party is bound;
 - (B) any provision of the articles or by-laws of such party, or any resolutions of the board of directors (or any committee thereof) or shareholders of such party;
 - (C) any judgment, decree, order or award of any arbitrator or any court or other Governmental Authority having jurisdiction over such party; or
 - (D) any applicable law, statute, ordinance, regulation or rule; or
 - (ii) the creation or imposition of any Encumbrance on any of the Assets.
- (c) The Reorganization will, on or prior to the Closing Date, have been duly and properly completed, as described in **Schedule 1.1(qqq)**.

- (d) All filings have been made with regulatory authorities in Alberta and any other jurisdictions in which the Partnership conducts business to reflect the amalgamation of DC Energy and 1150835 in connection with the Reorganization and to reflect any other applicable components of the Reorganization.

4.41 Assets and Liabilities of the Partnership and Partnerco

Neither the Partnership nor Partnerco have, or are responsible for, any obligations or liabilities of any nature or kind whatsoever except for: (i) obligations and liabilities consented to in writing by the Purchaser (including those listed in **Schedule 1.1(g)**); (ii) all obligations and liabilities in connection with the Assumed Contracts and the Leases and Licenses; and (iii) obligations and liabilities to arms length parties arising in the ordinary course of business of the Partnership and relating to the operations from December 1, 2009 to the Closing Date, which do not exceed the aggregate amount of the Partnership Receivables. The Assets constitute substantially all of the assets used in the operation and conduct of the Business.

4.42 Minute and Record Books

The minute and record books of each of Partnerco and the Partnership, which have been provided or made available to the Purchaser prior to the date hereof, contain true and complete copies of, as applicable, its articles, by-laws, certificates, registers of directors, shareholders, partners and securities and resolutions and minutes of all meetings of the shareholders, partners and directors thereof.

4.43 Authorized and Issued Capital

The authorized and issued share capital of Partnerco is as set forth in the definition of Partnerco Shares set out herein. The authorized and issued units in the Partnership are as set forth in the definition of Partnership Interests set out herein. No shares, units or other securities of Partnerco or the Partnership have been issued in violation of any laws or the articles, by-laws, partnership agreement or other constating documents thereof or the terms of any shareholders' agreement, the pre-emptive rights of any person or any agreement to which Partnerco or the Partnership is bound. No person has any agreement, option, understanding or commitment, or any right or privilege (whether by law, preemptive or contractual) capable of becoming an agreement, option or commitment, including convertible securities, warrants or convertible obligations of any nature or kind whatsoever, for the purchase, subscription, allotment or issuance of, or conversion into, any of the unissued shares in the capital of Partnerco or any other securities of Partnerco. No person, other than the Purchaser, has any agreement, option, understanding or commitment, or any right or privilege (whether by law, preemptive or contractual) capable of becoming an agreement, option or commitment, including convertible securities, warrants or convertible obligations of any nature or kind whatsoever, for the purchase or issuance of, or conversion into, any interest in the Partnership (whether issued or unissued) or any securities of Partnership. There are no shareholder agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the Partnerco Shares.

4.44 Subsidiaries and Other Interests

Neither Partnerco nor the Partnership has any subsidiaries nor does Partnerco or the Partnership own any securities issued by, or any equity or ownership interest in, any other person, other than

the Partnership Interest owned by Partnerco. Neither Partnerco nor the Partnership is subject to any obligation to make any investment in or to provide funds by way of loan, capital contribution or otherwise to any Person.

4.45 Compliance with Laws

The execution, delivery and performance of this Agreement and any other agreements contemplated hereby to be entered into by the Vendors, the Principals, the Partnership or Partnerco and the completion of the transactions contemplated hereby and thereby, will not constitute or result in a violation or breach of, or default under, or cause the acceleration of any obligations of any term or provision of any order, approval or judgment of any Governmental Authority or any laws and each of the Partnership and Partnerco have at all times acted in accordance with all applicable laws.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendors as follows and acknowledges and confirms that each of the Vendors and the Principals is relying on such representations and warranties in connection with the execution and delivery of this Agreement and the sale to the Purchaser of the Partnership Interests, Partnerco Shares and the Pre-Closing Receivables.

5.1 Organization and Capacity

The Purchaser is a corporation duly amalgamated and organized and validly subsisting under the laws of the Province of Alberta.

5.2 Authorization; Binding Effect

The Purchaser has full corporate power and authority to enter into this Agreement and to perform all of its obligations under this Agreement. The directors of the Purchaser have taken all necessary actions, steps and corporate and another proceedings to approve or authorize, validly and effectively, the entering into and the execution and delivery of this Agreement by the Purchaser and the performance by the Purchaser of its obligations hereunder. This Agreement represents a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms subject to: (i) applicable bankruptcy, insolvency, moratorium, reorganization and other laws relating to or affecting the enforcement of creditors' rights generally; and (ii) the general principles of equity, including that equitable remedies, such as the remedies of specific performance and injunctive relief, may only be granted in the discretion of a court of competent jurisdiction.

5.3 No Violation

The execution and delivery of this Agreement by the Purchaser and the completion by the Purchaser, as applicable, of the transactions contemplated by this Agreement will not result in the breach or violation of any of the provisions of, or constitute a default under, or conflict with:

- (a) any Contract to which the Purchaser is a party or by which the Purchaser is bound;

- (b) any provision of the articles or by-laws of the Purchaser or any resolution of the board of directors (or any committee thereof) or shareholders of the Purchaser;
- (c) any judgment, decree, order or award of any arbitrator or any court or other Governmental Authority having jurisdiction over the Purchaser; or
- (d) any applicable law, statute, ordinance, regulation or rule.

5.4 Consents and Approvals

All necessary consents and approvals of third parties required to be obtained by the Purchaser to permit the completion of the transactions contemplated by the Agreement have been duly obtained. There is no requirement for the Purchaser to make any filing with, give any notice to, or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the transactions contemplated by this Agreement. The Purchaser has received the conditional approval of the TSX for the listing of the common shares to be issued on the conversion of the Debenture.

5.5 Investment Canada

The Purchaser is a "resident Canadian" within the meaning of the *Investment Canada Act*.

5.6 Public Record

All information filed by or on behalf of the Purchaser with applicable securities regulatory authorities was true, correct and complete in all material respects and did not contain any misrepresentation as of the date of such information or statement, and the Purchaser has not filed any confidential material change reports still maintained on a confidential basis.

5.7 Securities Matters; Debenture

- (a) the Purchaser is a "reporting issuer" or equivalent in each of the provinces of Canada except Nova Scotia within the meaning of the Applicable Securities Laws in such provinces and is not in default of any requirement of the Applicable Securities Laws in any material respect;
- (b) the Debenture to be issued by the Purchaser as described in this Agreement will be, at the Closing Time, duly created and authorized, and, when issued and delivered in the manner provided for herein, will constitute legal, valid and binding obligations of the Purchaser, enforceable against it in accordance with their terms subject to the general qualifications that enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and the general principles of equity, including that the remedies of specific performance and injunctive relief, are available only in the discretion of the applicable court;
- (c) the Purchaser has full corporate power to issue the Debenture and, at the Closing Date, the Debenture will be duly and validly issued and the certificates therefor will not bear any legends restricting transfer;

- (d) the common shares issuable upon conversion of the Debenture will, following due conversion in accordance with the terms of the Debenture, be duly issued and outstanding as fully paid and non-assessable and the certificates therefor will not bear any legends restricting transfer;
- (e) the issuance of the Debenture and the fulfilment of the terms thereof by the Purchaser does not and will not require the consent, approval, authorization, registration or qualification of or with any Governmental Authority, stock exchange, securities commission or other third party, except such as have been obtained or such as may be required (and shall be obtained prior to the Closing Time) under Applicable Securities Laws and the filing after the Closing Time of reports of the trades in Debenture pursuant to National Instrument 45-106, if required;
- (f) the Purchaser is not subject to any bankruptcy, insolvency or other proceedings for the benefit of creditors;
- (g) there are no third party consents required to be obtained in order for the Purchaser to issue the Debenture or the common shares issuable upon conversion, redemption or maturity of the Debenture, other than the consent of the TSX;
- (h) there are no actions, suits, proceedings or inquiries in existence, or to the knowledge of the Purchaser, pending or threatened against or affecting the Purchaser at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the business, operations, capital, properties, assets, liabilities (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of operations of the Purchaser or its properties or assets or which affects or may affect the granting and the distribution of the Debenture; and
- (i) at the Closing Time, the form and terms of the certificate representing the common shares of the Purchaser will have been duly approved and adopted by the Purchaser and will comply with all legal and TSX requirements.

5.8 Authorized and Issued Capital

The authorized and issued share capital of the Purchaser consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, of which as of the date hereof, only 29,176,400 common shares are issued and outstanding. As of the date hereof, 1,860,000 common shares are issuable pursuant to the exercise of outstanding stock options of the Purchaser. Except as set forth in the immediately preceding sentences, there are no options, puts, calls, warrants or other rights, agreements or commitments requiring the issuance, sale or transfer by the Purchaser of any shares of the Purchaser or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of the Purchaser.

ARTICLE VI
NON-WAIVER; SURVIVAL

6.1 Non-Waiver

No investigations made by or on behalf of the Purchaser at any time (including due diligence investigations) will have the effect of waiving, diminishing the scope of or otherwise affecting any of the representations or warranties made by the Vendors or Principals in or pursuant to this Agreement.

6.2 Survival

- (a) The representations and warranties made by the Vendors and the Principals in this Agreement, or in any document or certificate given in order to carry out the transactions contemplated hereby, will survive Closing and completion of any other transactions contemplated hereby and, notwithstanding Closing, the completion of any other transactions contemplated hereby, the provisions of the Contribution Agreements or any investigation made by or on behalf of the Purchaser or any other Person (including due diligence investigations) or any knowledge of the Purchaser or any other Person, shall continue in full force and effect for the benefit of the Purchaser.
- (b) The representations and warranties made by the Purchaser in this Agreement, or in any document or certificate given in order to carry out the transactions contemplated hereby, will survive Closing and completion of any other transactions contemplated hereby and, notwithstanding Closing, completion of any other transactions contemplated hereby or any investigation made by or on behalf of the Vendors or any other Person or any knowledge of the Vendors or any other Person, shall continue in full force and effect for the benefit of the Vendors.

ARTICLE VII
COVENANTS

Covenants of the Vendors

7.1 Ordinary Business

From the date hereof to the Closing Date, each of the Vendors and the Principals will cause the Business to be conducted in the ordinary course, consistent with past practices in co-operation with the Purchaser.

7.2 Delivery of Books and Records

- (a) At the Closing Time, DC Energy shall deliver to the Purchaser, or provide the Purchaser with care, custody and control of, all of the books and records of DC Energy relating to the Business and the Assets (except for Excluded Assets), including all title documents, the Assumed Contracts, the Customer Contracts, all

customer lists and warranty information and all books and records in storage at Iron Mountain Incorporated as at the Closing Date.

- (b) At Closing, the Vendors shall deliver to the Purchaser the minute books and record books of each of Partnerco and the Partnership.
- (c) At Closing, the Vendors shall deliver to the Purchaser all deeds, conveyances, bills of sale, assurances, transfers, assignments and any other documentation executed and delivered in connection with the Reorganization and the transfer of the Assets to the Partnership.

7.3 Acquisition and Sale of Assets

Neither DC Energy, Partnerco, VBL, 886453 nor the Partnership will, at any time after the date hereof and prior to the Closing Date, acquire any assets for use in the Business (other than to maintain inventories in the ordinary course of business) without the prior written consent of the Purchaser, which consent may be withheld by the Purchaser in its discretion or may be given subject to such conditions as the Purchaser may determine to impose in its discretion, acting reasonably. For greater certainty, any such assets acquired with the consent of the Purchaser will form part of the Assets to be held by the Partnership as of the Closing Date. Prior to any sale or other disposition of Assets by DC Energy, Partnerco, VBL, 886453 or the Partnership after the date hereof and prior to the Closing Date (other than inventory sold in the ordinary course that is replenished in the ordinary course and fluid inventories), DC Energy, Partnerco, VBL, 886453 or the Partnership, as applicable, will provide written notice to the Purchaser of the intention to effect such sale or other disposition, which notice will set out the terms of sale or disposition, including the value of the affected Assets. None of DC Energy, Partnerco, VBL, 886453 nor the Partnership will, at any time after the date hereof, sell or otherwise dispose of any Assets (other than fluid inventories or other inventories (provided such other inventories are replenished in the ordinary course of business prior to the Closing Date)) to any person without the prior written consent of the Purchaser, which consent may be withheld by the Purchaser in its discretion or may be given subject to such conditions as the Purchaser may determine to impose in its discretion, acting reasonably.

7.4 Business Acquisition Report

Following the Closing Date, the Vendors and the Principals will each provide all cooperation that the Purchaser may reasonably request in connection with the preparation and filing by the Purchaser of a business acquisition report pursuant to Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*, including by providing such financial statements and audit reports as the Purchaser may reasonably request for inclusion in such report, by providing the Purchaser with access to and copies of such other records as the Purchaser may reasonably request to prepare and file such report, by making representatives of each of the Vendors available to meet with representatives of the Purchaser, as the Purchaser may reasonably request, to assist in the preparation and filing of such report (and any financial statements and audit reports to be included therein) and by providing such cooperation as the Purchaser may reasonably request to procure the consent of the auditors of DC Energy, VBL and 886453 to the filing of the DC Energy Financial Statements, VBL Financial Statements and 886453 Financial Statements and the reports of the auditors thereon. All third party costs and expenses relating thereto will be for the account of the Purchaser. For greater certainty, neither the Vendors nor

the Principals will be entitled to compensation for any time they are required to commit to discharge their obligations under this **Section 7.4**. Without limiting the foregoing, upon receipt from the Purchaser of a draft of the foregoing business acquisition report, the Vendors shall promptly review the same and advise the Purchaser of any misrepresentations relating to any of the Vendors or information provided by or applicable to them.

7.5 Notification of Loss, Damage, Destruction Etc.

Each of the Vendors and the Principals will immediately advise the Purchaser of any loss, destruction or impairment in value of any of the Assets or any damage to any of the Assets or other property that is subject to an agreement noted in **Schedule 1.1(g)** that occurs, or becomes known to such Party after the date hereof and prior to the Closing Date, which notification will include such Party's estimate of the amount by which the value of the Assets or such other property has been, or may be, reduced or diminished as a result of such loss, damage, destruction or impairment.

7.6 Employees

Effective on the Closing Date, DC Energy shall terminate the employment of all of the employees of the Business, except for the Excluded Employees. DC Energy may terminate the employment of the Excluded Employees prior to, on or after the Closing Date. DC Energy will pay all compensation owing to each Continuing Employee up to the Effective Time, including wages, bonuses, accrued vacation pay, overtime pay and reimbursable expenses. DC Energy further covenants and agrees that, except as set out at **Section 7.10** and **Section 7.13**, it shall be responsible for all liabilities in respect of Terminated Employees and Excluded Employees, will have responsibility for managing any claims of Terminated Employees and Excluded Employees and will indemnify and hold the Purchaser, Partnerco and the Partnership harmless in accordance with **Section 10.1** in respect of any claims of Terminated Employees and Excluded Employees relating to anything arising out of their employment or termination of their employment with DC Energy.

7.7 Sales Taxes

Any taxes or levies (including GST and Provincial Tax) payable in respect of the Reorganization and the sale of the Partnership Interests, Partnerco Shares and Pre-Closing Receivables (or any of them) are, without duplication, for the account of DC Energy, VBL and 886453 and each Vendor will ensure the prompt payment of any such Taxes and levies.

7.8 Tax Elections

After Closing, the Vendors and the Purchaser shall cause all elections proposed to be made under Subsection 97(2) of the Tax Act with respect to the Reorganization (the "**Tax Elections**") to be signed and the Vendors shall cause the Tax Elections to be filed within the limits provided for in the Tax Act and shall provide the Purchaser with copies of the filed Tax Elections within thirty days of such filing, and not later than January 2, 2011. The Tax Elections shall have, in the aggregate, elected amounts not less than [**Redacted – Amount Stated in Dollars**].

Covenants of the Purchaser

7.9 Lease Refund

If, following the Closing Date, the Purchaser receives a full or partial refund of the deposit previously paid by DC Energy in respect of the lease of DC Energy's current head office premises in Calgary, Alberta (the "**Head Office Lease**"), the Purchaser will, promptly following receipt of such refund, pay the same to DC Energy, or as DC Energy may otherwise request in writing. If the lessor under the Head Office Lease refuses to return the foregoing deposit on account of matters relating to the premises covered by the Head Office Lease that arise, and relate to the period, subsequent to the Closing Date, the Purchaser will pay an amount equal to the foregoing deposit to DC Energy (or as DC Energy may otherwise direct in writing) as soon as reasonably practicable following expiration of the current term of the Head Office Lease.

7.10 Severance

In respect of each Terminated Employee, the Purchaser will pay to DC Energy an amount equal to the minimum gross severance payable in respect of such Terminated Employee under the Canada Labour Code, or equivalent provincial legislation in the case of any employee governed by provincial employment legislation, as soon as reasonably practicable following receipt by the Purchaser of: (i) a Terminated Employee Release, duly executed and delivered by the Terminated Employee in favor of the Purchaser, Partnerco, the Partnership and their respective officers, directors and employees; and (ii) an Employee Release, duly executed and delivered by the Vendors and the Principals in favor of the Purchaser, Partnerco, the Partnership and their respective officers, directors, partners and employees. The Purchaser, Partnerco and the Partnership shall have no further obligations in respect of any Terminated Employee whatsoever.

7.11 Release in Favour of Vendor

The Purchaser will use reasonable commercial efforts to obtain, on or prior to the Closing Date, from each Regular DC Employee who accepts an offer of employment with the Partnership, a Continuing Employee Release in favor of DC Energy and each of its officers, directors and employees from any liability arising in respect of the termination of the employment of such Continuing Employee by DC Energy. The Purchaser shall obtain, on or prior to the Closing Date, from each Key Employee who accepts an offer of employment with the Partnership a Continuing Employee Release in favour of DC Energy and each of its officers, directors and employees from any liability arising in respect of the termination of the employment of such Continuing Employee by DC Energy.

7.12 Offers of Employment

- (a) The Parties covenant and agree that prior to the Closing Date, they shall cause the Partnership to make offers of employment to the Regular DC Employees, such offers to be effective on the Closing Date. Such offers of employment will be in the form contained at **Schedule 7.12(a)** and the terms of employment offered by the Purchaser will be substantially the same terms as the Regular DC Employees were employed prior to the Closing Date by DC Energy, including roles, compensation and recognition of years of service with DC Energy (solely for the purpose of providing the minimum termination notice and severance, as required

by the Canada Labour Code, or equivalent applicable provincial legislation). The Purchaser shall use its reasonable efforts to inform DC Energy at least two (2) Business Days prior to the Closing Date as to which Regular DC Employees have accepted the offer of employment with the Purchaser, and shall inform DC Energy which Regular DC Employees have signed the Continuing Employee Release. For greater certainty, none of the Purchaser, Partnerco or the Partnership will have any liability in respect of the termination of the Excluded Employees and no past service will be recognized for any Terminated Employee if such employee enters into employment with the Partnership or the Purchaser in the future.

- (b) The Parties covenant and agree that on or prior to the Closing Date they shall cause the Partnership to make offers of employment to the Key Employees, all in accordance with the Side Letter, and in the form contained at **Schedule 7.12(b)**. The Purchaser covenants and agrees that it shall obtain a Continuing Employee Release, effective the Closing Date, from each Key Employee who accepts an offer of employment from the Partnership.

7.13 Salaries Paid Post-Effective December 31, 2009

As soon as reasonably practicable following the Closing Date, the Purchaser shall reimburse DC Energy for actual salaries (including payments relating to Canada pension plan, unemployment insurance, workers compensation, regular pensions, Manulife benefits, overtime, accrued vacation and properly incurred reimbursable expenses) paid in the ordinary course of business and consistent with past practice to employees of DC Energy, other than the Excluded Employees, for the period from and including January 1, 2010 to the Closing Date.

7.14 Access to Books and Records

For a period of 6 years from the Closing Date or for such longer period as may be required by applicable law, the Purchaser will retain all original books and records delivered by DC Energy to the Purchaser pursuant to **Section 7.2** and will take such precautions as are commercially reasonable to maintain such books and records in good condition. So long as such books and records are retained by the Purchaser pursuant to this Agreement, each of the Vendors and the Principals will have the reasonable right to inspect and make copies (at its own expense) of them upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser, the Partnership or Partnerco.

7.15 Post Closing Services

The Purchaser and the Vendors will cooperate with respect to the determination of financial results, accounting matters and matters pertaining to the operation of the Business up to the Closing Date and, in connection therewith, for a period of up to one year after the Closing Date, upon reasonable notice, the Purchaser will give to representatives of the Vendors, access, during normal business hours, to the facilities, systems and staff of the Purchaser and will permit such persons to examine and copy such records to the extent reasonably requested by the Vendors in connection with the preparation of tax and financial reporting matters, audits, legal proceedings, governmental investigations and other business purposes. However, the Purchaser will not be

obliged to take any action pursuant to this Section that would unreasonably disrupt the normal course of its businesses, violate the terms of any contract to which it is a party or to which the Purchaser or any of its assets are subject or to grant access to any of its proprietary, confidential or classified information including all Transferred Information.

7.16 Amendments to Partnership Agreement

The Purchaser will not amend or cause to be amended the Partnership Agreement, nor will the Purchaser approve any resolution of the partners of the Partnership, that would have the effect of terminating or dissolving the Partnership prior to January 1, 2011.

7.17 Filing of Section 97(2) Election

The Purchaser shall cause the Partnership to comply with its obligations with respect to completion of all section 97(2) elections pursuant to the Tax Act which are required by the Contribution Agreements.

Mutual Covenants

7.18 Closing

Each of the Parties will use reasonable commercial efforts to achieve completion of the purchase and sale transaction contemplated by this Agreement, on January 15, 2010.

7.19 Consents

Each of the Parties will use reasonable commercial efforts to obtain all regulatory and third party consents that may be necessary or advisable to permit the completion of the transactions contemplated by this Agreement, on January 15, 2010.

7.20 Pre-Effective Time Profits

The Parties covenant, acknowledge and agree that any and all allocations of net income and losses for tax purposes, deductions allocable for tax purposes and profits of the Partnership for the period from December 1, 2009 to the Effective Time shall be computed in accordance with the Tax Act and shall be solely for the benefit and account of the Vendors.

Other Covenants

7.21 Privacy Matters -- The Purchaser

The Purchaser shall:

- (a) prior to the completion of the transactions contemplated herein, collect, use and disclose the Transferred Information solely for the purpose of reviewing and completing the transactions contemplated herein, including for the purpose of determining whether to complete such transactions;
- (b) after the completion of the transactions contemplated herein:

- (i) collect, use and disclose the Transferred Information only for those purposes for which the Transferred Information was initially collected from or in respect of the individual to which such Transferred Information relates, unless:
 - (A) DC Energy, VBL, 886453, DL, AL or the Purchaser has first notified such individual of such additional purpose, and where required by law, obtained the consent of such individual to such additional purpose, or
 - (B) such use or disclosure is permitted or authorized by law, without notice to, or consent from, such individual; and
- (ii) where required by law, promptly notify the individuals to whom the Transferred Information relates that the transactions contemplated herein have taken place and that the Transferred Information has been disclosed to the Purchaser; and
- (c) return or destroy the Transferred Information, at the option of the Party that disclosed such information, should the transactions contemplated herein not be completed.

7.22 Privacy Matters -- DC Energy, VBL, 886453, DL and AL

Each of DC Energy, VBL, 886453, DL and AL covenants and agrees to advise the Purchaser of all purposes for which the Transferred Information disclosed by or on behalf of such Party was initially collected from or in respect of the individual to which such Transferred Information relates and all additional purposes where the individual has been notified of such additional purpose, and where required by law, obtained the consent of such individual to such use or disclosure.

7.23 Tax Returns

The Purchaser shall cause the Partnership and Partnerco to timely file all Tax Returns required to be filed after the Closing Time.

7.24 Side Letter

Notwithstanding anything else herein contained, the Side Letter shall continue in full force and effect following the execution of this Agreement in accordance with its terms and the Purchaser shall comply with and discharge its obligations thereunder.

