SECTION 85 SALE AGREEMENT

THIS AGREEMENT made effective as of October 27, 1999

BETWEEN:

MESQUITE ENERGY INC.
a corporation having an office
in Calgary, Alberta
(hereinafter called the "Purchaser")

OF THE FIRST PART

- and -

J. GARY IBBOTSON, an individual
resident in the M.D. of Rockyview, Alberta
(hereinafter called "the Vendor")

OF THE SECOND PART

WHEREAS the Vendor desires to sell 100,000 common shares in the capital stock of Startech Energy Inc. (the "Shares") to the Purchaser;

AND WHEREAS the Purchaser desires to purchase the Shares from the Vendor upon the terms and conditions set out below;

AND WHEREAS the parties wish to effect the sale of the Shares pursuant to the provisions of section 85 of the *Income Tax Act of Canada* (the "Act") and the election provisions contained therein;

NOW THEREFORE in consideration of the mutual covenants and promises set out herein, the parties agree as follows:

1. SALE

1.1 The Vendor hereby sells and conveys to the Purchaser all of its respective right, title and interest in and to the Shares effective as at the date written above.

2. PURCHASE PRICE

2.1 The Purchaser shall pay to the Vendor $800,000.00 for the Shares (the "Purchase Price"), which the parties consider to be the fair market value of the Shares as of the date hereof.

2.2 Payment of the Purchase Price for the Shares shall be made by the Purchaser by the issuance to the Vendor of 4,444,444 common shares (the "Common Shares") of the Purchaser which shares shall have a fair market value of $800,000.00 ($0.18 per share). In addition the Purchaser shall issue to the Vendor 1,481,481 warrants (the "Warrants") to purchase common shares in the capital stock of the Purchaser at an exercise price of $0.24 with an expiry date of 18 months from the date of issuance of the Warrants

3. REPRESENTATIONS AND WARRANTIES

3.1 The Vendor represents and warrants to the Purchaser (and acknowledge that the Purchaser is relying on such representations and warranties) that:

a. the Vendor is the sole owner of the Shares; the Shares are free of all mortgages, liens, charges, adverse claims and demands whatsoever; the Vendor's transfer of the Shares is not contrary to any contract or arrangement now outstanding, and the Vendor has the right, power and authority to transfer the Shares to the Purchaser;

b. no person, firm, body corporate or organization has any agreement or option or right, contingent or otherwise, capable of becoming an agreement or option for the purchase from the Vendor of the Shares; and

c. the Vendor is not a "non-resident" of Canada as such term is used in the Act.

3.2. The Vendor acknowledges that:

(a) the Common Shares and Warrants purchased hereunder are being purchased pursuant to the exemptions from registration and prospectus requirements contained in sections 65(1)(s) and 107(1)(l) (respectively) of the *Securities Act* (Alberta); and

(b) the Common Shares and Warrants purchased hereunder, and any additional Common Shares purchased pursuant to the exercise of Warrants, will be subject to a hold period of one (1) year commencing from the date of issue, and that a legend noting the restriction will appear on the certificates for the Common Shares and Warrants;

3.3. The Purchaser hereby represents and warrants to the Vendor (and acknowledge that the Vendor is relying on such representations and warranties) that:

(a) it is duly incorporated and organized and is a valid and subsisting corporation incorporated under the laws of the Province of Alberta and duly qualified to carry on business in each jurisdiction in which it carries on business;

(b) this Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser enforceable in accordance with its terms except that: (i) the enforcement thereof may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally; and (ii) equitable remedies, including, without limitation, specific performance and injunctive relief, may be granted only in the discretion of a court of competent jurisdiction; and

(c) the Purchaser is not now in default or breach under, nor will the execution, delivery and performance of this Agreement conflict with, or result, now or in the future, in or constitute a breach or default under, the constating documents of the Purchaser, any agreement to which the Purchaser is a party or by which it is bound, or any law or regulation.

3.4 The parties shall indemnify and save harmless each other from and against any and all claims, expenses, actions, losses, damages and costs (including legal fees and disbursements on a solicitor and his own client basis) which either the Purchaser or the Vendor may suffer or incur by or as a result of any representation or warranty set forth in either clause 3.1 or 3.3, respectively, not being true.

4. ELECTION

4.1 The Vendor and the Purchaser shall, pursuant to subsection 85(1) of the Act, jointly make all elections in the manner and form and within the time prescribed by the Act. The agreed amount for the election to be made pursuant to subsection 85(1) of the Act in respect of the Shares shall be the adjusted cost base of the Shares to the Vendor.

5. GENERAL

5.1. This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta.

5.2. This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective successors and assigns.

5.3 The Parties agree that a facsimile signature shall have the same intent, meaning and effect as an original signature.

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

MESQUITE ENERGY INC.

Per: *"Christina M. Fehr"*
Secretary

Per: *"M. Scott St. John"*
President

"Jo-Anne M. Bund"
Witness

"J. Gary Ibbotson"
J. GARY IBBOTSON