MATERIAL CHANGE REPORT

UNDER SECTION 118(1) OF THE *SECURITIES ACT* (ALBERTA) - FORM 27
UNDER SECTION 85(1) OF THE *SECURITIES ACT* (BRITISH COLUMBIA) - FORM 27
UNDER SECTION 75(2) OF THE *SECURITIES ACT* (ONTARIO) - FORM 27

This form is intended as a guideline. A letter or other document may be used if the substantive requirements of this form are complied with.

Item 1. Reporting Issuer

Command Drilling Corporation
350, 808-4th Avenue S.W.
Calgary, Alberta T2P 3E8

Item 2. Date of Material Change

October 28, 2001

Item 3. Press Release

News Release, attached hereto as Schedule A, released on October 29, 2001 through Canada NewsWire.

Item 4. Summary of Material Change

On October 29, 2001, Command Drilling Corporation ("Command") and 19552 Yukon Inc. ("19552") jointly announced that effective October 28, 2001 they had entered into an agreement (the "Pre-Acquisition Agreement") whereby 19552 will amend its take-over bid offer dated September 26, 2001 (as amended, the "Amended Offer") to acquire 100% of the common shares of Command ("Common Shares"). The offer consideration under the Amended Offer will consist of cash of $3.40 per Command share.

Item 5. Full Description of Material Change

On October 29, 2001, Command and 19552 jointly announced that effective October 28, 2001 they had entered into the Pre-Acquisition Agreement whereby 19552 will make an Amended Offer to acquire 100% of the Command shares. The offer consideration under the Amended Offer will consist of cash of $3.40 per Command share.

The Board of Directors of Command has unanimously approved the Amended Offer and is recommending Command shareholders tender their shares to the Amended Offer.

The Pre-Acquisition Agreement, which is attached hereto as Schedule B, provides that: (i) Command will not solicit other offers, (ii) allows 19552 to match any subsequent superior offer and, (iii) provides for a non-completion fee of $4.35 million payable by Command to 19552 in certain circumstances.

Item 6. Reliance on Section 118(2) of the *Securities Act*

Not Applicable.

Item 7. Omitted Information

Not Applicable.

Item 8 Senior Officer:

For further information, please contact:

Douglas A. Cutts, Vice President, Finance and Chief Financial Officer
Command Drilling Corporation
350, 808-4th Avenue S.W.
Calgary, Alberta T2P 3E8

Item 9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to in this report.

DATED at the City of Calgary, in the Province of Alberta, this 30th day of October, 2001.

COMMAND DRILLING CORPORATION

Per: ______________________________

DOUGLAS A. CUTTS,
Vice President, Finance and
Chief Financial Officer

<u>Schedule A to Material Change Report</u>

<u>Nabors' Affiliate to Acquire Command Drilling for C$3.40 per Share</u>

Calgary, Alberta – October 29, 2001 – Nabors Industries, Inc. (AMEX: NBR) and Command Drilling Corporation (TSE: CDZ) today jointly announced that Nabors' wholly owned subsidiary 19552 Yukon Inc. and Command have entered into a pre-acquisition agreement related to Yukon's offer to acquire Command Drilling Corporation. On September 26, 2001, Yukon made an offer to purchase all of the common shares of Command for Cdn. $3.30 cash per share. Under today's agreement, Yukon's previous offer will be increased to Cdn. $3.40 cash per share. A Notice of Variation to the original Yukon offer giving effect to the increased price and extending the revised offer until 5:00 p.m. (Calgary time) on November 9, 2001, is expected to be mailed to Command shareholders on Monday, October 29, 2001.

Command's Board of Directors has unanimously approved the revised offer, resolved to recommend that shareholders accept the revised offer and waived the application of the Command Rights Plan to the revised offer. Command has agreed to take all reasonable action to support the revised offer, has agreed not to solicit further bids and has agreed to pay a break fee to Yukon in certain circumstances.

Command's officers and directors owning or controlling an aggregate of 2,469,125 shares have entered into lockup agreements to tender these shares under the revised offer. In addition, Yukon has entered into revised lockup agreements with persons who had previously agreed to tender their Command shares to Yukon that reflect the revised offer and the commitment of an additional 859,700 Command shares to the revised offer. The 3,380,100 Command shares owned by Yukon (including 441,500 shares purchased in the market since September 26, 2001), combined with the 9,546,625 Command shares and options to purchase an additional 1,325,000 Command shares represented by lockup agreements, constitutes 44.5% of the outstanding Command shares on a fully diluted basis.

Gene Isenberg, Chairman and Chief Executive Officer of Nabors commented, "I am pleased that the Command Board has recommended our offer. Command has a high quality fleet of 16 relatively new rigs. Most importantly, Command has a very capable and dedicated workforce, which has helped build a reputation for quality and efficiency among their customers. Our combined operations will enable us to better serve our customers' growing gas-directed drilling requirements."

Robert Bruce, Chairman and Chief Executive Officer of Command added, "We feel we have maximized shareholder value with the thorough process which culminated in our recommending this offer today."

CIBC World Markets Corp. is acting as financial advisor to Nabors as well as dealer manager in the United States. CIBC World Markets Inc. and Emerging Equities Inc. are acting as dealer managers in Canada. Command is advised by TD Securities Inc., which has provided a fairness opinion with respect to the transaction.

The Nabors companies own and operate over 500 land drilling and 740 land workover and well-servicing rigs worldwide, including 36 in Canada operated by Nabors Drilling Limited, a wholly owned subsidiary of Yukon. Offshore, Nabors operates 43 platform, 15 jack-ups, and three barge rigs in the Gulf of Mexico and international markets. These rigs provide drilling, workover and well-servicing services. Nabors also operates 30 marine transportation and support vessels in the Gulf of Mexico. In addition, Nabors manufactures top drives and drilling instrumentation systems and provides comprehensive oilfield hauling, engineering, civil construction, logistics and facilities maintenance, and project management services. Nabors participates in most of the significant oil, gas and geothermal markets in the world.

The information above includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. Such forward-looking statements are subject to certain

risks and uncertainties, as disclosed by Nabors from time to time in its filings with the Securities and Exchange Commission. As a result of these factors, Nabors' actual results may differ materially from those indicated or implied by such forward-looking statements.

Nabors Industries, Inc. stock is listed on the American Stock Exchange (NBR). For further information, please contact Dennis A. Smith, Director of Corporate Development at (281) 775-8038 or Doug Cutts, Vice President Finance and CFO of Command at (403) 537-3380. To request Nabors Investor Materials, call Angela Ridgell at (281) 775-8063. 19552 Yukon Inc.'s address is 515 West Greens Road, Suite 1200, Houston, Texas, 77067.

Schedule B to Material Change Report

PRE-ACQUISITION AGREEMENT

BETWEEN:

19552 YUKON INC., a corporation incorporated under the laws of the Yukon Territory,

(hereinafter called “Acquiror”)

- and -

COMMAND DRILLING CORPORATION, a corporation incorporated under the laws of Alberta,

(hereinafter called “the Corporation”)

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THIS **PRE-ACQUISITION AGREEMENT** made as of the 28th day of October, 2001.

BETWEEN:

19552 YUKON INC., a corporation incorporated under the laws of the Yukon Territory,
(hereinafter called "Acquiror")

- and -

COMMAND DRILLING CORPORATION, a corporation incorporated under the laws of Alberta,
(hereinafter called "the Corporation")

RECITALS

WHEREAS:

1. The Acquiror has made a take-over bid for all of the outstanding Shares at a price of $3.30 per Share;

2. The Board of Directors wishes to encourage Acquiror to amend such Original Offer to increase the price offered to $3.40 per Share;

3. The Board of Directors has determined that it would be in the best interests of the Corporation and its Shareholders to recommend acceptance of the Offer to the Shareholders, to cooperate with Acquiror and to take all reasonable action to support the Offer; and

4. The Board of Directors has determined that it would be in the best interests of the Corporation and the Shareholders to enter into this Agreement.

NOW THEREFORE IN CONSIDERATION of the mutual covenants hereinafter set out, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following terms have the meanings specified:

“Acquisition Proposal” means a proposal or offer by any person (other than Acquiror or an affiliate, within the meaning of the *Securities Act* (Alberta), of Acquiror), whether or not subject to conditions and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the assets of the Corporation or any Subsidiary of the Corporation or to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 20% of the outstanding voting shares of the Corporation, whether by means of an arrangement or amalgamation, a merger, consolidation or other business combination, a sale of shares or assets, a take-over bid, tender offer or exchange offer, or any other transaction involving the Corporation or any Subsidiary of the Corporation, including, without limitation, any single or multi-step transaction or series of related transactions structured to permit such person to acquire beneficial ownership of all or a material portion of the assets of the Corporation or any Subsidiary of the Corporation or to acquire in any manner, directly or indirectly, more than 20% of the outstanding voting shares of the Corporation (other than the transaction contemplated by this Agreement);

“Act” means the *Business Corporations Act* (Alberta) as the same has been and may hereafter from time to time be amended;

“Agreement”, “**this Agreement**”, “**herein**”, “**hereto**”, and “**hereof**” and similar expressions refer to this Agreement, as the same may be amended or supplemented from time to time and, where applicable, to the appropriate Schedules thereto;

“Board of Directors” means the board of directors of the Corporation as constituted from time to time;

“Business Day” means any day excepting a Saturday, Sunday or statutory holiday in Calgary, Alberta;

“Confidentiality Agreement” means the confidentiality agreement made as of October 26, 2001 between Acquiror and the Corporation;

“diluted basis” means, with respect to the number of outstanding Shares at any time, such number of outstanding Shares calculated assuming that all outstanding options and other rights to acquire Shares (other than the Rights) are exercised;

“Directors’ Circular” means the notice of change to the directors’ circular of the Corporation dated October 11, 2001, which notice of change is to be issued in connection with the Offer pursuant to Securities Laws;

“Disclosure Letter” means the letter delivered by the Corporation to Acquiror contemporaneously with the execution of this Agreement, in each case referencing the Section or part thereof herein in respect of which disclosure is being made;

“Effective Time” means the time of the appointment or election to the Board of Directors of persons designated by Acquiror pursuant to Section 2.5;

“Encumbrance” includes, without limitation, any mortgage, pledge, assignment, charge, lien, security interest or trust, royalty, carried, working, participation or net profits interest or other third party interest and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

“Expiry Time” means the Initial Expiry Time unless the Offer has been extended, in which case it means the expiry time of the Offer as extended from time to time;

“Fee Event” has the meaning set forth in Section 4.1;

“Financial Statements” means the audited financial statements of the Corporation as at and for the period ended December 31, 2000, as contained in the Corporation’s 2000 Annual Report, and the unaudited financial statements as at and for the periods ended March 31, 2001 and June 30, 2001 and 2000, as contained in the Corporation’s interim reports;

“Initial Expiry Time” means 5:00 p.m. (Calgary time) on the first Business Day which falls after the 10^{th} calendar day following the day of the mailing of the Notice of Variation constituting part of the Offer Documents (where the first day of this period is the day immediately following the day of mailing);