ARTICLE VIII **CONDITIONS OF CLOSING**

8.1 Closing Conditions in Favour of the Purchaser

The obligation of the Purchaser to purchase the Partnership Interests, Partnerco Shares and Pre-Closing Receivables is subject to the following conditions being fulfilled or satisfied at or prior

to the Closing Time, which conditions are for the exclusive benefit of the Purchaser and may be waived in writing, in whole or in part, by the Purchaser in its sole discretion:

- (a) The representations and warranties of the Vendors and the Principals contained in this Agreement shall be true and correct at the Closing Time with the same force and effect as if such representations and warranties were made at such time and the Vendors and the Principals shall have delivered certificates (in form and substance reasonably acceptable to the Purchaser) confirming the same to the Purchaser with effect as at the Closing Time;
- (b) All of the covenants and conditions set out in this Agreement to be complied with, performed or satisfied by the Vendors or any of the Principals at or prior to the Closing Time shall have been complied with, performed or satisfied to the reasonable satisfaction of the Purchaser, and the Vendors and the Principals shall have delivered certificates (in form and substance reasonably acceptable to the Purchaser) confirming the same to the Purchaser with effect as at the Closing Time;
- (c) Receipt by the Purchaser of all necessary third party consents and approvals (in form and substance reasonably satisfactory to the Purchaser), including the consent of the TSX, on or before 4:30 p.m. on January 11, 2010;
- (d) The Purchaser being satisfied, in its reasonable discretion that the Reorganization has been duly completed as set out in **Schedule 1.1(qqq)**, including that all of the Assets shall have been duly transferred to the Partnership prior to the Closing Date;
- (e) The Purchaser being satisfied, in its reasonable discretion, that there shall have been no material adverse change in the Business, the Assets, the Partnership or Partnerco from November 26, 2009 to the Closing Date. For purposes of this **Section 8.1(e)**, a "**material adverse change**" in the Assets will mean a change in the condition of any of the Assets resulting in an impairment in the value of such assets of at least \$200,000 it being understood and agreed that the Assets listed in **Schedule 1.1(qq)** will not be taken into consideration in determining whether the \$200,000 threshold referred to above in this paragraph has been exceeded;
- (f) The Purchaser being satisfied that the Partnership Interests, the Partnerco Shares, the Pre-Closing Receivables and the Assets are, as at the Closing Date, free and clear of any and all Encumbrances, except Permitted Encumbrances and Discharged Encumbrances;
- (g) The Purchaser being satisfied, in its reasonable discretion, that as of the Closing Date, the amount of the Pre-Closing Receivables minus the amount of the Pre-Closing Payables (both determined in accordance with Canadian generally accepted accounting principles), but excluding any Pre-Closing Receivables greater than 90 days old, exceeds \$1.00;
- (h) The Purchaser being satisfied, in its reasonable discretion, that: (i) as of the Closing Date, the Partnership shall have no liabilities (accrued, contingent or

otherwise) other than: (A) obligations or liabilities consented to in writing by the Purchaser and liabilities to arms' length parties arising in the ordinary course of business of the Partnership from December 1, 2009 to the Closing Date; and (B) obligations and other liabilities owed by the Partnership to DC Energy incurred following December 1, 2009 in the ordinary course of the Business and consistent with past practice in respect of which DCES is entitled to be reimbursed by the Partnership; (ii) the Partnership Receivables exceed the Partnership Payables by at least \$1.00; (iii) Partnerco has no liabilities (accrued, contingent or otherwise) as of the Closing Date; (iv) the aggregate amount of the financial obligations under the Assumed Contracts does not exceed an amount acceptable to the Purchaser, in its sole discretion; and (v) the Partnership has had no employees prior to the Closing Date;

- (i) The Closing Date shall have occurred on or before January 15, 2010;
- (j) The Purchaser being satisfied that the undepreciated capital cost of the Assets to the Partnership, for purposes of the Tax Act is not less than **[Redacted – Amount Stated in Dollars]** at the commencement of the Partnership's second taxation year;
- (k) From November 26, 2009 to the Closing Date, the Vendors and the Partnership, as applicable, shall have operated the Business in the ordinary course (consistent with any reasonable direction provided by the Purchaser) including, without limitation, the maintenance of all inventory levels (with the exception only of fluid inventories, which may be depleted through sales in the ordinary course of the Business to arms' length parties for fair market value) and in cooperation with the Purchaser, and none of DC Energy, Partnerco, VBL, 886453 nor the Partnership will have effected or agreed to any purchases or dispositions of capital assets without the prior written consent of the Purchaser except for purposes of implementing the Reorganization; and
- (l) The fiscal year-end of the Partnership shall have been set at January 1.

8.2 Closing Conditions in Favour of the Vendors

The obligation of the Vendors to sell the Partnership Interests, Partnerco Shares and Pre-Closing Receivables is subject to the following conditions being fulfilled or satisfied at or prior to the Closing Time, which conditions are for the exclusive benefit of the Vendors and may be waived in writing, in whole or in part, by the Vendors in their sole discretion:

- (a) The representations and warranties of the Purchaser contained in this Agreement shall be true and correct at the Closing Time with the same force and effect as if such representations and warranties were made at such time and the Purchaser shall have delivered a certificate (in form and substance reasonably acceptable to the Vendors) confirming the same to the Vendors with effect as at the Closing Time;
- (b) All of the covenants and conditions set out in this Agreement to be complied with, performed or satisfied by the Purchaser at or prior to the Closing Time shall have

been complied with, performed or satisfied to the reasonable satisfaction of the Vendors and the Purchaser shall have delivered a certificate (in form and substance reasonably acceptable to the Vendors) confirming the same to the Vendors with effect as at the Closing Time;

- (c) Receipt by the Vendors of all necessary third party consents and approvals, including the lenders to DC Energy, (in form and substance reasonably satisfactory to DC Energy) on or before 4:30 p.m. on January 11, 2010; and
- (d) The Closing Date shall have occurred on or before January 15, 2010.

ARTICLE IX

CLOSING

9.1 Transfer

Subject to Closing, the transfer of ownership and possession of the Partnership Interests, Partnerco Shares and Pre-Closing Receivables shall be deemed to take effect as at the Effective Time.

9.2 Place of Closing

Closing shall take place at the Closing Time at the offices of the Purchaser's counsel, Bennett Jones LLP (4500, 855-2nd Street S.W., Calgary, Alberta) or such other place as may be agreed upon by DC Energy and the Purchaser.

9.3 Documents to be Delivered -- Vendors and Principals

At or before the Closing Time, the Vendors and the Principals shall execute, or cause to be executed, as applicable, and shall deliver, or cause to be delivered, the following:

- (a) Vendors' and Principals' Documents:
 - (i) a copy, certified by a senior officer of each such entity as of the Closing Date, of (A) the articles and by-laws of each of the Vendors, (B) resolutions of the shareholders and directors of each Vendor authorizing the execution and delivery by such Vendor of this Agreement and the performance by it of its obligations hereunder and the Reorganization; (C) all necessary corporate resolutions, authorizations and proceedings of the Vendors that are required to be taken or obtained to permit the due and valid transfer and registration of the Partnership Interests, Partnerco Shares and Pre-Closing Receivables to and in the name of the Purchaser and completion of such other transactions contemplated herein including the Reorganization;
 - (ii) all share certificates representing the Partnerco Shares duly endorsed for transfer to the Purchaser;

- (iii) duly issued share certificates representing the Partnerco Shares in the name of the Purchaser;
- (iv) all unit certificates representing the Partnership Interests of the Vendors in the Partnership together with a duly executed instrument of transfer;
- (v) a unit certificate registered in the name of the Purchaser representing the Purchaser's Partnership Interest in the Partnership acquired from the Vendors;
- (vi) all consents, waivers, releases and authorizations required to enable the transfer and assignment of the Partnerco Shares, the Partnership Interests and the Pre-Closing Receivables to the Purchaser and the consummation of the transactions contemplated by this Agreement including in connection with the Reorganization;
- (vii) the minute book of Partnerco;
- (viii) the corporate seals, if any, of Partnerco;
- (ix) copies of all legal documentation related to the implementation and approval of the Reorganization and duly executed confirmation by the Vendors of completion of the Reorganization in accordance with **Schedule 1.1(qqq)**;
- (x) duly executed receipts for the Purchase Price paid or delivered at Closing;
- (xi) an opinion of legal counsel to the Vendors respecting the due amalgamation of DC Energy, the due incorporation of VBL, Partnerco and 886453, the existence and status of the Partnership, the corporate power and capacity of each of the Vendors and Partnerco, the execution, delivery and performance of this Agreement, related transaction agreements and the Debenture, the authorized and issued capital of Partnerco and the Partnership, and certain related matters, in form and substance satisfactory to the Purchaser, acting reasonably;
- (xii) the Partnership Release, duly executed by the Vendors and the Principals;
- (xiii) Non-Competition Agreements duly executed and delivered by each of the Restricted Persons;
- (xiv) Directions to pay, pursuant to **Section 3.4**, in form and substance reasonably satisfactory to the Purchaser, respecting amounts required to be paid to third parties to satisfy all obligations in relation to the Discharged Encumbrances;
- (xv) A certificate of status in respect of each Vendor issued by the Alberta Registrar of Corporations, dated as of the Closing Date;

- (xvi) copies of discharges of all Encumbrances that are not Permitted Encumbrances (in form and substance reasonably satisfactory to the Purchaser) duly executed by each of DCEP EP 2005 Inc., GE VFS Canada Limited Partnership and GE Technology Finance and either a similar discharge or no interest letter (in form and substance reasonably satisfactory to the Purchaser) from HSBC Bank Canada and any other persons who have registered an Encumbrance;
- (xvii) copies of no interest letters in respect of Discharged Encumbrances (in form and substance reasonably satisfactory to the Purchaser) duly executed by the third parties referred to in **Section 9.3(a)(xiv)**; and
- (xviii) all such other documents and instruments as the Purchaser may reasonably require.

9.4 Documents to be Delivered -- Purchaser

At the Closing Time, the Purchaser shall execute, or cause to be executed, and shall deliver, or cause to be delivered, the following:

- (a) Purchaser's Documents:
 - (i) a certificate of status issued by the Alberta Registrar of Corporations, dated as of the Closing Date;
 - (ii) the cash portion of the Purchase Price as contemplated in **Section 3.4**, to be paid or delivered at Closing;
 - (iii) a duly executed Debenture in the name of DC Energy;
 - (iv) a certified copy of resolutions of the directors of the Purchaser authorizing the execution, delivery and performance of this Agreement by the Purchaser and any other agreements contemplated herein to be delivered by the Purchaser;
 - (v) duly executed copies of each of the Continuing Employee Releases in possession of the Purchaser;
 - (vi) a letter indicating the conditional approval of the TSX regarding the issuance of the Debenture;
 - (vii) an opinion of legal counsel to the Purchaser respecting the due amalgamation of the Purchaser, the corporate power and capacity of the Purchaser, the execution, delivery and performance of this Agreement and the Debenture, and certain matters respecting the issuance of the Debenture and the common shares issuable upon conversion of the Debenture and certain related matters in form and substance satisfactory to the Vendors and the Principals, acting reasonably; and

- (viii) all such other documents and instruments as the Vendors may reasonably require.

ARTICLE X

INDEMNIFICATION

10.1 Retained Liabilities and General Indemnity

Except in respect of Assumed Contracts, none of the Purchaser, the Partnership nor Partnerco will assume or be responsible for, or have any liability in respect of, any liabilities, commitments or obligations of any nature or kind whatsoever (and whether accrued, contingent or otherwise) associated with or relating to the Business that accrued, arose or otherwise relate to periods prior to the Effective Time (or as expressly noted below in this **Section 10.1**, the Closing Date) (such liabilities, commitments and obligations being hereinafter referred to as the "**Prior Liabilities**"), and the Vendors and the Principals hereby, jointly and severally, agree to indemnify and save harmless each of the Purchaser, the Partnership and Partnerco from and against any and all claims, demands, actions, causes of action, damages, losses, deficiencies, costs, liabilities and expenses (including legal fees on a solicitor-and-his own client basis) that any of the Purchaser, the Partnership and Partnerco may suffer, incur or be required to pay in relation to any of the Prior Liabilities. Without limiting the generality of the foregoing, the Vendors and the Principals hereby, jointly and severally, agree to indemnify and save harmless each of the Purchaser, the Partnership and Partnerco from and against any and all claims, demands, actions, causes of action, damages, losses, deficiencies, costs, liabilities and expenses (including legal fees on a solicitor-and-his own client basis) that any of the Purchaser, the Partnership and Partnerco may suffer, incur or be required to pay in relation to:

- (a) any liabilities in respect of indebtedness of the Vendors, the Partnership, Partnerco or Principals (or any of them) to any other person accruing, existing or arising as a result of events prior to the Effective Time, or otherwise relating to periods prior to the Effective Time, except with respect to Assumed Contracts, Pre-Closing Payables and Partnership Payables;
- (b) any product liability claims and liabilities for warranty or product return claims relating to any product or service of the Business produced, sold, performed or delivered prior to the Effective Time, or otherwise relating to periods prior to the Effective Time, whether the applicable product or service was produced, sold, performed or delivered by DC Energy or the Partnership;
- (c) any liabilities for Taxes payable by DC Energy, Partnerco or the Partnership to any Governmental Authority (including any Taxes in respect of or measured by the sale, consumption or performance by DC Energy, Partnerco or the Partnership of any product or service), accruing, existing or arising prior to the Effective Time, or otherwise relating to periods prior to the Effective Time (including any Taxes applicable to payments made to persons employed or retained in connection with the Business in respect of periods prior to the Effective Time);
- (d) any liabilities (except for those set out in **Section 7.10** and **Section 7.13**) for salary, wages, bonuses, commissions, vacation pay and other compensation

accrued or payable to employees or independent contractors of DC Energy as of the Closing Time (whether absolute, contingent or otherwise), and any liabilities under or relating to historical wrongful dismissal claims, human rights violations, workers compensation claims and employee benefit plans of DC Energy that exist as of the Closing Time or relate to periods prior to the Closing Time, it being understood and agreed that DC Energy will pay out all accrued liabilities as of the Effective Date to each of its employees on or prior to the Closing Time;

- (e) any severance payments, payments in lieu of notice, damages for wrongful dismissal and all related costs in respect of the termination by DC Energy of the employment of any Terminated Employees or Excluded Employees;
- (f) any liabilities for injury, disability, death or workers' compensation in respect of any employees or consultants of DC Energy arising or relating to periods prior to the Closing Time; or
- (g) any other employment-related claims, complaints, grievances, arbitration awards, penalties and assessments in respect of employees of DC Energy arising out of matters occurring prior to the Closing Time or otherwise relating to periods prior to the Closing Time.

10.2 Indemnity by the Vendors and Principals

- (a) Each of the Vendors and Principals, jointly and severally, hereby agrees to indemnify and save each of the Purchaser, Partnerco and the Partnership harmless from and against any and all claims, demands, actions, causes of action, damages, losses, deficiencies, costs, liabilities and expenses, including legal fees on a solicitor-and-his own client basis, in respect of the foregoing (collectively, "**Indemnified Loss**") that may be made or brought against any of the Purchaser, the Partnership and Partnerco or which any of the Purchaser, the Partnership and Partnerco may suffer, incur or be required to pay as a result of, in respect of or arising out of, or otherwise relating to:
 - (i) any non-performance or non-fulfillment of any covenant or agreement of any of the Vendors or Principals in this Agreement or in any document given or delivered by any of them in order to carry out the transactions contemplated by this Agreement; or
 - (ii) any misrepresentation, inaccuracy, incorrectness or breach of any representation or warranty made by any of the Vendors or Principals in this Agreement or in any document or certificate given or delivered by any of them in order to carry out the transactions contemplated hereby; or
 - (iii) the operation of the Business or the use of the Assets (or any of them) at any time prior to the Effective Time; or
 - (iv) any payments required to be made by the Purchaser, the Partnership or Partnerco to repair damage to real estate/premises covered by a Premises

Lease that occurred, or otherwise relates to periods, prior to the Effective Time (including any environmental liabilities or contamination); or

- (v) any breach by any of the Vendors of any of their obligations pursuant to any of the Contribution Agreements.
- (b) The obligation of the Vendors and Principals to indemnify the Purchaser pursuant to **Section 10.2(a)** shall be subject to the following:
 - (i) the provisions of **Sections 10.2(c), 10.6, 10.7 and 11.1**; and
 - (ii) in the case of a claim by the Purchaser under **Section 10.2(a)** for a breach by any of the Vendors or Principals (or any of them) of a representation or warranty that is qualified by materiality, the Purchaser shall be entitled to claim the full amount of the Indemnified Loss resulting from such breach without regard to the materiality qualifier; however, for greater certainty, the determination under **Section 10.2(a)** of whether there has been a breach of a representation or warranty that is qualified by materiality shall be made having regard to the materiality qualifier.
- (c) The amount the Purchaser is entitled to recover under **Section 10.2(a)** shall be limited as follows:
 - (i) in respect of representations and warranties set out in **Section 4.34** (Tax Matters), \$1.00 for claims brought after the expiration of the period (if any) during which an assessment, reassessment or other form of recognized document assessing liability for tax, interest or penalties in respect of the applicable taxation year could be issued under applicable tax legislation (or, in the case of any such assessment or reassessment, three months after all issues in dispute have been fully resolved);
 - (ii) in respect of representations and warranties set out in **Section 4.10** (Environmental Matters), \$1.00 for claims brought after the expiry of six (6) years from the Closing Date; and
 - (iii) in respect of claims arising from or relating to any inaccuracy, incorrectness or a breach of any other representations, warranties or covenants set out herein or in any agreement, certificate, document or instrument delivered or given pursuant to this Agreement, \$1.00 for claims brought after the expiry of two (2) years from the Closing Date.

For greater certainty, none of the foregoing paragraphs of this **Section 10.2(c)** will limit the amount the Purchaser is entitled to recover in respect of an Indemnified Loss arising from or relating to a fraudulent or intentional breach of any representation, warranty, covenant or agreement set out herein and the Purchaser shall be entitled to recover in respect of such Indemnified Loss for the maximum period permitted by law.

10.3 Third Party Beneficiaries

- (a) The provisions of **Section 10.1** and **Section 10.2** are: (i) intended for the benefit of Partnerco and the Partnership, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such persons and their successors, assigns and other legal representatives (collectively, the "**Third Party Beneficiaries**") and the Purchaser shall hold the rights and benefits of **Section 10.1** and **Section 10.2** in trust for and on behalf of the Third Party Beneficiaries and the Purchaser hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants and indemnities on behalf of the Third Party Beneficiaries; and (ii) in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.
- (b) If, for any reason, the Partnership or Partnerco is not able to assert rights to indemnification pursuant to **Section 10.1** and **Section 10.2** (or either of them) in respect of any claims, demands, actions, causes of action, damages, losses, deficiencies, costs, liabilities and expenses (including legal fees on a solicitor and his own client basis) referred to therein, then such claims, demands, actions, causes of action, damages, losses, deficiencies, costs, liabilities and expenses will be deemed, for purposes of **Section 10.1** and **Section 10.2** (or either of them, as applicable), to be suffered, incurred or paid directly by the Purchaser, with the intent that the Purchaser shall be entitled to enforce rights of indemnification in relation to such claims, demands, actions, causes of action, damages, losses, deficiencies, costs, liabilities and expenses in such circumstances as if the Purchaser had suffered, incurred or paid the same directly, provided that the Purchaser shall not be entitled to indemnification in relation to such claims, demands, actions, causes of action, damages, losses, deficiencies, costs, liabilities and expenses if the Purchaser has already been indemnified, or has otherwise recovered from the Vendors and the Principals (as applicable), for the same.
- (c) Notwithstanding any other provision of this Agreement to the contrary, the Vendors and the Principals will not be liable for any claim for any matter relating to a breach of the representations and warranties contained in **Section 4.34** (such matters, "**Indemnity Issues**") to the extent such claim results from the waiver, following Closing, of any time limitation, statutory or otherwise, for any Indemnity Issue.

10.4 Indemnity by the Purchaser

- (a) The Purchaser hereby agrees to indemnify and save the Vendors and the Principals harmless from and against any and all Indemnified Loss that may be made or brought against the Vendors or the Principals or which the Vendors or the Principals may suffer or incur as a result of, in respect of or arising out of:
 - (i) any non-performance or non-fulfillment of any covenant or agreement of the Purchaser in this Agreement or in any document given or delivered by the Purchaser in order to carry out the transactions contemplated hereby; or

- (ii) any misrepresentation, inaccuracy, incorrectness or breach of any representation or warranty made by the Purchaser in this Agreement or in any document or certificate given or delivered by the Purchaser in order to carry out the transactions contemplated hereby; or
 - (iii) the operation of the Business or use of the Assets (or any of them) at any time after the Closing Date; or
 - (iv) all liability for salary, wages, bonuses, commissions, vacation pay and other compensation accrued and payable to the Continuing Employees after the Closing Time; or
 - (v) all claims of Continuing Employees relating to events that occur after the Closing Time such as human rights violations, wrongful dismissal claims, workers' compensation and claims in relation to benefit plans.
- (b) The obligation of the Purchaser to indemnify the Vendors and the Principals pursuant to **Section 10.4(a)** shall be subject to the provisions of **Sections 10.4(c), 10.6, 10.7 and 11.1**.
- (c) The amount the Vendors and the Principals are entitled to recover under **Section 10.4(a)** shall be limited, in respect of claims arising from or relating to any inaccuracy, incorrectness or breach of any representations, warranties or covenants set out herein, to \$1.00 for claims brought after the expiry of two (2) years from the Closing Date. For greater certainty, this **Section 10.4(c)** will not limit the amount the Vendors and the Principals are entitled to recover in respect of an Indemnified Loss arising from or relating to a fraudulent or intentional breach of any representation, warranty, covenant or agreement set out herein and the Vendors and the Principals shall be entitled to recover in respect of such Indemnified Loss for the maximum period permitted by law.

10.5 Indemnity by Vendors and Principals in Respect of Certain Tax Matters

In the event that upon an audit or reassessment, the Partnership's cost amount in respect of the Partnership's aggregate undepreciated capital cost of all depreciable property, each as determined for the purposes of the Tax Act, is determined to be less than **[Redacted – Amount Stated in Dollars]** as of the commencement of the Partnership's second taxation year, each of the Vendors and Principals, jointly and severally, hereby agrees to indemnify the Purchaser and the Partnership such that for each \$1.00 by which the cost amount of the aggregate undepreciated capital cost balance of all depreciable property of the Partnership on the Closing Date is less than **[Redacted – Amount Stated in Dollars]**, the Vendors and Principals shall pay to the Purchaser and/or the Partnership (as the Purchaser may direct in writing) **[Redacted – Amount]**, provided such audit or reassessment adjustment is not a result of, attributable to or a consequence of any transaction or action undertaken by Purchaser, the Partnership or Partnerco on or after January 2, 2010. Notwithstanding any other provision of this Agreement, neither Purchaser, the Partnership nor Partnerco shall be entitled to any other remedy as a consequence of any reduction in the cost amount of the aggregate undepreciated capital cost of all depreciable property of the Partnership at the commencement of the Partnership's second taxation year being less than **[Redacted – Amount Stated in Dollars]**.

10.6 Reduction in Respect of Tax Benefits

Notwithstanding anything herein to the contrary, if Indemnified Losses suffered, sustained, paid or incurred by persons claiming indemnity at any time:

- (a) on or before the making of an indemnity payment, are reduced by any Tax benefit or recovery, the amount of such reduction, together with simple interest thereon from the date of payment thereof by the indemnitor at the Prime Rate, will be set off and netted against the indemnity payment made by the indemnifying Party to the person claiming indemnity; and
- (b) following the making of an indemnity payment, may be reduced by any Tax benefit or recovery, then either the person claiming indemnity or the indemnifying Party will provide written notice of such recoverability to the indemnifying Party or the person claiming indemnity, as the case may be, whereupon the Parties will attempt to determine the amount of the Tax benefit or recovery. If, within 45 Business Days from delivery of such notice, the relevant Parties are unable to agree on the amount of the Tax benefit or recovery, then any such Party may submit the matter (including the question of whether or not the indemnity payment may be reduced by a Tax benefit or recovery) for prompt determination by a Canadian national firm of accountants agreed upon by the Parties, acting reasonably, (provided that if the Parties are not able to agree on a suitable accounting firm within 60 Business Days of delivery of the notice referred to in the first sentence of this **Section 10.6(b)**, the matter shall be referred to KPMG LLP) whose determination will be final and binding upon the Parties, whereupon the amount of such recovery or benefit, together with simple interest thereon from the date of the determination (in the manner specified above) of such amount at the Prime Rate, will promptly be paid by the person claiming indemnity to the indemnifying Party.

10.7 Provisions Relating to Indemnity Claims

The following provisions will apply to any claim by the Purchaser for indemnification by the Vendors and the Principals (or any one or more of them) pursuant to this Agreement and to any claim by Vendors and the Principals (or any of them) for indemnification by the Purchaser, pursuant to this Agreement (hereinafter, in this **Article X**, any Party making a claim for indemnification is referred to as the "**Indemnified Party**" and the Party against whom the claim for indemnification is made is referred to as the "**Indemnifying Party**". Any such claim for indemnity is referred to as the "**Indemnity Claim**").

- (a) Promptly after becoming aware of any matter in respect of which it may assert an Indemnity Claim, the Indemnified Party will provide written notice of the Indemnity Claim to the Indemnifying Party, specifying (to the extent that information is available) the factual basis for the Indemnity Claim and the amount of the Indemnity Claim or, if an amount is not then determinable, an estimate of the amount of the Indemnity Claim, if an estimate is feasible in the circumstances; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from its obligation to

indemnify the Indemnified Party unless (and only to the extent that) the Indemnifying Party is materially prejudiced by such delay.

