AGREEMENT OF PURCHASE AND SALE

between

SURGE ENERGY INC.

- and –

SURGE GENERAL PARTNERSHIP

- and -

TORC OIL & GAS LTD.

dated April 26, 2015

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AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT made as of this 26th day of April, 2015.

BETWEEN:

SURGE ENERGY INC., a corporation, having an office in Calgary, Alberta (hereinafter referred to as "**SEI**")

- and -

SURGE GENERAL PARTNERSHIP, a general partnership, having an office in Calgary, Alberta (hereinafter referred to as "**SGP**")

(SEI and SGP hereinafter collectively referred to as "**Vendor**")

- and -

TORC OIL & GAS LTD., a corporation, having an office in Calgary, Alberta (hereinafter referred to as "**Purchaser**")

WHEREAS Vendor wishes to sell and Purchaser wishes to purchase the entire right, title and interest of Vendor in and to the Assets, subject to and in accordance with the terms and conditions hereof;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1
<u>INTERPRETATION</u>

1.01 <u>Definitions</u>

In this Agreement, unless the context otherwise requires:

(a) "**Abandonment and Reclamation Obligations**" means any and all past, present and future obligations to abandon the Wells and restore and reclaim the surface sites thereof and lands adjacent thereto, to decommission and remove the facilities and equipment comprised in the Tangibles and restore and reclaim the surface sites thereof and land adjacent thereto and to reclaim and restore the Lands, all in accordance with good oil and gas field practices, and in compliance with the Regulations;

(b) "**Adjustment Date**" means 8:00 a.m. (Calgary time) on May 1, 2015;

(c) "**AFEs**" means the authorities for expenditure, operations notices, amounts budgeted pursuant to unit agreements and mail ballots, if any, set out in Schedule B;

(d) [Redacted – Employment Clause. Sensitive Business Information]

(e) "**Agreement**", "**herein**", "**hereto**", "**hereof**" and similar expressions mean and refer to this Agreement of Purchase and Sale, including the attached Schedules;

(f) "**Assets**" means the Petroleum and Natural Gas Rights, the Tangibles, the Seismic Data and the Miscellaneous Interests;

(g) "**Base Price**" has the meaning ascribed to it in section 2.09;

(h) "**Business Day**" means a day other than (i) a Saturday, (ii) a Sunday, (iii) a statutory holiday in Calgary, Alberta, or (iv) any other day on which the banks in Calgary, Alberta are required to be closed;

(i) "**Closing**" means the closing of the purchase and sale of the Assets herein provided for;

(j) "**Closing Place**" means the offices of Vendor, or such other place as may be agreed upon in writing by Vendor and Purchaser;

(k) "**Closing Time**" means the hour of 10:00 a.m. on the later of:

(i) the 15th day of June, 2015; and

(ii) the third Business Day following the day on which the Competition Act Approval is obtained;

or such other time and date as may be agreed upon in writing by Vendor and Purchaser;

(l) "**Commissioner**" means the Commissioner of Competition appointed under the *Competition Act* (Canada) or any person authorized to exercise the powers and perform the duties of the Commissioner of Competition;

(m) "**Competition Act Approval**" means one of the following has occurred:

(i) the Commissioner has issued an advance ruling certificate pursuant to section 102 of the *Competition Act* (Canada) in respect of the transaction contemplated herein on conditions satisfactory to the Parties, each acting reasonably; or

(ii) notification of the transaction contemplated herein pursuant to section 114 of the *Competition Act* (Canada) has been given or its requirement has been waived by the Commissioner and either:

A. the applicable waiting period under section 123 of the *Competition Act* (Canada) has expired or its requirement has been waived by the Commissioner without the Commissioner having advised the Parties that the Commissioner intends to apply to the Competition Tribunal for an order under section 92 or section 100 of the *Competition Act* (Canada) in respect of the transaction contemplated herein on terms and conditions satisfactory to the Parties, acting reasonably; or

B. the Commissioner has advised Purchaser and Vendor that the Commissioner does not intend at the current time to apply to the Competition Tribunal for an order under section 92 of the *Competition Act* in respect of the transaction contemplated herein;

(n) **[Redacted – Employment Clause. Sensitive Business Information]**

(o) "**Deductible**" has the meaning ascribed to it in section 5.03(b);

(p) "**De Minimus Defaults**" has the meaning ascribed to it in section 5.03(a);

(q) "**Deposit**" has the meaning ascribed to it in section 2.10;

(r) **[Redacted – Employment Clause. Sensitive Business Information]**

(s) "**Environmental Liabilities**" means any and all past, present or future environmental damage, contamination, or other environmental problems pertaining to the Lands or caused by the Assets or the Lands or operations thereon or related thereto, however and by whomsoever caused, and whether caused by a breach of the applicable Regulations or otherwise, which occur or arise in whole or in part prior to, at or subsequent to the Closing Time, and regardless of whether or not a reclamation certificate has been issued. Without limiting the generality of the foregoing, such environmental damage or contamination or other environmental problems shall include those arising from or related to (i) surface, underground, air, ground water, surface water or marine environment contamination; (ii) Abandonment and Reclamation Obligations; (iii) the restoration, cleanup or reclamation of or failure to restore, cleanup or reclaim any part of the Assets or the Lands; (iv) the removal of or failure to remove foundations, structures or equipment; (v) the release, spill, escape or emissions of toxic, hazardous or oilfield waste substances and the monitoring, sampling, investigation, reporting and response to same; (vi) compliance with past, present and future Regulations relating to the environment or the protection thereof and Regulations related to public health and safety matters; and (vii) damages and losses suffered by Third Parties as a result of any of the occurrences in subclauses (i) through (vi) of this subsection;

(t) **[Redacted – Employment Clause. Sensitive Business Information]**

(u) "**Facilities**" means the specified interests of Vendor in the facilities described in Schedule D;

(v) "**Financial Information**" means financial information relating to the Assets, including (i) source records, books, general ledger, invoices, operating statements in the Vendor's or its affiliates' possession or to which any of them has reasonable access, (ii) other financial or operating statements and summaries previously prepared by the Vendor or its affiliates in association with the Assets (to the extent they are in the possession and control of the Vendor), and (iii) the property description and production volumes, (iv) estimated reserves and related future net revenue attributable to such reserves, as reflected in the reserves report prepared by the independent engineers of Vendor;

(w) "**General Conveyance**" means the General Conveyance Agreement set out in Schedule E;

(x) "**GST**" means the goods and services tax administered pursuant to the *Excise Tax Act* (Canada), as amended, and the regulations thereunder or under any successor or parallel federal or provincial legislation that imposes a tax on the recipient of goods and services;

(y) "**Indemnitee**" has the meaning ascribed to it in section 5.04;

(z) "**Indemnitor**" has the meaning ascribed to it in section 5.04;

(aa) "**Lands**" means all lands within the Whitemap Area, including, without limitation, the lands set forth and described in Schedule A and the Vendor's fee simple mineral rights in the Whitemap Area, including, without limitation, the fee simple mineral rights set forth and described in Schedule K;

(bb) "**Leased Substances**" means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);

(cc) "**Losses**" means all actions, causes of action, losses, liabilities, obligations, costs, claims, damages, penalties, fines, assessments, charges, expenses or other liabilities whatsoever, whether contractual or tortious, which are suffered, sustained, paid or incurred by a Party and includes, without limitation, reasonable legal fees on a solicitor and client basis and other professional fees and disbursements on a full indemnity basis, but notwithstanding the foregoing shall not include any liability for indirect or consequential damages including, without limitation, business loss, loss of profit, economic loss, punitive damages, or income tax liabilities;

(dd) "**LTA**" means the licence transfer application(s) applicable to the transfer of the Assets from Vendor to Purchaser and submitted to SME or MMR, as the case may be;

(ee) "**Manitoba Bulk Sales Clearance Certificate**" means the bulk sales clearance certificate issued under section 45 of the *Tax Administration and Miscellaneous Taxes Act* (Manitoba);

(ff) "**Manitoba Bulk Sales Indemnity Agreement**" means the form of Agreement attached hereto as Schedule L;

(gg) "**Miscellaneous Interests**" means, subject to any and all limitations and exclusions provided for in this definition, all property, assets, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (other than the Petroleum and Natural Gas Rights and the Tangibles themselves), but only to the extent that such property, assets, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including without limitation any and all of the following:

(i) contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including without limitation gas purchase contracts, processing agreements, transportation agreements and agreements for the construction, ownership and operation of facilities; agreements for the contract operation by a Third Party of the Assets or any of them and agreements to provide transportation, processing or disposal capacity or service to any Third Party and expressly including, without limitation, the Sales, Processing and Transportation Contracts, and any renewals, extensions or amendments thereto;

(ii) fee simple rights to, and rights to enter upon, use or occupy, the surface of any lands which are or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them;

(iii) all subsisting rights to carry out operations relating to the Lands and Tangibles, and without limitation, all easements and well, pipeline and all other permits, licences, approvals and authorizations granted or issued under the Regulations;

(iv) all records, books, documents, licences, reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any of the foregoing that are, or pertain to, seismic data, microseismic data or geophysical data in respect of the Lands;

(v) the Wells, including the wellbores and any and all casing; and

(vi) emergency response plans;

(hh) "**MMR**" means Manitoba Mineral Resources;

(ii) "**Party**" means a party to this Agreement;

(jj) "**Pending Manitoba LTA**" means the LTA pertaining to Wells located in the Province of Manitoba which has been submitted to MMR to cause the transfer of applicable licenses to Vendor from a predecessor in interest but which, as of the date hereof, remains outstanding;

(kk) "**Permitted Encumbrances**" means:

(i) liens for taxes, assessments and governmental charges which are not due or delinquent;