“material” means, where used in relation to the Corporation or its Subsidiaries, a fact, asset, liability, transaction or circumstance concerning the business, operations, results of operations, assets, capitalization, financial condition, rights, liabilities, prospects or privileges, whether contractual or otherwise, of the Corporation and its Subsidiaries, taken as a whole, that (i) would be reasonably likely to have a significant effect on the market price or value of the Shares; or (ii) that would prevent or materially delay completion of the Offer in accordance with this Agreement or any Second Stage Transaction;

“Material Adverse Change” means any change (or any condition, event or development involving a prospective change) in the business, operations, results of operations, assets, capitalization, financial condition, rights, liabilities, prospects or privileges, whether contractual or otherwise, of the Corporation or any of its Subsidiaries which is materially adverse to the business of the Corporation and its Subsidiaries considered as a whole, other than a change: (i) which has prior to the date hereof been publicly disclosed or otherwise disclosed in the Disclosure Letter; (ii) resulting from conditions affecting the oil and gas industry as a whole or the oil and gas services industry as a whole; (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada or elsewhere; or (iv) resulting from changes in the market price of crude oil or natural gas;

“Minimum Condition” means the condition set forth in paragraph (a) of section 4 of the Original Offer;

“Minimum Required Shares” means at least that number of the outstanding Shares required pursuant to the Minimum Condition unless Acquiror shall have waived the Minimum Condition in which case “Minimum Required Shares” means that number of the outstanding Shares, not less than that number as will, with Shares owned by Acquiror, equal 50.1% of the outstanding Shares on a diluted basis, which Acquiror takes up on the Take-up Date;

“misrepresentation” has the meaning set forth in the *Securities Act* (Alberta);

“Offer” has the meaning set forth in Section 2.1(a);

“Offer Documents” has the meaning set forth in Section 2.1(b);

“Officer Obligations” means any obligations or liabilities of the Corporation or any Subsidiary of the Corporation to pay any amount to its officers, directors, or employees, other than for salary, bonuses under their existing bonus arrangements and directors’ fees in the ordinary course in each case in amounts consistent with historic practices and, without limiting the generality of the foregoing, Officer Obligations shall include the obligations of the Corporation or any of its Subsidiaries to officers or employees (i) for severance or termination payments on the change of control of the Corporation pursuant to any executive involuntary severance and termination agreements in the case of officers and pursuant to the Corporation’s severance policy in the case of employees and (ii) for retention bonus payments pursuant to any retention bonus program (including the Retention Program);

"Original Offer" means the Offer to Purchase and Takeover Circular dated September 26, 2001 offering to purchase the Shares at a price of $3.30 per Share;

"Public Record" means all information and materials filed by, or on behalf of, the Corporation with any of the Securities Authorities available through the SEDAR website as of the date of this Agreement;

"Retention Program" means the retention program described in the Disclosure Letter;

"Rights" means rights issued pursuant to the Shareholder Rights Plan;

"Second Stage Transaction" has the meaning set forth in Section 2.5;

"Securities Authorities" means the appropriate securities commission or similar regulatory authorities in Canada and each of the provinces and territories thereof and in the United States and each of the states thereof;

"Securities Laws" means, collectively, all applicable Canadian provincial and territorial securities laws, United States securities laws, the "blue sky" or securities laws of the states of the United States and any other applicable securities law;

"Shareholder Rights Plan" means the shareholders' rights plan agreement dated April 10, 2001, between the Corporation and CIBC Mellon Trust Company, as rights agent;

"Shareholders" means the holders of Shares from time to time;

"Shares" means Common Shares in the share capital of the Corporation (including associated Rights);

"Stock Option Plan" means the stock option plan of the Corporation approved by the Board of Directors on April 27, 2000;

"Subsidiary" has the meaning set forth in the Act in respect of the Corporation or the Acquiror, as the context requires, and, in respect of the Corporation, includes (without limitation) Command Drilling Inc. and 322656 Alberta Ltd. and each partnership (including Command Drilling) or other entity controlled, directly or indirectly, by the Corporation;

"Superior Proposal" has the meaning set forth in Section 3.2(a); and

"Take-up Date" means the date that Acquiror first takes up and acquires Shares pursuant to the Offer.

1.2 Singular, Plural, etc.

Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

1.3 Deemed Currency

In the absence of a specific designation of any currency, any undescribed dollar amount herein shall be deemed to refer to Canadian dollars.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder by any of the parties hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.5 Decision by Board of Directors

Any reference herein to a decision or determination, unanimous or otherwise, of the Board of Directors means a decision or determination by a quorum of the directors of the Corporation entitled to vote under the Act and the constating documents of the Corporation.

1.6 Interpretation Not Affected by Party Drafting

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

ARTICLE 2
THE OFFER

2.1 The Offer

(a) Subject to the terms and conditions of this Agreement, Acquiror agrees to mail on or before October 31, 2001, to the holders of Shares, an amendment to the Original Offer as a result of which the Acquiror will offer to purchase all of the outstanding Shares at a price of $3.40 per Share, subject to the terms and conditions set out in the Original Offer, as contemplated in this Agreement to be amended (as the same may be amended pursuant to the terms hereof, the "Offer") to be open for acceptance (unless extended by Acquiror in accordance with the terms hereof) until the Initial Expiry Time. The Offer shall include a condition (in addition to those specified in the Original Offer) as follows, "there shall not have occurred any material breach by the Corporation of any of its representations, warranties or covenants in the Acquisition Agreement or any termination of the Acquisition Agreement pursuant to the terms thereof".

(b) Within the time periods required by law, Acquiror shall file or cause to be filed with the appropriate Securities Authorities a Notice of Variation pursuant to which the Offer will be made (such Notice of Variation and the Offer to Purchase and Takeover Circular, related Transmittal Letter and Notice of Guaranteed Delivery pursuant to which the Original Offer was made being collectively called the "Offer Documents"). The Offer Documents, when filed with Securities Authorities and when mailed to holders of Shares, shall contain (or shall be amended in a timely manner to contain) all information which is required to be included therein in accordance with Securities Laws. The Acquiror shall provide the Corporation with draft copies of the Notice of Variation from time to time, prior to the mailing thereof, on a confidential basis and provide the Corporation with a reasonable opportunity to review and provide comments thereon.

(c) Acquiror expressly reserves the right to: (i) waive any term or condition of the Offer for its benefit provided that if Acquiror takes up and pays for any Shares it shall acquire not less than the Minimum Required Shares; and (ii) amend or change any term or condition of the Offer except that, without the prior written consent of the Corporation, Acquiror shall not (A) reduce the consideration to be offered pursuant to the Offer; (B) change the form of consideration payable under the Offer; or (C) add to, amend or change any term or condition in a manner that is materially adverse to the holders of Shares (a waiver, in whole or in part of any condition of the Offer or any extension of the Expiry Time in accordance with this Agreement, not to be considered as materially adverse).

(d) Subject to Securities Laws, the Offer may be extended, at the sole discretion of Acquiror, if the conditions thereto set forth in the Offer are not satisfied. Subject to the satisfaction or waiver of such conditions, Acquiror shall within the time periods required by law take up and pay for all Shares validly tendered (and not properly withdrawn) pursuant to the Offer. Acquiror shall use its reasonable commercial efforts to consummate the Offer, subject only to the terms and conditions hereof and thereof.

(e) The Corporation agrees to take, immediately prior to Acquiror taking up and paying for Shares pursuant to the Offer, such corporate actions (other than actions requiring a resolution of shareholders of the Corporation) as Acquiror may reasonably request to maximize the merged structure resulting from the completion of the Offer.

(f) Acquiror's obligation to make the Offer as set forth in Section 2.1(a) is conditional upon:

(i) no circumstance, fact, change, occurrence or event shall have occurred or come into existence that, in the opinion of Acquiror, acting reasonably, would make it impossible or impractical to satisfy one or more of the conditions set forth in the Offer at or prior to the Expiry Time, excluding any such circumstance, fact, change, occurrence or event that occurs or comes into existence as a result of any act or omission of Acquiror in breach of its obligations hereunder;

(ii) this Agreement shall not have been terminated pursuant to Section 9.1;

(iii) no cease trade order, injunction or other prohibition or other lawful order shall be threatened or exist that would preclude Acquiror from making the Offer or taking up or paying for the Shares deposited under the Offer or requiring Acquiror to purchase or offer to acquire any other securities;

(iv) no person shall have commenced or threatened to bring a *bona fide* action or other proceeding for injunctive relief against the performance of this Agreement or the completion of the Offer; and

(v) the execution and delivery to Acquiror of lock-up agreements in the form set forth in Schedule "A" hereto by officers and directors of the Corporation owning, or exercising control or direction over, not less than 1,144,125 Shares and options to purchase not less than 1,300,000 additional Shares.

The foregoing conditions are for the sole benefit of Acquiror and may be waived in whole or in part by Acquiror at any time.

(g) The Corporation agrees to provide Acquiror with a certificate of the President and the Vice-President Finance or other officers of the Corporation acceptable to Acquiror, in such officers' capacity as officers of the Corporation and not in such officers' personal capacities and dated as of the Take-up Date, to the effect that, to the best of such officers' knowledge, after due inquiry, the Corporation, as of such date, has complied in all material respects with its covenants and obligations under this Agreement and that the representations and warranties of the Corporation contained in this Agreement are true and correct in all material respects as of such date or, if such is not the case, specifying the basis for such conclusion.

2.2 Corporation Approval of the Offer

(a) The Corporation represents that the Board of Directors, upon consultation with its advisors, has unanimously determined that:

(i) the Offer is fair to the Shareholders and is in the best interests of the Corporation and the Shareholders;

(ii) the Board of Directors will unanimously recommend that Shareholders accept the Offer, which recommendation may not be withdrawn, modified or changed in any manner except as provided in Section 3.2 or in the event of the termination of this Agreement pursuant to Section 9.1; and

(iii) this Agreement is in the best interests of the Corporation and the Shareholders;

(b) the Corporation represents that the Board of Directors has received an oral opinion from the Corporation's financial advisor that the consideration under the Offer is fair from a financial point of view to the Shareholders and that such financial advisor will provide a written opinion to such effect on or before October 29, 2001; and

(c) the Corporation represents that its senior officers and directors have advised the Corporation that, at the date hereof, they intend to tender their Shares to the Offer and will so represent in the Directors' Circular.

2.3 Corporation Cooperation

The Corporation covenants to: (i) reasonably cooperate with Acquiror in connection with the transactions contemplated hereby; (ii) take all reasonable action to support the Offer (including providing Acquiror with such reasonable assistance as Acquiror or its agents may reasonably request in connection with communicating the Offer, and any amendments or supplements thereto, to the holders of the Shares and to such persons as are entitled to receive the Offer under Securities Laws, including providing lists of the holders of Shares and of the holders of rights to acquire Shares and mailing labels with respect to all such holders as soon as reasonably possible after the date of this Agreement and from time to time as may be reasonably requested by Acquiror) and to use all commercially reasonable efforts to fulfil such of the conditions of the Offer as are within its control; (iii) prepare, in both English and (if required by Securities Laws) French, the Directors' Circular in accordance with Securities Laws (setting forth (inter alia) the recommendation of the Board of Directors set forth in Section 2.2(a) and reflecting the execution of the lock-up agreements referred to in Section 2.1(f) and the intention of the senior officers and directors referred to in Section 2.2(c)); (iv) provide Acquiror with a draft copy of the Directors' Circular, from time to time, prior to the mailing thereof, on a confidential basis and to provide Acquiror with a reasonable opportunity to review and provide comments thereon; and (v) use reasonable commercial efforts to mail the Directors' Circular on the same date that Acquiror mails the Offer Documents to the Shareholders or as soon as reasonably practicable thereafter but, in any event, within the time permitted by Securities Laws.