- (b) If an Indemnity Claim relates to an alleged liability to a person who is not a Party to this Agreement (hereinafter in this **Article X** called a "**Third Party Liability**"), including any Governmental Authority, and in relation to such alleged liability, the Indemnified Party is required by applicable law to make a payment to a third party before the relevant procedure for challenging the existence or quantum of the alleged liability can be implemented or completed, the Indemnified Party may, after providing reasonable notice to the Indemnifying Party, notwithstanding any other provision of this **Section 10.7**, make such payment and forthwith demand reimbursement for such payment from the Indemnifying Party; provided that, if the alleged liability to the third party, as finally determined (upon completion of settlement negotiations or applicable legal proceedings), is less than the amount that is so paid by the Indemnifying Party, then the Indemnified Party will, forthwith following such final determination and receipt of the overpaid amount from the third party, pay to the Indemnifying Party the amount by which the liability, as finally determined, is less than the amount that was so paid by the Indemnifying Party.
- (c) The Indemnified Party will not negotiate, settle, compromise or pay (except in the case of payment of a judgment) any Third Party Liability in respect of which it has or proposes to assert an Indemnity Claim, except with the prior consent of the Indemnifying Party (which consent will not be unreasonably withheld or delayed).
- (d) With respect to any Third Party Liability, provided the Indemnifying Party
 - (i) admits, within 10 days of receipt of notice of the Third Party Liability from the Indemnified Party, the Indemnified Party's right to indemnification for the amount of such Third Party Liability that may at any time be determined or settled;
 - (ii) provides the Indemnified Party with evidence reasonably satisfactory to the Indemnified Party that the Indemnifying Party will have the financial resources to defend Third Party Liability and fulfill its indemnification obligations hereunder;
 - and (iii) conducts the defense of the Third Party Liability actively and diligently, and provided further that (iv) the action or other proceeding respecting prosecution of the Third Party Liability involves only a claim for money damages and not a claim for equitable relief; and (v) settlement of, or an adverse judgment with respect to, the Third Party Liability is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interests of the Indemnified Party, then in any legal, administrative or other proceedings relating to the Third Party Liability, the following provisions will apply:
 - (i) except as contemplated by **Section 10.7(d)(iii)**, the Indemnifying Party will have the right to assume carriage of such legal, administrative or other proceedings through counsel of its choice reasonably satisfactory to the Indemnified Party, but the Indemnified Party will have the right and will be given the opportunity, to the extent the same does not give rise to a material conflict of interest, to participate in the defense of the Third

Party Liability, at the Indemnified Party's cost and expense and to consult with the Indemnifying Party in the settlement of the Third Party Liability and the conduct of such legal, administrative and other proceedings (including consultation with counsel);

- (ii) to the extent the same does not give rise to a material conflict of interest, the Indemnifying Party will co-operate with the Indemnified Party in relation to the Third Party Liability, will keep the Indemnified Party fully advised with respect thereto, will provide the Indemnified Party with copies of all relevant documentation as it becomes available, will provide the Indemnified Party with access to all records and files relating to the defence of the Third Party Liability and will meet with representatives of the Indemnified Party at all reasonable times to discuss the Third Party Liability; and
 - (iii) notwithstanding **Sections 10.7(d)(i) and (ii)**, the Indemnifying Party will not settle the Third Party Liability or conduct any legal, administrative or other proceedings in any manner that would, in the reasonable opinion of the Indemnified Party, have a material adverse affect on the Indemnified Party except with the prior written consent of the Indemnified Party, such consent not to be unreasonably withheld or delayed.
- (e) If, with respect to any Third Party Liability, any of the conditions set forth in the opening sentence of **Section 10.7(d)** is or becomes unsatisfied, or in the event that the Indemnifying Party does not act to diligently defend against such Third Party Liability or declines to assume carriage of the applicable legal, administrative or other proceedings, then the following provisions will apply:
 - (i) the Indemnified Party, at its discretion, may assume carriage of the settlement or of any legal, administrative or other proceedings relating to the Third Party Liability and may defend or settle the Third Party Liability on such terms as the Indemnified Party, acting in good faith, considers advisable; and
 - (ii) any costs, damages and expenses incurred or suffered by the Indemnified Party in the settlement of such Third Party Liability or the conduct of any such legal, administrative or other proceedings will be added to the amount of the Indemnity Claim.
- (f) With respect to any Indemnity Claim that does not involve a Third Party Liability (a "**Direct Claim**"), following receipt of notice from the Indemnified Party of the Direct Claim, the Indemnifying Party shall have 60 days to make such investigation of the Direct Claim as it considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Direct Claim, together with all such other information in the possession of the Indemnified Party as the Indemnifying Party may reasonably request. If the Indemnified Party and the Indemnifying Party agree, prior to the expiration of such 60-day period (or any mutually agreed upon extension thereof),

to the validity and amount of such Direct Claim, the Indemnifying Party shall forthwith pay to the Indemnified Party the full agreed upon amount of the Direct Claim. Failing such agreement and payment, the Indemnified Party may commence an action or otherwise pursue any remedy it may have against the Indemnifying Party.

- (g) For greater certainty, the right to indemnification or other remedy of any Party based on the representations, warranties, covenants and obligations contained in this Agreement exists notwithstanding the Closing and notwithstanding any investigation undertaken or knowledge acquired by a Party prior to the Closing.

ARTICLE XI

RECOVERY LIMITATIONS

11.1 Amount and Certain Recovery Limitations

- (a) The Purchaser will not be entitled to assert a claim in respect of any Agreement Default, whether pursuant to **Article X** or in any action or proceeding commenced by the Purchaser to seek recovery in respect of an Agreement Default other than pursuant to **Article X** (such claims in respect thereof being hereinafter referred to as the "**Purchaser Loss**") unless and until the aggregate of all such Purchaser Loss exceeds \$100,000 (the "**Threshold Amount**"), it being understood that Purchaser Loss will accumulate until such time or times as the aggregate of all Purchaser Loss exceeds the Threshold Amount, whereupon the Purchaser will be entitled to recovery hereunder (whether pursuant to **Article X** or in an action or proceeding commenced by the Purchaser in relation to the applicable Agreement Default) for any such Purchaser Loss, but only the amount thereof in excess of the Threshold Amount, subject to **Section 11.1(b)**, provided that the foregoing limitations will not apply to intentional breaches of this Agreement or fraud (or both).
- (b) The maximum aggregate of all Purchaser Loss for which Purchaser will be entitled to seek recovery from the Vendors and the Principals hereunder (whether pursuant to **Article X** or in any action or proceeding commenced by the Purchaser to seek recovery in respect of the applicable Agreement Default other than pursuant to **Article X**) will not exceed, without duplication, an amount equal to the Purchase Price; provided, however, that the foregoing limitation shall not apply to limit any claim under or in respect of policies of insurance held or carried for the benefit of the Business before or after the Effective Time (whether such policies are held by the Vendors, the Principals, the Purchaser, the Partnership or Partnerco), excluding: (i) policies of insurance in respect of directors' and officers' liability in favour of the Vendors or their respective officers or the Principals; and (ii) policies of insurance held by or on behalf of the Vendors or the Principals and procured by them specifically to provide coverage in respect of their obligations and liabilities under or in respect of this Agreement and the transactions contemplated hereby.

- (c) In any action or other proceeding commenced by the Purchaser in relation to an Agreement Default (other than an action or proceeding to enforce rights to indemnification pursuant to **Article X**), the amount the Purchaser will be entitled to recover will be limited as follows:
- (i) in respect of an Agreement Default relating to any inaccuracy, incorrectness or breach of any of the representations and warranties set out in **Section 4.34** (Tax Matters), \$1.00 for claims brought after the expiration of the period (if any) during which an assessment, reassessment or other form of recognized document assessing liability for tax, interest or penalties in respect of the applicable taxation year could be issued under applicable tax legislation (or, in the case of any such assessment or reassessment, three months after all issues in dispute have been fully resolved);
 - (ii) in respect of an Agreement Default relating to any inaccuracy, incorrectness or breach of any of the representations and warranties set out in **Section 4.10** (Environmental Matters), \$1.00 for claims brought after the expiry of six (6) years from the Closing Date; and
 - (iii) in respect of an Agreement Default relating to any inaccuracy, incorrectness or breach of any other representation or warranty set out herein or in any agreement, certificate, document or other instrument delivered or given pursuant to this Agreement or relating to the breach or failure to perform any covenant set out herein, \$1.00 for claims brought after the expiry of two (2) years from the Closing Date.
 - (iv) For greater certainty, none of the foregoing paragraphs of this **Section 11.1** will limit the amount the Purchaser is entitled to recover in respect of an Agreement Default arising from or relating to a fraudulent or intentional breach of any representation, warranty, covenant or agreement set out herein and the Purchaser shall be entitled to recover in respect of such Agreement Default for the maximum period permitted by law.
- (d) In any action or other proceeding commenced by the Vendors and the Principals (or any of them) in relation to an Agreement Default (other than an action or proceeding to enforce rights to indemnification pursuant to **Article X**), the amount the Vendors and the Principals will be entitled to recover will be limited as follows:
- (i) in respect of an Agreement Default relating to any inaccuracy, incorrectness or breach of any representation or warranty set out herein or in any agreement, certificate, document or other instrument delivered or given pursuant to this Agreement or relating to the breach or failure to perform any covenant set out herein, \$1.00 for claims brought after the expiry of two (2) years from the Closing Date.
 - (ii) For greater certainty, none of the foregoing paragraphs of this **Section 11.1** will limit the amount the Vendors and the Principals are entitled to

recover in respect of an Agreement Default arising from or relating to a fraudulent or intentional breach of any representation, warranty, covenant or agreement set out herein and the Vendors and Principals shall be entitled to recover in respect of such Agreement Default for the maximum period permitted by law.

ARTICLE XII
MISCELLANEOUS

12.1 Notices

- (a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by facsimile or similar means of recorded electronic communication or sent by courier addressed as follows:

- (i) if to the Vendors and/or the Principals:

c/o Burnet, Duckworth & Palmer LLP
1400, 350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Attention: Michael Martin
Facsimile No.: 403-260-0332

with a copy to

Burnet, Duckworth & Palmer LLP
1400, 350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Attention: Michael Martin
Facsimile No.: 403-260-0332

- (ii) if the Purchaser:

Total Energy Services Inc.
2550, 300 - 5th Avenue S.W.
Calgary, Alberta T2P 3C4
Attention: President and Chief Executive Officer
Facsimile No.: 403-234-8731

with a copy to:

Bennett Jones LLP
4500, 855 - 2nd Street S.W.
Calgary, Alberta T2P 4K7
Attention: Mr. Nicholas P. Fader
Facsimile No.: 403-265-7219

- (b) Any such notice or other communication shall be deemed to have been given and received on the day on which it is delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if couriered, on the date of delivery as confirmed by the applicable courier.
- (c) Any Party may at any time change its address for service from time to time by giving notice to the other Parties in accordance with this **Section 12.1**.

12.2 Commissions, etc.

Each of the Vendors and the Principals hereby agrees to indemnify and save harmless the Purchaser, the Partnership and Partnerco from and against all Losses suffered or incurred by the Purchaser, the Partnership and Partnerco in respect of any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for or on behalf of the Vendors or the Principals. The Purchaser hereby agrees to indemnify and save harmless DC Energy from and against all Losses suffered or incurred by DC Energy in respect of any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for or on behalf of the Purchaser.

12.3 Best Efforts and Reasonable Efforts

The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of any Party to use its best efforts or reasonable efforts to obtain any waiver, consent, approval, permit, licence or other document shall not require such Party to make any payment to any person for the purpose of procuring the same, other than payments for amounts due and payable to such person, payments for incidental expenses incurred by such person and payments required by any applicable law or regulation.

12.4 Entire Agreement

This Agreement and the agreements and documents contemplated hereunder constitute the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether written or oral, including the Letter Agreement. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof, except as herein provided or provided in any documents delivered pursuant hereto. For greater certainty, the Side Letter is not superceded by this Agreement and will remain in full force and effect.

12.5 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding on and enforceable by the Parties and their respective heirs, executors, legal personal representatives, successors and permitted assigns. No Party may assign any of its rights or obligations hereunder without the prior written consent of the other Parties.

12.6 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

12.7 Amendments and Waivers

No amendment or waiver of any provision of this Agreement shall be binding on any Party unless consented to in writing by such Party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise expressly provided.

12.8 Further Assurances

From time to time subsequent to the Closing Date, each Party shall promptly execute and deliver all such documents, including all such further bills of sale, assignments, conveyances, transfers, consents and other assurances, and do all such further acts and things, as any other Party may reasonably request in order to effectively carry out or perform or better evidence the full intent and meaning of this Agreement.

12.9 Fees

Each of the Parties shall pay their respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents executed pursuant hereto or otherwise related to the transactions contemplated hereby and any other costs and expenses whatsoever and howsoever incurred, whether or not the transactions contemplated by this Agreement are completed.

12.10 Remedies Cumulative

The rights and remedies of the Parties under this Agreement are cumulative and in addition and without prejudice to and not in substitution for any rights or remedies available at law or equity. Any single or partial exercise by any Party of any right or remedy for default or breach of any term, covenant, representation of warranty or condition of this Agreement does not waive, alter, affect or prejudice any other right or remedy to which such Party may be lawfully entitled for the same default or breach.

12.11 Set-Off

Upon (and only upon) the final settlement or adjudication of a claim by the Purchaser against the Vendors or the Principals pursuant to this Agreement, the Purchaser shall have the right to set off (up to an aggregate of \$7 million) any amounts that may be owing to it, or any of its affiliates, by any of the Vendors or the Principals under this Agreement against any amounts owing to any Debenture holder under any of the Debenture.

12.12 Disclosure

The Vendors and the Principals acknowledge and agree that the Purchaser is required pursuant to its continuous disclosure obligations under Applicable Securities Laws to publicly file and make available a copy of this Agreement on the System for Electronic Analysis and Retrieval ("**SEDAR**"). The Purchaser further acknowledges and agrees that it will omit or otherwise mark unreadable certain provisions, which shall include Transferred Information from the Agreement made publicly available on SEDAR if the Vendors, acting reasonably, request that it do so.

12.13 Counterparts

This Agreement may be executed in counterparts and by facsimile, each of which shall constitute an original and all of which, when taken together, shall constitute one and the same agreement.

The Remainder of This Page Intentionally Left Blank

IN WITNESS WHEREOF this Agreement has been executed by the Parties as of the date first above written.

TOTAL ENERGY SERVICES INC.

Per: "Daniel K. Halyk"
Name: Daniel K. Halyk
Title: President and Chief
Executive Officer

Per: "Mark Kearl"
Name: Mark Kearl
Title: Vice President, Finance and
Chief Financial Officer

VENTANA BEAUMONT LTD.

Per: "David Lambert"
Name:
Title:

"David Grout"
Witness

"David Grout"
Witness

DC ENERGY SERVICES INC.

Per: "David Lambert"
Name:
Title:

Per: "Alex Lambert"
Name:
Title:

886453 ALBERTA LTD.

Per: "Alex Lambert"
Name:
Title:

"David Lambert"
David Lambert

"Alex Lambert"
Alex Lambert

Schedule 1.1(f)(i)

Oilfield Rental Equipment

[Redacted -- Itemized List of Oilfield Rental Equipment]

Schedule 1.1(f)(ii)

Trucks and Trailers

[Redacted -- Itemized List Trucks and Trailers]

Schedule 1.1(f)(iii)

Inventory

[Redacted -- List of Classes of Inventory Included in Assets]

Schedule 1.1(f)(xi)

Intellectual Property and Intangibles

[Redacted -- List of Intellectual Property Included in Assets]

Schedule 1.1(g)

Assumed Contracts, Customer Contracts and Liabilities

[Redacted -- List of Assumed Contracts, Customer Contracts and Liabilities Included in Assets]

Schedule 1.1(m)

Form of Continuing Employee Releases

[Redacted – Form of Release]

Schedule 1.1(r)

DC Energy Financial Statements

[Redacted -- Annual Financial Statements of DC Energy Services Inc. as at and for the Year Ended April 30, 2009 and Associated Audit Report and Unaudited Interim Balance Sheet and Income Statement of DC Energy Services Inc. as at and for the Six Months Ended October 31, 2009]

Schedule 1.1(w)

Form of Employee Release

[Redacted – Form of Release]

Schedule 1.1(bb)

Excluded Assets

[Redacted - List of Property Not Included in Assets]

Schedule 1.1(mm)

Leased Equipment

[Redacted - List of Leased Equipment Included in Assets]

Schedule 1.1(qq)

Missing Assets

[Redacted - Itemized List of Missing Assets]

Schedule 1.1(tt)

Form of Non-Competition Agreement

NON-COMPETITION AGREEMENT

THIS AGREEMENT is made this 15th day of January, 2010;

BETWEEN:

TOTAL ENERGY SERVICES INC., a body corporate amalgamated under the laws of the Province of Alberta and having an office in the City of Calgary, Alberta

(hereinafter referred to as "**Total**")

- and -

DC ENERGY SERVICES L.P., a limited partnership formed under the laws of the Province of Alberta and having an office in the City of Calgary, Alberta

(hereinafter referred to as the "**Partnership**")

- and -

[**Name**] (hereinafter referred to as "[**acronym**]")

(Total, the Partnership and [**acronym**] are sometimes hereinafter collectively referred to as the "**Parties**" and individually as a "**Party**".)

BACKGROUND:

- A. pursuant to a purchase and sale agreement, dated as of January 11, 2010 (the "**Purchase Agreement**"), between Total, DC Energy Services Inc. ("**DC Energy**"), Ventana Beaumont Ltd. ("**Ventana**"), 886453 Alberta Ltd. ("**886453**"), Alex Lambert and David Lambert, Total agreed to purchase from DC Energy, Ventana and 886453 all of the outstanding partnership units of the Partnership (collectively, the "**Partnership Interests**") and all of the outstanding shares of DCES GP Corp. (collectively, the "**Partnerco Shares**"), in consideration of the payment by Total of \$44.5 million;
- B. [**acronym**] [NTD: conform, in the case of each party, having regard to the actual connection to the Business] is a direct or indirect shareholder of DC Energy and [**Ventana/886453**] or has an indirect beneficial interest in the outstanding shares of DC Energy and [**Ventana/886453**], has been instrumental in the operation and

management of the business carried on by DC Energy and has an indirect interest in the sale transaction contemplated by the Purchase Agreement; and

- C. as a condition of the purchase of the Partnership Interests and Partnerco Shares, Total requires assurances that none of DC Energy, Ventana, 886453, Alex Lambert and David Lambert (DC Energy and such other persons being hereinafter collectively referred to as the "**DC Energy Group**") will deprive Total of the benefits of the transaction contemplated by the Purchase Agreement by competing with Total (following its acquisition of the Partnership Interests and Partnerco Shares) or the Partnership, directly or indirectly, in the Business (as defined in Schedule A hereto) within (a) a defined period of time and (b) defined geographic areas, and Total requires each member of the DC Energy Group to execute and deliver to Total and the Partnership a non-competition agreement in the form of this Agreement;

NOW THEREFORE, THIS AGREEMENT WITNESSES THAT in consideration of: (i) Total completing the transactions contemplated by the Purchase Agreement; (ii) the covenants and agreements set forth herein; and (iii) other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto covenant and agree as follows.

ARTICLE I NON COMPETITION

- 1.1 **[acronym]** hereby covenants and agrees with each of Total and the Partnership that, during the period commencing on the date hereof and ending on the date that is five years following the date hereof, **[acronym]** will not, directly or indirectly, either alone or in conjunction with any other person or persons, or as an employee, consultant, officer, director or adviser:
- (a) enter into, sponsor, promote, foster, lend money to, guarantee the obligations or debts of or otherwise assist, support (including, without limitation, through the making of one or more gifts to a business or any one or more of its principals) or take part in the ownership, establishment or operation of any corporation, company, partnership, limited liability partnership, business trust or other form of business organization (each, a "**Person**") that carries on business, howsoever carried on or conducted, within any of the following geographic areas:
 - (i) Canada and Alaska;
 - (ii) Canada;
 - (iii) the area consisting of the provinces of British Columbia, Alberta and Saskatchewan and the Yukon Territory and the Northwest Territory;
 - (iv) the area consisting of the provinces of British Columbia, Alberta and Saskatchewan and the Northwest Territory;

- (v) the area consisting of the provinces of British Columbia, Alberta and Saskatchewan;
 - (vi) the area consisting of the provinces of British Columbia and Alberta;
 - (vii) the Province of British Columbia;
 - (viii) the Province of Alberta;
 - (ix) the area consisting of a 500 km radius around Fort St. John, British Columbia; or
 - (x) the area consisting of a 500 km radius around Drayton Valley, Alberta, of like nature to the Business, and will not allow his[/her] name or any part thereof to be used in or employed by any such business; or
- (b) acquire, possess or own any of the types of significant assets upon which the Business is materially dependent, being those assets described in Part II of Schedule "A" hereto.
- 1.2 [acronym] hereby acknowledges and agrees that the covenants set forth in Paragraphs 1.1(a)(i)-(x) and Subsection 1.1(b) above are separate and distinct covenants and that if any such covenant is determined to be void or unenforceable, in whole or in part, the same shall, and shall be deemed, not to affect or impair the validity of any of the other covenants set forth in **Section 1.1**.
- 1.3 [acronym] shall not be in default under this Agreement by virtue of holding, as a passive investor, not more than five percent (5%) of the issued and outstanding equity securities of any corporation, trust, partnership or other entity (each, a "**Permitted Entity**"), which are listed and posted for trading on a stock exchange in Canada or the United States, provided that [acronym] has no other connection whatsoever with such Permitted Entity.

ARTICLE II EMPLOYEES AND CUSTOMERS

- 2.1 [acronym] hereby covenants and agrees that it will not, during the period commencing on the date hereof and ending on the date that is five years following the date hereof, hire or attempt to hire, on its own behalf or on behalf of any other Person, any employee of Total or the Partnership or induce, or attempt to induce, any employees of Total or the Partnership to leave their employment or service with Total or the Partnership, as applicable; provided that nothing in this **Section 2.1** shall prohibit [acronym] from advertising for employees generally in a newspaper or electronic media or periodical of general circulation or from hiring, on its own behalf or on behalf of any other Person, any individual who seeks employment with [acronym] or such other Person in response to the foregoing advertising and who was not otherwise solicited by [acronym] or such other Person.

- 2.2** [acronym] hereby covenants and agrees with each of Total and the Partnership that, during the period commencing on the date hereof and ending on the date that is five years following the date hereof, it will not, directly or indirectly, either alone or in conjunction with any other Person, or as an employee, consultant, officer or director, interfere or attempt to interfere with the Business as conducted by Total or the Partnership within the geographic areas referred to in **Section 1.1**, or persuade or attempt to persuade any customer, prospective customer, or supplier of Total or the Partnership, as applicable, to discontinue or alter such person's relationship with Total or the Partnership, as applicable, insofar as such relationship relates to the Business.

ARTICLE III

ACKNOWLEDGMENTS

- 3.1** [acronym] hereby acknowledges and confirms that:
- (a) [acronym] has been independently advised by counsel in respect of the provisions of this Agreement;
 - (b) the Parties have negotiated the provisions hereof on an equal footing, based upon equal bargaining power at the time of the acquisition of the Partnership Interests and Partnerco Shares by Total;
 - (c) no Party was required or induced to enter into this Agreement;
 - (d) the provisions hereof will not result in the impairment of the livelihood of [acronym] as [acronym] currently has business interests outside of the Business and is fully able to utilize his/[her] knowledge and skills in other business applications and circumstances; and
 - (e) the provisions hereof are reasonable and do not go beyond what is necessary to protect the interests of Total.

ARTICLE IV

GOVERNING LAW

- 4.1** 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 (without regard to conflicts of laws principles). The Parties agree that the courts of the Province of Alberta shall have non-exclusive jurisdiction to determine all disputes and claims arising between the Parties hereunder.

ARTICLE V

FURTHER ASSURANCES

- 5.1** Each of the Parties shall from time to time execute and deliver all such further documents and instruments and shall do all such further acts and things as the other Party may reasonably request in order to effectively carry out or perform or better evidence the full intent and meaning of this Agreement.

ARTICLE VI

INTERPRETATION

- 6.1** Whenever used in this Agreement, words importing the singular number only include the plural and *vice versa*, words importing gender include all genders and words importing persons include individuals, corporations, partnerships, associations, trusts, unincorporated organizations, agencies of government and other legal or business entities of any nature or kind whatsoever.

ARTICLE VII

SEVERABILITY

- 7.1** If any covenant or provision of this Agreement is determined to be void or unenforceable in whole or in part, it shall not affect or impair the validity of any other covenant or provision of this Agreement.
- 7.2** Without limitation to **Section 7.1**, each of the Parties hereto hereby declares and agrees that if any covenant set out in this Agreement is determined to be unenforceable at law or in equity, then such covenant shall be reduced in scope or amended as to term, geographic area or otherwise to the extent required so that the covenant, as so reduced or amended, is enforceable at law or at equity and the unenforceable part shall be deemed to be severed from the balance, which balance shall survive and be of full force and effect.

ARTICLE VIII

COUNTERPARTS

- 8.1** This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered (whether in original, portable document format or facsimile form), will be deemed to be an original and all of which, when taken together, shall constitute one and the same agreement.

ARTICLE IX

ENUREMENT

- 9.1** This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective heirs, executors, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of January 15, 2010 and to be effective as of January 15, 2010.

Witness to the signature of **[name]**

[name]

TOTAL ENERGY SERVICES INC.