(ii) liens incurred or created in the ordinary course of business as security in favour of the person who is conducting the development or operation of the property to which such liens relate for Vendor's proportionate share of the costs and expenses of such development or operation which are not due or delinquent;

(iii) mechanics', builders' and materialmen's liens in respect of services rendered or goods supplied for which payment is not due or delinquent;

(iv) easements, rights of way, servitudes and other similar rights in land (including without limitation rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph and cable television conduits, poles, wires and cables) which do not materially impair the use of the Assets affected thereby;

(v) the right reserved to or vested in any municipality or government or other public authority by the terms of any lease, licence, franchise, grant or permit or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;

(vi) rights of general application reserved to or vested in any governmental authority to levy taxes on the Leased Substances or any of them, and governmental requirements and limitations of general application as to production rates on the operations of any property;

(vii) statutory exceptions to title, and the reservations, limitations, provisos and conditions in any original grants from the Crown of any of the mines and minerals within, upon or under the Lands;

(viii) any security held by any Third Party encumbering Vendor's interest in and to the Assets or any part or portion thereof, in respect of which Vendor delivers to Purchaser at or prior to Closing, a discharge in registerable form, a no interest letter with an undertaking to discharge the security interest or like document in a form satisfactory to Purchaser;

(ix) the Sales, Processing and Transportation Contracts, and other agreements (if any) for the sale of Leased Substances that are terminable on not greater than 31 days' notice (without an early termination penalty or other cost);

(x) all royalty burdens, liens, adverse claims, penalties, reductions in interests, and other encumbrances set out in Schedule A;

(xi) the terms, conditions and obligations arising under the Title Documents provided that all royalty burdens, liens, adverse claims penalties, reductions in interests and other encumbrances must be set out in Schedule A to constitute a Permitted Encumbrance;

(xii) the Pending Manitoba LTA, the Wells subject to the Pending Manitoba LTA and the fact that Vendor is the beneficial owner and operator of the Wells subject to the Pending Manitoba LTA but not yet the recognized licensee due to delays by MMR in processing the Pending Manitoba LTA; and

(xiii) **[Redacted – Specific Litigation Clause. Sensitive Business Information]**

(ll) "**Petroleum and Natural Gas Rights**" means all of Vendor's rights and interests to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including without limitation the interests set out in Schedule A, and includes all fee simple mineral rights and interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests, revenue interests, economic interests and other interests, fractional or undivided interests in any of the foregoing and includes the interests and rights of Vendor in any lands or leases with which any of the Lands have been pooled or unitized;

(mm) "**Petroleum Substances**" means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including without limitation sulphur and coal bed methane and every other mineral or substance, the right to explore for which, or an interest in which, is granted by the Title Documents, to the extent the Title Documents pertain to the Lands;

(nn) "**Prime Rate**" means a rate of interest equal to the annual rate of interest announced from time to time by the main Calgary branch of National Bank of Canada as the reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada;

(oo) "**Privacy Law**" means the *Personal Information Protection and Electronic Documents Act* (Canada), *Personal Information Protection Act* (Alberta), *Freedom of Information and Protection of Privacy Act* (Alberta), the *Health Information Act* (Alberta), equivalent legislation in other Provinces and Territories, all regulations thereunder, and all governmental orders issued pursuant thereto;

(pp) **[Redacted – Employment Clause. Sensitive Business Information]**

(qq) **[Redacted – Employment Clause. Sensitive Business Information]**

(rr) "**PST**" means any sales, retail or other similar tax in force and collected in any Province in which the Assets are located, including, without limitation, *The Provincial Sales Tax Act* (Saskatchewan) and *The Retail Sales Tax Act* (Manitoba);

(ss) "**Purchase Price**" means the sum of money first set out in section 2.09;

(tt) "**Purchaser Default**" means a breach of a representation or warranty made by Purchaser in section 4.02 or Purchaser's failure to timely perform a covenant or agreement contained herein in all material respects;

(uu) “**Regulations**” means all statutes, laws, rules, orders, judgements, writs, injunctions, decrees, regulations and directions of governmental and other competent authorities in effect from time to time and made by governments, governmental boards or agencies, tribunals, courts, commissions, administrative agencies, arbitrators, or judicial authorities having jurisdiction over the Assets, the Parties or the transactions contemplated herein;

(vv) “**Right of First Refusal**” means a preferential, pre-emptive, first purchase or similar right held by a Third Party in respect of the Assets that becomes operative by virtue of this Agreement or the transaction to be effected by it;

(ww) “**ROFR Assets**” means Assets that are subject to a Right of First Refusal;

(xx) “**Sales, Processing and Transportation Contracts**” means the agreement or agreements, if any, set out in Schedule C;

(yy) “**Securities Requirements**” means the legal requirements in existence related to alternative disclosure for an acquisition of an interest in an oil and gas property under Section 8.10 of *National Instrument 51-102* or Item 10.2 of *Form 44-101F1* and any amendments thereto, or any additional requirements under applicable securities laws that the Purchaser may be requested or required to comply with by a securities commission or similar securities regulatory authority in connection with the filing by the Purchaser of a business acquisition report, prospectus or other public disclosure documents.

(zz) “**Seismic Data**“ means all 100% proprietary non-interpretative technical and seismic data applicable to the Lands and, if applicable, any interest of Vendor in any proprietary non-interpretative technical and seismic data owned by Vendor with one or more Third Parties provided that any required Third Party consents to the transfer and sale of same have been obtained, to the extent any of the foregoing apply to the Lands, including, without limitation, the seismic data set forth and described in Schedule J. With respect to such Seismic Data, it shall include, if available, the following:

(i) all permanent records of basic field data including, but not limited to, any and all microfilm or paper copies of seismic driller’s reports, monitor records, observer’s reports and survey notes and any and all copies of magnetic field tapes or conversions thereof;

(ii) all permanent records of the processed field data including, but not limited to, any and all microfilm or paper copies of shot point maps, pre- and post- stacked record sections including amplitude, phase and structural displays, post-stack data manipulations including filters, migrations and wavelet enhancements, and any and all copies of final stacked tapes and any manipulations and conversions thereof; and

(iii) in the case of 3D seismic, in addition to the foregoing, all permanent records or bin locations, bin fold, static corrections, surface elevations and any other relevant information;

(aaa) “**SME**” means the Saskatchewan Ministry of Economy;

(bbb) "**Specific Conveyances**" means all conveyances, assignments, transfers, novations and other documents or instruments that are reasonably required or desirable to convey, assign and transfer the interest of Vendor in and to the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;

(ccc) "**Take or Pay Obligations**" means: (i) obligations to sell or deliver Petroleum Substances or any of them, rights to which are granted, reserved or otherwise conferred pursuant to the Title Documents, without being entitled in due course to receive and retain full payment for such Petroleum Substances; or (ii) obligations to use transportation, pipeline or processing capacity with minimum volume commitments where any shortfalls in deliveries or use is satisfied through payment obligations;

(ddd) "**Tangibles**" means, the Facilities and any and all tangible depreciable property and assets, which are located within, upon or in the vicinity of the Lands and which are used or are intended to be used to produce, process, gather, treat, store, compress, transport, measure, make marketable or inject the Leased Substances or any of them or in connection with water injection, water disposal or removal operations that pertain to the Petroleum and Natural Gas Rights or are otherwise situate on or within the Lands;

(eee) "**Third Party**" means any individual or entity other than Vendor and Purchaser, including without limitation any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;

(fff) "**Title Documents**" means, collectively, any and all certificates of title, leases, reservations, permits, licences, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm in agreements, sale and purchase agreements, pooling agreements, unit agreements and any other documents and agreements granting, reserving or otherwise conferring rights to (i) explore for, drill for, produce, take, use or market Petroleum Substances, (ii) share in the production of Petroleum Substances, (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced, and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands including without limitation those, if any, set out in Schedule A;

(ggg) **[Redacted – Specific Litigation Clause. Sensitive Business Information]**

(hhh) "**Vendor Default**" means a breach of a representation or warranty made by Vendor in section 4.01 or Vendor's failure to timely perform a covenant or agreement contained herein in all material respects;

(iii) "**Vendor's Solicitors**" means McCarthy Tetrault LLP;

(jjj) "**Wells**" means all wells located on or within the Lands or any lands pooled or unitized therewith, whether or not completed, including the wells identified or described in Schedule D, together with all well licenses relating thereto, including for certainty but without limitation, production, shut-in, suspended, water source, water disposal, water injection and abandoned wells, including those which are reclamation certified or reclamation exempt; and

(kkk) "**Whitemap Area**" means the area outlined in red on the map attached as Schedule I.

1.02 Headings

The expressions "Article", "section", "subsection", "clause", "subclause", "paragraph" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified article, section, subsection, clause, subclause, paragraph and schedule of or to this Agreement.

1.03 Interpretation Not Affected by Headings

The division of this Agreement into Articles, sections, subsections, clauses, subclauses and paragraphs and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.04 Included Words

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and vice versa, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.05 Schedules

There are appended to this Agreement the following schedules pertaining to the following matters:

Schedule A	Lands, Petroleum and Natural Gas Rights
Schedule B	AFEs
Schedule C	Sales, Processing and Transportation Contracts
Schedule D	Wells and Facilities
Schedule E	General Conveyance
Schedule F	Rights of First Refusal
Schedule G	Lawsuits and Claims
Schedule H	Form of Officer's Certificate
Schedule I	Whitemap Area
Schedule J	Seismic Data
Schedule K	Fee Title Lands
Schedule L	Manitoba Bulk Sales Indemnity Agreement
Schedule M	Areas of Mutual Interest
Schedule N	Compensatory Royalties

Such schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.06 Knowledge

Where in this Agreement a representation or warranty is limited to the knowledge, information or belief of Vendor, such knowledge, information or belief consists of the actual knowledge, without due inquiry, of the current officers of Vendor whose normal responsibilities relate to the subject matter of the representation or warranty.