2.4 Press Release and Public Disclosure

Each of Acquiror and the Corporation agrees to issue a joint press release in the form agreed to between them prior to the opening of markets on October 29, 2001 and the Corporation agrees to file a copy of this Agreement, as an attachment to a material change report with respect to the Offer, as soon as possible with the Securities Authorities having jurisdiction over the Corporation.

2.5 Post Offer Covenants

If Acquiror takes up and pays for Shares pursuant to the Offer, Acquiror agrees to use all commercially reasonable efforts to acquire, and the Corporation agrees to use all commercially reasonable efforts to assist Acquiror to acquire, the balance of the Shares as soon as practicable after completion of the Offer and, in any event within six months of the Take-up Date, by way of compulsory acquisition, arrangement, amalgamation or other type of acquisition transaction or transactions (a "Second Stage Transaction") carried out for a consideration per Share of at least equal value and in the same form to the consideration paid pursuant to the Offer provided that the foregoing shall not be construed to prevent Acquiror from acquiring, directly or indirectly, additional Shares in the open market or in privately negotiated transactions in accordance with Securities Laws. The Corporation agrees and represents that the Board of Directors has determined to use its and their respective commercially reasonable efforts to enable Acquiror to elect or appoint all of the directors of the Corporation as soon as possible after Acquiror takes up and pays for not less than that number as, with Shares owned by Acquiror, equals 50.1% of the outstanding Shares, on a diluted basis, pursuant to the Offer.

2.6 Information Circular, Etc.

Without limiting Section 2.5, the Corporation agrees that if Acquiror is required to effect a Second Stage Transaction which requires approval of the Corporation's shareholders in a meeting of the Corporation's shareholders, the Corporation shall take all action necessary in accordance with the Securities Laws, other applicable Canadian laws, the Corporation's articles and by-laws, and the requirements of The Toronto Stock Exchange or any other regulatory authority having jurisdiction to duly call, give notice of, convene and hold a meeting of its shareholders as promptly as practicable to consider and vote upon the action proposed by Acquiror. In the event of such a meeting or meetings, the Corporation shall use all commercially reasonable efforts to mail to its shareholders an Information Circular with respect to the meeting of the Shareholders. The term "Information Circular" shall mean such proxy or other required informational statement or circular, as the case may be, and all related materials at the time required to be mailed to the Shareholders and all amendments or supplements thereto, if any. Acquiror and the Corporation each shall use all commercially reasonable efforts to obtain and furnish the information required to be included in any Information Circular. The information provided and to be provided by Acquiror and the Corporation for use in the Information Circular, on both the date the Information Circular is first mailed to the Shareholders and on the date any such meeting is held, shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading and will comply in all material respects with all applicable requirements of law. Acquiror and the Corporation each agrees to correct promptly any such information provided by it for use in any Information Circular which shall have become false or misleading.

2.7 Shareholder Rights Plan

(a) The Corporation covenants and agrees and represents that the Board of Directors has unanimously resolved to defer the Separation Time (as defined in the Shareholder Rights Plan) in respect of the Offer to a date not earlier than the Initial Expiry Time and the Expiry Time, if later than the Initial Expiry Time.

(b) The Corporation covenants and agrees and represents that the Board of Directors has waived the application of the Shareholder Rights Plan to the Offer (and any Second Stage Transaction).

2.8 Outstanding Stock Options

The Corporation agrees and represents that the Board of Directors has unanimously resolved that:

(a) The Corporation shall use all commercially reasonable efforts to provide that persons holding options to purchase Shares ("Options") who may do so under Securities Laws and in accordance with the Stock Option Plan (or pursuant to this Section 2.8) shall be entitled to exercise all of their options and tender all Shares issued in connection therewith under the Offer. It is agreed by Acquiror that all Options that are duly surrendered for exercise, conditional on Acquiror taking up Shares under the Offer and with appropriate instructions that the Shares issuable upon such exercise are to be tendered pursuant to the Offer (the "Conditional Option Exercise"), shall be exercised immediately prior to the take-up of Shares by Acquiror under the Offer. Furthermore, Acquiror shall accept as validly tendered under the Offer as of the Take-up Date all Shares that are to be issued pursuant to the Conditional Option Exercise. The Corporation may make arrangements to loan holders of Options the exercise price thereof with repayment of the loan to be made from the proceeds received under the Offer for the Shares acquired on such exercise.

(b) Prior to the Initial Expiry Time, the Corporation shall use all commercially reasonable efforts to enter into option releases, in a form approved by Acquiror, acting reasonably, with each holder of options pursuant to which the parties thereto shall agree that, upon Acquiror taking up any Shares pursuant to the Offer, each holder of options that has not previously exercised such Options will receive from the Corporation, in consideration of the termination of all such holder's unexercised Options, the difference, if any, between the aggregate exercise price of the holder's Options and the aggregate purchase price under the Offer for the number of Shares that are subject to issuance upon exercise of such Options, regardless of the vesting of any such Options under the Stock Option Plan and the agreements governing such Options. The Corporation shall make appropriate withholdings of taxes or other applicable source deductions from any such payments made to any holders of Options as required by applicable law.

(c) The Corporation shall use all commercially reasonable efforts to ensure that, at the Initial Expiry Time, all of the Options have been exercised or surrendered for termination as contemplated by this Section 2.8, and without limiting the generality of the forgoing, the Corporation shall:

(i) encourage and facilitate all persons holding Options to exercise those Options and tender all Shares issued in connection therewith to the Offer prior to the Initial Expiry Time pursuant to the Conditional Option Exercise or otherwise or surrender their Options in the manner provided for in Section 2.8(b); and

(ii) cause the vesting of option entitlements under the Stock Option Plan to accelerate prior to or concurrently with the completion of the Offer, such that all outstanding Options shall be exercisable and fully vested prior to the Initial Expiry Time.

ARTICLE 3
COVENANTS OF THE CORPORATION

3.1 Ordinary Course of Business

The Corporation covenants and agrees that, prior to the earlier of the Effective Time or the date this Agreement is terminated pursuant to its terms, unless Acquiror otherwise agrees in writing or as otherwise expressly contemplated or permitted by this Agreement or the Disclosure Letter:

(a) the Corporation shall, and shall cause each of its Subsidiaries to, conduct its and their respective business only in, and not take action except in, the usual, ordinary and regular course of business and consistent with past practice;

(b) the Corporation shall not directly or indirectly do or permit to occur any of the following:

(i) issue, sell, pledge, lease, dispose of, encumber or agree to issue, sell, pledge, lease, dispose of or encumber (or permit any of its Subsidiaries to issue, sell, pledge, lease, dispose of, encumber or agree to issue, sell, pledge, lease, dispose of or encumber):

(A) any additional shares of, or any options, warrants, calls, conversion privileges or rights of any kind to acquire any shares of, any capital stock of the Corporation or any of its Subsidiaries (other than pursuant to the exercise of outstanding stock options issued pursuant to the terms of the Stock Option Plan), or

(B) except in the ordinary and regular course of business, consistent with past practice and not, in the aggregate, exceeding $25,000 any assets of the Corporation or any of its Subsidiaries;

(ii) amend or propose to amend its articles or bylaws or those of any of its Subsidiaries;

(iii) split, combine or reclassify any outstanding Shares, or declare, set aside or pay any dividend (other than as disclosed in writing to Acquiror prior to the date hereof) or other distribution payable in cash, stock, property or otherwise with respect to the Shares;

(iv) except as set forth in Section 2.8, redeem, purchase or offer to purchase (or permit any of its Subsidiaries to redeem, purchase or offer to purchase) any Shares or other securities of the Corporation or any of its Subsidiaries;

(v) reorganize, amalgamate or merge the Corporation or any of its Subsidiaries with any other person, corporation, partnership or other business organization whatsoever;

(vi) acquire or agree to acquire (by merger, amalgamation, acquisition of stock or assets or otherwise) any person, corporation, partnership or other business organization or division or acquire or agree to acquire any assets, except in the ordinary and regular course of business, consistent with past practice and not, in the aggregate, exceeding $25,000;

(vii) except in the ordinary and regular course of business consistent with past practice: (A) pay, discharge or satisfy any material claims, liabilities or obligations; or (B) except such as have been reserved against in the Corporation's financial statements delivered to Acquiror, relinquish any material contractual rights;

(viii) enter into any interest rate, currency or commodity swaps, hedges or other similar financial instruments;

(ix) waive, release, grant or transfer any rights of material value or modify or change in any material respect any existing material, licence, lease, contract, production sharing agreement, government land concession or other document, other than in the ordinary and regular course of business, consistent with past practice;

(x) authorize, recommend or propose any release or relinquishment of any material contract right other than in the ordinary and regular course of business, consistent with past practice or enter into, or amend, any footage or turnkey drilling contract or any day work contract having a term in excess of 60 days;

(xi) (other than the rollover of presently outstanding bankers' acceptances or the conversion of prime rate advances to bankers' acceptances) incur or commit to incur any indebtedness for borrowed money or any other material liability or obligation or issue any debt or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other person, or make loans (other than as contemplated in Section 2.8) or advances, except, in either case, in the ordinary and regular course of business consistent with past practice and not in any case, in the aggregate, in excess of $25,000; and

(xii) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;

(c) the Corporation shall not, and shall cause each of its Subsidiaries to not:

(i) (other than the Retention Program) take any action with respect to the entering into, assuming or modifying of any employment, severance, collective bargaining or similar agreements, policies or arrangements with respect to the grant of any bonuses, salary increases, stock options, pension benefits, retirement allowances, deferred compensation, severance or termination pay or any other form of compensation or profit sharing or with respect to any increase of benefits payable; or

(ii) without limiting the foregoing, create, enter into, assume or modify any Officer Obligations;

(d) the Corporation shall use its reasonable efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated, or lapsed policies for substantially similar premiums are in full force and effect;

(e) the Corporation shall:

(i) use its reasonable efforts, and cause each of its Subsidiaries to use its reasonable efforts, to preserve intact their respective business organizations and goodwill, to keep available the services of its officers and employees as a group and to maintain satisfactory relationships with suppliers, agents, distributors, customers and others having business relationships with it or its Subsidiaries;

(ii) not take any action, or permit any of its Subsidiaries to take any action, that would render, or that reasonably may be expected to render, any representation or warranty made by it in, this Agreement untrue in any material respect at any time prior to the Effective Time if then made; and

(iii) confer on a regular basis with Acquiror with respect to material operational matters;

(f) the Corporation shall not settle or compromise any claim brought by any present, former or purported holder of any securities of the Corporation in connection with the transactions contemplated by this Agreement or the Offer prior to the Effective Time without the prior written consent of Acquiror;

(g) except as set forth in Section 2.8, the Corporation shall not enter into or modify any contract, agreement, commitment or arrangement inconsistent with any of the matters set forth in this Section 3.1 without the prior written consent of Acquiror; and

(h) the Corporation shall use all commercially reasonable efforts to obtain receipt of the consents of any and all lenders to the Corporation (including without limitation the Corporation's senior lenders) whose consent is required to prevent a default or any event that with the passage of time may constitute an event of default thereunder, to the transactions contemplated herein.