Per: _____

Daniel K. Halyk
President and Chief Executive
Officer

DC ENERGY SERVICES L.P. by its
general partner, **DCES GP Corp.**

Per: _____

Daniel K. Halyk
President and Chief Executive
Officer

SCHEDULE "A"

**to the Non-Competition Agreement dated January 15, 2010
made between Total Energy Services Inc. and [acronym]
(the "Non-Competition Agreement")**

PART I

For purposes of this Non-Competition Agreement, "**Business**" means the businesses described in the websites of DC Energy and Total, copies of which are attached hereto, and which include, without limitation:

- (a) the provision of equipment for use in the drilling, completion and production of oil and gas wells, whether on a rental, lease or sale basis, including, without limitation, the provision of the following equipment:

400 bbl tanks, floc tanks, shale tanks, flare tanks, open top rig tanks and other tanks; bit boxes; camp bins; tank farm manifolds; flare stacks; fuel skids; pumps; generators; light towers; 8x40x6 mats, 8x20x6 mats and other mats; pipe tubs; rig bins; swab vessels; waste control buildings, water sheds, trailers; pup trailers; loaders; pickers; bed trucks and winch tractors; and
- (b) the provision of oilfield transportation services, including transportation of rental equipment subject to or excluded from the definition of "Business" above.

For greater certainty, "Business" does not include the rental only of wellsite trailers or centrifuges, provided that such exception does not extend to the transportation of any such equipment.

PART II RESTRICTED ASSETS

Assets of any nature or kind similar to the assets described in the attached website printouts and equipment lists and any assets that compete with any of the assets so listed in the attached website printouts and equipment lists.



QUALITY PRODUCTS ~ QUALITY SERVICE ~ COMPETITIVE
PRICES

Thursday, December 31, 2009

- ▶ Home
- ▶ Products & Services
- ▶ DC Differences
- ▶ Join Our Team
- ▶ Industry Info
- ▶ Site Map
- ▶ Contact Us
- ▶ Employee Tools



DC Energy Services Inc. is a fully integrated multi-service company providing oilfield equipment rental and fluid sales and management services to the oil and gas industry.

Toll Free: 1.866.701.7700 Fax: 1.403.216.3339 Sales Fax: 1.403.231.2485

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FLUID SALES AND MANAGEMENT SERVICE

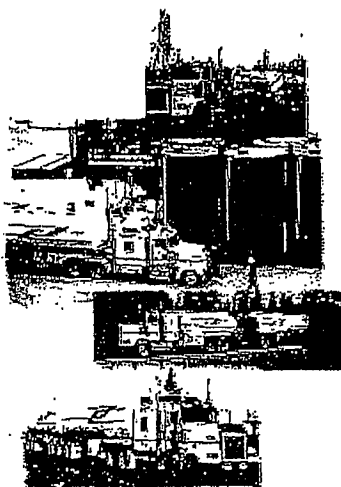
- ✈ Fluid Products
- ✈ Fluid Transportation
- ✈ Fluid Management
- ✈ Tank Farms
- ✈ Downstream Services

[Oilfield Equipment Rentals](#) ←① **Fluid Products** ▲TOP

- C-2000
- Berland 150
- POC 150
- PWC 150
- BC98
- Suncor Synthetic Diesel
- Cutter D
- Water
- Methanol
- KCL Water
- RX2100
- COREFRAC 800

② **Fluid Transportation** ▲TOP

- Mobilize and demobilize temporary fluid storage systems
- Transportation and product recovery is included
- Company owned trucks capable of transporting large quantities of oilfield and refined fluid including frac oil, water, KCL water, methanol, diesel, and any oil based drilling fluids
- Capable of delivering up to 1500m³ per day



For more detailed information
[download](#) this document ...  or [contact](#)
your local account representative.

③ **Fluid Management** ▲TOP

- Eliminate the frustrations of the fluid acquisition process
- Ensure the most cost effective movement of fluid
- Manage fluid and storage post-job, for maximum efficiency

- Tracking and report of fluid movement
- Manage fluid requirements reliably, safely, competitively and efficiently throughout the year

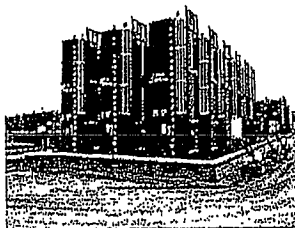
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🕒 Tank Farms [▲TOP](#)

- Custom rig-up for each drilling or completion application
- Experienced on-site supervision and 1 to 3 ton service truck on location for rig-up, rig-out and regular maintenance

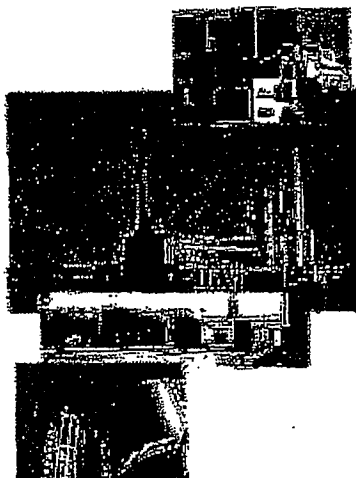
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🕒 Downstream Services [▲TOP](#)

- Specialized fluid storage management
- Complete project management with turnkey operations
- Specialized acidization and chemical cleaning storage and transfers
- Mobilization and demobilization of any temporary fluid storage system, including transportation and product recovery

For more detailed information [download](#) this document ...  or [contact](#) your local account representative.



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[▲TOP](#)



Fluid Transportation

Capabilities

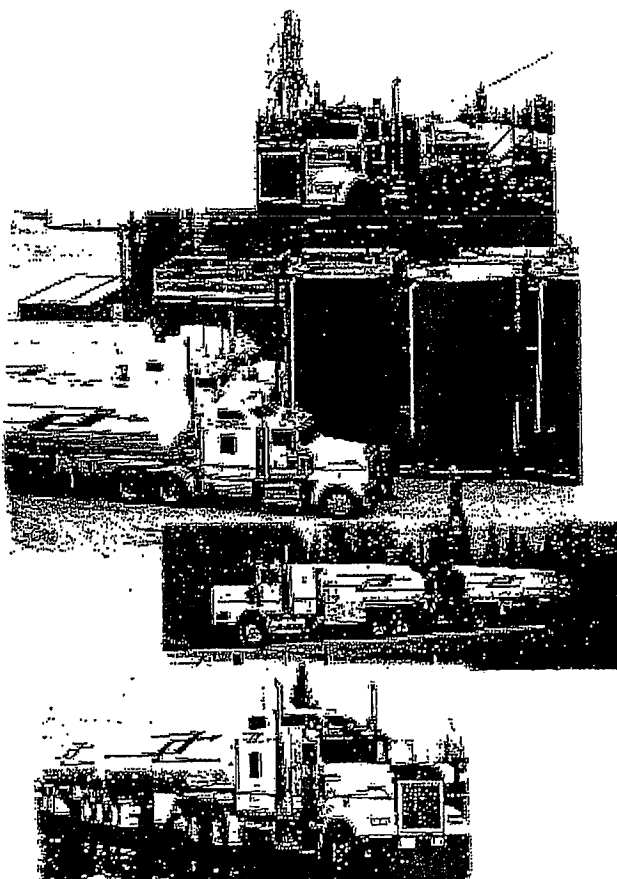
- ◆ Mobilize and demobilize temporary fluid storage systems.
- ◆ Transportation and product recovery is included.
- ◆ Capable of transporting large quantities of oil-field and refined fluid including frac oil, water, KCL water, methanol, diesel, and any oil based drilling fluids.
- ◆ Capable of delivering up to 1500m³ per day.

Equipment

- ◆ 100 bbl tank trucks with tri-axle aluminum wagons.
- ◆ Tandem tractors and Super B trains.
- ◆ Tandem tractors and tri-axle aluminum trailers.
- ◆ Vacuum trucks with pressure washers.
- ◆ Tankers equipped with rollover protection.
- ◆ Consistent upgrades to meet or exceed legislation.

Customer Protection

- ◆ Constantly upgraded and extensive spill response plan includes company-owned spill equipment and industry association relationships.
- ◆ Employee tracking and drills ensure immediate in-house response capability.
- ◆ Experienced supervision with formal and active spill response and equipment recovery training.
- ◆ In the event of a fluid loss while in transit, DC Energy will replace and priority deliver new product.
- ◆ DC Energy is backed by more than \$11 million in spill and liability insurance.



Personnel

- ◆ Upscale operating environment, equipment design, and attention to ergonomics contribute to employee health and performance.

DC ENERGY SERVICES INC.

Calgary Corporate Office
Suite 650, 300 - 5th Avenue SW
Calgary, Alberta T2P 3C4

T. (403) 218-3333
F. (403) 218-3338

Crossfield
818 McCool Street
Crossfield, Alberta T0M 0S0

F. (403) 946-4301

Drayton Valley
8316 - 50th Avenue
Drayton Valley, Alberta T7A 1R6

F. (780) 542-6866

Grande Prairie
Box 23068
Northridge Business Park
Highway 2 North
Grande Prairie, Alberta
T6V 6X2

F. (780) 632-6570

Red Deer
Box 190
NE 1/4 20-37-24 W4M
Red Deer, Alberta T4N 5E8

F. (403) 341-6776

ALL INQUIRIES CALL
1-866-701-7700

WWW.DCENERGY.COM





Fluid Management

Objective

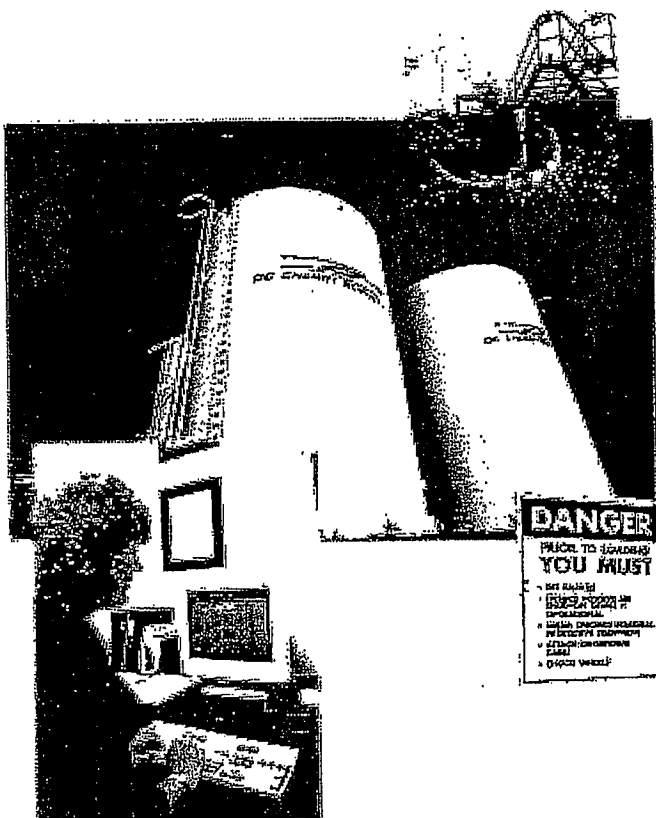
- ♦ Are you having problems tracking your fluid? DC Energy provides the solution. Our fluid management team works hard to know the who, what, where, when, why, and how of every cubic metre of fluid we store and transfer.

Capabilities

- ♦ Maintain fluid movement and inventory.
- ♦ Track & monitor inventory relating to invert mixing projects.
- ♦ Fluid storage facilities available.

Service Features

- ♦ Daily fluid movement activity and dip confirmations performed at least once a week.
- ♦ Detailed reports track fluid and document specifications.
- ♦ Information can be provided per fluid type or per tank.



DC ENERGY SERVICES INC.

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Rad Deer, Alberta T4N 5E8

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1-866-701-7700

WWW.DCENERGY.COM





Tanks

Capabilities

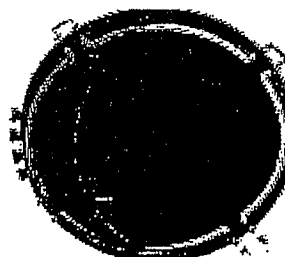
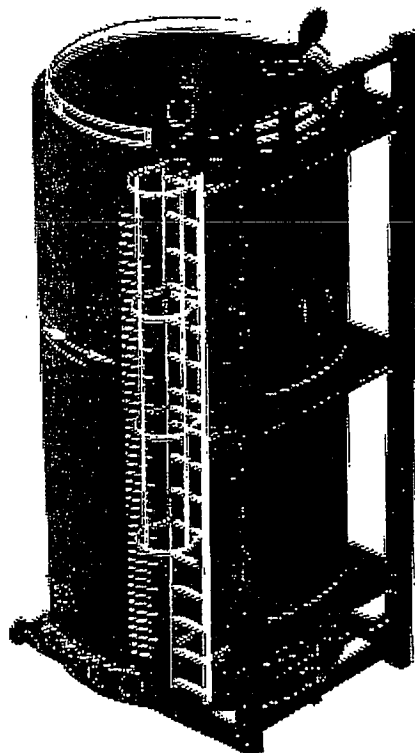
- ♦ Fluid storage.
- ♦ Fluid heating.
- ♦ Flexible design.

Equipment Features

- ♦ Sloped floor 64m³ (12' x 21').
- ♦ 5 valves including one raised valve.
- ♦ Sealed, electronic gauges.
- ♦ 24" sealed manway door (sour service) located on side and top.
- ♦ Pressure relief thief hatch (16 oz standard).
- ♦ Ears on 4 corners (picker) skids.
- ♦ 2" Steam coils (80 psi).
- ♦ Carbon or stainless steel downcomers vent at the back of the tank.
- ♦ Epoxy coating system available for ultra-clean storage.
- ♦ Vinyl ester coating and specialized accessory equipment available on acid service tanks.

HSE Considerations

- ♦ Toe rails, ladder cages, and non-slip coating on roof ensure worker safety.
- ♦ Tanks meet OH&S amendments as outlined in subsection 12.10 of the regulations.
- ♦ Coatings expert on staff.
- ♦ Tanks are subjected to thorough inspection and maintenance protocol.
- ♦ Fluid storage history is tracked, documented and available for every tank.



Flexible Steam Coil Configuration

DC ENERGY SERVICES INC.

Calgary Corporate Office
Suite 550, 300 - 5th Avenue SW
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Downstream Services

Capabilities

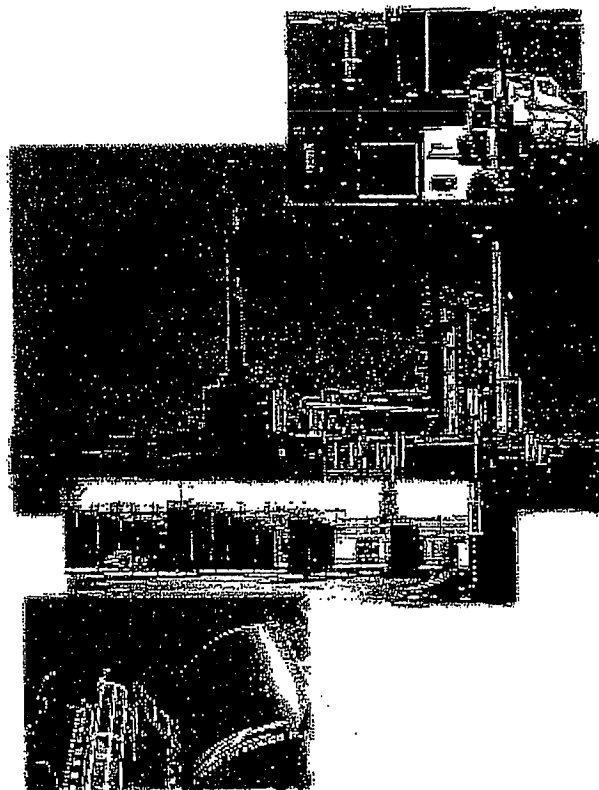
- ◆ Specialized fluid storage management.
- ◆ Complete project management ensures turn-key operations.
- ◆ Specialized acidization and chemical cleaning storage and transfers.
- ◆ Mobilization and demobilization of any temporary fluid storage system, including transportation and product recovery.

Equipment Features

- ◆ 400 bbl sloped steel and sloped lined tanks capable of holding 64m³ of fluid up to temperatures of 50°C.
- ◆ Steam coil capabilities available.
- ◆ Mobile high volume manifold systems (up to 8") complete with pressure tested hoses, and spill containment
- ◆ 5 Hp - 30 Hp explosion-proof transfer pumps
- ◆ Light towers and generator packages up to 20 kW.
- ◆ On-site tank cleaning capabilities.
- ◆ Vacuum truck with pressure washer.
- ◆ 15-40 ton picker truck available for maintenance projects.
- ◆ Portable C-can for storage of extra fittings and hoses.

Service Features

- ◆ Experienced supervision, safety, and crew is preselected and trained for working under plant operating conditions.
- ◆ Qualified personnel available to participate in turnaround planning meetings to ensure efficient, safe, and cost-effective service.



DC ENERGY SERVICES INC.

Calgary Corporate Office
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Drayton Valley, Alberta T7A 1R6

F: (780) 542-8868

Grande Prairie
Box 23098
Northridge Business Park
Highway 2 North
Grande Prairie, Alberta
T8V 6X2

F: (780) 532-5570

Red Deer
Box 190
NE 1/4 20-37-24 W4M
Red Deer, Alberta T4N 5E8

F: (403) 341-6776

ALL INQUIRIES CALL
1-866-701-7700

WWW.DCENERGY.COM



OILFIELD EQUIPMENT RENTALS[Fluid Sales and Management Services](#) ←

- ✦ [Tanks](#)
- ✦ [Environmental Containment Systems](#)
- ✦ [Light Towers and Generator Packages](#)
- ✦ [Rig Mats](#)
- ✦ [Drip Trays](#)
- ✦ [Stairs](#)
- ✦ [Manifolds](#)
- ✦ [Pumps](#)
- ✦ [Vac Skids](#)
- ✦ [Line Crossings](#)
- ✦ [Transformers](#)

For more detailed information and pricing [contact](#) your local account representative.

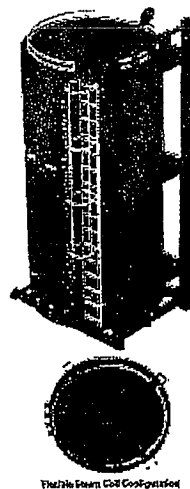
🕒 Tanks ▲TOP

Capabilities

- Fluid storage
- Fluid heating

Equipment Features

- Sloped floor 64m³ (12' x 21')
- 5 valves including one 2.5' high
- Sealed, electronic gauges
- Underbalanced flanges located at 16.5' for testing capability
- Sealed manway door (sour service) located on side and top
- Pressure relief thief hatch (16 oz standard)
- Ears on 4 corners (picker) skids
- 2" Steam coils (80 psi)
- Carbon or stainless steel downcomers vent at the back of the tank
- Epoxy coating system available for ultra-clean storage
- Vinyl ester coating and specialized accessory equipment available on acid service tanks



2" Steam Coil Co-Operation

HSE Considerations

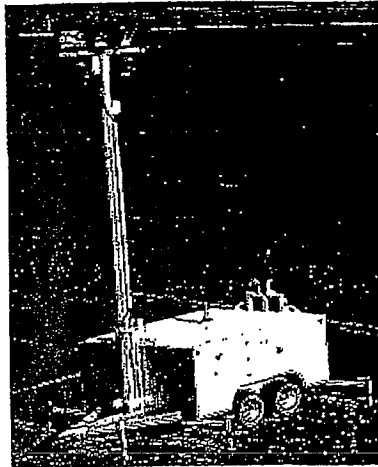
- Toe rails, ladder cages, and non-slip coating on roof ensure worker safety
- Tanks meet OH&S amendments as outlined in subsection 12.10 of the regulations
- Coatings expert on staff
- Tanks are subjected to thorough inspection and maintenance protocol
- Fluid storage history is tracked, documented and available for every tank

For more detailed information and pricing [contact](#) your local account representative.

Ⓢ Light Towers and Generator Packages ^{▲TOP}

- 6 kW, four mercury halide lamps
- 10.8 kW, six halogen lamps
- 20 kW, six mercury halide lamps
- Self-contained units are diesel-powered and capable of providing additional power supply for lease shacks or test units
- Automatic air shutdowns
- Licensed for travel
- Explosion-proof lights

For more detailed information and pricing contact your local account representative.



Ⓢ Rig Mats ^{▲TOP}

- 8' x 16' mats
- 8' x 40' mats
- Unique vertical board layout increases durability and allows for easier repair

For more detailed information and pricing contact your local account representative.



Ⓢ Drip Trays ^{▲TOP}

- Durable, weather-resistant drip trays eliminate environmental impact by collecting any valve spillage

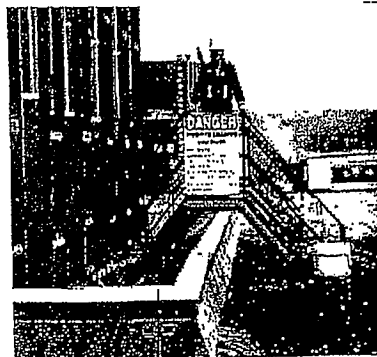
For more detailed information and pricing contact your local account representative.



Ⓢ Stairs ^{▲TOP}

- Allow safe, easy access to bermed tank farms

For more detailed information and pricing contact your local account representative.



Ⓢ Manifolds ^{▲TOP}

- 20' or 40' manifolds supplied in catch tubs
- 8" and 10" manifold reduced to 4" outlets with 4" valves
- Approximately 12 valve outlets per side on a 40' manifold and up to 8 per side on smaller units
- Complete with all hoses and accessories



For more detailed information and pricing contact your local account representative.

Ⓢ Pumps [▲TOP](#)

- 15Hp pump is rated for invert at 1.1 m³ / minute*
- 5 Hp pump is rated for diesel at 0.8 m³ / minute*
- 0.5 Hp pump 1" for diesel*

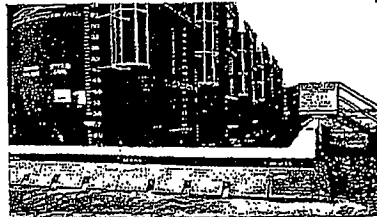
* Volumes may vary depending on operating conditions



For more detailed information and pricing contact your local account representative.

Ⓢ Environmental Containment Systems [▲TOP](#)

- Interlocking sectional system can be customized to any shape or size
- Each molded polyethylene section is 6 ft. long and 34" high, lengths are joined using 24" square corner pieces
- Liner fastened securely over the top of the dyking ensures 100% spill containment
- DC Energy is an official distributor and installer of the G-55 Containment System



For more detailed information download this document ... [\[icon\]](#) or contact your local account representative.

Ⓢ Vac Skids [▲TOP](#)

- 2m³ vac tanks
- 1m³ wash tanks

For more detailed information and pricing contact your local account representative.

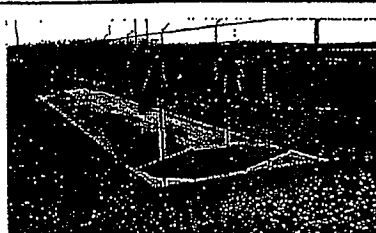
Ⓢ Transformers [▲TOP](#)

- Transformers available to utilize almost any type of 3 phase power, step up (220V – 440V) or step down (600 – 440V).

For more detailed information and pricing contact your local account representative.

Ⓢ Line Crossings [▲TOP](#)

- Allow vehicular and pedestrian traffic to safely and easily pass over manifold lines without having to bury them



For more detailed information and pricing contact your local account representative.

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Dyking System

Capabilities

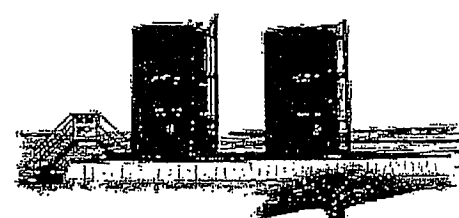
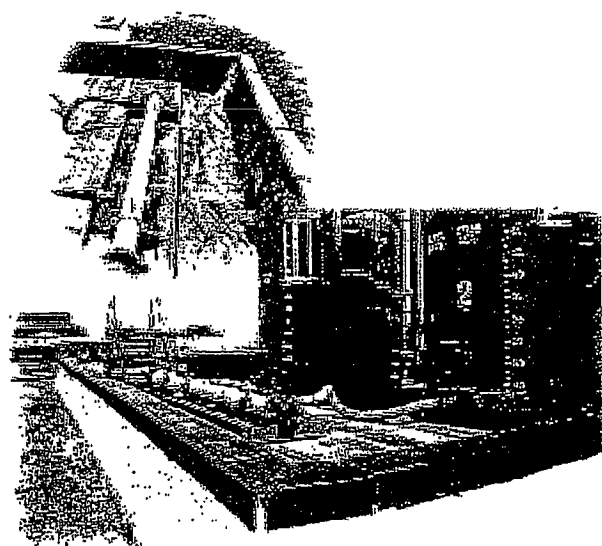
- ♦ One-of-a-kind secondary containment system.
- ♦ Ideal for use around 400 BBL tank farms.
- ♦ Unmatched in confined spaces and / or environmentally sensitive locations where zero ground disturbance is a goal.
- ♦ Satisfies OHS&E requirements for spill containment.

Equipment Features

- ♦ Interlocking sectional system can be customized to a shape or size.
- ♦ Each molded polyethylene section is 6 ft. long and 34" high. Lengths are joined using 24" square corner pieces.
- ♦ Lightweight when empty (150lb) each section becomes an immovable 1200lbs when full.
- ♦ Sections may be filled with water in moderate climates or an environmentally-friendly anti-freezing solution in winter.
- ♦ Built-in drain plug for quick liquid discharge.
- ♦ Liner fastened securely over the top of the dyking ensures 110% spill containment.