1.07 Time

In this Agreement, all times are Mountain Standard Time or Mountain Daylight Time, whichever is in effect pursuant to the *Daylight Saving Time Act* (Alberta).

1.08 Statutory References

Any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and enforced from time to time, and to any statute or regulation that may be passed which has the effect of supplementing the statute so referred to or the regulations made pursuant thereto.

1.09 Joint and Several Liability of Vendor

SEI and SGP shall be jointly and severally responsible and liable, collectively as Vendor, for all representations, warranties, covenants, obligations and liabilities of Vendor contained in, or arising as a result of, this Agreement and all documents and agreements to be delivered by Vendor in connection with this Agreement and the consummation of the transactions contemplated herein.

ARTICLE 2
PURCHASE AND SALE AND CLOSING

2.01 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all of the right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial) in and to the Assets subject to and in accordance with the terms and conditions of this Agreement.

2.02 Closing

Closing shall take place at the Closing Place at the Closing Time if there has been satisfaction or waiver of the conditions of Closing herein contained. Provided Closing occurs, the transfer of the Assets from Vendor to Purchaser will be effective as of the Adjustment Date. Possession of the Assets will pass to Purchaser upon Closing. The Parties shall execute and deliver the General Conveyance at Closing.

2.03 Specific Conveyances

(a) Vendor shall prepare the Specific Conveyances at its sole cost and expense and as required in accordance with the integrated licence transfer application process set forth and described in:

(i) SME Guideline PD G01: Saskatchewan Licensee Liability Rating (LLR) Program Guideline; and

(ii) MMR's Manitoba Petroleum Guideline 7 – Applications for Well Licence Transfer;

none of which shall confer or impose upon a Party any greater right or obligation than contemplated in this Agreement. Vendor shall use reasonable commercial efforts to deliver all Specific Conveyances at Closing. All Specific Conveyances that are prepared prior to the Closing Time shall be executed and delivered by the Parties at Closing. All other Specific Conveyances shall be executed and delivered by the Parties as soon as commercially reasonable after Closing and in any event within ten (10) Business Days following Closing..

(b) Subject to section 8.04, forthwith after Closing, or forthwith following such later time as Specific Conveyances are executed and delivered, Vendor shall circulate and register, as the case may be, all Specific Conveyances that by their nature may be circulated or registered, provided that Purchaser shall be responsible for all registration fees pertaining to same.

2.04 Whitemap Area

(a) The Parties acknowledge that although Vendor has prepared, and Purchaser has reviewed, the schedules attached hereto, they recognize that there may be unintended omissions or misdescriptions. As such, the Parties acknowledge and agree that it is their intention that, in addition to those Assets included and specified in the schedules hereto, the Assets shall include Vendor's entire interest in and to all Petroleum and Natural Gas Rights, Tangibles, the Seismic Data and Miscellaneous Interests which fall within the Whitemap Area and all obligations and liabilities associated therewith and that the Purchase Price includes consideration therefor.

(b) To the extent any Petroleum and Natural Gas Rights, Tangibles, Seismic Data or Miscellaneous Interests are identified by either Party after the Closing Date, the Parties shall use all reasonable efforts to specifically convey such interests to Purchaser.

(c) Subject to section 2.04(d), from and after Closing, Purchaser shall assume and be solely liable for the satisfaction and performance of all of the responsibilities, obligations and liabilities of whatsoever nature or kind:

(i) arising out of, resulting from, attributable to or connected with the Assets that accrue from and after the Adjustment Date; or

(ii) located within, on or under the Whitemap Area that accrue from and after the Adjustment Date; or

(iii) all Environmental Liabilities, whether such responsibilities, obligations and liabilities (i) arise out of, result from, are attributable to or connected with events occurring before, on or after the Adjustment Date or (ii) are known or unknown, other than liabilities arising prior to the Adjustment Date relating to taxes, royalties, or employment matters arising from or relating to the Assets.

(d) **[Redacted – Specific Litigation Clause. Sensitive Business Information]**.

2.05 <u>Title Documents, Miscellaneous Interests and Seismic Data</u>

(a) Vendor shall deliver to Purchaser, within two (2) Business Days of delivery of the Specific Conveyances as contemplated in section 2.03(a), the original copies, if available, of the Title Documents and any other agreements and documents to which the Assets are subject and the original copies of contracts, agreements, records, books, documents, licences, reports and data comprising Miscellaneous Interests which are now in the possession of Vendor or of which it gains possession prior to the Closing Time. Notwithstanding the foregoing, if and to the extent such Title Documents, contracts, agreements, records, books, documents, licences, reports and data also pertain to interests other than the Assets, photocopies or other copies may be provided to Purchaser in lieu of original copies. For a period of four (4) years following Closing, Purchaser shall, upon request and after reasonable notice, provide reasonable access, at the offices of Purchaser and during its normal business hours, to such of the Title Documents and other contracts, agreements, records, books, documents, licenses, reports and data comprising Miscellaneous Interests delivered by Vendor pursuant hereto, as Vendor may reasonably require for purposes concerning the interests which Vendor held in the Assets prior to Closing and the calculation of adjustments prior to the finalization of same, subject always to the requirement that all such information shall remain confidential and that Vendor reasonably requires access thereto to manage matters that arise in respect of Vendor's interest in the Assets prior to Closing.

(b) Vendor shall deliver to Purchaser, within fifteen (15) days following Closing, the Seismic Data. Any out-of-pocket costs, expenses, fees or consideration paid or payable to Third Parties in respect of obtaining required approvals or consents to the sale of the Seismic Data which Purchaser owns with one or more Third Parties shall be solely for the account of Purchaser and does not form part of the Purchaser Price.

2.06 <u>Vendor's Deliveries at Closing</u>

In addition to the executed General Conveyance to be delivered at Closing pursuant to section 2.02, the Specific Conveyances pursuant to section 2.03 and the Title Documents and Miscellaneous Interests pursuant to section 2.05, at Closing, Vendor shall deliver, or cause to be delivered, to Purchaser, the following:

(a) a receipt for payment of the amounts payable to Vendor pursuant to section 2.09;

(b) certified copy of a resolution (or minutes of the meeting) of the board of directors of SEI and of the partners of SGP authorizing and approving the transactions contemplated by this Agreement;

(c) an officer's certificate of Vendor in the form of Schedule H;

(d) discharges of or no interest letters with respect to encumbrances against the Assets, other than Permitted Encumbrances, in form satisfactory to Purchaser acting reasonably, and to which Purchaser notifies Vendor at least five (5) days prior to Closing;

(e) the Manitoba Bulk Sales Indemnity Agreement, or if available, the Manitoba Bulk Sales Clearance Certificate; and

(f) any other documents required to be delivered by Vendor to Purchaser at Closing pursuant to this Agreement.

2.07 <u>Purchaser's Deliveries at Closing</u>

At Closing, Purchaser shall deliver, or cause to be delivered, to Vendor, the following:

(a) the amounts payable by Purchaser at Closing pursuant to section 2.09;

(b) certified copy of a resolution (or minutes of the meeting) of the board of directors of Purchaser authorizing and approving the transactions contemplated by this Agreement;

(c) an officer's certificate of the Purchaser in the form of Schedule H; and

(d) any other documents required to be delivered by Vendor to Purchaser at Closing pursuant to this Agreement.

In addition, Purchaser shall execute at Closing the General Conveyance, any Specific Conveyances delivered by Vendor, the assignment agreements in respect of the Third Party confidentiality agreements, and if applicable, the Manitoba Bulk Sales Indemnity Agreement.

2.08 <u>Form of Payment</u>

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made at Closing shall be made by wire transfer to Vendor's designated account.

2.09 <u>Purchase Price</u>

(a) The aggregate consideration to be paid by Purchaser to SEI, on behalf of Vendor, for the Assets will be:

(i) $430,000,000 (the "**Base Price**");

(ii) less the adjustments, if any, on account of exercised Rights of First Refusal pursuant to Article 9;

(iii) plus interest pursuant to section 2.13; and

(iv) plus or minus any adjustments resulting from the operation of Article 7,

(the "**Purchase Price**").

(b) At Closing, Purchaser shall pay Vendor the Purchase Price, less the Deposit and interest thereon (which shall be retained by Vendor and applied to the Purchase Price in accordance with section 2.10), plus the GST/PST in accordance with section 2.11.

2.10 Deposit

(a) Within 1 Business Day of the execution of this Agreement, Purchaser promises to pay to Vendor, by wire transfer to Vendor's specified bank account, an amount equal to $43,000,000, representing a deposit, being an amount that represents a genuine estimate by the Parties of the damages that Vendor will suffer should Purchaser wrongfully fail to close the transaction contemplated by this Agreement, having regard to such matters as the nature of the Assets, the size of the Base Price, the amount of time between the date hereof and the Closing Time and the time and expense to be incurred by Vendor (the "**Deposit**"). Upon receipt, the Deposit will be held, retained or returned by Vendor pursuant to the terms of this section 2.10. If Purchaser fails to deliver the Deposit in accordance with this Section 2.10, Purchaser acknowledges and agrees that, for value received, it promises to pay the amount of $43,000,000 to Vendor **[Redacted – Interest Rate. Sensitive Business Information]**, thereon from the date of this Agreement until the date such payment is made.

(b) If Closing occurs at the Closing Time, the Deposit **[Redacted – Interest Rate. Sensitive Business Information]** shall be retained by Vendor and applied towards the Base Price.

(c) If Closing does not occur due to a Purchaser Default, the Deposit and the interest actually earned thereon (if any) shall be retained by Vendor and forfeited by the Purchaser as a genuine pre-estimate of the liquidated damages resulting from Closing not occurring.