3.2 Non-Solicitation

(a) The Corporation shall not, directly or indirectly, through any officer, director, employee, representative or agent of the Corporation or any of its Subsidiaries, (i) solicit, initiate or encourage (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) the initiation of any inquiries, discussions, negotiations, proposals or offers from any corporation, person or other entity or group (other than Acquiror) in respect of any matter or thing inconsistent with the successful completion of the Offer, including, without limitation, any Acquisition Proposal or (ii) provide any non-public information to, participate in any discussions or negotiations relating to any such matter or thing with, or otherwise cooperate with or assist or participate in any effort to take such action by, any corporation, person or other entity or group; provided nothing contained in this Section 3.2 shall prevent the Board of Directors from: (A) considering, negotiating or providing information in connection with or otherwise (except as provided for in (C) below) responding to an unsolicited bona fide written Acquisition Proposal in respect of which:

(i) adequate financial arrangements have been made or would reasonably be expected to be made;

(ii) the Board of Directors has determined in good faith to be a commercially feasible transaction that could be carried out within a time frame that is reasonable in the circumstances and would, if consummated in accordance with its terms, result in a transaction superior to the Offer from a financial point of view to the Shareholders; and

(iii) after consultation with its financial advisors, and after receiving advice of outside counsel that is reflected in the minutes of the Board of Directors, the Board of Directors concludes in good faith such action could reasonably be held to be required to discharge properly its fiduciary duties under applicable law;

(any such Acquisition Proposal that meets such requirements being referred to herein as a "Superior Proposal"), provided that the Corporation has complied with Sections 3.2(c) and (d) in respect of the Acquisition Proposal; (B) complying with Securities Laws relating to the provision of directors' circulars and making appropriate disclosure with respect thereto to Shareholders; and (C) accepting, recommending, approving or implementing any Superior Proposal if the Corporation has complied with Sections 3.2(c) and (d) in respect of the Superior Proposal and prior to such acceptance, recommendation, approval or implementation:

(i) after consultation with its financial advisors, and after receiving advice of outside counsel that is reflected in the minutes of the Board of Directors, the Board of Directors concludes in good faith such action could reasonably be held to be required to discharge properly its fiduciary duties under applicable law;

(ii) in arriving at such conclusion, the Board of Directors gives consideration to any amendment proposed by Acquiror in the two Business Day period referred to in Section 3.2(d); and

(iii) the Corporation has paid the fee provided in Section 4.1 to Acquiror;

(b) The Corporation shall, and shall direct and use reasonable efforts to cause its officers, directors, employees, representatives and agents to, immediately cease and cause to be terminated any existing discussions or negotiations with any parties (other than Acquiror or an affiliate, within the meaning of the *Securities Act* (Alberta) of Acquiror) with respect to any potential Acquisition Proposal. The Corporation shall immediately close any and all data rooms which may have been opened. The Corporation agrees not to waive, in whole or in part, release, in whole or in part, any third party from, or consent to any action pursuant to, any confidentiality or standstill obligation to which the Corporation and such third party is a party except in respect of a Superior Proposal in accordance with Section 3.2(d). The Corporation shall immediately request the return or destruction of all confidential non-public information provided to any third parties who have entered into a confidentiality agreement with the Corporation relating to a potential Acquisition Proposal, shall use all reasonable efforts to ensure that such requests are honoured and shall immediately advise Acquiror orally and in writing of any responses or action (actual, anticipated, contemplated or threatened) by any recipient of such request which could hinder, prevent, delay or otherwise adversely affect the completion of the Offer.

(c) The Corporation shall immediately notify Acquiror of any Acquisition Proposal (including, without limitation any amended, supplemented, replaced or renewed Acquisition Proposal previously made) or any request for non-public information relating to the Corporation or any of its Subsidiaries or for access to the properties, books or records of the Corporation or any

Subsidiary by any corporation, person or other entity that informs the Corporation or such Subsidiary that it is considering making, or has made, an Acquisition Proposal. Such notice to Acquiror shall be made, from time to time, orally and in writing, and shall indicate such details of the proposal, inquiry or contact known to such person as Acquiror may reasonably request including, without limitation, the identity of the corporation, person or other entity making such proposal, inquiry or contact and shall include a copy of any written form of Acquisition Proposal (all of which information shall be subject to the provisions of the Confidentiality Agreement as if it were Confidential Information as referred to in that agreement).

(d) If the Board of Directors determines that an Acquisition Proposal constitutes a Superior Proposal pursuant to Section 3.2(a), the Corporation shall give immediate notice of such determination to the Acquiror (together with a copy of advice of outside counsel that is reflected in the minutes of the Board of Directors, referred to in Section 3.2(a)) and shall give Acquiror not less than two Business Days advance notice of any action to be taken by the Board of Directors to withdraw, modify or change any recommendation regarding the Offer or to enter into any agreement to implement the Superior Proposal, and provide to Acquiror the right, during such two Business Days, to advise the Board of Directors that Acquiror will, within such period, announce its intention to, and, as soon as practicable in the circumstances and, in any event, within three Business Days, amend its Offer to provide that the holders of Shares shall, pursuant to the Offer as amended, receive a value per Share equal to or greater than the value per Share provided in the Superior Proposal. If Acquiror so advises the Board of Directors and so amends the Offer, the Board of Directors shall not withdraw, modify or change any recommendation with respect to the Offer, as so amended, and neither the Corporation nor the Board of Directors shall take any action to accept, recommend, approve or implement the Superior Proposal, including, without limitation, any release of the party making the Superior Proposal from any standstill or confidentiality obligation, any further consideration or negotiation of the Superior Proposal or entry into of any agreement regarding the Superior Proposal and the Corporation agrees to amend this Agreement to provide for the Offer as so amended.

(e) If the Board of Directors receives a request for non-public information from a party who has made or is considering making an unsolicited *bona fide* Acquisition Proposal and the Board of Directors determines that such Acquisition Proposal constitutes a Superior Proposal pursuant to Section 3.2(a), then, and only in such case, the Corporation may, subject to the execution of a confidentiality agreement substantially similar to the Confidentiality Agreement, provide such party with access to information regarding the Corporation provided that the Corporation complies with its obligations pursuant to Section 3.2(c), sends a copy of any such confidentiality agreement to Acquiror immediately upon its execution and provides copies to Acquiror of any information provided to such party (that has not been previously provided to Acquiror) concurrently with its provision to such party.

(f) The Corporation shall ensure that the officers, directors and employees of the Corporation and its Subsidiaries and any investment bankers or other advisors or representatives retained by the Corporation are aware of the provisions of this section, and the Corporation shall be responsible for any breach of this Section 3.2 by such investment bankers, advisors or other representatives.

3.3 Notice of Material Change

(a) From the date hereof until the earlier of the Effective Time and the date of termination of this Agreement pursuant to Section 9.1, the Corporation shall promptly notify Acquiror in writing of:

(i) any material adverse change (actual, anticipated, contemplated or threatened) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation and its Subsidiaries, considered as a whole;

(ii) any change in information relating to any representation or warranty of the Corporation set forth in this Agreement which is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect; or

(iii) any material fact that arises and which would have been required to be stated herein or disclosed to the Acquiror had such fact arisen on or prior to the date of this Agreement.

The Corporation shall in good faith discuss with the Acquiror any change in circumstances (actual, anticipated, contemplated or, to the knowledge of the Corporation, threatened), financial or otherwise, which is of such a nature that there may be a reasonable question as to whether notice is required to be given pursuant to this Section.

(b) From the date hereof until the earlier of the Effective Time and the date of termination of this Agreement pursuant to Section 9.1, Acquiror shall promptly notify the Corporation in writing of any change in information relating to any representation or warranty of Acquiror set forth in this Agreement which is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect. Acquiror shall in good faith discuss with the Corporation any change in circumstances (actual, anticipated, contemplated or, to the knowledge of Acquiror, threatened), financial or otherwise, which is of such a nature that there may be a reasonable question as to whether notice is required to be given pursuant to this Section.

3.4 Access to Information.

Subject to the Confidentiality Agreement, upon reasonable notice, the Corporation shall, and shall cause each of its Subsidiaries to, afford Acquiror's officers, employees, counsel, accountants and other authorized representatives and advisors ("Representatives") reasonable access, during normal business hours from the date hereof and until the earlier of the Effective Time and the date of termination of this Agreement pursuant to Section 9.1, to its facilities (including the ability to conduct reasonable environmental tests in respect of any of the properties of the Corporation or its Subsidiaries, at Acquiror's cost) properties, books, contracts and records as well as to its management personnel, and, during such period, the Corporation shall, and shall cause such of its Subsidiaries to, furnish promptly to Acquiror all information concerning its business, properties and personnel as Acquiror may reasonably request upon reasonable notice.

ARTICLE 4
FEES AND OTHER ARRANGEMENTS

4.1 Fees.

Provided Acquiror has not breached in any material respect its representations, warranties or covenants in this Agreement, if at any time after the execution of this Agreement:

(a) the Board of Directors has withdrawn, modified or changed, during the term of the Offer, any of its recommendations or determinations referred to in Sections 2.2, 2.5 or 2.7 in a manner adverse to Acquiror or shall have resolved to do so;

(b) the Board of Directors shall have failed to reaffirm its recommendation of this Offer by press statement within three Business Days after the expiry of the period set forth in Section 3.2(d) for Acquiror to advise whether it will amend the Offer, in the case of a Superior Proposal, and five Business Days after the public announcement or commencement of any other Acquisition Proposal and in a Directors' Circular within 15 days after the mailing of any Acquisition Proposal;

(c) the Board of Directors recommends that any of its Shareholders deposit their Shares under, vote in favour of, or otherwise accept, an Acquisition Proposal;

(d) any Acquisition Proposal is publicly announced or made to the Shareholders or to the Corporation and upon the expiry of the Offer any such Acquisition Proposal has either been accepted or has not expired or been withdrawn, and the Minimum Condition of the Offer has not been satisfied; or

(e) during the term of the Offer, the Corporation breaches in any material respect its representations, warranties or covenants in this Agreement;

(each of the above being a "Fee Event"), then the Corporation shall pay to Acquiror $4.35 million in immediately available funds to an account designated by Acquiror within one Business Day after the first to occur of the events described above, provided that the Corporation shall only be obligated to make one payment pursuant to this Section 4.1.

Any payment pursuant to this Section shall be without prejudice to the rights or remedies available to Acquiror upon the breach of any provision of this Agreement.