Service Features

- ♦ Lightweight when empty, the DC Energy Dyking System can be installed by two people within hours.
- ♦ Experienced supervision and service vehicle on site for rig up.
- ♦ Available for sale or rent.



DC ENERGY SERVICES INC.

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Northridge Business Park
Highway 2 North
Grande Prairie, Alberta
T8V 6X2

F: (780) 532-5570

Red Deer
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Red Deer, Alberta T4N 5E8

F: (403) 941-5776

ALL INQUIRIES CALL
1-866-701-7700

WWW.DCENERGY.COM





QUALITY PRODUCTS ~ QUALITY SERVICE ~ COMPETITIVE
PRICES

Thursday, December 31, 2009

- ▶ Home
- ▶ Products & Services
- ▶ DC Differences
- ▶ Join Our Team
- ▶ Industry Info
- ▶ Site Map
- ▶ Contact Us
- ▶ Employee Tools

CONTACT US

- [Calgary, AB](#)
- [Drayton Valley, AB](#)
- [Edson, AB](#)
- [Grande Prairie, AB](#)
- [Inuvik, NWT](#)
- [Norman Wells, NWT](#)
- [Pincher Creek, AB](#)
- [Pouce Coupe, BC](#)
- [Red Deer, AB](#)
- [Rocky Mountain House, AB](#)
- [Fort Nelson, BC](#)

→ [Corporate](#)**Contact Info and Locations**

For general inquiries, call in Canada

Toll Free: 1.866.701.7700

Ⓢ [Calgary](#) [▲TOP](#)

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- Ron Deringer *General Manager, Sales*
- Todd Pequin *Sales Representative*
- Rene Larochelle *Sales Representative*
- Charles Proulx *Sales Representative*

Ⓢ [Drayton Valley](#) [▲TOP](#)

DC Energy Services Inc.
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Fax: 780.542.6866

- Doug Morgan *Operations Manager*
- Wayne Kulak *Sales Representative*
- Connie Jackson *QHSE Coordinator*
- Mike Bunney *Sales Representative*

CONTACT US

- Calgary, AB
- Drayton Valley, AB
- Edson, AB
- Grande Prairie, AB
- Inuvik, NWT
- Norman Wells, NWT
- Pincher Creek, AB
- Pouce Coupe, BC
- Red Deer, AB
- Rocky Mountain House, AB
- Fort Nelson, BC

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- Connie Jackson *QHSE Coordinator*
- Mike Bunney *Sales Representative*

Ⓢ Grande Prairie [↑TOP](#)

DC Energy Services Inc.
9416 - 141 Avenue

<http://www.dcenenergy.com/Contact.htm>

12/31/2009

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Tel: 1.866.701.7700 Fax: 780.532.5570

- *Ross Trombley Operations Manager*
 - *Dave Kliewer Sales Representative*
-

📍 Red Deer [←TOP](#)

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NE ¼ 20-37-24 W4M
West of Leons on McKenzie Rd.

Tel: 1.866.701.7700 Fax: 403.341.6776

- *John Vanderburgt Operations Manager*
 - *Justin Moore Pipelines & Facilities*
 - *Dale Vold Sales Representative*
-

📍 Edson [←TOP](#)

DC Energy Services Inc.
5919 4th. Avenue
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Tel: 1.866.701.7700 Fax: 403.341.6776

- *Corey Sweezey Operations Manager*
 - *Al Campbell Sales Representative*
-

📍 Fort Nelson [←TOP](#)

DC Energy Services Inc.
Building #1- 4309 Nahanni Drive
Fort Nelson, BC

Tel: 250.775.6375 Fax: 250.775.6376

- *Tanner Whidden Operations Manager*
-

📍 Satellite Offices [←TOP](#)

Tel: 1.866.701.7700 Fax: 403.231.2485

<http://www.dcenenergy.com/Contact.htm>

12/31/2009

- Anchorage, Alaska
 - Brooks, AB
 - Crossfield, AB
 - Drumheller, AB
 - Hinton, AB
 - Fort St. John, BC
 - Grand Cache, AB
 - Inuvik, NWT
 - Norman Wells, NWT
 - Pincher Creek, AB
 - Pouce Coupe, BC
 - Rocky Mountain House, AB
-

Ⓢ Corporate [▲TOP](#)

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Calgary, AB T2P 0Z1

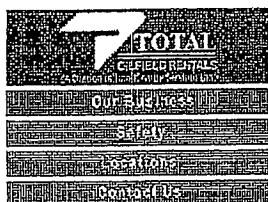
Tel: 403.218.2975 Fax: 403.216.3339 Sales Fax: 403.231.2485

- Alex Lambert *Director*
 - Dave Lambert *Director*
 - Wayne Thompson *President & COO*
 - Al Stevenson *VP, Operations*
 - Bob Ritchie *Senior VP, Corporate Development & Sales*
 - Ron Deringer *General Manager, Sales*
 - Darren Bracken *General manager Operations*
 - Oscar Guzman *Manager, Information Technology*
-

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Total Oilfield Rentals™

Welcome to Total Oilfield Rentals

Total Oilfield Rentals, a division of Total Energy Services Ltd., is engaged in the rental and transportation of drilling and production equipment in the oil and natural gas prone areas of Alberta, Northeastern British Columbia and Southern Saskatchewan.

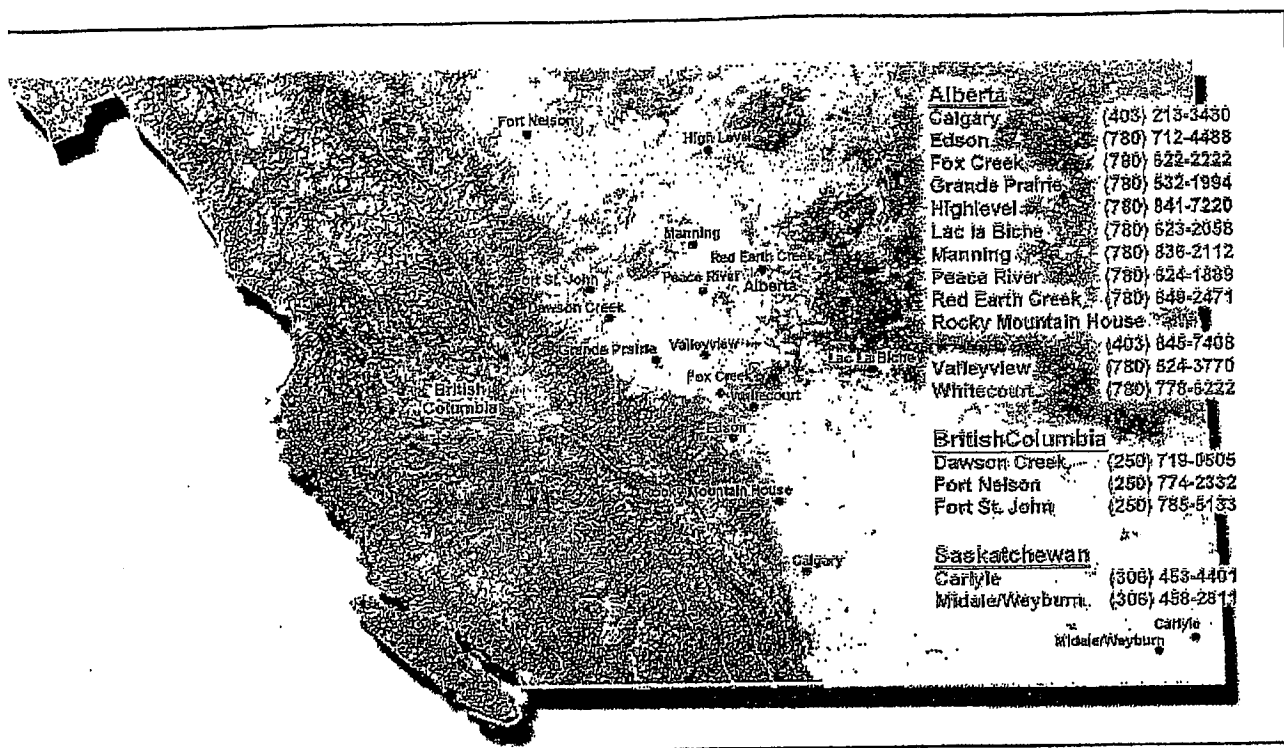
Total Oilfield Rentals offers its customers a wide variety of rental equipment throughout its locations including:

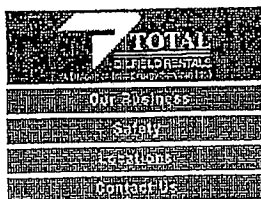
Dawson Creek, Edson, Fort Nelson, Fort St. John, Fox Creek, Grande Prairie, High Level, Lac La Biche, Manning, Peace River, Red Earth, Rocky Mountain House, Valleyview, Weyburn/Midale and Whitecourt.
[View Our Locations](#)

Total Oilfield Rentals main competitive advantages include its knowledgeable operations personnel, extensive infrastructure and its substantial fleet of modern, well-maintained equipment.



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Our Business

Services

Total Oilfield Rentals has a staff of trained maintenance personnel in each of our fifteen branches throughout Alberta, Northeastern British Columbia and Southern Saskatchewan. With just one phone call we will help you with your rental and trucking needs. If we do not have it, we will help you find it. This is Total Oilfield Rentals commitment to service.

[View Our Locations](#)



Rentals

Total Oilfield Rentals has a complete fleet of modern rental equipment for drilling, servicing and production requirements. Total Oilfield Rentals also has the experienced and competent service personnel to support its equipment throughout Alberta, Northeastern British Columbia and Southern Saskatchewan.

[List of Rental Equipment](#)



Trucking

Total Oilfield Rentals has a large fleet of new and well-maintained oilfield trucks. This not only enables us to mobilize our rental equipment, but also allows us to offer a premier general oilfield hauling service. Our trucking team specializes in both service rig moves and the moving of testing and production equipment. Total Oilfield Rentals also offers supervision for the larger moves to ensure both efficiency and safety.

[List of Trucking Equipment](#)



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[Redacted -- Portion of Schedule Setting out Total Energy Equipment List and Pricing Information Effective as at May 1, 2009]

Schedule 1.1(ccc)

Form of Partnership Release

RELEASE

TO: DC Energy Services LP ("**DCES LP**") and DCES GP Corp. ("**DCES GP**")
FROM: DC Energy Services Inc. ("**DCES**"), Ventana Beaumont Ltd. ("**VBL**"), 886453 Alberta Ltd. ("**886453**"), David Lambert ("**DL**") and Alex Lambert ("**AL**") (collectively, the "**Releasors**")

WHEREAS:

- A. Each of Total Energy Services Inc. (the "**Purchaser**"), DCES, VBL, 886453, DL and AL have entered into a purchase and sale agreement dated as of January [11], 2010 (the "**Purchase Agreement**"), pursuant to which the Purchaser agreed to purchase from DCES, VBL and 886453 all of the outstanding partnership units (the "**Partnership Interests**") of DCES LP, all of the outstanding shares (the "**Partnerco Shares**") of DCES GP and all of the Pre-Closing Receivables (as defined in the Purchase Agreement);
- B. Each of AL and DL are direct or indirect shareholders of DC Energy, 886453 or VBL and have been instrumental in the operation and management of the business carried on by DCES;
- C. Each of the Releasors has an indirect interest in the sale transaction contemplated by the Purchase Agreement; and
- D. To satisfy conditions to the purchase of the Partnership Interests, Partnerco Shares and Pre-Closing Receivables by the Purchaser, and pursuant to the Purchase Agreement, the Releasors have agreed to execute and be bound by the terms and conditions of this Release;

NOW THEREFORE for good and valuable consideration (the receipt and sufficiency of which is irrevocably and unconditionally acknowledged by Releasors):

- 1. **Release.** Except as set out in Paragraph 2 hereto, the Releasors release and forever discharge DCES LP, DCES GP and each of their respective shareholders, directors, officers, employees, affiliates, agents, representatives, subsidiaries, successors and assigns (collectively, the "**Releasees**") from any and all actions, causes of action, liabilities, suits, duties, debts, accounts, bonds, covenants, contracts, claims and demands (collectively, "**Claims**") whatsoever that any of the Releasors ever had, now has, or hereafter can, shall or may have for or by reason of, or in any way arising out of, any cause, matter or thing whatsoever existing up to the date of this Release in respect of the business of DCES, VBL, 886453, DCES GP, or DCES LP.
- 2. **Limitation.** Notwithstanding anything else herein contained, nothing herein shall constitute a release of, or indemnity in respect of, any Claim relating solely to the compliance of DCES LP with its obligations pursuant to the contribution agreements,

each dated as of December 1, 2009, between DCES LP, and each of DCES, VBL and 886453, to (i) sign the tax election forms prepared by each of DCES, VBL and 886453 to elect in accordance with the provisions of section 97(2) of the *Income Tax Act* (Canada) in the manner specified in the contribution agreements, provided that, DCES LP shall have no obligation to (A) prepare or file such tax election forms, or (B) ensure such tax election forms are prepared in accordance with the *Income Tax Act* (Canada) and (ii) assume the "Assumed Liabilities" as defined in each contribution agreement.

3. **No Assignment.** The Releasors represent and warrant that they have not assigned to any person, firm, corporation or other legal entity (each, a "**Person**") any Claim which the Releasors release by this Release.
4. **Indemnity.** The Releasors further covenant and agree as follows:
 - (a) that they shall not, either collectively or individually, make any Claim or take any proceedings in respect of any matter covered by this Release against any Person who might claim contribution or indemnity from the Releasees, or any one of them;
 - (b) that should, as a result of any of the Releasors breaching the provisions of Subsection 4(a), any such further Claim be made by any Person to which the Releasees, or any one of them, might be directly or indirectly liable, the Releasors will jointly and severally hold harmless and indemnify the Releasees of and from any and all liability for such Claim including, without limitation, all costs, expenses, counsel and other professional fees incurred or paid in defending such Claim; and
 - (c) that they shall not claim contribution, indemnity or other relief from or against the Releasees, or any one of them, in respect of any matters and Claims herein released in any proceeding brought by any Person against them.
5. **No Further Payments.** The Releasors acknowledge and agree that they are not entitled to receive any compensation or remuneration whatsoever in connection with or as a result of the termination of the employment of AL and DL from DCES GP or the resignation of AL or DL as a director or officer of DCES GP.
6. **Voluntary Release.** The Releasors declare that they have read and fully understand this Release and that this Release is given voluntarily for the purpose of making a full and final compromise, adjustment and settlement of all Claims contemplated by this Release. The Releasors acknowledge and agree that, notwithstanding the execution and delivery of this Release, no Releasee admits any liability or obligation whatever to the Releasors and any such liability and obligation is denied.
7. **Enurement.** The provisions hereof shall enure to the benefit of the Releasees and their respective successors and assigns and shall be binding upon the Releasors and their heirs, executors, administrators, legal and personal representatives, successors and assigns, as the case may be.

8. **Independent Legal Advice.** The Releasors acknowledge and agree that they have been given an opportunity to seek independent legal advice before signing this Release, and that they have either obtained such advice or have voluntarily declined to do so. The Releasors further acknowledge and agree that they fully understand the nature and consequences of this Release, the obligations incurred by them hereunder, and that they have signed and delivered this Release freely and voluntarily.
9. **Waiver.** It is the specific intent and purpose of this Release to release and discharge any and all Claims arising in respect of or relating to any event, act, omission, matter, cause or thing referred to above in this Release, whether known or unknown and whether specifically mentioned or not, which may exist or might be claimed to exist as at the date of this Release (except to the extent expressly set out above in this Release) and the Releasors hereby specifically waive any claim or right to assert that any action, cause of action, claim, suit, debt, liability, sum or money, covenant, contract, controversy, promise, trespass, damage, judgment, execution or demand has been, through oversight or error or intentionally or unintentionally omitted from this Release.
10. **Governing Law.** This Release shall be governed by, and interpreted and enforced in accordance with, the laws in force in the Province of Alberta (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction).

DATED the _____ day of January, 2010.

SIGNED AND DELIVERED in the)
presence of:)

Witness)

Alex Lambert)

SIGNED AND DELIVERED in the)
presence of:)
)
)
_____)
Witness)
)

David Lambert

VENTANA BEAUMONT LTD.

886453 ALBERTA LTD.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

DC ENERGY SERVICES INC.

Per: _____
Name:
Title:

SCHEDULE 1.1 (ddd)
PERMITTED ENCUMBRANCES

[Redacted – Description of Permitted Encumbrances]

Schedule 1.1(iii)

Premises

[Redacted – Description of Premises and Lease Terms]

Schedule 1.1(qqq)

Reorganization

Reorganization of DC Energy :

Parties:

DC Energy Group Inc.	DC
DC Energy Services Inc.	DC Energy
886453 Alberta Ltd.	886453
1150835 Alberta Ltd.	1150835
DC Energy Services LP	The Partnership
DCES GP Corp.	Partnerco
Ventana Beaumont Ltd.	VBL

Steps Comprising the Reorganization:

1. On November 27, 2009, DC Energy caused Partnerco to be formed pursuant to the Alberta Business Corporations Act ("**ABCA**") and Partnerco issued 100 shares to DC Energy for aggregate subscription proceeds of \$100.00. The first taxation year of Partnerco will end on December 31, 2009.
2. On November 30, 2009, 1150835, DC Energy, Partnerco, VBL and 886453 entered into a limited partnership agreement to form the Partnership. The Partnership was duly and validly registered as a limited partnership on November 30, 2009 pursuant to the *Partnership Act* (Alberta). The original limited partners of the Partnership were 1150835, DC Energy, VBL and 886453 while the general partner was, and remains, Partnerco. Concurrent with the formation of the Partnership, each limited partner subscribed for one (1.0) limited partnership unit of the Partnership ("**LP Units**") for a subscription price of \$100.00 per LP Unit and Partnerco subscribed for one (1.0) general partnership unit of the Partnership for a subscription price of \$100.00 per unit. The first taxation year of the Partnership commenced on November 30, 2009 and ended on January 1, 2010. The Partnership has also been duly and validly registered as a limited partnership in all other jurisdictions in which the Partnership conducts business.
3. On December 1, 2009, 1150835, DC Energy, VBL and 886453 each entered into a contribution agreement with the Partnership which provided for, among other things:
 - (a) The conveyance of property from each limited partner to the Partnership in exchange for LP Units and, in the case of DC Energy, and the assumption of certain Assumed Contracts;
 - (b) The filing of income tax election T2057; and

- (c) The filing of GST election GST 44;
4. Immediately after the transfers described above in step #3, the Partnership owned, and continues to own, all of the Assets (as defined in this Agreement) and had assumed all of the Assumed Liabilities (as described in the contribution agreement entered into between the Partnership and DC Energy).
 5. On January 1, 2010, DC Energy and DC amalgamated pursuant to, and in accordance with, section 182 of the ABCA to form a corporation which is also named DC Energy and which is a party to this Agreement.
 6. On January 1, 2010, the Partnership was required to allocate all of its income or loss, as computed in accordance with the *Income Tax Act* (Canada), for its year ended January 1, 2010, to DC Energy, VBL, 886453 and Partnerco.
 7. Before January 15, 2010 DC Energy has acquired or will acquire all of the interests in the Partnership held by 1150835 and as a result, DC Energy has or will become the legal and beneficial owner of the LP Units formally registered in the name of 1150835 and the records of the Partnership as updated accordingly, including through the filing of an amended certificate of limited partnership with applicable regulatory authorities.

Schedule 1.1(zzz)

Form of Terminated Employee Release

GENERAL RELEASE AND INDEMNITY

IN CONSIDERATION of the sum of XX Dollars (\$XX), and other good and valuable consideration, the sufficiency of which is hereby acknowledged, I, XX, on behalf of myself, my heirs, executors, administrators and assigns (hereinafter collectively referred to as the "Releasor") hereby release and forever discharge DC Energy Services Inc., DC Energy Services LP, and Total Energy Services Inc., their respective "affiliates" and "associates", as those terms are defined in the *Alberta Business Corporations Act*, R.S.A. 2000, c.B-9, and their respective officers, directors, employees, servants, agents, successors and assigns (hereinafter collectively referred to as the "Releasee") jointly and severally, from any and all actions, causes of action, contracts and covenants, whether express or implied, claims and demands for damages, indemnity, costs, interest, or loss of every nature and kind whatsoever, which I may heretofore have had, may now have or may hereinafter have, in any way relating to the hiring of, the employment by or the termination of employment of the Releasor by DC Energy Services Inc. on January 15, 2010, which specifically includes, but is not limited to, all claims for notice, pay in lieu of notice, wrongful dismissal, severance pay, bonuses, overtime pay, incentive compensation, stock options, interest, vacation pay, employment benefits, salary and all claims arising as a result of my employment with or the termination of my employment by DC Energy Services Inc. at common law pursuant to the *Canada Labour Code* or under the *Canadian Human Rights Act* or pursuant to any similar legislation, arising on or before January 15, 2010.

AND FOR THE DESCRIBED CONSIDERATION, I further covenant and agree to save harmless and indemnify the Releasee from and against all claims, charges, taxes or penalties and demands which may be made by the Canada Revenue Agency requiring the Releasee to pay income tax under the *Income Tax Act* (Canada), in respect of income tax payable by me in excess of the income tax previously withheld; and in respect of any and all claims, charges, taxes or penalties and demands which may be made on behalf of or related to the Employment Insurance Commission or the Canada Pension Commission under the applicable Statutes and Regulations with respect to any amount which may, in the future, be found to be payable by the Releasee in respect to the Releasor.

AND FOR THE DESCRIBED CONSIDERATION, I further covenant that, notwithstanding termination of my employment with DC Energy Services Inc., I will not discuss or disclose, to other than my immediate family members, legal advisors, and financial advisors, the terms of this settlement except where such disclosure is required by law. Further, I covenant not to disclose to any third party any secret, proprietary or confidential information of or pertaining to the Releasee or any other party with whom the Releasee has had or proposes to have business relations. I acknowledge that a breach in this regard could result in a legal claim for damages against myself.

I ACKNOWLEDGE AND AGREE that the payment to me includes full compensation and consideration for loss of employment benefits up to and including January 15, 2010 and that all of my employment benefits with DC Energy Services Inc. have ceased on January 15, 2010. I acknowledge that I have received all benefit entitlements to that date, and have no further claim against the Releasee for benefits to that date. In the event that I have become disabled on or prior to January 15, 2010, I covenant not to sue the Releasee for insurance or other benefits, or for loss of benefits. I hereby release the Releasee from any further obligations or liabilities arising from my employment benefits on or before January 15, 2010.

AND I HEREBY DECLARE that I have had the opportunity to seek independent legal advice with respect to the matters addressed in this General Release and Indemnity, which have been agreed to by myself and I fully understand them. I hereby voluntarily accept the said consideration for the purpose of making full and final compromise, adjustment and settlement of all claims as aforesaid.

AND I FURTHER ACKNOWLEDGE AND AGREE this General Release and Indemnity contains the entire agreement between the Releasee and the Releasor concerning my employment with DC Energy Services Inc. and that such are contractual and not a mere recital.

IT IS UNDERSTOOD AND AGREED that the giving of the aforementioned consideration is deemed to be no admission of liability on the part of the Releasee, which liability is in fact being denied.

IN WITNESS WHEREOF I have hereunto executed this General Release and Indemnity by affixing my hand and seal this _____ day of January, 2010 in the presence of the witness whose signature is subscribed below, and that such General Release and Indemnity is effective as of January 15, 2010.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:

Witness

)
)
)
)
)
)
)

XX

Schedule 2.3

Trust Assets

[Redacted - Itemized List of Assets]

Schedule 3.3

Allocation of Purchase Price

Partnership Units	-	\$44,399,900
Partnerco Shares	-	\$100
Non-Competition Agreements	-	\$100,000
Total	-	\$44,500,000

Schedule 3.4

Form of Debenture

PRINCIPAL AMOUNT: \$12,500,000
(hereinafter referred to as the "Principal Amount")

NUMBER: JAN2010-1

TOTAL ENERGY SERVICES INC.

Amalgamated under the laws of the Province of Alberta

CONVERTIBLE DEBENTURE

Total Energy Services Inc. (hereinafter referred to as the "**Corporation**"), for value received hereby acknowledges itself indebted and promises to pay to DC Energy Services Inc. (the "**Holder**"), on June 30, 2012 or such earlier date as the Principal Amount may become due and payable in accordance with the provisions of Schedule "A" attached hereto and forming a part hereof (the "**Maturity Date**"), the Principal Amount, in lawful money of Canada at the head office of the Corporation (Suite 2550, 300-5th Ave. S.W., Calgary, Alberta), or at such other place or places within Calgary, Alberta, as may be designated by the Corporation from time to time by notice in writing to the Holder, together with all costs and expenses that may become payable to the Holder in accordance with the provisions of Schedule "A" hereto. The Corporation will pay interest on the Principal Amount outstanding from time to time, both before and after default at a rate of 5.00% per annum, semiannually in arrears on June 30 and December 31 of each year, commencing June 30, 2010. The Holder may accelerate the Maturity Date and require payment in full of the outstanding Principal Amount, together with accrued but unpaid interest, upon the occurrence of a change of control or Event of Default (each as defined in Schedule "A" hereto) of the Corporation. The Corporation may prepay all or any portion of the Principal Amount, and accrued plus unpaid interest, at any time and from time to time, without payment of any premium or penalty, upon giving not less than 10 days prior written notice (the "**Notice Period**") to the Holder. The Holder may elect to convert the applicable outstanding Principal Amount into Shares during the Notice Period, as noted in **Section 2.1(a)** of Schedule "A" hereto.