(d) If Closing does not occur for any reason or circumstance other than a Purchaser Default, the Deposit **[Redacted – Interest Rate. Sensitive Business Information]** shall be returned to Purchaser for the account of Purchaser.

2.11 GST/PST

Purchaser shall pay to Vendor at Closing any applicable GST/PST in respect of the Assets and Vendor shall remit all such GST/PST to the applicable governmental authorities. If the amount of GST/PST paid pursuant to this clause is subject to audit by the relevant governmental authorities, and it is determined by those authorities that an additional amount of GST/PST or interest or penalties should be assessed, Purchaser shall be responsible for the payment of such additional amounts and Purchaser shall indemnify, defend and keep harmless Vendor from any such additional payment, interest or penalties or other amounts which may be payable or assessed against Vendor, its directors, officers or advisors, under the Regulations in respect of the sale of the Assets by Vendor to Purchaser pursuant hereto. The GST registration number of SEI is **[Redacted]**, the GST registration number of SGP is **[Redacted]** and the GST registration number of Purchaser is **[Redacted]**. **[GST Numbers. Sensitive Business Information]**

2.12 Other Taxes

At Closing, Purchaser shall be solely responsible for all sales taxes, transfer taxes, fees, charges, levies or similar assessments which may be imposed by any governmental authority and pertaining to its acquisition of the Assets or to the circulation and registration of the Specific Conveyances and shall remit any such amounts to the applicable governmental authority according to the Regulations and Purchaser shall indemnify, defend and keep harmless Vendor from any such sales taxes, transfer taxes, fees, charges, levies or similar assessments which may be payable or assessed against Vendor, its directors, officers or advisors, under the Regulations in respect of the sale of the Assets by Vendor to Purchaser pursuant hereto.

2.13 Interest

At Closing, Purchaser shall pay to Vendor an amount equal to the interest that would have accrued on the Base Price less the Deposit from the date received, **[Redacted – Interest Rate. Sensitive Business Information]**, calculated daily and not compounded, from and including the Adjustment Date to and including the day prior to Closing, which amount shall constitute an increase to the Purchase Price and shall be allocated to the Petroleum and Natural Gas Rights.

2.14 Allocation of Purchase Price

The Parties shall allocate the Base Price as follows:

Petroleum and Natural Gas Rights	**[Redacted]**
Tangibles	**[Redacted]**
Seismic Data	**[Redacted]**
Miscellaneous Interests	**[Redacted]**

[Purchase Price allocation. Sensitive Business Information]

ARTICLE 3
CONDITIONS OF CLOSING

3.01 Purchaser's Conditions

The obligation of Purchaser to purchase Vendor's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived in whole or in part by Purchaser:

(a) the representations and warranties of Vendor herein contained shall be true and correct in all material respects when made and as of the Closing Time provided that any representations and warranties qualified with materiality or as having a material adverse effect on the Assets shall be true in all respects;

(b) all covenants and obligations of Vendor contained in this Agreement to be performed prior to or at the Closing Time shall have been timely performed in all material respects;

(c) Vendor shall have delivered to Purchaser at or prior to the Closing Time discharges of or no interest letters in respect of, any security held by any Third

Party encumbering Vendor's interest in and to the Assets or any part or portion thereof, which discharges or no interest letters were requested by Purchaser at least five (5) days prior to the Closing Time;

(d) at the Closing Time, no claim or action shall be pending before any court or governmental authority seeking to restrain or prohibit the transactions contemplated hereby or to obtain material damages or other relief from Purchaser in connection with the consummation of the transactions contemplated hereby;

(e) Vendor shall have complied with section 2.06;

(f) from the date hereof to the Closing Time, the Tangibles shall have suffered no material adverse damage; and

(g) the Competition Act Approval, shall have been obtained on or before June 30, 2015.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser by the date specified for same or, in the absence of such specified date, the Closing Time, Purchaser may rescind this Agreement as its sole remedy (except where such non-satisfaction or non-compliance is as a result of Vendor's breach of section 3.03, in which event Purchaser may pursue all remedies available to it), by written notice to Vendor, provided that Purchaser shall not be permitted to exercise or purport to exercise any right of termination pursuant to this section 3.01 if the event or circumstances giving rise to such right is due to a Purchaser Default. If Purchaser rescinds this Agreement, Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in section 2.10 and in section 14.16 and except where such rescission is as a result of Vendor's breach of section 3.03, in which event Purchaser may pursue all remedies available to it.

3.02 <u>Vendor's Conditions</u>

The obligation of Vendor to sell its interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived in whole or in part by Vendor:

(a) the representations and warranties of Purchaser herein contained shall be true and correct in all material respects when made and as of the Closing Time;

(b) all covenants and obligations of Purchaser contained in this Agreement to be performed prior to or at the Closing Time shall have been timely performed in all material respects;

(c) all amounts to be paid by Purchaser to Vendor at or prior to the Closing Time shall have been paid to Vendor in the form stipulated in this Agreement;

(d) Purchaser shall have complied with Article 12 and have made any security or performance deposits required by SME or MMR or both in order to ensure the transfer of LTAs from Vendor to Purchaser following Closing; and

(e) at the Closing Time, no claim or action shall be pending before any court or governmental authority seeking to restrain or prohibit the transactions contemplated hereby or to obtain material damages or other relief from Vendor in connection with the consummation of the transactions contemplated hereby;

(f) the Deposit shall be delivered to by Vendor to Purchaser within 1 Business Day of the date of this Agreement;

(g) Purchaser shall have complied with section 2.07; and

(h) the Competition Act Approval, shall have been obtained on or before June 30, 2015.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor by the date specified for same or, in the absence of such specified date, the Closing Time, Vendor may as its sole remedy, but subject to section 2.10, rescind this Agreement by written notice to Purchaser, provided that Vendor shall not be permitted to exercise or purport to exercise any right of termination pursuant to this section 3.02 if the event or circumstances giving rise to such right is due to a Vendor Default. If Vendor rescinds this Agreement, Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in section 2.10 and in section 14.16.

3.03 Efforts to Fulfill Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use best efforts to satisfy and comply with and assist in the satisfaction and compliance with the conditions precedent.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.01 Representations and Warranties of Vendor

Purchaser acknowledges that it is purchasing the Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to Purchaser by Vendor or any Third Party, except that, Vendor makes the following representations and warranties to Purchaser:

(a) Standing: SEI is a corporation duly organized and validly existing under the laws of the jurisdiction of incorporation of SEI and is authorized to carry on business in the jurisdiction(s) in which the Lands are located; and SGP is a general partnership, duly formed and validly existing under the laws of the jurisdiction of formation of SGP and is authorized to carry on business in the jurisdiction(s) in which the Lands are located;

(b) Requisite Authority: Vendor has good right, full power and absolute authority to sell, assign, transfer, convey and set over the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;

(c) Execution: the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, partners', shareholders' and directors' actions, as applicable, and will not result in any violation of, be in conflict with or constitute a default under any articles, charter, bylaw, partnership agreement or other governing document to which Vendor is bound;

(d) No Conflicts: the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with or constitute a default under any term or provision of any agreement or document to which Vendor is party or by which Vendor is bound, nor under any Regulation applicable to Vendor;

(e) Enforceability: this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Vendor enforceable against Vendor in accordance with their terms, subject to the qualification that such enforceability may be subject to:

(i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally; and

(ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law);

(f) Governmental Approvals: other than the Competition Act Approval and the Permitted Encumbrances, no authorization or approval or other action by, and no notice to or filing with, any governmental authority is required for the due execution, delivery and performance by Vendor of this Agreement;

(g) Finders' Fees: Vendor has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the transaction to be effected by it for which Purchaser shall have any obligation or liability;

(h) Canadian Resident: Vendor is not a non-resident within the meaning of section 116 of the *Income Tax Act* (Canada);

(i) Alienation: except for Permitted Encumbrances: (1) Vendor has not alienated or encumbered the Assets or any part or portion thereof, (2) Vendor has not committed and is not aware of there having been committed any act or omission whereby the interest of Vendor in and to the Assets or any part or portion thereof may be cancelled or determined, and (3) the Assets are now free and clear of all liens, royalties, conversion rights and other claims of Third Parties, created by, through or under Vendor;

(j) Quiet Enjoyment: subject to the rents, covenants, conditions and stipulations in the Title Documents and Permitted Encumbrances, from and after Closing, Purchaser will be entitled to hold and enjoy the Assets for Purchaser's own use and benefit without interruption of or by Vendor or any Third Party claiming by, through, or under Vendor or its respective affiliates;

(k) No Reduction: the interest of Vendor in the Assets is not subject to either reduction by virtue of the conversion or other alteration of interest of any Third Party claiming by, through or under Vendor, except for Permitted Encumbrances or as otherwise set out in the Schedules hereto;

(l) Right of First Refusal: except as may be identified to Purchaser by Vendor pursuant to Article 9, none of the interest of Vendor in and to the Assets is subject to any Rights of First Refusal;

(m) Adverse Claims: other than the Permitted Encumbrances, Vendor has not received notice from any Third Party claiming an interest in and to the Assets adverse to the interest of Vendor and Vendor has no knowledge of facts by which any such claim may be made;

(n) Compliance: to Vendor's knowledge, Vendor has not failed to comply with, perform, observe or satisfy any term, condition, obligation or liability which has heretofore arisen under the provisions of any of the Title Documents or any other agreements and documents to which the Assets are subject where such failure would reasonably be expected to have a material adverse effect upon the aggregate value of the Assets;

(o) Default: Vendor has not received notice of default and is not, to Vendor's knowledge, in material default of any material obligation, agreement, document, order, writ, injunction or decree of any court or of any commission or administrative agency, which might result in material impairment or loss of the interest of Vendor in and to the value of the Assets or which might otherwise adversely and materially affect the Assets;