ARTICLE 5
COVENANTS OF ACQUIROR

5.1 Officers' and Directors' Insurance

Acquiror agrees that for the entire period from the Effective Time until four years after the Effective Time, Acquiror will cause the Corporation or any successor to the Corporation to maintain the Corporation's current directors' and officers' insurance policy or an equivalent policy, subject in either case to terms and conditions no less advantageous to the directors and officers of the Corporation than those contained in the policy in effect on the date hereof ("Equivalent Insurance"), providing coverage on a "trailing" or "run-off" basis for all present directors and officers of the Corporation, covering claims made prior to or within four years after the Effective Time.

5.2 Indemnities

The Acquiror agrees that, if it takes up Shares under the Offer, it shall cause each of the Corporation and its Subsidiaries to fulfil their obligations pursuant to indemnities provided or available to present officers and directors of the Corporation and its Subsidiaries pursuant to the provisions of the articles, bylaws or similar constating documents of the Corporation and its Subsidiaries, applicable corporate legislation and the written indemnity agreements between the Corporation or its Subsidiaries and its present directors and officers, copies of which are attached to the Disclosure Letter.

5.3 Employment Agreements

The Acquiror covenants and agrees to, and after the Effective Time the Acquiror will cause the Corporation and any successor to the Corporation, to honour and comply with the terms of those existing employment agreements, termination, severance and retention plans or policies of the Corporation which the Corporation has disclosed to the Acquiror in the Disclosure Letter including, without limitation, the Officer Obligations and the Retention Program.

5.4 Third Party Beneficiaries

The provisions of Sections 5.1, 5.2 and 5.3 are (i) intended for the benefit of all present directors and officers of the Corporation and its Subsidiaries, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such persons and each such person's heirs, executors, administrators and other legal representatives (collectively, the "Third Party Beneficiaries") and the Corporation shall hold the rights and benefits of Sections 5.1, 5.2 and 5.3 in trust for and on behalf of the Third Party Beneficiaries and the Corporation hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries, and (ii) are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

5.5 Availability of Funds

At all times while the Offer is outstanding, Acquiror will not take any action which would or could result in the representation and warranty set out in Section 8.1(c) being untrue or inaccurate in any material respect.

5.6 Availability of Personnel

Acquiror agrees to make appropriate personnel available to the Corporation on a timely basis for consultation, meetings or discussions with the Corporation as contemplated by the provisions of this Agreement including, without limitation, Section 3.1(e)(iii).

ARTICLE 6
MUTUAL COVENANTS

6.1 Consultation

Acquiror and the Corporation agree to consult with each other in issuing any press releases or otherwise making public statements with respect to the Offer and in making any filings with any federal, provincial or state governmental or regulatory agency or with any securities exchange with respect thereto. Each party shall use all commercially reasonable efforts to enable the other party to review and comment on all such press releases prior to release thereof.

6.2 Other Filings

Acquiror and the Corporation shall, as promptly as practicable hereafter, prepare and file any filings required under any Securities Laws, the rules of The Toronto Stock Exchange, the *United States Securities Exchange Act of 1934*, as amended, state securities or "blue sky" laws of the states of the United States, as amended, or any other applicable law relating to the transactions contemplated herein.

6.3 Additional Agreements

Subject to the terms and conditions herein provided and to fiduciary obligations under applicable law, each of the parties hereto agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and the Offer and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts (i) to obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts or agreements (including, without limitation, the agreement of any persons as may be required pursuant to any agreement, arrangement or understanding relating to the Corporation's or any of its Subsidiaries' operations), (ii) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, provincial or foreign law or regulations, (iii) to defend all lawsuits or other legal proceedings challenging this Agreement or the Offer or the consummation of the transactions contemplated hereby or thereby, (iv) to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby or by the Offer, (v) to effect all necessary registrations and other filings and submissions of information requested by governmental authorities and (vi) to fulfil all conditions and satisfy all provisions of this Agreement and the Offer. For purposes of the foregoing, the obligation to use "commercially reasonable efforts" to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other parties.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

7.1 Representations

The Corporation hereby represents and warrants to Acquiror (and acknowledges that Acquiror is relying upon such representations warranties in connection with entering into this Agreement):

(a) Organization

Each of the Corporation and each of its Subsidiaries has been duly incorporated or formed under applicable law, is validly existing and has full corporate or legal power and authority to own its properties and conduct its business as presently owned and conducted. All of the outstanding shares of capital stock and other ownership interests of the Subsidiaries are validly issued, fully paid and non-assessable and all such shares and other ownership interests owned directly or indirectly by the Corporation are, except in connection with the Corporation's existing banking arrangements, owned free and clear of all material liens, claims or encumbrances, and except as set forth in the Disclosure Letter, there are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any shares of capital stock or other ownership interests that the Corporation or any of its Subsidiaries owns in any of its Subsidiaries.

(b) Capitalization

As of the date hereof, there are only 30,144,309 Shares issued and outstanding. As at the date hereof, up to a maximum of 1,866,666 Shares may be issued pursuant to outstanding stock option entitlements, in each case at an exercise price less than $3.40 per Share. Except as described in the immediately preceding sentence and pursuant to the Shareholder Rights Plan, there are no other issued or outstanding securities of the Corporation or (other than those owned by the Corporation) its Subsidiaries and, without limitation, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments obligating the Corporation or any of its Subsidiaries to issue or sell any shares of any capital stock of the Corporation or any of its Subsidiaries or securities or obligations of any kind convertible into or exchangeable for any shares of capital stock of the Corporation, any of its Subsidiaries or any person, nor, except as set forth in the Disclosure Letter, is there outstanding any stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or any other attribute of the Corporation or any of its Subsidiaries.

(c) Authority

The Corporation has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by the Corporation and the consummation by the Corporation of the transactions contemplated by this Agreement have been duly authorized by the Board of Directors and no other corporate proceedings on the part of the Corporation are necessary to authorize this Agreement or the transactions contemplated hereby other than the approval of any Second Stage Transaction by the Shareholders. This Agreement has been duly executed and delivered by the Corporation and constitutes a valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity. Except as set forth in the Disclosure Letter, the execution and delivery by the Corporation of this Agreement and performance by it of its obligations hereunder and the completion of the Offer and the transactions contemplated thereby, will not:

(i) result in a violation or breach of, require any consent to be obtained under or give rise to any termination rights under any provision of:

(A) its or any of its Subsidiaries' certificate of incorporation, articles, by-laws or other charter documents, including any unanimous shareholder agreement or any other agreement or understanding with any party holding an ownership interest in any Subsidiary;

(B) any law, regulation, order, judgment or decree; or

(C) any material contract, agreement, license, franchise or permit to which the Corporation or any Subsidiary is bound or is subject or is the beneficiary, except as set forth in the Disclosure Letter;

(ii) give rise to any right of termination or acceleration of indebtedness, or cause any indebtedness to come due before its stated maturity or cause any available credit to cease to be available except as set forth in the Disclosure Letter;

(iii) result in the imposition of any encumbrance, charge or lien upon any of its assets or the assets of any Subsidiary, or restrict, hinder, impair or limit the ability of the Corporation or any Subsidiary to carry on the business of the Corporation or any Subsidiary as and where it is now being carried on or as and where it may be carried on in the future; or

(iv) result in a Material Adverse Change.

(d) Impediments

Other than in connection with or in compliance with the provisions of Securities Laws and the rules of The Toronto Stock Exchange, (i) there is no legal impediment to the consummation by the Corporation or, to the best of the knowledge of the Corporation, by Acquiror, of the transactions contemplated by this Agreement or the performance by the Corporation of its obligations hereunder and (ii) no filing or registration by the Corporation with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary in connection with the making or the consummation of the Offer, except for such filings or registrations which, if not made, or such authorizations, consents or approvals, which, if not received, would not have a material adverse effect on the ability of the Corporation to perform its obligations hereunder.

(e) Public Record

As of their respective dates, the documents and materials comprising the Public Record (including all exhibits and schedules thereto and documents incorporated by reference therein) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and complied in all material respects with all applicable legal and stock exchange requirements. The Corporation shall deliver to Acquiror as soon as they become available true and complete copies of any report or statement filed by it with Securities Authorities or provided to its Shareholders subsequent to the date hereof. As of their respective dates, such reports and statements (excluding any information therein provided by Acquiror, as to which the Corporation makes no representation) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading and will comply in all material respects with the requirements of applicable law and stock exchange rules. The consolidated financial statements of the Corporation issued by the Corporation or to be included in such reports and statements (excluding any information therein provided by Acquiror, as to which the Corporation makes no representation) will be prepared in accordance with generally accepted accounting principles applicable in Canada (except as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of the auditor), and will present fairly the consolidated financial position, results of operations and changes in financial position of the Corporation as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).

(f) Books and Records

All financial transactions of the Corporation and its Subsidiaries have been recorded in the financial books and records of the Corporation and each such Subsidiary, as applicable, in accordance with good business practice, and such financial books and records accurately reflect the basis for the financial condition and the revenues, expenses and results of operations of the Corporation and its Subsidiaries shown in the Financial Statements. No information, records or systems pertaining to the operation or administration of the business of the Corporation and its Subsidiaries are in the possession of, recorded, stored, maintained by or otherwise dependent upon any person other than the Corporation and its Subsidiaries, other than information relating to payroll services which are handled by a contractor and corporate minute books held by outside counsel.

(g) Absence of Changes

Since December 31, 2000, and except as has been publicly disclosed in any document filed with the Alberta Securities Commission: (i) the Corporation and the Subsidiaries have conducted their respective businesses only in the ordinary course, (ii) no extraordinary liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to the Corporation (on a consolidated basis) has been incurred, and (iii) there has not been any Material Adverse Change.

(h) Employment Agreements

Except as set forth in the Disclosure Letter, neither the Corporation nor any Subsidiary is a party to any written or oral policy, agreement, obligation or understanding providing for severance or termination payments to, or any employment agreement or, without limitation, any Officer Obligation, with, any person.

(i) Disclosure

Except as set forth in the Disclosure Letter, there is no information known to the officers of the Corporation regarding any event, circumstance or action taken or failed to be taken which may reasonably be expected to result in a Material Adverse Change.

(j) Financial Statements

The Financial Statements were prepared in accordance with generally accepted accounting principles in Canada consistently applied, and fairly present the consolidated financial condition of the Corporation at the respective dates indicated and the results of operations of the Corporation (on a consolidated basis) for the periods covered. Except (a) as disclosed or reflected in the Financial Statements and (b) liabilities and obligations (i) incurred in the ordinary course of business and consistent with past practice or (ii) pursuant to the terms of this Agreement, neither the Corporation nor any of its Subsidiaries has incurred any liabilities of any nature, whether accrued, contingent or otherwise (or which would be required by generally accepted accounting principles applicable in Canada to be reflected on a consolidated balance sheet of the Corporation) that have constituted or would be reasonably likely to constitute a Material Adverse Change. Without limiting the generality of the foregoing provisions of this Section, except as set forth in the Disclosure Letter the Corporation has not committed to make any capital expenditures, nor have any capital expenditures been authorized by the Corporation at any time since December 31, 2000, except for capital expenditures, made in the ordinary course of the business of the Corporation or not exceeding $50,000 individually and $150,000 in the aggregate.

(k) Officer Obligations, Etc.

The Officer Obligations (all of which are listed in the Disclosure Letter) do not exceed an aggregate of $1,815,000. The maximum payment required by the Corporation in respect of the Retention Program does not exceed $365,000 of which 25% has been paid.