By its execution hereof, the Holder acknowledges and agrees to the terms and conditions hereof, including the terms set out in Schedule "A" hereto.

IN WITNESS WHEREOF, the Corporation and the Holder have caused this Debenture to be executed as of the 15th day of January 2010.

TOTAL ENERGY SERVICES INC.

Per: _____
Daniel K. Halyk
Chief Executive Officer

Per: _____
Mark A. Kearl
Vice President, Finance and
Chief Financial Officer

DC ENERGY SERVICES INC.

Per: _____

Per: _____

SCHEDULE "A"

The following terms, conditions and provisions are applicable to the Convertible Debenture of Total Energy Services Inc. made in favour of the Holder.

ARTICLE 1 INTERPRETATION

1.1 Definitions

Whenever used in this Debenture, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the indicated meanings, respectively, and grammatical variations of such words and terms shall have corresponding meanings:

"Act" means the *Business Corporations Act* (Alberta), as in effect on the date hereof;

"business day" means a day that is not a Saturday or Sunday or a civic or statutory holiday in Calgary, Alberta;

"change of control" means: (i) the acquisition, by whatever means, of ownership or control of more than fifty percent (50%), in aggregate, of the issued and outstanding common shares of the Corporation by any person or persons acting in concert (within the meaning of applicable securities laws), except an affiliate of the Corporation in connection with a bona fide reorganization transaction; (ii) a sale of all or substantially all of the assets of the Corporation, except to an affiliate of the Corporation in connection with a bona fide reorganization transaction; or (iii) the consolidation, amalgamation or merger of the Corporation (including, without limitation, by way of plan of arrangement, a share for share exchange, or otherwise) with or into any other arm's length body corporate, trust, partnership or other entity, resulting in a change in ownership or control of more than fifty percent (50%), in aggregate, of the issued and outstanding common shares of the Corporation;

"Conversion Price" means \$7.00 per Share, unless such amount is adjusted in accordance with **Section 2.4**, in which case it shall mean the adjusted amount in effect at the applicable time;

"Corporation" means Total Energy Services Inc., a body corporate amalgamated under the laws of the Province of Alberta, and includes any successor corporation to or of Total Energy Services Inc. within the meaning of **Article 6**;

"Corporation's Auditors" or **"Auditors of the Corporation"** means an independent firm of chartered or certified public accountants duly appointed as auditors of the Corporation;

"Counsel" means a barrister or solicitor or firm of barristers or solicitors or other legal counsel retained by the Corporation;

"Current Market Price" means the volume-weighted average trading price (as reported by the TSX) of the Shares for the 20 consecutive trading days ending on the fifth trading day preceding the date of determination on the TSX (or, if the Shares are not listed thereon, on such stock exchange on which the Shares are listed or, if the Shares are not listed on any stock exchange, then on the over-the-counter market; provided, further, that if the Shares are not then listed on any stock exchange or traded on any over-the-counter market, the Current Market Price shall be

the fair market value of the Shares as at such date as determined by the board of directors, acting reasonably);

"Date of Conversion" has the meaning ascribed thereto in **Paragraph 2.2(b)**;

"director" means a director of the Corporation for the time being and **"directors"** or **"board of directors"** means the board of directors of the Corporation or, if duly constituted and whenever duly empowered, an executive committee of the board of directors of the Corporation for the time being, and reference to action by the directors means action by the directors of the Corporation as a board or action by any such executive committee, as a committee;

"Event of Default" means any event specified in **Section 4.1**, which has not been waived, cured or remedied;

"Holder" means the registered holder of this Debenture and includes any permitted assign or successor to or of the Holder;

"Maturity Date" has the meaning ascribed thereto on the face page of this Debenture;

"Notice Period" has the meaning ascribed thereto on the face page of this Debenture;

"Officers' Certificate" means a certificate signed by a senior officer or a director (or both) of the Corporation;

"Person" includes individuals, partnerships, corporations, companies and other business or legal entities;

"Principal Amount" means the principal amount of this Debenture as set forth on the face page hereof;

"Purchase Agreement" means the Purchase and Sale Agreement dated January 11, 2010, between DC Energy Services Inc., Ventana Beaumont Ltd., 886453 Alberta Ltd., David Lambert, Alex Lambert and the Corporation, respecting the purchase by the Corporation of outstanding partnership interests of DC Energy Services LP (a limited partnership formed under the laws of the Province of Alberta) and the outstanding shares of DCES GP Corp. (a body corporate formed under the laws of the Province of Alberta);

"Shares" means common shares in the capital of the Corporation;

"this Debenture", **"the Debenture"**, **"Debenture"**, **"hereto"**, **"herein"**, **"hereby"**, **"hereunder"**, **"hereof"** and similar expressions refer to this convertible debenture and not to any particular Article, Section, Paragraph, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto and every debenture issued in replacement hereof; and

"Time of Expiry" has the meaning ascribed thereto in **Paragraph 2.1(a)**.

1.2 Interpretation

Whenever used in this Debenture, words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the neuter or the feminine gender and vice versa.

1.3 Headings, Etc.

The division of this Debenture into Articles, Sections and Paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

1.4 Day Not a Business Day

In the event that any day on or before which any action is required to be taken hereunder is not a business day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a business day.

1.5 Currency

All references to currency herein are stated in lawful money of Canada.

ARTICLE 2 CONVERSION OF DEBENTURE

2.1 Conversion and Conversion Price

- (a) Upon and subject to the terms and conditions set out in this **Article 2**, the Holder shall have the right, at its option, exercisable at any time and from time to time prior to 12:01 p.m. (Calgary time) on the Maturity Date (the "**Time of Expiry**") to convert all or, subject to **Paragraph 2.1(f)**, any portion of the Principal Amount into fully paid and non-assessable Shares, at the Conversion Price in effect on the Date of Conversion (as defined below). For greater certainty, the Holder will have the right, at any time prior to the expiration of the Notice Period, to convert the applicable outstanding Principal Amount into Shares, at the Conversion Price in effect on the Date of Conversion.
- (b) Provided that no Event of Default has occurred and is continuing, the Corporation may, at any time prior to the Maturity Date, by written notice to the Holder (the date of delivery of such written notice being referred to herein as the "**Conversion Notice Date**"), cause the conversion of the entire outstanding Principal Amount into Shares, at the Conversion Price in effect as at the date of such notice, if, at any time prior to the Maturity Date, the 20 day weighted average trading price of the Shares (as reported by the principal stock exchange on which the Shares are listed), exceeds \$7.50 (subject to adjustment in the manner set out in **Section 2.4**). Such written notice shall set forth the date fixed for conversion (the "**Conversion Date**"), which date shall be no earlier than 10 days after the Conversion Notice Date. Promptly following receipt of the written notice from the Corporation referred to above in this **Paragraph 2.1(b)**, the Holder will deliver this Debenture to the Corporation for cancellation.
- (c) The Conversion Price shall be subject to adjustment as provided in **Section 2.4**.
- (d) The Holder's right to convert the Principal Amount into Shares pursuant to **Paragraph 2.1(a)** shall extend only to the maximum number of whole Shares into which the Principal Amount may be converted in accordance with the foregoing provisions of this **Article 2**.
- (e) Fractional interests in Shares that would otherwise be issuable upon any conversion of the Principal Amount shall be adjusted in the manner provided in **Section 2.5**.

- (f) Notwithstanding any other provisions of this Debenture, the Holder may not convert less than \$4.0 million of the Principal Amount at any one time, unless the total Principal Amount outstanding is less than \$4.0 million and the Holder converts the entire outstanding Principal Amount into Shares.

2.2 Manner of Exercise of Right to Convert

- (a) If the Holder wishes to convert all or any portion of the Principal Amount into Shares, the Holder shall, prior to the Time of Expiry, surrender this Debenture to the Corporation at its principal office in the City of Calgary, Alberta, together with written notice, substantially in the form of Appendix 1 hereto, duly executed by the Holder (or the Holder's legal representative or attorney duly appointed by an instrument in writing in form and executed in a manner reasonably satisfactory to the Corporation) exercising the Holder's right to convert the Principal Amount (or a portion thereof) into Shares. Thereupon, the Holder or, subject to applicable securities laws and to the payment of all applicable stamp or security transfer taxes or other governmental charges by the Holder, its nominee(s) or assignee(s), shall be entitled to be entered in the books of the Corporation (as of the Date of Conversion) as the holder of the number of Shares (referred to in **Paragraph 2.2(d)** as the "Converted Shares") into which the Principal Amount (or the applicable portion thereof) is converted and, as soon as practicable thereafter, the Corporation shall deliver to the Holder or, subject as aforesaid, the Holder's nominee(s), or assignee(s), a certificate or certificates representing such Shares. The foregoing certificate or certificates may have endorsed thereon such legends as the Corporation may reasonably consider necessary or appropriate having regard to applicable securities laws.
- (b) For the purposes of **Paragraph 2.2(a)**, this Debenture shall be deemed to be surrendered for conversion by the Holder on the date (herein called the "Date of Conversion") on which it (and the notice contemplated by **Paragraph 2.2(a)** above) is actually received by the Corporation.
- (c) The Holder shall, if only a part of the Principal Amount is converted upon the exercise of its right of conversion hereunder, surrender this Debenture to the Corporation in accordance with **Paragraph 2.2(a)**, and the Corporation shall cancel the same and shall, without charge, promptly sign and deliver to the Holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the Principal Amount of the Debenture so surrendered.
- (d) Following the surrender of this Debenture pursuant to this **Section 2.2**, and subject to the final sentence of this **Paragraph 2.2(d)**, the Holder shall be entitled to receive from the Corporation a payment (in this **Paragraph 2.2(d)**, the "Interest Compensation Payment") in lieu of accrued and unpaid interest for the calendar quarter in which the Date of Conversion occurs on the applicable Principal Amount to the Date of Conversion, which payment will be in an amount equal to (i) such accrued and unpaid interest minus (ii) the aggregate amount of dividends payable on the Converted Shares in respect of the calendar quarter in which the Date of Conversion occurs multiplied by the number of days in such quarter before the Date of Conversion and divided by the number of days in such quarter. The Corporation may defer making the Interest Compensation Payment until the date that is five business days following the date on which a news release is disseminated by the Corporation confirming the declaration of the dividend for the applicable calendar quarter by the board of directors. For greater certainty: (i) the Holder shall not be entitled to any payment on account of accrued and unpaid interest on the applicable portion of the Principal Amount in addition to the Interest Compensation Payment; and (ii) if the calculation of the Interest Compensation Payment referred to above in this **Paragraph 2.2(d)** results in a zero or a negative number, no payment shall be required to be made by the Corporation to the Holder on account of accrued and unpaid interest on the applicable Principal Amount.
- (e) Shares issued upon conversion of all or a portion of the Principal Amount by the Holder shall only be entitled to receive dividends declared in favour of shareholders of record on or after the Date of Conversion, from which date such Shares will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable.

2.3 Conversion by the Corporation, Etc.

- (a) If the Principal Amount is converted into Shares pursuant to **Paragraph 2.1(b)**, the Corporation shall, as soon as practicable following its receipt of this Debenture for cancellation, deliver to the Holder, a certificate for the number of Shares (referred to in **Paragraph 2.3(c)** as the "Converted Shares") into which the Principal Amount has then been converted, which certificate may have endorsed thereon such legends as the Corporation may consider necessary or appropriate having regard to applicable securities laws.
- (b) On and following the Conversion Date, this Debenture shall cease to represent a debt obligation of the Corporation and shall represent only the right of the Holder to receive: (i) the certificate referred to in **Paragraph 2.3(a)**; and (ii) any amount to which the Holder is entitled under **Paragraph 2.3(c)**, following presentation of this Debenture to the Corporation for cancellation.
- (c) Following the surrender of this Debenture by the Holder pursuant to **Paragraph 2.1(b)**, and subject to the final sentence of this **Paragraph 2.3(c)**, the Holder shall be entitled to receive from the Corporation a payment (in this **Paragraph 2.3(c)**, the "Interest Compensation Payment") in lieu of accrued and unpaid interest for the calendar quarter in which the Conversion Date occurs on the Principal Amount to the Conversion Date, which payment will be in an amount equal to (i) such accrued and unpaid interest minus (ii) the aggregate amount of dividends payable on the Converted Shares in respect of the calendar quarter in which the Conversion Date occurs multiplied by the number of days in such quarter before the Conversion Date and divided by the number of days in such quarter. The Corporation may defer making the Interest Compensation Payment until the date that is five business days following the date on which a news release is disseminated by the Corporation confirming the declaration of the dividend for the applicable calendar quarter by the board of directors. For greater certainty, the Holder shall not be entitled to any payment on account of accrued and unpaid interest on the Principal Amount in addition to the Interest Compensation Payment; and (ii) if the calculation of the Interest Compensation Payment referred to above in this **Paragraph 2.3(c)** results in a zero or a negative number, no payment shall be required to be made by the Corporation to the Holder on account of accrued and unpaid interest on the Principal Amount.
- (d) Shares issued upon a conversion of the Principal Amount pursuant to **Paragraph 2.1(b)** shall be entitled to receive dividends declared in favour of holders of Shares of record on or after the Conversion Date, from which date such Shares will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable.

2.4 Adjustment of Conversion Price

The Conversion Price in effect any date shall be subject to adjustment from time to time as set forth below in this **Section 2.4**.

- (a) If and whenever at any time and from time to time the Corporation shall (i) subdivide, redivide or change its then outstanding Shares into a greater number of Shares, (ii) reduce, combine, consolidate or change its then outstanding Shares into a lesser number of Shares, or (iii) issue Shares to the holders of all or substantially all of its then outstanding Shares by way of stock dividend or other distribution (other than a dividend in the ordinary course paid in Shares) (any of such events being herein called a "Share Reorganization"), the Conversion Price shall be adjusted effective immediately after the effective date or record date for the Share Reorganization, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by the quotient obtained when:
 - (i) the number of Shares outstanding on such effective date or record date before giving effect to the Share Reorganization,
 - is divided by
 - (ii) the number of Shares outstanding immediately after the completion of such Share Reorganization (but before giving effect to the issue of any Shares issued after such record date otherwise than as part of such Share Reorganization).

- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Shares (or securities convertible or exchangeable into Shares) at a price per Share (or having a conversion or exchange price per Share) less than 95% of the Current Market Price per Share on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, the numerator of which shall be the total number of Shares outstanding on such record date plus a number of Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price per Common Share, and the denominator of which shall be the total number of Shares outstanding on such record date plus the total number of additional Shares offered for subscription or purchase (or into which the convertible or exchangeable securities so offered are convertible or exchangeable). To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price that would then be in effect if such record date had not been fixed or to the Conversion Price that would then be in effect if only the number of Shares (or securities convertible or exchangeable into Shares) actually issued upon the exercise of such options, rights or warrants were included in the foregoing fraction, as the case may be.
- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a dividend or distribution to all or substantially all the holders of its outstanding Shares (excluding cash dividends paid in the ordinary course) of (i) shares of any class other than Shares, (ii) rights, options or warrants (excluding rights, options or warrants of the nature referred to in **Paragraph 2.4(b)** above), (iii) evidences of its indebtedness, or (iv) other assets (including cash) then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, the numerator of which shall be the total number of Shares outstanding on such record date multiplied by the Current Market Price per Share on such record date, less the fair market value (as determined by the directors of the Corporation, acting reasonably) of such shares, rights, options, warrants, evidences of indebtedness or other assets so distributed, and the denominator of which shall be the total number of Shares outstanding on such record date multiplied by such Current Market Price per Share. Such adjustment shall be made successively whenever a record date referred to in this **Paragraph 2.4(c)** is fixed. To the extent that any such distribution is not so made or is only partially made, the Conversion Price shall be re-adjusted to the Conversion Price that would then be in effect if such record date had not been fixed or to the Conversion Price that would then be in effect if only the number of shares, rights, options, warrants, evidences of indebtedness or other assets actually distributed were included in the foregoing fraction, as the case may be.
- (d) If, and whenever there is a capital reorganization of the Corporation not otherwise provided for in **Paragraph 2.4(a)** or a consolidation, merger, arrangement or amalgamation (statutory or otherwise) of the Corporation with or into another body corporate (any such event being called a "**Capital Reorganization**"), and the Principal Amount has not been converted into Shares prior to the effective date or record date for such Capital Reorganization, then the Holder shall be entitled to receive and shall accept, upon any conversion of the Principal Amount after the effective date or record date for such Capital Reorganization, in lieu of the number of Shares to which the Holder was theretofore entitled upon conversion, the aggregate number of shares or other securities of the Corporation or of the body corporate resulting, surviving or continuing from the Capital Reorganization that the Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date or record date thereof, the Holder had been the registered holder of the number of Shares to which it was theretofore entitled upon the conversion of the Principal Amount; provided that no such Capital Reorganization shall be carried into effect unless all necessary steps shall have been taken so that the Holder shall thereafter be entitled to receive such number of shares or other securities of the Corporation or of body corporate resulting, surviving or continuing from the Capital Reorganization.
- (e) In any case in which this **Section 2.4** shall require that an adjustment become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder, in respect of any conversion of the Principal Amount after such record date and

before the occurrence of such event, the additional Shares issuable upon such conversion by reason of the adjustment required by such event; provided, however, that the Corporation shall deliver to the Holder an appropriate instrument evidencing the Holder's right to receive such additional Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made in respect of such additional Shares declared in favour of holders of record of Shares on or after the date of conversion of the applicable Principal Amount or such later date as the Holder would, but for the provisions of this **Paragraph 2.4(e)**, have become the holder of record of such additional Shares upon the conversion of the applicable Principal Amount.

- (f) The adjustments provided for in this **Section 2.4** are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, dividends, distributions, issuances or other events resulting in any adjustment under this **Section 2.4** provided that, notwithstanding any other provision of this **Section 2.4**, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided further, that any adjustments which by reason of this **Paragraph 2.4(f)** are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (g) For the purpose of calculating the number of Shares outstanding under this **Section 2.4**, Shares owned by or for the benefit of the Corporation shall not be counted. In addition, for the purpose of calculating the number of outstanding Shares under subsections (b) and (c) of this **Section 2.4**, any issuance of Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution.
- (h) Notwithstanding any other provision of this **Section 2.4**, in the event of any question or dispute arising with respect to the adjustments provided in this **Section 2.4**, such question shall be conclusively determined by an independent firm of chartered accountants appointed by the Corporation (who may be the Corporation's Auditors); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the Holder.
- (i) If the Corporation shall take any action affecting the Shares other than an action described in this **Section 2.4** that, in the opinion of the directors of the Corporation, acting reasonably, would materially affect the rights of the Holder, the Conversion Price shall be adjusted in such manner and at such time, subject to the prior consent of any stock exchange on which the Shares are then listed, if required, as the directors of the Corporation may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.
- (j) Notwithstanding the foregoing provisions of this **Section 2.4**, no adjustment in the Conversion Price shall be made in respect of any event described in subsection (a), (b) or (c), if the Holder is entitled to participate in such event on the same terms, *mutatis mutandis*, as if the Holder had converted the Principal Amount prior to the record date or effective date, as the case may be, in respect of such event.
- (k) Notwithstanding the foregoing provisions of this **Section 2.4**, no adjustment will be made in the Conversion Price as a result of the issuance of Shares at less than the Current Market Price per Share on the date of issuance or at less than the then applicable Conversion Price, except as expressly provided in this **Section 2.4**.

2.5 No Requirement to Issue Fractional Shares

The Corporation shall not be required to issue fractional Shares upon the conversion of the Principal Amount into Shares pursuant to this **Article 2**. If any fractional interest in a Share would, except for the provisions of this **Section 2.5**, be deliverable upon the conversion of the Principal Amount, the Corporation shall, in lieu of issuing any such fractional interest, satisfy such fractional interest by issuing to the Holder one full Share and delivering a certificate representing such Share to the Holder.

2.6 Cancellation of Converted Debenture

Upon conversion of the Principal Amount pursuant to this **Article 2** and payment of all accrued and unpaid interest, this Debenture shall be cancelled and shall be of no further force or effect.

2.7 Certificate as to Adjustment

The Corporation shall from time to time, as soon as reasonably practicable after the occurrence of any event that requires an adjustment or readjustment as provided in **Section 2.4**, deliver an Officers' Certificate to the Holder specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, provided, however, that in the event the Holder does not agree with any adjustment set forth in an Officers' Certificate provided as aforesaid, the Corporation shall obtain the certificate or opinion as to the appropriate adjustment from a firm of independent chartered accountants appointed by the Corporation (who may be the Auditors of the Corporation), which certificate or opinion shall be conclusive and binding on the Corporation and the Holder.

2.8 Corporation to Maintain Sufficient Authorized Capital

The Corporation covenants with the Holder that it will, at all times for so long as any portion of the Principal Amount remains outstanding hereunder, ensure that it has sufficient authorized capital to permit it to issue to the Holder the number of Shares that would be issuable to the Holder upon the conversion of the outstanding Principal Amount of this Debenture by the Holder or the Corporation. Upon the due conversion of all or any portion of the Principal Amount in accordance with the terms of this Debenture, all Shares issued in connection with such conversion shall be validly issued as fully-paid and non-assessable.

2.9 Maintain Listing

The Corporation will use reasonable commercial efforts to maintain the listing of the Shares on the Toronto Stock Exchange and to maintain the Corporation's status as a "reporting issuer" not in default of the requirements of the applicable securities legislation in those jurisdictions in Canada in which the Corporation is a "reporting issuer" as at the date of this Debenture.

2.10 Notice of Special Matters

The Corporation covenants with the Holder that, so long as this Debenture remains outstanding, it will give notice to the Holder, in the manner provided in **Section 5.4**, of its intention to fix a record date or an effective date for any event referred to in **Section 2.4** that may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; and, if prepared or available as at the date that such notice is required to be given pursuant to this **Section 2.10**, such notice shall be accompanied by the material (i.e. proxy circulars, information booklets etc.) sent to the holders of Shares in respect of the event in question, provided that the Corporation shall only be required to specify in such notice those particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days, in each case, prior to such applicable record date or effective date.

ARTICLE 3 COVENANTS

The Corporation hereby covenants and agrees with the Holder as follows.

3.1 To Pay Principal and Interest

The Corporation will, if the Principal Amount is not converted as aforesaid, duly and punctually pay or cause to be paid to the Holder the outstanding principal of and interest accrued on this Debenture on the dates, at the places and in the manner provided in this Debenture.

3.2 To Carry on Business

Subject to the express provisions hereof, the Corporation will use commercially reasonable efforts to carry on and conduct its business in the ordinary course and, subject to the express provisions hereof, it will use commercially reasonable efforts to do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and rights.

3.3 Notice of Event of Default

The Corporation will give notice in writing to the Holder of the occurrence of any Event of Default or other event that, with lapse of time or giving of notice or otherwise, would be an Event of Default, as soon as reasonably practicable following the date that the Corporation becomes aware of the same and specifying the nature of such default or Event of Default (to the extent then known) and the steps taken or proposed to be taken to remedy the same.

ARTICLE 4 DEFAULT

4.1 Events of Default

Notwithstanding any other provision of this Debenture, upon the happening of any one or more of the following events, namely:

- (a) if a decree or order by a court having jurisdiction is entered resulting from the commencement of proceedings against the Corporation by a third party and adjudging the Corporation a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement or winding up of the Corporation under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies' Creditors Arrangement Act* (Canada), or appointing a receiver of the Corporation or ordering the dissolution or liquidation of its affairs, and such decree or order continues unstayed, undischarged and in effect for a period of 30 days from the date thereof;
- (b) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition, answer or consent seeking re-organizational relief under any bankruptcy, insolvency or analogous laws, including, without limitation, the *Companies' Creditors Arrangements Act* (Canada), or consents to the filing of any such petition or to the appointment of a receiver of the Corporation or makes a general assignment for the benefit of creditors, or the Corporation admits in writing its inability to pay its debts generally as they become due, or a resolution is passed by the Corporation's directors or shareholders authorizing the Corporation to do any of the foregoing, or to commence wind-up or liquidation procedures, unless such resolution is rescinded prior to the taking of any irrevocable actions thereunder;
- (c) if the Corporation shall cease paying its current obligations generally as they become due;
- (d) if the Corporation should have its charter revoked or rescinded or its existence in any way terminated;

- (e) if the Corporation makes default in the payment of the Principal Amount, interest or other monies owing hereunder and, after notice in writing has been given by the Holder to the Corporation specifying such default and requiring the Corporation to rectify the same, fails to make good such default within a period of 10 days; or
- (f) if the Corporation shall neglect to observe or perform any other material covenant set out in this Debenture on its part to be observed or performed and, after notice in writing has been given by the Holder to the Corporation specifying such default and requiring the Corporation to rectify the same, fails to make good such default within a period of 15 days;

then in each and every such event the Holder may, by notice in writing to the Corporation, declare the Principal Amount and all accrued and unpaid interest thereon (and all other moneys outstanding hereunder) to be due and payable and the same shall forthwith become immediately due and payable to the Holder and the Corporation shall forthwith pay to the Holder the Principal Amount and all accrued and unpaid interest (and such other moneys).