(p) No Lawsuits or Claims: except for the Permitted Encumbrances and except as may be identified in Schedule G, no suit, action, lawsuit, administrative proceeding or other proceeding is currently before any court or governmental agency against Vendor or, to the knowledge of Vendor, which has been threatened against Vendor and there are no unsatisfied judgements against Vendor or any consent decrees or injunctions to which Vendor is subject, which might result in an impairment or loss of the interest of Vendor in and to the Assets or which might otherwise adversely affect the value of the Assets;

(q) Payment of Taxes and Third Party Payables: to Vendor's knowledge, subject to industry standard internal processing times which do not exceed 90 days for the payment of such amounts, all amounts due and payable to Third Parties prior to the date hereof and pertaining to the Assets have been fully paid, including without limitation (i) any and all ad valorem and property taxes, (ii) any and all production, severance and similar taxes, charges and assessments based upon or measured by the ownership or production of the Leased Substances or any of them or the receipt of proceeds therefor, and (iii) all amounts due and payable in connection with Permitted Encumbrances;

(r) AFEs: other than those of which Purchaser has received notice of prior to the date of this Agreement or as disclosed on Schedule B hereto, there are no AFEs issued or approved by Vendor with respect to the Assets under which amounts may become payable after the Adjustment Date under which Vendor's share will be greater than $50,000.00;

(s) Permits: in respect of the Assets that are operated by Vendor, if any, except as disclosed otherwise in Permitted Encumbrances, Vendor holds all valid licenses, permits and similar rights and privileges that are required and necessary under the Regulations to operate the Assets as presently operated;

(t) Environmental: Vendor is not aware of and has not received:

(i) any orders or directives which relate to environmental matters and which require any work, repairs, construction or capital expenditures with respect to the Assets, where such orders or directives have not been complied with in all material respects; or

(ii) any demand or notice issued with respect to the breach of any environmental, health or safety law applicable to the Assets, including without limitation, respecting the use, storage, treatment, transportation or disposition of environmental contaminants, which demand or notice remains outstanding on the date hereof;

(u) Sales, Processing and Transportation Contracts: except for the Sales, Processing and Transportation Contracts and any such agreements that can be terminated on notice of 31 days or less (without an early termination penalty or other cost), Vendor is not a party to and Vendor's interest in and to the Assets is not otherwise bound or affected by any (i) production sales contracts pertaining to the Leased Substances, (ii) gas balancing or similar agreements pertaining to the Leased Substances or any of them, (iii) agreements for the transportation, processing or disposal of the Leased Substances or any of them or substances produced in connection with the Leased Substances or any of them, (iv) agreements for the contract operation by a Third Party of the Assets or any of them, and (v) agreements to provide transportation, processing or disposal capacity or service to any Third Party;

(v) LLR: the liability rating ratio (as set forth and described in the SME Guideline PD G01: Saskatchewan Licensee Liability Rating (LLR) Program Guideline) of Vendor equals or exceeds 1.0 and will not fall below 1.0 as a result of any licence transfer application(s) submitted or to be submitted in respect of the Assets and the transaction effected hereby;

(w) Compensatory Royalties/Offsets: to Vendor's knowledge:

(i) Schedule N contains a complete list of leases and related offset well locations where Vendor has elected to pay compensatory royalty to the lessor; and

(ii) Except for those described in Schedule N or pertaining to the leases described in Schedule N, Vendor has not received any notices of offset wells in respect of Assets that are current and require the drilling of a well, the payment of compensatory royalty or the surrender of some or all of the interests granted, reserved or otherwise conferred pursuant to the Title Documents;

(x) Operations: all operations in respect of the Assets that were operated by Vendor or any of its respective affiliates, conducted prior to the date hereof, while being so operated, were conducted in all material respects in accordance with the

Regulations and good oilfield practices in effect at the time that the operations were conducted, and, to the knowledge of Vendor, all operations in respect of the Assets that were not operated by Vendor or its respective affiliates, conducted prior to the date hereof, while being so operated, were conducted in all material respects in accordance with the Regulations and good oilfield practices in effect at the time that the operations were conducted;

(y) No AMIs/AOEs: except for the areas of mutual interest and areas of exclusion referred to in Schedule M, none of the Lands are subject to an agreement which provides for an area of mutual interest or an area of exclusion; and

(z) Take or Pay Obligations: except as arising under the Sales, Processing and Transportation Contracts and any such agreements that can be terminated on notice of 31 days or less (without an early termination penalty or other cost), there are no Take or Pay Obligations related to the Assets.

4.02 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor:

(a) Standing: Purchaser is a corporation duly organized and validly existing under the laws of the jurisdiction of incorporation of Purchaser and is authorized to carry on business in the jurisdiction(s) in which the Lands are located;

(b) Requisite Authority: Purchaser has good right, full power and absolute authority to purchase the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;

(c) Execution: the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders' and directors' actions and will not result in any violation of, be in conflict with or constitute a default under any articles, charter, bylaw or other governing document to which Purchaser is bound;

(d) No Conflicts: the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with or constitute a default under any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any Regulation applicable to Purchaser;

(e) Enforceability: this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms subject to the qualification that such enforceability may be subject to:

(i) bankruptcy, insolvency, fraudulent preference, reorganization or other laws affecting creditors' rights generally; and

(ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at equity or law);

(f) Finders' Fee: Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the transaction to be effected by it for which Vendor shall have any obligation or liability;

(g) Investment Canada Act: Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act* (Canada);

(h) Governmental Approvals: other than the Competition Act Approval, no authorization or approval or other action by, and no notice to or filing with, any governmental authority is required for the due execution, delivery and performance by Purchaser of this Agreement;

(i) LLR: the liability rating ratio (as set forth and described in the SME Guideline PD G01: Saskatchewan Licensee Liability Rating (LLR) Program Guideline) of Purchaser equals or exceeds 1.0 and will not fall below 1.0 as a result of any licence transfer application(s) submitted or to be submitted in respect of the Assets and the transaction effected hereby; and

(j) Availability of Funds: Purchaser has arranged to have available by the Closing Time sufficient immediately available funds to enable it to pay in full the Purchase Price to Vendor as herein provided and otherwise perform its obligations under this Agreement.

4.03 Survival of Representations and Warranties

Except where a time is specified therein, the representations and warranties in sections 4.01 and 4.02 shall be true and correct as of the date hereof and at the Closing Time, and such representations and warranties shall continue in full force and effect and shall survive Closing.

4.04 Claims re Representations and Warranties

The Parties agree that any claim in respect of an untrue or inaccurate representation and warranty given in this Article 4 shall only be made pursuant to section 5.01 or section 5.02 and shall be subject to the limitations contained in sections 5.03, 14.10 and 14.12 and shall be subject to the provisions of section 5.04.

ARTICLE 5
INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.01 Vendor's Indemnities for Representations and Warranties

Subject to section 5.03, from and after Closing, Vendor shall be liable to Purchaser for and shall, in addition, indemnify Purchaser from and against, all Losses suffered, sustained, paid or incurred by Purchaser as a result of any representation and warranty contained in section 4.01 being inaccurate or untruthful, provided that written notice of a claim hereunder together with reasonable particulars must have been provided to Vendor within twelve (12) months of the Closing Time.

5.02 Purchaser's Indemnities for Representations and Warranties

Subject to sections 5.03, from and after Closing, Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all Losses suffered, sustained, paid or incurred by Vendor as a result of any representation and warranty contained in section 4.02 being inaccurate or untruthful, provided that written notice of a claim hereunder together with reasonable particulars must have been provided to Purchaser within twelve (12) months of the Closing Time.

5.03 Indemnity Claims

A Party's liability under the assumption of liability and indemnity provided for in section 5.01 or section 5.02, as applicable, is subject to the limitations set forth in sections 14.10 and 14.12 and the following limitations:

(a) a Party shall only be liable under section 5.01 or section 5.02 for breaches of representations and warranties hereunder, as applicable, if the aggregate amount of the Losses suffered, sustained, paid or incurred by the other Party for any individual breach of a representation or warranty hereunder exceeds **[Redacted – Liability Limits. Sensitive Business Information]** (with all breaches of representations and warranties hereunder that do not exceed **[Redacted – Liability Limits. Sensitive Business Information]** being hereinafter referred to as "**De Minimus Defaults**"). Subject to subsections 5.03(b) and 5.03(c) below, once the aggregate amount of the Losses in respect of such individual breach of representation and warranty hereunder exceeds **[Redacted – Liability Limits. Sensitive Business Information]**, the full amount of such Losses shall be recoverable by the Party claiming recovery;

(b) no claim may be made by either Party against the other Party in respect of any breaches of representations and warranties hereunder, or for indemnification in respect thereof, unless and until the aggregate amount of the Losses suffered, sustained, paid or incurred by such Party in respect of all such breaches of representations and warranties hereunder (excluding De Minimus Defaults) exceeds **[Redacted – Liability Limits. Sensitive Business Information]** (the "**Deductible**"), except in the event of fraud. The other Party's obligation and liability shall then be limited to the amount of such Losses that are in excess of the Deductible (and, for clarity, shall in no event include any Losses that are in respect of De Minimus Defaults);

(c) no claim may be made by a Party if such Party did not rely on the applicable representation or warranty; and

(d) no claim may be made by a Party to the extent arising as a consequence of such Party's fraudulent conduct, gross negligence or wilful misconduct.