(l) Compliance with Law

Each of the Corporation and its Subsidiaries has complied with and is in compliance with all laws and regulations applicable to the operation of its business, except where such non-compliance, considered individually or in the aggregate, would not constitute a Material Adverse Change and would not materially affect the consummation of the transactions contemplated hereby or the ability of the Corporation to perform its obligations hereunder.

(m) Litigation, etc.

Except as set forth in the Disclosure Letter, there is no claim, action, proceeding or investigation pending or, to the knowledge of the Corporation, threatened against or relating to the Corporation or any of its Subsidiaries or affecting any of their properties or assets before any court or governmental or regulatory authority or body that, if adversely determined, is likely to exceed $50,000 or to prevent or materially delay consummation of the transactions contemplated by this Agreement or the Offer, nor is the Corporation aware of any basis for any such claim, action, proceeding or investigation. Neither the Corporation nor any of its Subsidiaries is subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a material adverse effect or prevent or materially delay consummation of the transactions contemplated by this Agreement or the Offer.

(n) Environmental

(i) Whenever used in this Agreement, the following words and terms shall have the indicated meanings.

"Environmental Laws" means all applicable statutes, regulations, ordinances, by-laws, and codes and all international treaties and agreements, now in existence in Canada (whether federal, provincial or municipal) relating to the protection and preservation of the environment, occupational health and safety, product safety, product liability or Hazardous Substances, including, without limitation, the *Environmental Protection and Enhancement Act* (Alberta), as amended to the date hereof (the "AEPEA"), and the *Canadian Environmental Protection Act*, as amended to the date hereof (the "CEPA").

"Environmental Permits" includes all orders, permits, certificates, approvals, consents, registrations and licences issued by any competent authority under Environmental Laws.

"Hazardous Substance" means, collectively, any contaminant (as defined in the AEPEA), toxic substance (as defined in the CEPA), dangerous goods (as defined in the *Transportation of Dangerous Goods Act* (Canada), as amended to the date hereof) or pollutant or any other substance that when released to the natural environment is likely to cause, at some immediate or future time, material harm or degradation to the natural environment or material risk to human health.

"Release" means any release, spill, leak, emission, discharge, leach, dumping, escape or other disposal that is or has been made in contravention of any Environmental Laws.

(ii) Except as set forth in the Disclosure Letter, the operation of the business of the Corporation and each of its Subsidiaries, the property and assets owned or used by the Corporation and each of its Subsidiaries and the use, maintenance and operation thereof have been and are in compliance with all Environmental Laws except where non-compliance would not reasonably be excepted to have a material adverse effect on the Corporation and its Subsidiaries, taken as a whole. The Corporation and each of its Subsidiaries have complied with all reporting and monitoring requirements under all Environmental Laws except where non-compliance would not reasonably be expected to have a material adverse effect on the Corporation and its Subsidiaries, taken as a whole. Except as described in the Disclosure Letter, the Corporation has not received any notice of any non-compliance with any Environmental Laws or Environmental Permits, and the Corporation has never been convicted of an offence for non-compliance with any Environmental Laws or Environmental Permits or been fined or otherwise sentenced or settled such prosecution short of conviction.

(iii) The Corporation and each of its Subsidiaries has obtained all Environmental Permits necessary to conduct its business and to own, use and operate its properties and assets (except where the failure to obtain any such permit would not reasonably be expected to have a material adverse effect on the Corporation and its Subsidiaries, taken as a whole) and the operation of the business of the Corporation and each of its Subsidiaries, the property and assets owned by the Corporation and each of its Subsidiaries and the use maintenance and operation thereof have been and are in compliance with all Environmental Permits (except where non-compliance would not reasonably be expected to have a material adverse effect on the Corporation and its Subsidiaries, taken as a whole).

(iv) The Corporation and each of its Subsidiaries has, at all times, used, generated, treated, stored, transported, disposed of or otherwise handled its Hazardous Substances in compliance with all Environmental Laws and Environmental Permits (except where non-compliance would not reasonably be expected to have a material adverse effect on the Corporation and its Subsidiaries, taken as a whole).

Except as set forth in the Disclosure Letter, neither the Corporation nor any of its Subsidiaries is, and, to the knowledge of the Corporation, there is no basis upon which the Corporation or any of its Subsidiaries could become, responsible for any material clean-up or corrective action under any Environmental Laws. All audits, assessments and studies with respect to environmental matters relating to the Corporation or any of its Subsidiaries have been listed in the Disclosure Letter.

(o) Insurance

Policies of insurance in force as of the date hereof naming the Corporation or any of its Subsidiaries as an insured, to the knowledge of the Corporation, adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of the Corporation and its Subsidiaries as would be customary in respect of the businesses carried on by the Corporation. All such policies of insurance are as listed in the Disclosure Letter and shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Offer. There are no outstanding claims under any such policies of insurance, except as set forth in the Disclosure Letter.

(p) Tax Matters

(i) **Definitions**. For purposes of this Agreement, the following definitions shall apply:

(A) The term "Taxes" shall mean all taxes, however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any federal, territorial, provincial, state, local or foreign government or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, unemployment insurance, social insurance taxes, sales and use taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which the Corporation or any of its Subsidiaries is required to pay, withhold or collect.

(B) The term "Returns" shall mean all reports, estimates, declarations of estimated tax, information statements and returns relating to, or required to be filed in connection with, any Taxes.

(ii) **Returns Filed and Taxes Paid**. All Returns required to be filed prior to the date hereof by or on behalf of the Corporation or any Subsidiaries have been duly filed on a timely basis and such Returns are true, complete and correct. All taxes shown to be payable on the Returns or on subsequent assessments or reassessments with respect thereto have been paid in full or objected to on a timely basis, and no other Taxes are payable by the Corporation or any of its Subsidiaries with respect to items or periods covered by such Returns.

(iii) **Tax Reserves**. The Corporation has paid or provided adequate accruals in its financial statements for Taxes, including income taxes and related deferred taxes, in conformity with generally accepted accounting principles applicable in Canada.

(iv) **Returns Furnished**. For all periods ending on and after December 31, 1996, Acquiror has been furnished by the Corporation true and complete copies of (i) relevant portions of income tax assessments, audit reports, statements of deficiencies, closing or other agreements received by the Corporation or any of its Subsidiaries or on behalf of the Corporation or any of its Subsidiaries relating to Taxes, and (ii) all federal and provincial income tax returns for the Corporation or any of its Subsidiaries.

(v) **Tax Deficiencies; Audits; Statutes of Limitations**. Except for existing objections disclosed in writing to Acquiror: (i) no deficiencies exist or have been asserted with respect to Taxes of the Corporation or any of its Subsidiaries; (ii) neither the Corporation nor any of its Subsidiaries is a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against the Corporation or any of its Subsidiaries or any of their respective assets; and

(iii) no waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns of the Corporation or any material Subsidiary.

(q) Pension and Termination Benefits

Except as set forth in the Disclosure Letter, the Corporation has provided adequate accruals in its financial statements (or such amounts are fully funded) for all pension or other employee benefit obligations of the Corporation arising under or relating to each of the pension or retirement income plans or other employee benefit plans or agreements or policies maintained by or binding on the Corporation or any of its Subsidiaries as well as for any other payment required to be made by the Corporation in connection with the termination or employment or retirement of any employee of the Corporation or any of its Subsidiaries.

(r) Reports

All forms, reports, schedules, statements and other documents filed by the Corporation in compliance, or purported compliance, with Securities Laws, at the time of filing, (i) did not contain any misrepresentation and (ii) complied in all material respects with the applicable requirements of Securities Laws.

(s) United States Relationships

The Corporation's shares are not traded on a United States national securities exchange or quoted on the NASDAQ system in the United States nor are any of its securities registered under the United States *Securities Exchange Act of 1934*, as amended, or any state securities laws. To the Corporation's knowledge, the level of ownership by U.S. Holders of Shares is less than 40% of the outstanding Shares. The term "U.S. Holder" means any securityholder resident in the United States as of the date hereof.

(t) Indebtedness

As at September 30, 2001, the Corporation's consolidated long term indebtedness did not exceed $11,400,000 and its working capital was at least $4,200,000 as evidenced by schedules to be presented to Acquiror by the Corporation and verifiable by Acquiror, acting reasonably. Notwithstanding anything set forth in this Agreement and without limitation to the determination of the materiality of any breach of any other representation, warranty or covenant in this Agreement, the breach of this representation shall be deemed to be a material breach.

(u) Confidentiality Agreements

All agreements entered into by the Corporation with persons other than Acquiror regarding the confidentiality of information provided to such persons or reviewed by such persons with respect to any Acquisition Proposal are in substantially the form of the confidentiality agreement attached to the Disclosure Letter. The Corporation has not negotiated any Acquisition Proposal with any person who has not entered into such a confidentiality agreement and has not waived any "standstill" provisions in any such agreement.

7.2 Investigation.

Any investigation by Acquiror and its advisors shall not mitigate, diminish or affect the representations and warranties of the Corporation provided pursuant to this Agreement. Where the provisions of Section 7.1 refer to disclosure in writing, such disclosure shall be made expressly in response to the applicable provision and shall be signed by a senior officer of the Corporation.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES OF ACQUIROR

8.1 Representations.

Acquiror hereby represents and warrants to the Corporation (and acknowledges that the Corporation is relying upon such representations and warranties in connection with entering into this Agreement):

(a) Organization

Acquiror has been duly incorporated and organized, and is validly existing, as a corporation under the laws of the Yukon Territory and has the requisite corporate power and authority to carry on its business as it is now being conducted.

(b) Authority

Acquiror has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder and to complete the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized and no other corporate proceedings on the part of Acquiror are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Acquiror and constitutes a valid and binding obligation of Acquiror, enforceable by the Corporation in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity. The execution and delivery by Acquiror of this Agreement and performance by it of its obligations hereunder and the completion of the Offer and the transactions contemplated thereby, will not:

(i) result in a violation or breach of, require any consent to be obtained under or give rise to any termination rights under any provision of:

(A) its or any Subsidiary's certificate of incorporation, articles, by-laws or other charter documents, including any unanimous shareholder agreement or any other agreement or understanding with any party holding an ownership interest in any Subsidiary;

(B) any law, regulation, order, judgment or decree; or

(C) any material contract, agreement, license, franchise or permit to which the Acquiror or any Subsidiary is bound or is subject or is the beneficiary;

(ii) give rise to any right of termination or acceleration of indebtedness, or cause any indebtedness to come due before its stated maturity or cause any available credit to cease to be available; or

(iii) result in the imposition of any encumbrance, charge or lien upon any of its assets or the assets of any Subsidiary, or restrict, hinder, impair or limit the ability of Acquiror or any Subsidiary to carry on the business of Acquiror or any Subsidiary as and where it is now being carried on or as and where it is currently intended to be carried on in the future.

(c) Financing

Acquiror has access to cash balances and available credit facilities sufficient to fund all amounts that may be required in connection with and pursuant to the Offer, including without limitation, all amounts payable under the credit facilities with the Corporation's senior lenders.