4.2 Remedies Cumulative

No right or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to every other right or remedy given hereunder or now existing or hereafter to exist by law or by statute.

4.3 Waiver

The Holder may, by instrument in writing signed by the Holder, waive any breach by the Corporation of any of the provisions of this Debenture or any default by the Corporation in the observance or performance of any covenant or other provision required to be kept, observed or performed by the Corporation under this Debenture, provided always that no act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default or to affect the rights of the Holder resulting therefrom.

4.4 Costs of Realization

The Corporation agrees to pay to the Holder forthwith upon demand all reasonable costs, charges and expenses, including legal fees on a client and his own solicitor basis, of, or incurred by the Holder in recovering or enforcing payment of any of the monies owing hereunder following an Event of Default.

ARTICLE 5 MISCELLANEOUS

5.1 Discharge

Upon payment by the Corporation to the Holder of the Principal Amount, interest thereon and other moneys, if any, payable by the Corporation under this Debenture, the Holder shall promptly deliver up this Debenture to the Corporation and shall at the expense of the Corporation execute and deliver to the Corporation such deeds and other documents as the Corporation may reasonably require to evidence the release and discharge of this Debenture.

5.2 Severability

If any provision of this Debenture is determined to be illegal, unenforceable or prohibited by applicable law, such illegality, unenforceability or prohibition shall not affect or impair the validity of any other covenant or provision herein.

5.3 Laws of Alberta

This Debenture shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract. The Holder hereby irrevocably submits to the exclusive jurisdiction of the courts of the Province of Alberta in respect of any action, suit or any other proceeding arising out of or relating to this Debenture.

5.4 Notices

All notices, reports or other communications required or permitted by this Debenture shall be in writing and either delivered by hand, courier or by any form of electronic communication (including facsimile) by means of which a written or typed copy is produced at the address of the recipient, addressed to the relevant party, as follows:

(a) if to the Corporation:

Total Energy Services Inc.
Suite 2550, 300-5th Ave. S.W.
Calgary, Alberta T2P 3C4
Attention: President

Telecopier No.: (403) 234-8731

(b) if to the Holder:

c/o Burnet, Duckworth & Palmer LLP
1400, 350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Attention: Michael Martin
Facsimile No.: 403-260-0332

or the last address or facsimile number of the addressee, notice of which was given in accordance with this **Section 5.4**.

Any such notice, report or other communication shall be deemed to have been given and received on the day on which it is delivered by hand or transmitted (or, if such day is not a business day, on the next following business day) or, if couriered, on the date of delivery as confirmed by the applicable courier.

5.5 Enurement

This Debenture shall enure to the benefit of and be binding on the Holder and the Holder's heirs, executors, legal personal representatives, successors and permitted assigns (as the case may be) and shall enure to the benefit of and be binding upon the Corporation and its successors and assigns.

5.6 Set-Off

Upon (and only upon) the final settlement or adjudication of a claim by the Corporation against any of DC Energy Services Inc., Ventana Beaumont Ltd., 886453 Alberta Ltd., David Lambert or Alex Lambert pursuant to the Purchase Agreement, the Corporation shall have the right to set off (up to \$7 million in the aggregate) any amounts that may be owing to it, or any of its affiliates, by any of DC Energy Services Inc., Ventana Beaumont Ltd., 886453 Alberta Ltd., David Lambert or Alex Lambert under the Purchase Agreement against any amounts owing to the Holder under this Debenture

5.7 Assignment

This Debenture may not be assigned by the Holder without the prior written consent of the Corporation, which consent may: (i) be withheld by the Corporation in its sole discretion or given subject to such conditions as the Corporation may determine to impose its sole discretion in the case of a proposed assignment to a third party that is not affiliate of DC Energy Services Inc.; or (ii) not be unreasonably withheld in the case of a proposed assignment to an affiliate of DC Energy Services Inc..

5.8 Time of the Essence

Time shall be of the essence of this Agreement.

5.9 Maximum Rate Permitted by Law

Under no circumstances shall the Holder be entitled to receive nor shall it in fact receive a payment or partial payment of interest, fees or other amounts under or in relation to this Debenture at a rate that is prohibited by applicable law. Accordingly, notwithstanding anything herein or elsewhere contained, if and to the extent that under any circumstances, the effective annual rate of "interest" (as defined in Section 347 of the Criminal Code of Canada) received or to be received by the Holder (determined in accordance with such section) on any amount of "credit advanced" (as defined in that section) pursuant to this Debenture or any agreement or arrangement collateral hereto entered into in consequence or implementation hereof would, but for this **Section 5.9**, be a rate that is prohibited by applicable law, then the effective annual rate of interest, as so determined, received or to be received by the Holder on such amount of credit advanced shall be and be deemed to be adjusted to a rate that is one whole percentage point less than the lowest effective annual rate of interest that is so prohibited (the "adjusted rate"); and, if the Holder has received a payment or partial payment that would, but for this **Section 5.9**, be so prohibited then any amount or amounts so received by the Holder in excess of the lowest effective annual rate that is so prohibited shall and shall be deemed to have comprised a credit to be applied to subsequent payments on account of interest, fees or other amounts due to the Holder at the adjusted rate.

ARTICLE 6 SUCCESSOR CORPORATION

6.1 Certain Requirements

The Corporation shall not, directly or indirectly, sell, lease, transfer or otherwise dispose of all or substantially all of its property and assets as an entirety to any other corporation (any such other corporation being herein referred to as a "**Successor Corporation**") unless the successor corporation shall execute, prior to or contemporaneously with the consummation of any such transaction, an agreement together with such other instruments as are, in the opinion of Counsel, necessary or advisable to evidence the assumption by the Successor Corporation of the due and punctual payment of the outstanding Principal Amount and interest thereon and all other moneys, if any, payable hereunder and its agreement to observe and perform all the covenants and obligations of the Corporation under this Debenture.

**APPENDIX 1 TO THE CONVERTIBLE DEBENTURE
OF TOTAL ENERGY SERVICES INC.**

To: Total Energy Services Inc.
Suite 2550, 300-5th Ave. S.W.
Calgary, Alberta T2P 3C4

The undersigned Holder of the within convertible debenture (the "**Debenture**") hereby irrevocably elects to convert \$_____, of the principal amount of the Debenture into common shares of Total Energy Services Inc. in accordance with the terms of the Debenture and directs that the common shares issuable and deliverable upon the conversion be issued and delivered to the Holder (or person indicated below)*.

DATED _____, 20__.

(Signature of Registered Holder)

Name: _____

(Address)

(City and Province)

* Print name above in which the Shares issued on conversion are to be issued, delivered and registered, if not Holder. If Common Shares are to be registered in the name of a person other than the registered Holder of the Debenture, the signature of the registered Holder must be guaranteed by a bank, member of a recognized stock exchange or Investment Dealers Association of Canada in a manner satisfactory to the Corporation.

Schedule 4.6

Condition of Assets

[Redacted - Itemized List of Assets]

SCHEDULE 4.10

Environmental Matters

Part I – Pre-Existing Environmental Conditions

NIL

Part II – Environmental Permits and Consents

1. Environmental and Development permits relating to Grande Prairie operations;
2. the attached development permits.

Part III – Hazardous Substances

NIL

Part IV – Clean-UP or Corrective Action

NIL



Municipal District of Brazeau No. 77

P.O. Box 77, Drayton Valley, Alberta T7A 1R1 Phone (780) 542-7777

Edmonton Direct: (780) 428-7826 Fax: (780) 542-7770

October 17, 2001

Roll No. 8117

Camdon Construction Ltd.
#3, 7965 - 49 Avenue
Red Deer, AB T4P 2V5

**Fax: (403) 342-2422
and Regular Mail**

Dear Sirs:

RE: Development Permit 01D-162
Industrial Shop and Tank Farm
Zoning: RI - Rural Industrial
Legal Desc.: Lot A, Plan 992 3956
Pt. NE ¼ 6-49-7-W5M

Enclosed you will find your Development Permit as conditionally approved on October 17, 2001. Please review your Permit carefully, paying particular attention to the effective date and conditions of approval.

We have received your application fee in the amount of \$500.00. The fee for this development is \$250.00, therefore, we will be forwarding you the overpaid balance of \$250.00 under separate cover.

If you have any questions or concerns regarding this application, please call the undersigned or Carol James at 542-2667.

Yours truly,

A handwritten signature in black ink, appearing to read "Ken Gwozd", is written over a horizontal line.

Ken Gwozd
Director of Planning & Development

:cj

Encl.

Copy: Alberta 64 Commercial Corporation
Suite 650, 300 - 5th Avenue S.W.
Calgary, AB T2P 3C4

Copy: Terry Fleming
Director of Public Works



MUNICIPAL DISTRICT OF BRAZEAU NO. 77

DEVELOPMENT PERMIT

Permit No. 01D-162

Roll No. 8117

This Development Permit is **APPROVED** and issued to:

**Alberta 64 Commercial Corporation
Suite 650, 300 – 5th Avenue S.W.
Calgary, AB T2P 3C4**

Phone: (403) 474-8278

LEGAL DESCRIPTION OF PROPERTY:

**Lot A, Plan 992 3956
Pt. NE ¼ 6-49-7-W5M**

FOR DEVELOPMENT OF:

Industrial Shop and Tank Farm

SUBJECT TO THE FOLLOWING CONDITIONS:

1. Minimum Setback Regulations:
 - (a) Front Yard: A minimum of 15.0 m. (50.0 ft.), except where the front yard is bounded by the right of way of any adjoining township or range road, secondary road or primary highway, in which case the minimum front yard distance shall be 40.0 m. (131.0 ft.) from the road right of way.
 - (b) Side Yard: A minimum of 6.0 m. (20.0 ft.), except where the side yard is bounded by the right of way of any adjoining township or range road, secondary road or primary highway, in which case the minimum side yard distance shall be 40.0 m. (131.0 ft.) from the road right of way.
 - (c) Rear Yard: A minimum of 7.5 m. (25.0 ft.), except where the rear yard is bounded by the right of way of any adjoining township or range road, secondary road or primary highway, in which case the minimum rear yard distance shall be 40.0 m. (131.0 ft.) from the road right of way.
2. A Road Use Agreement shall be entered into with the Municipal District of Brazeau No. 77 Public Works Department, if it is determined necessary by the Director of Public Works, due to excessive damage and/or repair required to maintain the Municipal roadways.



3. The display or placement of exterior signage on the premises shall be restricted to one identification sign no larger than 1.0 m² (10 ft²) in sign area. Any further signage shall require a Development Permit.
4. Any outside storage of materials, commodities or finished products shall be carried out in an orderly and aesthetically pleasing manner (fencing or berming may be required at the discretion of the Development Officer).
5. Any storage and disposal of oils, fluids or other hazardous substances shall be in accordance with provincial regulations and requirements.
6. The Applicant shall obtain all necessary Provincial Permits and Licenses, i.e. AEUB and Alberta Transportation & Utilities.
7. A copy of an Emergency Response Plan shall be provided to the office of the Municipal District of Brazeau No. 77 together with a copy being directed to the Municipal District of Brazeau No. 77 Safety Codes Officer (Sheldon Fuson – 514-2200).
8. The applicant shall be responsible for all surface water drained in accordance with the approved storm water management system for the subject lands.

This Permit becomes effective on **November 1, 2001** provided no appeal is lodged. In the case of an appeal being lodged, the Permit is suspended until such time as the Subdivision and Development Appeal Board renders its decision.

DATE ISSUED : October 17, 2001



DEVELOPMENT OFFICER



IMPORTANT NOTES

1. Any development proceeded with prior to the approval of an Application for Development or prior to the expiry of the appeal period (if any) even though a Development Permit has been issued, is done solely at the risk of the Applicant.
2. This Development Permit is valid for a period of twelve (12) months from the date it was issued. If at the expiry of this period, the development has not been commenced or carried out with reasonable diligence, the Permit becomes invalid unless an extension has been granted by the Development Officer.
3. A Development Permit is an authorization for development under the Municipal District of Brazeau No. 77 Land Use Bylaw. **THIS IS NOT A BUILDING, PLUMBING, GAS OR ELECTRICAL PERMIT.** Provincial legislation, not enforceable by the Municipality exists and should be followed, including:
 - a) Compliance with Alberta Building Standards and Regulations (Building Permit).
 - b) Compliance with all regulations pertaining to the Electrical Protection Branch, the Plumbing Inspection Branch, and the Gas Protection Branch (Electrical, Plumbing and Gas Permits).

A list of accredited agencies from which the above permits may be obtained is attached.

4. The Applicant is reminded that compliance with this Permit requires compliance with all conditions forming a part thereof.

GROUND FOR APPEAL

Pursuant to Section 685(3) of the Municipal Government Act, Statutes of Alberta, 1994, Chapter M-26.1, *no appeal* lies in respect of the issuance of a development permit for a *permitted use* unless the provisions of the Land Use Bylaw were relaxed, varied or misinterpreted.

APPEALS

A development appeal to the Subdivision & Development Appeal Board must be commenced within fourteen (14) days of the date that notice of the decision or issuance of the permit is given.

Written notice of an appeal of this Permit, containing reasons for the appeal, and \$200 appeal fee must be received by the Secretary to the Subdivision & Development Appeal Board, either by hand or registered mail, at the Offices of the Municipal District of Brazeau No. 77 by 5:00 p.m., **October 31, 2001.**



Yellowhead County
www.yellowheadcounty.ab.ca

Notice of Approval

Development Permit	D09-105A
Tax Roll Number:	306235
Development Permit	DC ENERGY SERVICES INC. PT SE-24-53-17-W5 Plan 9724066, Block 3, Lot 7 #17 53304 Rge Rd 170
Rural Address:	#17 53304 Rge Rd 170
Hamlet/Subdivision:	Mizera Subdivision
Development	Rural Industrial Development - Oilfield Equipment Rental & Transport Business with Existing 12' x 54' Accessory Building & 12'x12' Addition & Outdoor Industrial Storage (Discretionary Use)

has been APPROVED, subject to the conditions on the attached sheet and as per the site plan submitted by the Applicant.

Fourteen days after the first publication date you are authorized to proceed with the development specified, provided that any stated conditions are complied with; that development is in accordance with any approved plans and applications; and, that a Building Permit is obtained if construction is involved. SHOULD AN APPEAL BE MADE AGAINST THIS DECISION, TO THE SUBDIVISION AND DEVELOPMENT APPEAL BOARD, THIS DEVELOPMENT PERMIT SHALL BE NULL AND VOID.

Date Deemed Complete: **Wednesday, June 03, 2009**

Date Approval First Publicized: **Monday, June 08, 2009**

SIGNATURE OF DEVELOPMENT AUTHORITY

1. The issuance of a Development Permit in accordance with the notice of approval is subject to the condition that it does not become effective until FOURTEEN days after the date the approval is publicized.
2. The Yellowhead County Land Use Bylaw No. 2.06 provides that any person claiming to be affected by a decision of the Development Authority may appeal to the Subdivision and Development Appeal Board by filing a written notice of appeal, containing reasons, with the Secretary of the Subdivision and Development Appeal Board for Yellowhead County accompanied with payment of \$100.00, payable to Yellowhead County, within fourteen days after notice of the approval is publicized.
3. A permit issued in accordance with the notice of approval is valid for a period of twelve months from the date of its issue. If at the expiry of this period, the development has not been commenced or carried out with reasonable diligence, this permit shall be null and void.



Yellowhead County
www.yellowheadcounty.ab.ca

Conditions of Approval

Development Permit No. D09-105A

1. The front yard setback shall be a minimum of 6.0 metres (19.68 feet) from the property boundary adjacent to an internal subdivision road.
2. The side yard setback shall be a minimum of 6.0 metres (19.68 feet) to the property side boundary.
3. The rear yard setback shall be a minimum of 6.0 metres (19.68 feet) to the rear property boundary.
4. There shall be no encroachment of any development upon any utility right-of-way(s) registered against the title of the subject property.
5. Subject to a permit being issued by Alberta Infrastructure and Transportation.
6. **There shall be no storage or handling of flammable or explosive materials allowed on this site.**

Note: The site is to be maintained in a clean and orderly manner.

Note: The removal of garbage and waste is the responsibility of the owner/developer.

Note: There may be surface improvements related to an oil and gas industry operation near the proposed development. Before commencing construction, the applicant or his agent should investigate the matter and contact Energy Resources Conservation Board for information on setback requirements at 1-403-297-3714 or contact Alberta Government Rite Number 310-0000.

Note: Provincial Permits may be required by Alberta Municipal Affairs. Necessary permits may include Building Permit, Plumbing and Gas Permit, Electric Permit. For more information contact Alberta Municipal Affairs at 1-866-421-6929 or visit their website at www.gov.ab.ca/ma/ss under "Permit Information".

Note: The applicant or his agent should contact Alberta One-Call at 1-800-242-3447 with regard to location of underground facilities.

PLEASE NOTE: ALL CONDITIONS MUST BE COMPLIED WITH

Application No. D09-105A**Yellowhead County**
DEVELOPMENT PERMIT APPLICATION
COMMERCIAL / INDUSTRIAL

I/We hereby make application under the provisions of Yellowhead County Land Use Bylaw No. 2.06 for a Development Permit in accordance with the plans and supporting information submitted herewith and which form part of the application.

PART IAPPLICANT: DC Energy Services Inc. TELEPHONE: 403-218-2975ADDRESS: 400, 706 7th Ave SW, Calgary, ABREGISTERED OWNER: DC Energy Services Inc. TELEPHONE: 403-218-2975ADDRESS: 400, 706 7th Ave SW, Calgary, ABRURAL ADDRESS: SE 1/4-24-53-17 W5m

Is the proposed development's main access different from legal access? (i.e. neighbour's existing driveway or an existing lease road) If **YES**, please show access location on site plan.

LEGAL DESCRIPTION: SE 1/4-24-53-17 W5m PARCEL SIZE: 10.9 (acres)PLAN NO: 40660972 BLOCK: 003 LOT: 7, 8, 93.61, 3.63, 3.66 acres**PART II****EXISTING USE:**

- ☐ Vacant ☐ Single Detached Dwelling (or Modular) ☐ Manufactured Home Dwelling
☒ Other (Please Specify) Storage of rental equipment & drilling fluids

PROPOSED DEVELOPMENT:

- ☒ Commercial Business ☐ Sign ☐ Natural Resource Extraction
☐ Bed and Breakfast ☐ Home Occupation (Major/Minor) ☐ Guest House / Tourist Home
☐ Rural Industry ☐ Home Industry (Major/Minor) ☐ Work Camp
☐ Service Station/ Gas Bar ☐ Other (Please Specify) _____

Please Describe the Proposed Development (dimensions, material, etc): 24x60 office complexCOST OF DEVELOPMENT: \$40,000 COMMENCEMENT DATE: May 30, 2009EXISTING BUILDINGS AND PRESENT USE: 40x100 Coverall & 12x54 Yard office trailer**PART III** Is the Subject Land within a 1/2 mile of:

- a) A Provincial Highway? ☐ Yes ☒ No IF **YES**, a roadside development application is required from Alberta Infrastructure and Transportation **PRIOR** to the Issuance of this application.
b) An Oil or Gas Facility? ☐ Yes ☒ No
c) A Water Body or River? ☐ Yes ☒ No

PART IVSIGNATURE OF APPLICANT: [Signature] DATE: May 14, 2009SIGNATURE OF LANDOWNER(S): [Signature]
(Signatures of ALL Registered Landowners)**PART V****RIGHT OF ENTRY AUTHORIZATION**

RIGHT OF ENTRY FOR AN AUTHORIZED PERSON OF YELLOWHEAD COUNTY FOR THE PURPOSES OF A SITE INSPECTION OF THE LAND AFFECTED BY A PROPOSED DEVELOPMENT APPLICATION.

I ☒ do or ☐ do not give consent for an authorized person of Yellowhead County to enter upon the land that is subject to a development permit application for the purposes of making a site inspection in order to evaluate the application.

LEGAL LAND DESCRIPTION: SE 1/4-24-53-17 W5mLANDOWNER NAME(S): DC Energy Services Inc.SIGNATURE: [Signature] DATE: May 14, 2009
(Registered Landowner(s))

This personal information is being collected under the authority of the Municipal Government Act, Being Chapter M-26 R.S.A., 2000 and will be used to process the development permit application. It is protected by the privacy provisions of the Freedom of Information and Protection of Privacy Act, Chapter F-18.5 R.S.A., 2000. If you have any questions about the collection of this personal information, please contact the Director of Corporate Planning Services, Yellowhead County 2716 - 1 Ave., Edson, AB T7E 1N9 (780) 723-4800.



Yellowhead County

DEVELOPMENT PERMIT APPLICATION COMMERCIAL / INDUSTRIAL

- 1) Describe the Business Operation: Oilfield Equipment Rental & Transportation
- 2) Number of People Employed: 15
- 3) Hours and Days of Operation: 24 hours, 365 days/year
- 4) Vehicle(s) associated with the Operation (including type and size): Pickup trucks & oilfield hauling equipment
- 5) Advertising / Marketing Details (how will you contact your clients or customers): N/A
- 6) Number of expected customers or clients (day/week/month/year): 0
- 7) Indicate where storage of materials associated with the business will occur: Temporary tanks on lot #8 storing drilling fluids
- 8) For Home Businesses, indicate where you intend to operate in the residence (Include dimensions): N/A

BUSINESS OPERATION SITE PLAN:

Please show all structures on Property. Specify which will be used for the Business Operation

Please see attached document.

PART VI

SITE PLAN CHECKLIST: The Site Plan MUST include:

(Please fill in the blank where applicable AND show on Site Plan)

- ☒ SETBACKS: NORTH SEE ATTACHED SOUTH _____ EAST _____ WEST _____
- (If you are unaware of the required setbacks in your area, please contact the Yellowhead County Planning Services)
- ☒ PROPOSED BUILDING(S) DIMENSIONS: 24' x 60' HEIGHT (to Peak): 10'
- ☒ EXISTING BUILDING(S) DIMENSIONS: 12' x 54' & 40' x 100' HEIGHT (to Peak): 21'
- ☒ ALL WATERBODIES AND STEEP EMBANKMENTS N/A
- ☒ LEGAL LAND DESCRIPTION: SE 1/4-24-53-17 W5M
- ☒ PUBLIC ROAD SERVICING PROPERTY (ex. North Rd, Hwy 16): RR 170-53304
- ☒ SHOW LOCATION OF ACCESS TO PROPERTY ☒ COPY OF BUILDING OR CONSTRUCTION PLANS N/A
- ☒ SHAPE AND AREA/SIZE OF PROPERTY ☒ NORTH ARROW
- ☒ SHOW ANY PIPELINES CROSSING PROPERTY N/A

All of these must be completed before the application can be processed.

If you need assistance completing the plan, please contact the Planning Services at 723-4800.