5.04 Indemnification Procedure – Third Party Claims

The following procedures shall be applicable to any claim by Purchaser or Vendor (the "**Indemnitee**") for indemnification pursuant to this Agreement from the other (the "**Indemnitor**") in respect of a claim by a Third Party:

(a) upon a Third Party claim being made against or commenced against the Indemnitee, the Indemnitee shall promptly provide notice thereof to the Indemnitor. The notice shall describe the Third Party claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been sustained by the Indemnitee in respect thereof. If the Indemnitee does not give timely notice to the Indemnitor as aforesaid, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party claim was prejudiced by such lack of timely notice;

(b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party claim pursuant hereto, the Indemnitor shall have the right to do either or both of the following:

  (i) assume carriage of the defence of the Third Party claim using legal counsel of its choice and at its sole cost; and/or

  (ii) settle the Third Party claim provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee;

(c) Purchaser shall cooperate with Vendor and Vendor shall cooperate with Purchaser in the defence of the Third Party claim, including making available to the other, its directors, officers, employees and consultants whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party claim;

(d) the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party claim;

(e) upon payment of the Third Party claim, the Indemnitor shall be subrogated to all claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and cooperate with the Indemnitor to permit the Indemnitor to pursue such subrogated claims as reasonably requested by it; and

(f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party claim from any other person or entity, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) to the Indemnitor, net of any taxes required to be paid by the Indemnitee as a result of any such receipt and plus any taxes saved or recovered by the Indemnitee as a result of such payment.

ARTICLE 6
PURCHASER'S INDEMNITIES

6.01 General Indemnity

Provided Closing has occurred, Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all Losses suffered, sustained, paid or incurred by Vendor which arise out of any matter or thing occurring or arising from and after the Adjustment Date and which relates to the Assets, provided however that Purchaser shall not be liable to nor be required to indemnify Vendor in respect of any Losses suffered, sustained, paid or incurred by Vendor which arise out of acts or omissions of Vendor.

6.02 Abandonment and Reclamation

Provided Closing has occurred, Purchaser shall see to the performance of all Abandonment and Reclamation Obligations pertaining to the Assets which in the absence of this Agreement would be the responsibility of Vendor. Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all Losses suffered, sustained, paid or incurred by Vendor should Purchaser fail to perform such obligations.

6.03 Environmental Liabilities

Provided Closing has occurred, Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all Losses suffered, sustained, paid or incurred by Vendor which pertain to Environmental Liabilities, however and by whomsoever caused. Purchaser shall not be entitled to exercise and hereby waives and releases Vendor from any rights or remedies Purchaser may now or in the future have against Vendor in respect of Environmental Liabilities, whether such rights and remedies are pursuant to the common law, statute or Regulation or otherwise, including without limitation, the right to name Vendor as a third party to any action commenced by any Third Party against Purchaser. Nothing in this section, however, will operate to limit the representation and warranty made by Vendor under subsection 4.01(t) or affect Purchaser's right to make a claim against Vendor for the breach thereof, subject to section 5.03.

6.04 Limitation

Notwithstanding any other provision in this Agreement, Purchaser shall not be liable to nor be required to indemnify Vendor in respect of any Losses suffered, sustained, paid or incurred by Vendor in respect of which Vendor is liable to and has indemnified Purchaser pursuant to section 5.01, and Vendor shall not be liable to nor be required to indemnify Purchaser in respect of any Losses suffered, sustained, paid or incurred by Purchaser in respect of which Purchaser is liable to and has indemnified Vendor pursuant to section 5.02.

ARTICLE 7
OPERATING ADJUSTMENTS

7.01 Operating Adjustments

All benefits and obligations of any kind and nature relating to the operation of the Assets conveyed pursuant to this Agreement, including without limitation maintenance, development, operating and capital costs, government incentives and Third Party administration fees, royalties and other burdens, and proceeds from the sale of production whether accruing, payable or paid and received or receivable, shall be adjusted between the Parties as of the Adjustment Date in accordance with generally accepted accounting principles. For greater certainty:

(a) adjustments in respect of production, if any, shall be made in favour of Vendor in respect of all production beyond the wellhead, including but not limited to inventory volumes stored in tanks at the Adjustment Date (to be verified by industry standard documentation) and in favour of Purchaser in respect of all other production. The Parties shall agree on inventory levels to be attributed to Vendor if such volumes were not measured on the Adjustment Date. Notwithstanding the foregoing, Vendor shall not be required to provide a credit at Closing for any benefits accruing to Purchaser after the Adjustment Date, but not actually received at least 3 Business Days prior to Closing;

(b) **[Redacted – Adjustment Provision. Sensitive Business Information]**

(c) all rentals and similar payments, all cash advances and all property taxes and other taxes (excluding taxes based on income, net revenue or capital) paid, payable or levied on or in respect to the Assets, the ownership thereof or Petroleum Substances produced therefrom or allocated thereto shall be apportioned between Vendor and Purchaser on a per diem basis as of the Adjustment Date;

(d) all deposits, prepaid amounts and other security and financial assurances provided by Vendor to governmental authorities or other Third Parties in respect of the Assets, the operation thereof, Petroleum Substances produced therefrom or allocated thereto or services provided in connection therewith do not comprise part of the Assets and shall be for the sole benefit and the account of Vendor;

(e) all overhead recoveries, operator's fees and similar amounts provided for in the Title and Operating Documents and received or receivable by Vendor from Third Parties, as operator of any Assets and relating to the period up to the Closing Time shall be for Vendor's benefit and account, with such amounts received or receivable in respect of the month in which Closing occurs apportioned between Vendor and Purchaser on a per diem basis as of the Closing Time;

(f) all costs relating to any work performed or goods and services provided in respect of the Assets will be deemed to have accrued as of the date the work was performed or the goods or services were provided, regardless of the time at which those costs become payable;

(g) Vendor shall provide to Purchaser no later than three (3) Business Days prior to the Closing Time a written statement of all such adjustments (on an accrual basis) to be made at Closing, and shall cooperate with Purchaser to enable Purchaser to verify the accuracy of such statement no later than one (1) Business Day prior to Closing. Adjustments not settled or incorrectly settled prior to or at Closing shall be settled by payment to or by Vendor and Purchaser, as the case may be, as soon as practicable after Closing; and

(h) final settlement shall occur within one hundred and eighty (180) days following Closing and no adjustments shall be made after one year from Closing unless written notice of the requested adjustment, with reasonable particulars, is given within one year from Closing, provided however that adjustments arising as a consequence of Crown royalty audits, joint venture audits or thirteenth month adjustments for gas plant throughput and gas cost allowance for the Assets are not subject to the one year limit.

7.02 Audits

Notwithstanding the provisions of section 7.01, adjustments arising as a consequence of Crown royalty audits, joint venture audits or thirteenth month adjustments for gas plant throughput and gas cost allowance for the Assets, relating to the period prior to Closing:

(a) for which audit queries or thirteenth month adjustments are outstanding at Closing; or

(b) that occur after the Closing Time but not later than two years after the Closing Time (in the case of joint venture audits and thirteenth month adjustments) or four years from the end of the calendar year in which Closing occurs (in the case of Crown royalty audits),

shall be made as they occur and payment for them shall be made within thirty (30) days of each adjustment and shall be made by Purchaser to Vendor, or vice versa, as the case may be. Either Party may, upon written notice to the other Party, audit the records of the other Party relating to accounting or adjustments made subject to this section 7.02 for two years from the date the adjustment is made. Accounting or adjustments resulting from the audit shall be settled between Vendor and Purchaser on an item by item basis as they occur. Nothing in this Agreement shall restrict or otherwise interfere with any audit rights Vendor may have under any agreements pertaining to the Assets for the period prior to the Adjustment Date; it being the intention of the Parties hereto that any adjustments arising from or attributable to the exercise of such audit rights shall be for the account of Vendor. For the purposes hereof, the expression "audit right" shall include the right to initiate an audit or to participate in or receive the benefits from an audit.

7.03 Adjustment Disputes

If the Parties or either of them disagree with an adjustment allocated pursuant to this Article 7, the Parties shall forthwith meet in good faith to discuss the issue. If after such a meeting the issue has not been resolved or if a Party does not forthwith meet to discuss the issue, the issue shall be resolved by a single arbitrator pursuant to the provisions of the *Arbitration Act* (Alberta). The decision of the arbitrator shall be final and binding on the Parties and shall not be subject to review. All costs of arbitration shall be borne by the Parties equally.

ARTICLE 8
MAINTENANCE OF ASSETS

8.01 Maintenance of Assets

Until Closing, Vendor shall, to the extent that the nature of its interest permits, and subject to the Title Documents and any other agreements and documents to which the Assets are subject:

(a) maintain the Assets in a proper and prudent manner in accordance with good oil and gas industry practices and in material compliance with all Regulations;

(b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Time;

(c) perform and comply with all covenants and conditions contained in the Title Documents and any other agreements and documents to which the Assets are subject; and

(d) continue to maintain its insurance coverage in respect of the Assets that is in effect as of the date of this Agreement.

8.02 Consent of Purchaser

Notwithstanding section 8.01, Vendor shall not, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed by Purchaser:

(a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of $50,000.00, except in case of an emergency or in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent;

(b) surrender or abandon any of the Assets other than in the normal course of business;

(c) amend or terminate any Title Document or any other agreement or document to which the Assets are subject, or enter into any new agreement or commitment relating to the Assets other than any new agreements or commitments entered into in the ordinary course of business; or

(d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting sales of the Leased Substances or any of them in the ordinary course of business.

8.03 Post-Closing Administration

(a) Following Closing, Vendor shall hold title to the Assets on behalf of Purchaser until all necessary notifications, registrations and other steps required to transfer such title to Purchaser have been completed.