(d) Lock-up Amendments

Acquiror has delivered to the Corporation a true and correct copy of the amendment to the lock-up agreements executed by holders of more than 7.3 million Shares.

8.2 Investigation

Any investigation by the Corporation and its advisors shall not mitigate, diminish or affect the representations and warranties of Acquiror provided pursuant to this Agreement. Where the provisions of Section 8.l refer to disclosure in writing, such disclosure shall be made expressly in response to the applicable provision and shall be signed by a senior officer of Acquiror.

ARTICLE 9
TERMINATION

9.1 Termination

This Agreement may be terminated at any time prior to the Effective Time:

(a) by mutual written consent of Acquiror and the Corporation;

(b) by either Acquiror or the Corporation after the 60th day following the date of the Offer, if Acquiror has not purchased any Shares pursuant to the Offer;

(c) by Acquiror, if the Minimum Condition or any other condition of the Offer has not been satisfied or waived at the Expiry Time;

(d) by Acquiror, if a fee as provided in Section 4.1 becomes payable;

(e) by the Corporation, if Acquiror does not mail the Offer as provided in Section 2.1(a), provided that no Fee Event has occurred; or

(f) by either the Corporation or Acquiror, if the Offer terminates or expires at the Expiry Time without Acquiror taking up and paying for any of the Shares as a result of the failure of any condition to the Offer to be satisfied or waived, unless the failure of such condition shall be due to the failure of the party seeking to terminate this Agreement to perform the obligations required to be performed by it under this Agreement;

except that the obligations set forth in Section 4.1 (in respect of any Fee Event occurring prior to the termination) shall survive the termination of this Agreement other than in respect of a termination pursuant to Section 9.1(e) above.

9.2 Withdrawal of Offer

If this Agreement is terminated as provided in Section 9.1 above, Acquiror may terminate or withdraw the Offer without any liability or further obligation under this Agreement.

ARTICLE 10
MISCELLANEOUS

10.1 Amendment or Waiver

This Agreement, may be amended, modified or superseded, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, but only by written instrument executed by Acquiror and the Corporation; provided, however, that, subject to Section 2.1(c), either Acquiror or the Corporation may in its discretion waive a condition herein which is solely for its benefit without the consent of the other. No waiver of any nature, in any one or more instances, shall be deemed or construed as a further or continued waiver of any condition or any breach of any other term, representation or warranty in this Agreement.

10.2 Entire Agreement

This Agreement, the Confidentiality Agreement and the other documents referred to herein constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, arrangement or understandings with respect thereto.

10.3 Headings

The descriptive headings are for convenience of reference only and shall not control or affect the meaning or construction of any provisions of this Agreement.

10.4 Notices

All notices or other communication which are required or permitted hereunder shall be communicated confidentially and in writing and shall be sufficient if delivered personally, or sent by confidential telecopier addressed as follows:

To Acquiror:

19552 Yukon Inc.
c/o Nabors Corporate Services, Inc.
515 West Greens Road

Suite 1200
Houston, Texas
77067
Attention: Katherine Ellis
Fax: (281) 775-8431

With a copy to:

Stikeman Elliott
4300 Bankers Hall West
888 – 3rd Street S.W.
Calgary, Alberta
T2P 5C5
Attention: Christopher W. Nixon
Fax: (403) 266-9034

To the Corporation:

Command Drilling Corporation
350, 808 – 4th Street S.W.
Calgary, Alberta
T2P 3E8
Attention: Robert S. Bruce
Fax: (403) 237-9360

With a copy to:

Borden Ladner Gervais LLP
1000 Canterra Tower
400 Third Avenue S.W.
Calgary, Alberta
T2P 4H2
Attention: M. Scott Wilson
Fax: (403) 266-1395

10.5 Counterparts and Facsimiles

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original instrument but all such counterparts together shall constitute but one Agreement. The parties hereto shall be entitled to rely upon delivery of an executed facsimile copy of the Agreement, and such facsimile copy shall be legally effective to create a valid and binding agreement between the parties hereto.

10.6 Expenses

Each party will pay its own expenses. The Corporation represents and warrants that, except for fees payable to TD Securities, no broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission, or to the reimbursement of any of its expenses, in connection with the Offer. The Corporation has provided to Acquiror a correct and complete copy of all agreements between the Corporation and its financial advisor as are in existence at the date hereof. The Corporation covenants not to amend the terms of any such agreements relating to the payment of fees and expenses without the prior written approval of Acquiror.

10.7 Assignment

Acquiror may assign all or any part of its rights or obligations under this Agreement to a direct or indirect wholly-owned Subsidiary of Acquiror, but, if such assignment takes place, Acquiror shall continue to be liable to the Corporation for any default in performance by the assignee. This Agreement shall not otherwise be assignable by either party without the prior written consent of the other party.

10.8 Severability

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated and the parties shall negotiate in good faith to modify this Agreement to preserve each party's anticipated benefits under this Agreement.

10.9 Choice of Law

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

10.10 Attornment

The parties hereby irrevocably and unconditionally consent to and submit to the courts of the Province of Alberta for any actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by single registered mail to the addresses of the parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against either party in such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Alberta and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

10.11 Remedies

The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to remedy or prevent non-compliance with or breaches of the terms of this Agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction; provided that such remedies shall be in addition to, and not in substitution for, any other remedy to which the parties may be entitled at law or in equity.

10.12 Survival of Representations and Warranties

The representations and warranties of the Corporation and Acquiror contained in this Agreement shall not survive the completion of the Offer and shall expire and be terminated at the earlier of the Effective Time and (except in respect of a termination pursuant to Section 9.1(d) in reliance in whole or in part upon Section 4.1(e) in which respect the representations and warranties of the Corporation shall survive the termination of this Agreement) the date on which this Agreement is terminated in accordance with its terms.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed on their behalf by their officers thereunto duly authorized as of the date first written above.

19552 YUKON INC.

By: ______________________________

COMMAND DRILLING CORPORATION

By: ______________________________

By: ______________________________

SCHEDULE "A"

LOCK-UP AGREEMENT
(Command Shares)

October 28, 2001

BETWEEN

19552 Yukon Inc., a body corporate, incorporated under the laws of the Yukon Territories (hereinafter called "Yukon"); and

Name of Securityholder:	(hereinafter called the "**Securityholder**")

Yukon understands that the Securityholder is the beneficial owner of or exercises control and direction over that number of common shares and associated Rights (as defined in the Rights Plan (as defined below)) (the "Command Shares") of Command Drilling Corporation ("Command") and that number of options or warrants to purchase further Command Shares (collectively referred to as "Options") as set forth below:

Number of Command Shares	Number of Options or Warrants to Acquire Command Shares	Registration of Command Shares Options or Warrants[(1)]

Note:

(1) Include any nominee or nominee account information, as applicable.

Subject to the terms of this Agreement (as defined below) and the pre-acquisition agreement of even date herewith between Yukon and Command (the "Acquisition Agreement"), Yukon intends to amend its offer to purchase all the issued and outstanding Command Shares (and all Command Shares issued on exercise of outstanding options or other rights (other than the Rights) (the "Original Offer") by sending to all holders of Command Shares a notice of change to the Original Offer reflecting the Acquisition Agreement not later than October 31, 2001 (the "Amended Offer")). The Original Offer as varied in the Amended Offer is herein referred to as the "Offer".

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, this document, which includes all pages attached, sets forth the agreement ("Agreement") between the Securityholder and Yukon relating to the Securityholder tendering all of the Command Shares that the Securityholder beneficially owns, or over which it exercises control or direction, as set forth above (the "Presently Held Command Shares"), and any additional Command Shares that the Securityholder may hereafter become the beneficial owner of or exercise control or direction over (the "After Acquired Command Shares") (the Presently Held Command Shares and the After Acquired Command Shares collectively referred to as the "Subject Shares"), to the Offer.

The Terms and Conditions contained in Schedule "A" are incorporated into and form a part of this Agreement.

ACKNOWLEDGED AND AGREED TO:

Witness as to the signature of the Securityholder	(Signature of the Securityholder)
	(address, including postal code)
	19552 Yukon Inc.
	Per:

SCHEDULE "A"
TERMS AND CONDITIONS

1. **The Amended Offer**

1.1. The Amended Offer will consist of an offer to purchase all of the issued and outstanding Command Shares (and all Command Shares issued on exercise of outstanding options or other rights) on the basis of $3.40 (Canadian) in cash for each Command Share. The Original Offer shall be varied by way of a notice of variation prepared in accordance with the requirements of all applicable securities legislation and the regulations thereunder. The obligation of Yukon to vary the Original Offer and the obligations of Yukon under the Offer to take up and pay for any Command Shares thereunder shall be subject to the terms and conditions of the Acquisition Agreement.

2. Agreement to Tender

2.1. Subject to the terms and conditions hereof, the Securityholder hereby irrevocably agrees to (i) exercise the Options not later than the 5th day following the date of the Amended Offer; and (ii) deposit the Subject Shares, or direct the third party custodian through which such Subject Shares are held to deposit such shares, under the Offer not later than the 5th day following the date of the Offer (or such other date as may be agreed to by Yukon) and, notwithstanding the rights granted to the Securityholder by applicable securities legislation or the terms of the Offer, further agrees that, subject to Sections 6 and 7 hereof, thereafter the Securityholder will not withdraw any of the Subject Shares deposited by the Securityholder under the Offer until the earliest of:

(a) the 60th day following the date of this Agreement;

(b) the date on which the Offer expires or is terminated without Yukon taking up and paying for the Subject Shares deposited under the Offer within the time period prescribed by applicable laws; and

(c) the date on which this Agreement is terminated pursuant to Section 6 hereof.

2.2. Notwithstanding Section 2.1, the parties acknowledge and agree that Command will, in accordance with the Acquisition Agreement, use all commercially reasonable efforts to enter into Option releases, in a form approved by Yukon, with the Securityholder in respect of his Options, pursuant to which Command and the Securityholder agree that, upon Yukon taking up any Command Shares pursuant to the Offer, the Securityholder will receive from Command, in consideration of the termination (or the Securityholder's agreement not to exercise) of all the Securityholder's unexercised Options and the aggregate purchase price under the Offer for the number of Command Shares that are subject to issuance upon the exercise of such Options regardless of the vesting of those Options under Command's stock option plan or the agreements governing those Options. The parties further acknowledge and agree that, in such case, Command will make appropriate withholdings of taxes and other applicable source deductions from any such payments made to the Securityholder as required by applicable law.

3. Obligation of Yukon to Purchase the Securities

3.1. Upon the terms and subject to the conditions of the Offer, Yukon will accept for payment, and will take up and pay for, all Subject Shares deposited and not withdrawn under the Offer within the time period prescribed by applicable laws.