May 27, 2009



DC Energy Proposed Edson Yard Layout

SE 1/4-24-53-17 W5M
(not to scale)

TENT (Existing)

SOUTH FENCE TO TENT 226 FT
NORTH FENCE TO TENT 327 FT
WEST FENCE TO TENT 275 FT
EAST FENCE TO TENT 148 FT

YARD TRAILER (Existing)

SOUTH FENCE TO TRAILER 20 FT
NORTH FENCE TO TRAILER 515 FT
WEST FENCE TO TRAILER 218 FT
EAST FENCE TO TRAILER 283 FT

MAIN OFFICE (PROPOSED)

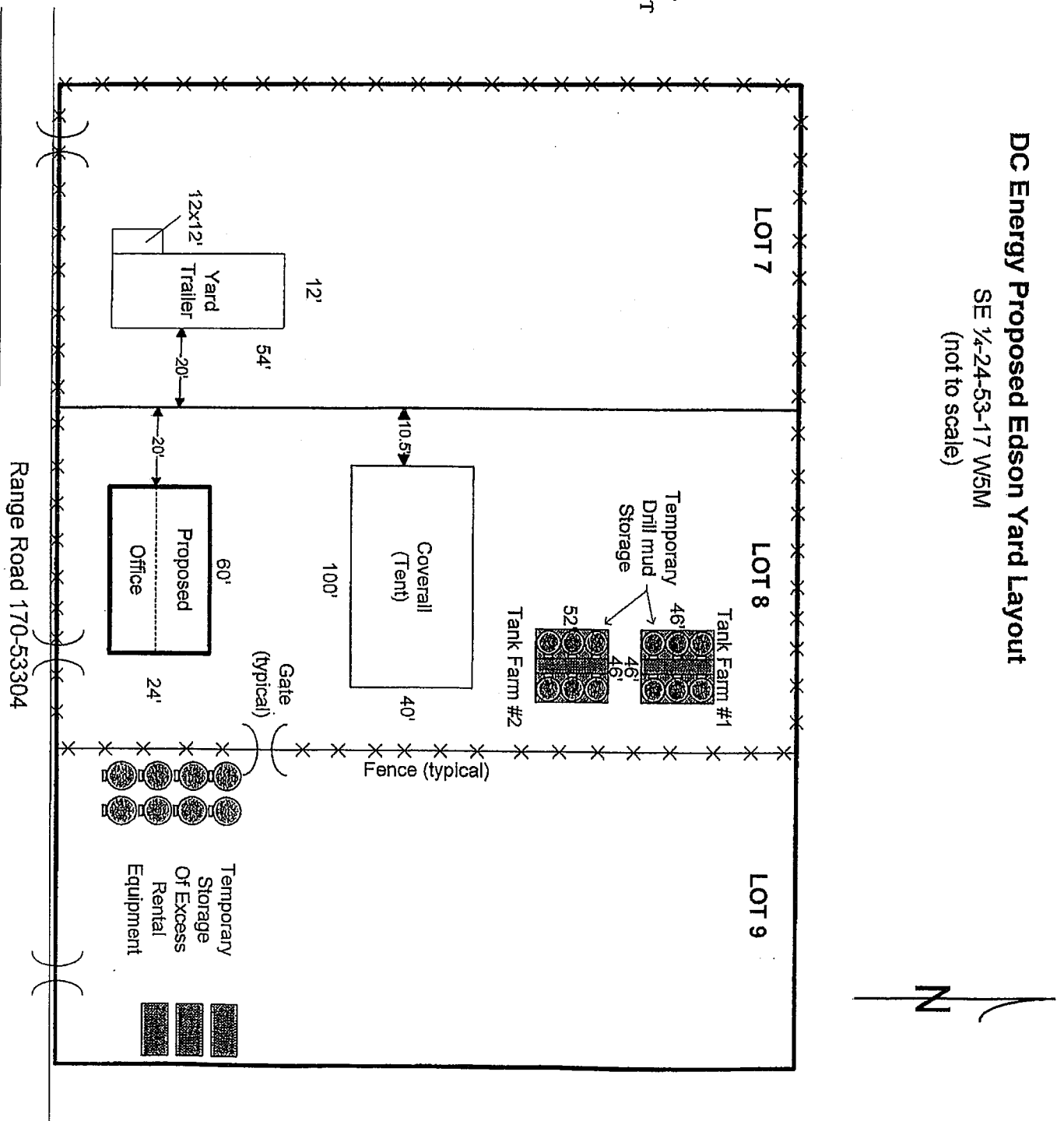
SOUTH FENCE TO OFFICE 20 FT
NORTH FENCE TO OFFICE 527 FT
WEST FENCE TO OFFICE 285 FT
EAST FENCE TO OFFICE 282 FT

TEMPORARY TANK FARM #1
(Existing)

SOUTH FENCE TO FARM 347 FT
NORTH FENCE TO FARM 204 FT
WEST FENCE TO FARM 447 FT
EAST FENCE TO FARM 21 FT

TEMPORARY TANK FARM #2
(Existing)

SOUTH FENCE TO FARM 258 FT
NORTH FENCE TO FARM 295 FT
WEST FENCE TO FARM 438 FT
EAST FENCE TO FARM 21 FT





Yellowhead County
www.yellowheadcounty.ab.ca

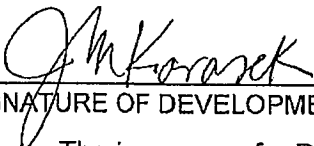
Notice of Approval

Development Permit	D09-105B
Tax Roll Number:	306236
Development Permit	DC ENERGY SERVICES INC.
	PT SE-24-53-17-W5
	Plan 9724066, Block 3, Lot 8
Rural Address:	
Hamlet/Subdivision:	Mizera Subdivision
Development	Rural Industrial Development - Oilfield Equipment Rental & Transport Business with existing 40' x 100' Accessory Building (Variance for side yard setback) & new 24' x 60' Accessory Building (Office) & Outdoor Industrial Storage (Discretionary Use)

has been APPROVED, subject to the conditions on the attached sheet and as per the site plan submitted by the Applicant.

Fourteen days after the first publication date you are authorized to proceed with the development specified, provided that any stated conditions are complied with; that development is in accordance with any approved plans and applications; and, that a Building Permit is obtained if construction is involved. SHOULD AN APPEAL BE MADE AGAINST THIS DECISION, TO THE SUBDIVISION AND DEVELOPMENT APPEAL BOARD, THIS DEVELOPMENT PERMIT SHALL BE NULL AND VOID.

Date Deemed Complete:	Wednesday, June 03, 2009
Date Approval First Publicized:	Monday, June 08, 2009


SIGNATURE OF DEVELOPMENT AUTHORITY

1. The issuance of a Development Permit in accordance with the notice of approval is subject to the condition that it does not become effective until FOURTEEN days after the date the approval is publicized.
2. The Yellowhead County Land Use Bylaw No. 2.06 provides that any person claiming to be affected by a decision of the Development Authority may appeal to the Subdivision and Development Appeal Board by filing a written notice of appeal, containing reasons, with the Secretary of the Subdivision and Development Appeal Board for Yellowhead County accompanied with payment of \$100.00, payable to Yellowhead County, within fourteen days after notice of the approval is publicized.
3. A permit issued in accordance with the notice of approval is valid for a period of twelve months from the date of its issue. If at the expiry of this period, the development has not been commenced or carried out with reasonable diligence, this permit shall be null and void.



Yellowhead County
www.yellowheadcounty.ab.ca

Conditions of Approval

Development Permit No. **D09-105B**

1. The existing Accessory Building (Coverall Tent) may remain in the as built location - with a west side yard setback of 3.2m (10.5 feet).
2. The front yard setback shall be a minimum of 6 metres (19.68 feet) from the property boundary adjacent to an internal subdivision road.
3. The side yard setback shall be a minimum of 6.0 metres (19.68 feet) to the property side boundary.
4. The rear yard setback shall be a minimum of 6.0 metres (19.68 feet) to the rear property boundary.
5. **There shall be no storage or handling of flammable or explosive materials on this lot.**
6. Subject to a permit being issued by Alberta Infrastructure and Transportation.
7. There shall be no encroachment of any development upon any utility right-of-way(s) registered against the title of the subject property.

Note: The site is to be maintained in a clean and orderly manner.

Note: The removal of garbage and waste is the responsibility of the owner/developer.

Note: There may be surface improvements related to an oil and gas industry operation near the proposed development. Before commencing construction, the applicant or his agent should investigate the matter and contact Energy Resources Conservation Board for information on setback requirements at 1-403-297-3714 or contact Alberta Government Rite Number 310-0000.

Note: Provincial Permits may be required by Alberta Municipal Affairs. Necessary permits may include Building Permit, Plumbing and Gas Permit, Electric Permit. For more information contact Alberta Municipal Affairs at 1-866-421-6929 or visit their website at www.gov.ab.ca/ma/ss under "Permit Information".

Note: The applicant or his agent should contact Alberta One-Call at 1-800-242-3447 with regard to location of underground facilities.

PLEASE NOTE: ALL CONDITIONS MUST BE COMPLIED WITH



Yellowhead County

DEVELOPMENT PERMIT APPLICATION COMMERCIAL / INDUSTRIAL

I/We hereby make application under the provisions of Yellowhead County Land Use Bylaw No. 2.06 for a Development Permit in accordance with the plans and supporting information submitted herewith and which form part of the application.

PART I

APPLICANT: DC Energy Services Inc. TELEPHONE: 403-218-2975

ADDRESS: 400, 706 7th Ave SW, Calgary, AB

REGISTERED OWNER: DC Energy Services Inc. TELEPHONE: 403-218-2975

ADDRESS: 400, 706 7th Ave SW, Calgary, AB

RURAL ADDRESS: SE 1/4-24-53-17 W5M

Is the proposed development's main access different from legal access? (i.e. neighbour's existing driveway or an existing lease road) If YES, please show access location on site plan.

LEGAL DESCRIPTION: SE 1/4-24-53-17 W5M PARCEL SIZE: 10.9 (acres)

PLAN NO: 40660972 BLOCK: 003 LOT: 7, 8, 9

3.61, 3.63, 3.66 acres

PART II

EXISTING USE:

- ☐ Vacant ☐ Single Detached Dwelling (or Modular) ☐ Manufactured Home Dwelling
- ☒ Other (Please Specify) Storage of rental equipment & drilling fluids

PROPOSED DEVELOPMENT:

- ☒ Commercial Business ☐ Sign ☐ Natural Resource Extraction
- ☐ Bed and Breakfast ☐ Home Occupation (Major/Minor) ☐ Guest House / Tourist Home
- ☐ Rural Industry ☐ Home Industry (Major/Minor) ☐ Work Camp
- ☐ Service Station/ Gas Bar ☐ Other (Please Specify) _____

Please Describe the Proposed Development (dimensions, material, etc): 24x60 office complex

COST OF DEVELOPMENT: \$40,000 COMMENCEMENT DATE: May 30, 2009

EXISTING BUILDINGS AND PRESENT USE: 40x100 Coverall & 12x54 Yard office trailer

PART III Is the Subject Land within a 1/2 mile of:

- a) A Provincial Highway? ☐ Yes ☒ No IF YES, a roadside development application is required from Alberta Infrastructure and Transportation PRIOR to the issuance of this application.
- b) An Oil or Gas Facility? ☐ Yes ☒ No
- c) A Water Body or River? ☐ Yes ☒ No

PART IV

SIGNATURE OF APPLICANT: [Signature] DATE: May 14, 2009

SIGNATURE OF LANDOWNER(S): [Signature]
(Signatures of ALL Registered Landowners)

PART V

RIGHT OF ENTRY AUTHORIZATION

RIGHT OF ENTRY FOR AN AUTHORIZED PERSON OF YELLOWHEAD COUNTY FOR THE PURPOSES OF A SITE INSPECTION OF THE LAND AFFECTED BY A PROPOSED DEVELOPMENT APPLICATION.

I ☒ do or ☐ do not give consent for an authorized person of Yellowhead County to enter upon the land that is subject to a development permit application for the purposes of making a site inspection in order to evaluate the application.

LEGAL LAND DESCRIPTION: SE 1/4-24-53-17 W5M

LANDOWNER NAME(S): DC Energy Services Inc.

SIGNATURE: [Signature] DATE: May 14, 2009
(Registered Landowner(s))



Yellowhead County

DEVELOPMENT PERMIT APPLICATION

COMMERCIAL / INDUSTRIAL

- 1) Describe the Business Operation: Oilfield Equipment Rental & Transportation
- 2) Number of People Employed: 15
- 3) Hours and Days of Operation: 24 hours, 365 days/year
- 4) Vehicle(s) associated with the Operation (including type and size): Pickup trucks & oilfield hauling equipment
- 5) Advertising / Marketing Details (how will you contact your clients or customers): N/A
- 6) Number of expected customers or clients (day/week/month/year): 0
- 7) Indicate where storage of materials associated with the business will occur: Temporary tanks on lot #8 storing drilling fluids
- 8) For Home Businesses, indicate where you intend to operate in the residence (Include dimensions): N/A

BUSINESS OPERATION SITE PLAN:

Please show all structures on Property. Specify which will be used for the Business Operation

Please see attached document.

PART VI

SITE PLAN CHECKLIST: The Site Plan MUST include:

(Please fill in the blank where applicable AND show on Site Plan)

- ☒ SETBACKS: NORTH SEE ATTACHED SOUTH _____ EAST _____ WEST _____
(If you are unaware of the required setbacks in your area, please contact the Yellowhead County Planning Services)
- ☒ PROPOSED BUILDING(S) DIMENSIONS: 24' x 60' HEIGHT (to Peak): 10'
- ☒ EXISTING BUILDING(S) DIMENSIONS: 12' x 54' & 40' x 100' HEIGHT (to Peak): 21'
- ☒ ALL WATERBODIES AND STEEP EMBANKMENTS N/A
- ☒ LEGAL LAND DESCRIPTION: SE 1/4-24-53-17 W5M
- ☒ PUBLIC ROAD SERVICING PROPERTY (ex. North Rd, Hwy 16): RR 170-53304
- ☒ SHOW LOCATION OF ACCESS TO PROPERTY
- ☒ COPY OF BUILDING OR CONSTRUCTION PLANS N/A
- ☒ SHAPE AND AREA/SIZE OF PROPERTY
- ☒ NORTH ARROW
- ☒ SHOW ANY PIPELINES CROSSING PROPERTY N/A

All of these must be completed before the application can be processed.

If you need assistance completing the plan, please contact the Planning Services at 723-4800.

May 27, 2009



DC Energy Proposed Edison Yard Layout

SE 1/4-24-53-17 W5M
(not to scale)



TENT (Existing)

SOUTH FENCE TO TENT 226 FT
NORTH FENCE TO TENT 327 FT
WEST FENCE TO TENT 275 FT
EAST FENCE TO TENT 148 FT

YARD TRAILER (Existing)

SOUTH FENCE TO TRAILER 20 FT
NORTH FENCE TO TRAILER 515 FT
WEST FENCE TO TRAILER 218 FT
EAST FENCE TO TRAILER 283 FT

MAIN OFFICE (PROPOSED)

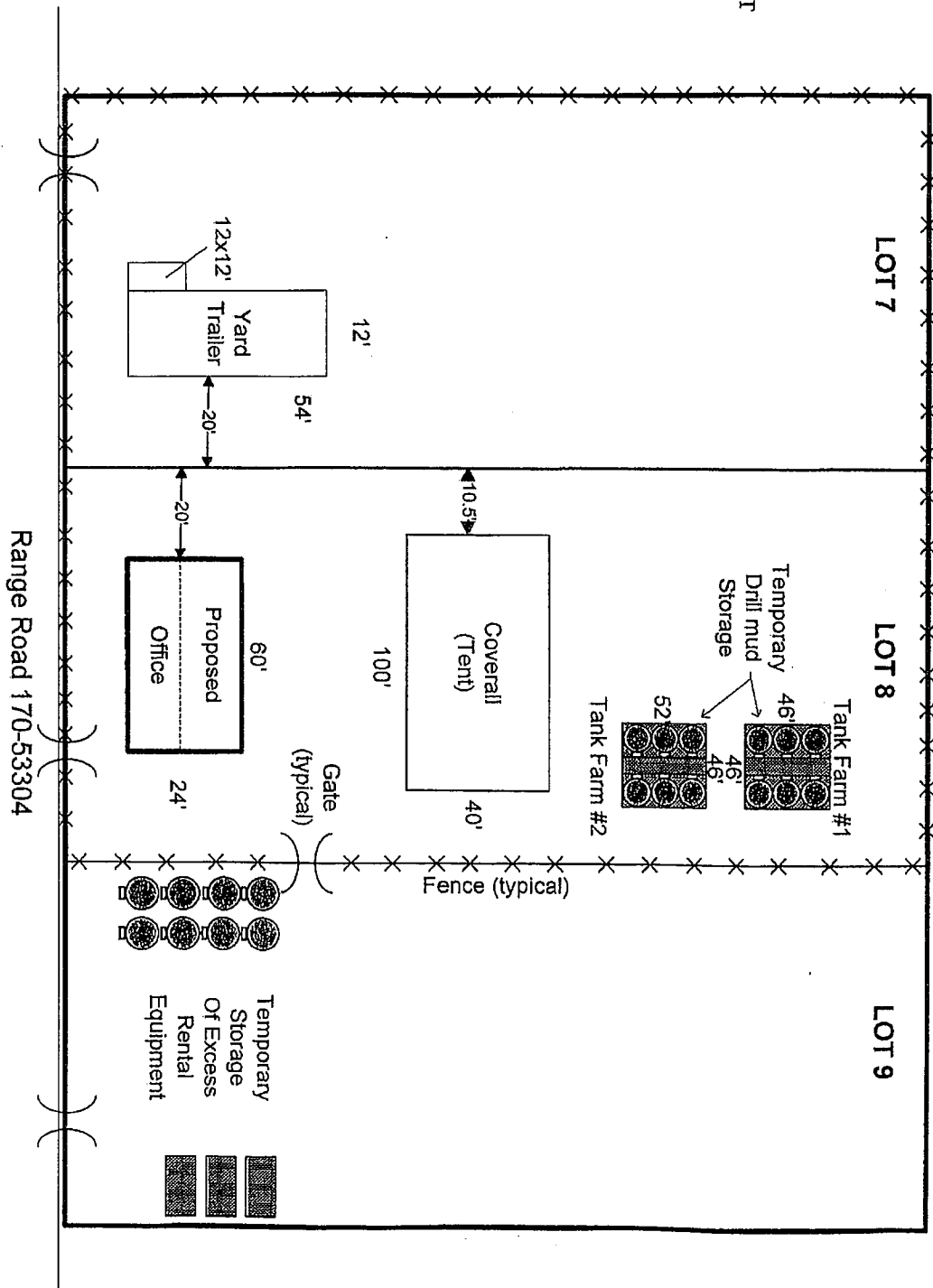
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TEMPORARY TANK FARM #1 (Existing)

SOUTH FENCE TO FARM 347 FT
NORTH FENCE TO FARM 204 FT
WEST FENCE TO FARM 447 FT
EAST FENCE TO FARM 21 FT

TEMPORARY TANK FARM #2 (Existing)

SOUTH FENCE TO FARM 258 FT
NORTH FENCE TO FARM 295 FT
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Yellowhead County
www.yellowheadcounty.ab.ca

Notice of Approval

Development Permit
Tax Roll Number:
Development Permit

D09-105C
306237
DC ENERGY SERVICES INC.
PT SE-24-53-17-W5
Plan 9724066, Block 3, Lot 9

Rural Address:
Hamlet/Subdivision:
Development

Mizera Subdivision
Rural Industrial Development – Oilfield Equipment Rental
and Transport Business with Outdoor Industrial Storage
(Discretionary use)

has been APPROVED, subject to the conditions on the attached sheet and as per the site plan submitted by the Applicant.

Fourteen days after the first publication date you are authorized to proceed with the development specified, provided that any stated conditions are complied with; that development is in accordance with any approved plans and applications; and, that a Building Permit is obtained if construction is involved. SHOULD AN APPEAL BE MADE AGAINST THIS DECISION, TO THE SUBDIVISION AND DEVELOPMENT APPEAL BOARD, THIS DEVELOPMENT PERMIT SHALL BE NULL AND VOID.

Date Deemed Complete: **Wednesday, June 03, 2009**
Date Approval First Publicized: **Monday, June 08, 2009**

SIGNATURE OF DEVELOPMENT AUTHORITY

1. The issuance of a Development Permit in accordance with the notice of approval is subject to the condition that it does not become effective until FOURTEEN days after the date the approval is publicized.
2. The Yellowhead County Land Use Bylaw No. 2.06 provides that any person claiming to be affected by a decision of the Development Authority may appeal to the Subdivision and Development Appeal Board by filing a written notice of appeal, containing reasons, with the Secretary of the Subdivision and Development Appeal Board for Yellowhead County accompanied with payment of \$100.00, payable to Yellowhead County, within fourteen days after notice of the approval is publicized.
3. A permit issued in accordance with the notice of approval is valid for a period of twelve months from the date of its issue. If at the expiry of this period, the development has not been commenced or carried out with reasonable diligence, this permit shall be null and void.



Yellowhead County
www.yellowheadcounty.ab.ca

Conditions of Approval

Development Permit No. D09-105C

1. The front yard setback shall be a minimum of 6 metres (19.68 feet) from the property boundary adjacent to an internal subdivision road.
2. The side yard setback shall be a minimum of 6.0 metres (19.68 feet) to the property side boundary.
3. The rear yard setback shall be a minimum of 6.0 metres (19.68 feet) to the rear property boundary.
4. **There shall be storage or handling of flammable or explosive materials on this lot.**
5. Subject to a permit being issued by Alberta Infrastructure and Transportation.
6. There shall be no encroachment of any development upon any utility right-of-way(s) registered against the title of the subject property.

Note: The site is to be maintained in a clean and orderly manner.

Note: The removal of garbage and waste is the responsibility of the owner/developer.

Note: There may be surface improvements related to an oil and gas industry operation near the proposed development. Before commencing construction, the applicant or his agent should investigate the matter and contact Energy Resources Conservation Board for information on setback requirements at 1-403-297-3714 or contact Alberta Government Rite Number 310-0000.

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Yellowhead County

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(Signatures of ALL Registered Landowners)

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LEGAL LAND DESCRIPTION: SE 1/4-24-53-17 W5M

LANDOWNER NAME(S): DC Energy Services Inc.

SIGNATURE: [Signature] DATE: May 14, 2009
(Registered Landowner(s))

This personal information is being collected under the authority of the Municipal Government Act, Being Chapter M-26 R.S.A., 2000 and will be used to process the development permit application. It is protected by the privacy provisions of the Freedom of Information and Protection of Privacy Act, Chapter F-18.5 R.S.A., 2000. If you have any questions about the collection of this personal information, please contact the Director of Corporate Planning Services, Yellowhead County 2716 - 1 Ave., Edson, AB T7E 1N9 (780) 723-4800.



Yellowhead County

DEVELOPMENT PERMIT APPLICATION COMMERCIAL / INDUSTRIAL

- 1) Describe the Business Operation: Oilfield Equipment Rental & Transportation
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May 27, 2009



DC Energy Proposed Edson Yard Layout

SE 1/4-24-53-17 W5M
(not to scale)

TENT (Existing)

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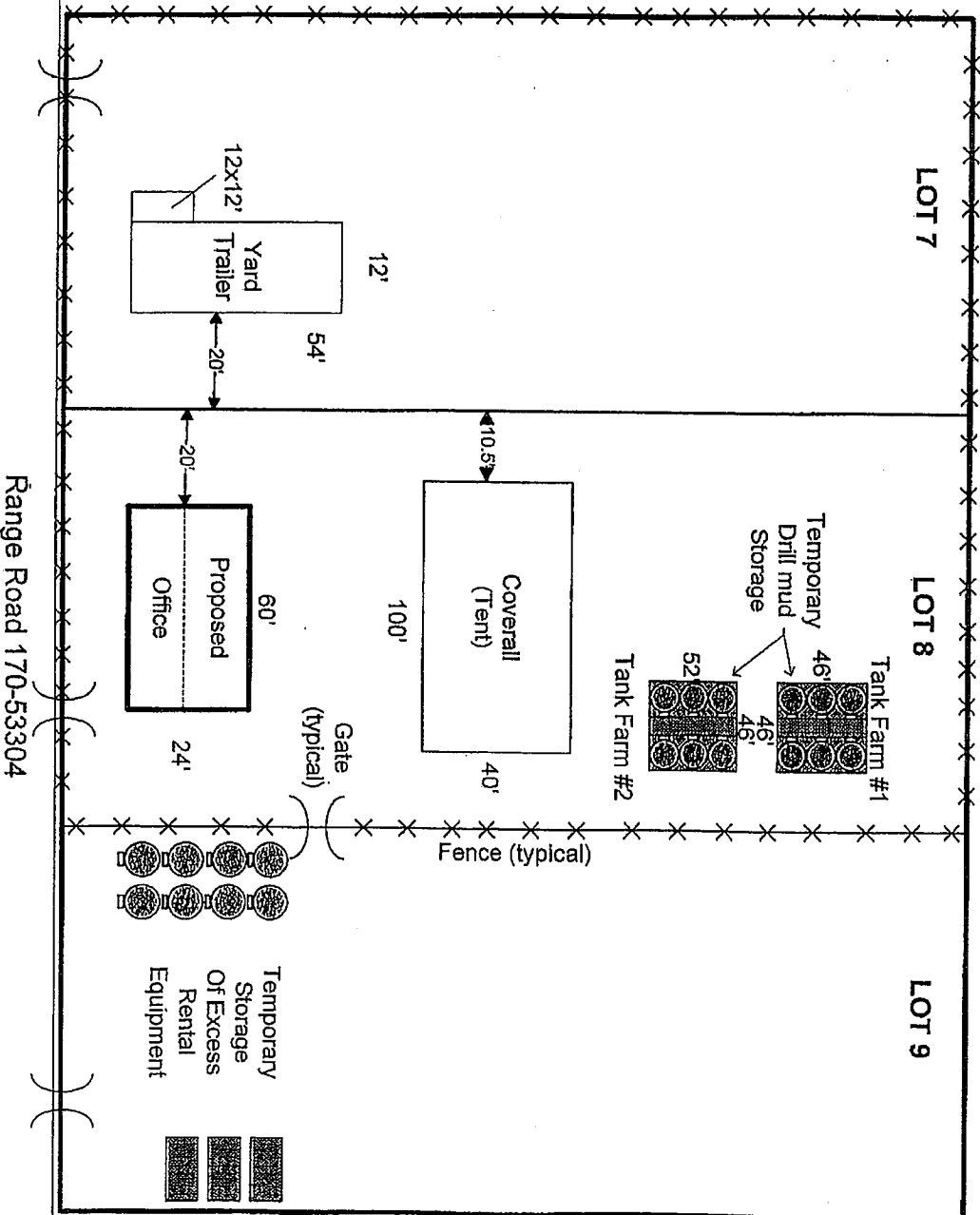
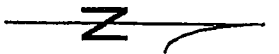
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SOUTH FENCE TO FARM 258 FT
NORTH FENCE TO FARM 295 FT
WEST FENCE TO FARM 438 FT
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Schedule 4.13

Required Consents

1. Filings made with Alberta Corporate Registries
2. Extra-provincial corporate and partnership registrations in required jurisdictions
3. Consent to approvals of transfer of patents, patents pending and industrial designs described in Schedule 1.1(f)(xi)
4. Transfer of vehicle registrations in connection with the Reorganization
5. Consents or approvals to effect transfers of Environmental Permits

Schedule 4.15

Litigation

NIL

Schedule 4.16

Material Contracts

NIL

Schedule 4.30

Employee Matters

[Redacted - Information concerning Employees of DC Energy]

Schedule 7.12(a)

Form of Regular DC Employee Offer

[Redacted - Form of Offer]

Schedule 7.12(b)

Form of Key Employee Offer

[Redacted - Form of Offer]