(b) Following Closing, Vendor shall represent Purchaser in all matters arising under the Title Documents until Purchaser is substituted as a party thereto in the place of Vendor, whether by novation, notice of assignment or otherwise and, in furtherance thereof:

(i) all payments relating to the Assets after Closing received by Vendor pursuant to the Title Documents within ninety (90) days after Closing shall be received and held by Vendor for Purchaser and Vendor shall promptly remit such amounts received to Purchaser, provided however Vendor, acting reasonably, shall be entitled to retain any portion of such payments to satisfy any amounts owing or payable hereunder or to satisfy any amounts owing to Third Parties by Purchaser under the Title Documents, and any amounts received after such ninety (90) day period shall be included in the final statement of adjustments prepared in accordance with section 7.01(h);

(ii) Purchaser shall forward to Vendor, within the time frame required under the applicable Title Document, any cash call advances, operating fund payments or other advances required to be paid by Purchaser pursuant to the Title Documents which Vendor shall forward same to the operator under the relevant Title Documents on behalf of Purchaser. Purchaser shall be responsible for the recoupment of any portion of such costs which are the responsibility of Third Parties under any Title Document;

(iii) Vendor shall forward all statements, notices and other information received by it pursuant to the Title Documents that pertain to the Assets to Purchaser following their receipt by Vendor; and

(iv) Vendor shall forward to Third Parties to the Title Documents such notices and elections pursuant to the Title Documents pertaining to the Assets as Purchaser may reasonably request.

(c) Following Closing, in any case where Purchaser must be novated into, or recognized as a party to, an operating agreement or agreements governing any of the Assets, the following provisions shall apply with respect to those Assets until the novation has occurred:

(i) Vendor shall maintain the Assets on behalf of Purchaser at Purchaser's sole cost and expense;

(ii) Vendor shall not initiate any operation in respect of the Assets except upon the written instruction of Purchaser or as required by the Regulations; and

(iii) Vendor shall forthwith provide to Purchaser all authorizations for expenditure, notices, specific information and other documents in respect of the Assets which it receives and shall respond to such authorizations for expenditure, notices, information and other documents pursuant to the written instructions of Purchaser, if received on a timely basis, provided that Vendor may (but shall not be obligated to) refuse to follow instructions which it reasonably believes to be unlawful or in conflict with an applicable contract;

(d) Purchaser shall indemnify and save harmless Vendor from and against all Losses arising as a consequence of the provisions of subsections 8.03(a), (b), and (c) hereof, except to the extent caused by the gross negligence or wilful misconduct of Vendor or its servants, agents or employees. Acts or omissions taken by Vendor or its servants or agents with the approval of Purchaser shall not constitute gross negligence or wilful misconduct for purposes of this subsection.

8.04 Lease Rental Payments and Related Specific Conveyances

(a) Unless otherwise directed by Purchaser, Vendor shall pay on behalf of Purchaser all rentals and shut in royalty payments for Crown and freehold mineral and surface leases which are due and payable on or before August 31, 2015.

(b) Vendor will be responsible for production accounting for the production month in which Closing occurs and the production month following the month in which Closing occurs. Purchaser shall be responsible for production accounting after such date.

(c) Purchaser shall indemnify and save harmless Vendor from and against all Losses arising as a consequence of the provisions of this section 8.04, except to the extent caused by the gross negligence or wilful misconduct of Vendor or its servants, agents or employees. Acts or omissions taken by Vendor or its servants or agents with the approval of Purchaser shall not constitute gross negligence or wilful misconduct for purposes of this subsection.

8.05 Software Licences

If Purchaser wishes to retain a copy of licensed software or associated data that is resident on any computer equipment which comprises any part of the Tangibles, Purchaser shall, at least five (5) Business Days prior to Closing, provide Vendor with a notice which sets forth the licensed software and associated data which Purchaser wishes to retain, and which provides evidence to Vendor's reasonable satisfaction that Purchaser has been granted all necessary software licences and all necessary Third Party consents to enable it to use any such software or data at Closing. To the extent that Purchaser has failed to deliver such notice or has failed to provide such evidence, Vendor shall be entitled to erase or otherwise remove any software and data from the computer equipment which comprises any part of the Tangibles.

8.06 [Redacted – Confidentiality Provision. Sensitive Business Information]

ARTICLE 9
RIGHTS OF FIRST REFUSAL

9.01 Rights of First Refusal

(a) Vendor has advised Purchaser which Assets are subject to Rights of First Refusal, as outlined in Schedule F. Within five (5) Business Day following execution of this Agreement, Purchaser shall advise Vendor of its bona fide allocations of value for Vendor's interest in and to such ROFR Assets, as outlined in Schedule F.

(b) Provided that Vendor has the information set forth in section 9.01(a), Vendor shall comply with the applicable provisions of such Rights of First Refusal and shall courier notices to the Third Parties (and Purchaser, if applicable) holding such rights no later than three (3) Business Days following the date on which Vendor receives Purchaser's values. Vendor shall notify Purchaser in writing forthwith upon each Third Party exercising or waiving a Right of First Refusal. If any such Third Party elects to exercise a Right of First Refusal at or prior to the Closing Time, the definition of Assets shall be deemed to be amended to exclude those ROFR Assets in respect of which the Right of First Refusal has been exercised, such ROFR Assets shall not be conveyed to Purchaser and the Base Price, the tax allocations and the GST/PST shall be reduced accordingly.

(c) If any Rights of First Refusal are exercised by a Third Party holding such rights after the Closing Time then Purchaser shall re-convey to Vendor those ROFR Assets in respect of which the Right of First Refusal has been exercised and following the completion of such re-conveyance of the applicable ROFR Assets, the definition of Assets shall be deemed to be amended to exclude those ROFR Assets and the Base Price, tax allocation and the GST/PST shall be reduced accordingly and such amounts shall be refunded to Purchaser by Vendor.

(d) Purchaser shall be liable for all Losses suffered, sustained, paid or incurred by Vendor or any of its directors, officer or agents, and in addition and as an independent covenant, shall indemnify Vendor and its directors, officers and agents from and against all Losses suffered, sustained, paid or incurred by it or them and all claims made against it or them in either case, as a consequence of any allocation of value provided by Purchaser and used by Vendor in the issuance of a notice in accordance with section 9.01(b).

9.02 <u>Operations on ROFR Assets</u>

Provided Closing has occurred, Purchaser covenants and agrees that it will not commence any new operations in respect of any ROFR Assets until the applicable Right of First Refusal has been exercised or waived by the holders thereof or the time period within which such rights may be exercised shall have expired.

ARTICLE 10
[REDACTED. EMPLOYMENT PROVISIONS. SENSITIVE BUSINESS INFORMATION]

ARTICLE 11
<u>PRE-CLOSING ACCESS TO TITLE DOCUMENTS</u>

11.01 <u>Access to Documents</u>

At all reasonable times from the date hereof until the Closing Time, Vendor shall make available to Purchaser and Purchaser's counsel in Vendor's offices in Calgary (upon request only) all of the Title Documents and any other agreements and documents to which the Assets are subject including without limitation (i) production sales contracts pertaining to the Leased Substances or any of them, (ii) gas balancing or similar agreements pertaining to the Leased Substances or any of them, (iii) agreements for the transportation, processing or disposal of the Leased Substances or any of them or substances produced in connection with the Leased Substances or any of them, (iv) agreements for the contract operation by a Third Party of the Assets or any of them, and (v) agreements to provide transportation, processing or disposal capacity or service to any Third Party. Notwithstanding the foregoing, except as provided for in section 5.01, Purchaser hereby expressly waives all defects relating either to Vendor's title to the

Assets or to environmental matters relating to the Assets, whether disclosed in the foregoing documents or not.

ARTICLE 12
LICENCE TRANSFER AND SECURITY DEPOSIT

12.01 SME Pending Licence Transfer Report

Vendor shall, not later than ten (10) Business Days prior to Closing, submit an unexecuted SME LTA to SME and request that SME provide a pending licence transfer report to Vendor indicating whether a SME LLR security deposit will be required from Purchaser to process the SME LTA.

12.02 SME Pre Closing Security Deposit Payment

If a security deposit is required by SME to process the SME LTA, Purchaser agrees to, on or before the Closing Time, submit an irrevocable letter of credit to SME for such amount and Vendor may, in its sole discretion, withhold submission of the SME LTA and all other Specific Conveyances until it receives confirmation from SME that Purchaser has paid its required security deposit.

12.03 Submission of SME LTA

Vendor will submit the SME LTA within two (2) Business Days of the later of Closing or receipt of confirmation of Purchaser's deposit of the letter of credit required under section 12.02.

12.04 MMR Pre Closing Performance Deposit

Vendor and Purchaser acknowledge and agree that the Pending Manitoba LTA must be processed and completed by MMR prior to completion of an LTA for the Wells located in Manitoba in connection with this Agreement. Upon execution and delivery of this Agreement, the Parties shall contact MMR to determine whether and how the Pending Manitoba LTA and the LTA pursuant to this Agreement can be expeditiously processed and resolved. If the Pending Manitoba LTA is completed and such licenses transferred to Vendor not less than five (5) Business Days prior to the Closing Time, Purchaser agrees to, on or before the Closing Time, make payment to MMR of the performance deposit, if any, required by MMR in connection with the MMR LTA. The amount of the MMR performance deposit shall be determined pursuant to section 10(2) of the *Drilling and Production Regulation* (Manitoba) and shall be paid by Purchaser in the form set out in section 10(1) of the *Drilling and Production Regulation* (Manitoba). Vendor may, in its sole discretion, withhold submission of the MMR LTA and all other Specific Conveyances until it receives confirmation from MMR that Purchaser has paid its required performance deposit.

12.05 Submission of MMR LTA

(a) Provided the Pending Manitoba LTA has been completed, Vendor shall submit the MMR LTA within two (2) Business Days of the later or Closing or receipt of confirmation from MMR that Purchaser has paid the required performance deposit in accordance with section 12.04.

(b) In connection with the submission of the MMR LTA, Purchaser agrees to provide all such information as may be required of a transferee under the MMR LTA pursuant to section 8 of the *Drilling and Production Regulation* (Manitoba).

(c) If the Pending Manitoba LTA has not been completed by Closing, Vendor shall continue to cooperate with Purchaser and use commercially reasonable efforts to effect such Pending Manitoba LTA and Vendor shall, upon completion of same following Closing, forthwith submit the MMR LTA to effect the transfer of such licences to Purchaser as contemplated herein.

ARTICLE 13
COMPETITION ACT

13.01 Competition Act Application

Purchaser shall promptly (and, in any event, within 5 Business Days following the execution of this Agreement), file a request for an advance ruling certificate under the *Competition Act* (Canada) in respect of the transaction contemplated herein, and the applicable filing fee and all taxes thereon shall be shared equally by Vendor and Purchaser. Vendor shall cooperate with and provide reasonable assistance to Purchaser in the preparation of such request and compilation of information required to accompany such request. Purchaser shall provide to Vendor in advance copies of all applications and filings for approval by Vendor, such approval not to be unreasonably withheld or delayed. Purchaser shall provide Vendor with copies of all such approvals immediately upon receipt of same.

13.02 Section 92

If Competition Act Approval has not occurred and the Commissioner issues an order pursuant to section 92 of the *Competition Act* (Canada), this Agreement shall terminate and the Parties shall be released and discharged from all obligations hereunder except as provided in section 14.16 and the obligation of Vendor to cause the deposit amount to be returned to Purchaser pursuant to section 2.10(d).

ARTICLE 14
GENERAL

14.01 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

14.02 No Merger

The covenants, representations, warranties and indemnities contained in this Agreement shall be deemed to be restated in any and all assignments, conveyances, transfers and other documents conveying the interests of Vendor in and to the Assets to Purchaser, subject to any and all time and other limitations contained in this Agreement. There shall not be any merger of any covenant, representation, warranty or indemnity in such assignments, conveyances, transfers and other documents notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

14.03 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. No amendments shall be made to this Agreement unless in writing, executed by the Parties. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

14.04 Subrogation

The assignment and conveyance to be effected by this Agreement is made with full right of substitution and subrogation of Purchaser in and to all covenants, representations, warranties and indemnities previously given or made by others in respect of the Assets or any part or portion thereof.

14.05 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement. Each party waives, to the fullest extent permitted by law, any right it may have to a trial by jury in respect of any proceedings relating to this Agreement.

14.06 Enurement

This Agreement may not be assigned by a Party without the prior written consent of the other Party, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

14.07 Time of Essence

Time shall be of the essence in this Agreement.

14.08 Notices

The addresses for service and the fax numbers of the Parties shall be as follows:

Vendor: **Surge Energy Inc.**
2100, 635 – 8th Avenue SW
Calgary, AB T2P 3M3

Attention: Vice President Land
Fax: (403) 930-1011

Purchaser **TORC Oil & Gas Ltd.**
Suite 1800, Eighth Avenue Place

525 – 8th Avenue SW
Calgary, AB T2P 1G1

Attention: Vice President, Land
Fax: (403) 930-4159

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

(a) by personal service on a Party at the address of such Party set out above, in which case the item so served shall be deemed to have been received by that Party when personally served;

(b) by facsimile transmission to a Party to the fax number of such Party set out above, in which case the item so transmitted shall be deemed to have been received by that Party when transmitted; or

(c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a Party at the address of such Party set out above, in which case the item so mailed shall be deemed to have been received by that Party on the third Business Day following the date of mailing (the date of mailing being the Business Day immediately prior to the postmarked date of the envelope containing the notice, communication or statement or if the subject envelope has been lost or destroyed, the date of such notice, communication or statement or if undated the date of the transmittal letter accompanying the same).

A Party may from time to time change its address for service or its fax number or both by giving written notice of such change to the other Party.

14.09 Operatorship

Purchaser acknowledges that Vendor is unable to assign to Purchaser operatorship of the Assets, if any, operated by Vendor and in respect of which Vendor does not have a 100% interest. Vendor shall, however, use reasonable best efforts to assist Purchaser in its attempts to obtain operatorship.

14.10 No Consequential or Other Losses

Notwithstanding any other provision in this Agreement, in no event shall a Party be liable to the other Party for any Losses under or in respect of this Agreement in the form of indirect losses, consequential damages, business loss, loss of profit, economic loss, punitive damages, or income tax liabilities.

14.11 Removal of Signs

At and after Closing, Vendor may remove any signs that indicate its ownership or operation of the Assets. Purchaser shall, no later than 60 days after Closing, erect or install signs required by governmental agencies to indicate that Purchaser is the operator of the Assets and to notify other working interest owners, gas purchasers, suppliers, contractors, governmental agencies and other third parties of Purchaser's interest in the Assets.

14.12 Limit of Liability

Notwithstanding anything contained herein, in no event shall the liability of Vendor to Purchaser in respect of Losses of Purchaser arising out of or in connection with this Agreement exceed, in the aggregate, **[Redacted - Limits on Liability. Sensitive Business Information]**, taking into account any and all increases or decreases to the Purchase Price that occur by virtue of the terms of this Agreement.

14.13 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

14.14 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver of any provision of this Agreement, including without limitation, this section, shall be effective otherwise than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of the Party making such waiver.

14.15 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

14.16 Confidentiality and Public Announcements

A Party proposing to make a public announcement or release in respect of this Agreement, or transactions contemplated herein, shall provide the other Party with a draft of such release for the other Party's comment not later than one (1) day before the proposed disclosure to the public. The Parties agree that any such disclosure shall not name the other Party. If such disclosure contains any confidential information, such disclosure shall require the other Party's prior written approval, which approval may not be unreasonably withheld, delayed or conditioned. Failure to object within the specified period will be deemed agreement with the proposed public disclosure. In addition, nothing contained herein shall prevent a Party at any time from furnishing information (i) to any governmental agency or regulatory authority or to the public if required by Regulation, provided that the Parties shall provide each other at least three (3) Business Days advance written notice of any public statement which they propose to make and the Parties will use reasonable commercial efforts to not make the other Party or the Assets identifiable in any such announcements; (ii) in connection with obtaining consents or complying with Rights of First Refusal contained in Title Documents and any other agreements and documents to which the Assets are subject, (iii) to procure the consent of a Party's lender; or (iv) in connection with a public or private offering by Purchaser or otherwise to satisfy applicable Securities Requirements.

14.17 Waiver of The Land Contracts (Actions) Act

The Land Contracts (Actions) Act of the Province of Saskatchewan shall have no application to any action (as defined in *The Land Contracts (Actions) Act*) with respect to this Agreement.

14.18 Waiver of The Limitation of Civil Rights Act

The Limitation of Civil Rights Act of the Province of Saskatchewan shall have no application to this Agreement, or any mortgage, charge or other security for the payment of money made, given or created by this Agreement, or any agreement or instrument renewing or extending or collateral to this Agreement, or the rights, powers or remedies of Vendor under this Agreement.

14.19 Privacy Laws

All disclosures of "personal information" pursuant to this Agreement shall only be carried out in compliance with applicable Privacy Laws. The Parties agree that the transaction proposed by this Agreement constitutes a "business transaction" within the meaning of Privacy Laws. Each Party agrees only to request from the other Party and each Party agrees only to provide to the other Party, "personal information" which is necessary: (a) for the Parties to determine whether to proceed with the transaction contemplated by this Agreement; and (b) if the Closing is to occur, for the Parties to carry out and complete the Closing. The Parties agree that the collection, use and disclosure of "personal information" is restricted to the purposes that relate to the transaction contemplated by this Agreement.

14.20 Securities Act Disclosure

At any time prior to Closing and in the period between the Closing and the 6 month anniversary of the Closing Time, Vendor covenants and agrees to use reasonable commercial efforts to provide Purchaser, at Purchaser's sole cost and expense, its personnel and advisors (including, without limitation, any auditors, accountants, legal, engineering and environmental advisors engaged by Purchaser) such Financial Information as may be reasonably required by Purchaser (or its accounting firm) to satisfy the disclosure obligations of Purchaser relating to the Assets now or hereafter arising under Securities Requirements. Provided, however, if Purchaser requires the assistance of Vendor's personnel (including Vendor's auditor) to find or collect, or to assist in the interpretation of, the necessary Financial Information, Vendor shall use reasonable commercial efforts to cause such assistance to be provided on a timely basis and Purchaser shall pay reasonable hourly fees to Vendor as compensation for the time devoted by such personnel and shall pay, without limitation, all out of pocket expenses of Vendor associated with the foregoing. Vendor consents to the use of the Financial Information solely for the purpose contemplated herein, provided that Vendor hereby disclaims (and Purchaser agrees that Vendor shall not have) any liability to Purchaser or any other person, legal entity, governmental authority or regulatory body for the accuracy and completeness of any information provided pursuant hereto.

[The remainder of this page has been left intentionally blank; signature page follows.]

14.21 Counterpart Execution

This Agreement may be executed in counterpart, no one copy of which need be executed by Vendor and Purchaser. A valid and binding contract shall arise if and when counterpart execution pages are executed and delivered by Vendor and Purchaser.

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

SURGE ENERGY INC.

Per: *"Signed Paul Colborne"*
Name: Paul Colborne
Title: President & CEO

Per: *"Signed Margaret Elekes"*
Name: Margaret Elekes
Title: Vice President Land

TORC OIL & GAS LTD.

Per: *"Signed Brett Herman"*
Name: Brett Herman
Title: President & CEO

Per: *"Signed Jeremy Wallis"*
Name: Jeremy Wallis
Title: Vice President Land

SURGE GENERAL PARTNERSHIP, by its managing partner, SURGE ENERGY INC.

Per: *"Signed Paul Colborne"*
Name: Paul Colborne
Title: President & CEO

Per: *"Signed Margaret Elekes"*
Name: Margaret Elekes
Title: Vice President Land

This is the counterpart signature page to an Agreement of Purchase and Sale dated April 26, 2015 between Surge Energy Inc., Surge General Partnership and TORC Oil & Gas Ltd.

[Redacted – All schedules. Sensitive Business Information]