4. Representations, Warranties and Covenants of the Securityholder

4.1. The Securityholder represents and warrants to Yukon, and acknowledges that Yukon is relying upon such representations and warranties in entering into this Agreement, that:

(a) the Securityholder has good and sufficient power, authority and right to enter into this Agreement and to complete the transactions contemplated hereby;

(b) assuming the due execution and delivery of this Agreement by Yukon, upon the execution and delivery hereof by the Securityholder, this Agreement shall be a legal, valid and binding obligation of the Securityholder enforceable by Yukon against the Securityholder in accordance with its terms, and the consummation by the Securityholder of the transactions contemplated hereby will not constitute a violation of or default under, or conflict with, any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which the Securityholder is a party or by which the Securityholder is bound;

(c) the Securityholder is the beneficial owner of or exercises control or direction over the Presently Held Command Shares (and the Presently Held Command Shares represent all of the Command Shares beneficially owned or over which control or direction is exercised by the Securityholder except for any such Command Shares which may be the subject of another agreement substantially like this Agreement and tendered to Yukon contemporaneously herewith) free and clear of all liens, charges, encumbrances, security interests and other rights of others whatsoever (except in favour of Yukon hereunder) and has good and sufficient power, authority and right to transfer or cause to be transferred the legal and beneficial title to such Command Shares to Yukon with good and marketable title thereto;

(d) neither the Securityholder nor any associate or affiliate (each as defined in the *Securities Act* (Alberta) (the "ASA")) of the Securityholder is directly or indirectly a party to any contract or agreement with Command or any subsidiary thereof, whether written or oral, other than agreements of indemnity, agreements granting the Options to the Securityholder, and employment and related agreements, copies of which have previously been provided to Yukon, nor does the Securityholder have any cause of action or other claim whatsoever against, or owe any amount to, Yukon or its subsidiaries;

(e) the Securityholder is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada); and

(f) the foregoing representations and warranties will be true, correct and complete on the date on which the Original Offer is varied by the Amended Offer and on the date on which Yukon purchases the Subject Shares.

4.2. The Securityholder covenants and agrees with Yukon that so long as the Securityholder is subject to the terms of this Agreement and is not entitled to withdraw the Subject Shares from the Offer, the Securityholder will not, and will use its reasonable commercial efforts to cause any representatives, affiliates (as defined in the ASA) or advisors it may have not to, directly or indirectly:

(a) solicit, initiate, invite, encourage or continue (including, without limitation, by way of furnishing information) any inquiries or proposals from, or negotiations with, any person, company or other entity other than Yukon or any of its affiliates which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (A) an acquisition from Command or its securityholders of any securities of Command or its subsidiaries; (B) any acquisition of a substantial amount of assets of any of Command or its subsidiaries; (C) any amalgamation, arrangement, merger, or consolidation of any of Command or its subsidiaries; or (D) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction involving any of Command or its subsidiaries or any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the acquisition by Yukon of the Subject Shares pursuant to the Amended Offer or which would or could reasonably be expected to materially reduce the benefits to Yukon under the Offer (any such inquiry or proposal in respect of any of the foregoing being a "Command Acquisition Proposal");

(b) enter into or participate in any discussions or negotiations regarding a Command Acquisition Proposal, or, except in the ordinary course of business, furnish, or cause to be furnished, to any person (other than Yukon) any information with respect to the business, properties, operations, prospects or conditions (financial or otherwise) of Command or any of its subsidiaries or a Command Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing; or

(c) take any action that might reasonably be expected to reduce the likelihood of success of the Offer;

provided that the foregoing shall, in the case of any person who is a director or officer of Command, be subject to the fiduciary duties of such person in respect of Command.

4.3. The Securityholder covenants and agrees with Yukon, so long as the Securityholder is not entitled to withdraw the Subject Shares from the Offer and is subject to the terms of this Agreement, that:

(a) it shall not, without the prior consent of Yukon sell, assign, convey or otherwise dispose of any of the Subject Shares (except to an affiliate of the Securityholder, provided that such affiliate agrees to be bound by the terms of this Agreement and provided that the Securityholder remains liable for the performance by such affiliate of all terms and obligations of the Securityholder hereunder);

(b) it shall not exercise any shareholder rights or remedies available at common law or pursuant to applicable securities or corporate laws to delay, hinder, upset or challenge the Offer;

(c) it shall exercise all voting rights attached to the Subject Shares to vote against any resolution to be considered by the shareholders of Command that, if approved, could reasonably be considered to reduce the likelihood of success of the Offer; and

(d) it shall exercise all voting rights attached to the Subject Shares and use the Securityholder's reasonable endeavours to cause Command and its subsidiaries to carry on their respective businesses in the regular and ordinary course consistent with past practice;

provided that nothing set forth in Sections 4.3(b), (c) or (d) above shall restrict or otherwise prevent the Securityholder from soliciting and/or exercising shareholder proxies at a meeting of Command shareholders in respect of replacing one or more members of the current board of directors of Command.

5. Representations, Warranties and Covenants of Yukon

5.1. Yukon represents and warrants to the Securityholder, and acknowledges that the Securityholder is relying upon such representations and warranties in entering into this Agreement, that:

(a) it has good and sufficient power, authority and right to enter into this Agreement and to complete the transactions contemplated hereby;

(b) upon the due execution and delivery of this Agreement by the Securityholder, this Agreement shall be a legal, valid and binding obligation of Yukon enforceable by the Securityholder against Yukon in accordance with its terms, and the consummation by Yukon of the transactions contemplated hereby will not constitute a violation of or default under, or conflict with, the constating documents of Yukon or any contract, commitment, agreement, arrangement, understanding or restriction of any kind to which Yukon is a party or by which Yukon is bound;

(c) Yukon owns all of the issued and outstanding shares of Nabors Drilling Limited;

(d) the aggregate cash consideration payable pursuant to the Offer is now and on expiry of the Offer will be available to Yukon so that Yukon is and on expiry of the Offer will be in a position to pay for all of the Command Shares tendered pursuant to the Offer in accordance with the terms of the Offer;

(e) the Original Offer shall be varied in accordance with the Amended Offer, all applicable securities laws, rules of applicable stock exchanges and applicable corporate laws; and

(f) the foregoing representations and warranties will be true, correct and complete on the date hereof, the date on which the Original Offer is varied by the Amended Offer, and on the date on which Yukon purchases the Subject Shares.

6. Termination

6.1. The obligations hereunder of the Securityholder shall terminate at the option of the Securityholder:

(a) upon written notice given by the Securityholder to Yukon if Yukon has not issued a press release announcing its intention to vary the Original Offer by 5:00 p.m. (Calgary time) on October 29, 2001;

(b) upon written notice given by the Securityholder to Yukon if Yukon has not varied the Original Offer to Command shareholders by 11:59 p.m. (Calgary time) on October 31, 2001;

(c) upon written notice given by the Securityholder to Yukon, if, the Original Offer having been varied, Yukon has not, for any reason whatsoever, taken up and paid for the Command Shares under the Offer by the 60th day following the date of this Agreement;

(d) upon written notice given by the Securityholder to Yukon, if Yukon has breached or failed to perform any of its covenants or agreements herein contained in a material respect or any of the representations and warranties of Yukon set forth herein are not true and correct in any material respect;

(e) in accordance with Section 7.1 hereof; or

(f) the Acquisition Agreement is terminated pursuant to Section 9.1 thereof, without any requirement of notice or other formality by the Securityholder to Yukon.

6.2. The obligations of Yukon hereunder shall terminate at the option of Yukon upon written notice given by Yukon to the Securityholder if Command shall have breached the terms of the Acquisition Agreement.

6.3. This Agreement may also be terminated by the mutual written consent of each of the Securityholder and Yukon.

6.4. In the event of the termination of this Agreement as provided above, this Agreement shall forthwith become void and of no further force or effect, there shall be no liability on the part of any party hereto and the Securityholder may withdraw all Subject Shares deposited under the Offer, provided that the foregoing shall not relieve any party from any liability for any breach of this Agreement prior to such termination.

7. Ability to Tender to or Support a Competing Transaction

7.1. If the price or value of the consideration per Command Share offered to, or to be received by, the Securityholder under another Take-over Bid (as such term is defined in the Rights Plan) or pursuant to another transaction exceeds by at least 6% the price per Command Share provided under this Agreement, then the Securityholder shall be entitled to terminate its obligation to deposit or tender the Subject Shares and any other obligation with respect to the Subject Shares under this Agreement and to withdraw any of the Subject Shares deposited or tendered to the Offer in order to tender or deposit such Subject Shares to the other Take-over Bid or support another transaction provided that: (i) the Securityholder has provided Yukon with a copy of all documents received by the Securityholder related to the other Take-Over Bid or the other transaction promptly following receipt thereof; and (ii) a period equal to the lesser of 3 business days and the time remaining prior to the expiry of the other Take-Over Bid or other transaction (the "Match Period") shall have elapsed from the date Yukon received a copy of such documents. During the Match Period, Yukon shall have the right, but not the obligation, to amend the terms of the Offer and if Yukon amends the Offer such that the purchase price or value per Command Share offered under the amended Offer is equal to or greater than the purchase price or value per Command Share offered under the other Take-Over Bid or other transaction the entitlement of the Securityholder to terminate its obligation pursuant to this Section 7.1 shall not apply in respect of such other Take-Over Bid or such other transaction. In the event that non-cash consideration is offered in connection with such other Take-Over Bid or such other transaction, the value (or the mid-point of the range of values, as applicable) attributable to such consideration shall be its closing price on The Toronto Stock Exchange, the NASDAQ Stock Market or the New York Stock Exchange on the trading day immediately preceding the date of exercise of such rights or, in the absence of any such closing price, as agreed upon by Yukon and the Securityholder or as determined by CIBC World Markets or, failing such determination, as determined by the final non-appealable decision or order of a court of competent jurisdiction.

8. Duty to Disclose Competing Transactions

8.1. The Securityholder will promptly (but in no case later than 24 hours) notify Yukon in writing of the existence of any proposal, discussion, negotiation or inquiry received by the Securityholder in its capacity as such regarding any Take-over Bid, and the Securityholder will promptly communicate to Yukon the terms of any proposal, discussion, negotiation or inquiry received regarding any Take-over Bid (and promptly provide to Yukon copies of any written materials received by the Securityholder in its capacity as such in connection with such proposal, discussion, negotiation or inquiry) and the identity of the party making such proposal or inquiry or engaging in such discussion or negotiation.

8.2. For greater certainty, Section 8.1 shall not apply to any person(s) in his or her fiduciary capacity as a director or officer of Command.

9. Notice

9.1. Any notice or other communication required or permitted to be given hereunder shall be sufficiently given if delivered in person or sent by fax:

(a) in the case of the Securityholder, to the address appearing on the first page of this Agreement; or

(b) in the case of Yukon to:

19552 Yukon Inc.
515 West Greens Road, Suite 1200
Houston, Texas 77067
Attention: President
Tel: (281) 874-0035
Fax: (281) 775-8431

or at such other address as the party to which such notice or other communication is to be given has last notified the party giving the same in the manner provided in this paragraph.

10. Expenses

10.1. Each party hereto agrees to pay its own expenses incurred in connection with this Agreement.

11. Public Disclosure

11.1. No disclosure of the subject matter of this Agreement shall be made by the Securityholder or by Yukon except to limited partners of the Securityholder and to their respective counsel or to any other professional advisor engaged by them or to their respective counsel or as may be required by applicable law or regulatory authorities; provided, however, that the foregoing shall not prevent Yukon or Command from disclosing the terms of this Agreement in any disclosure document required to be delivered by Yukon or Command in relation to the Offer, as required under applicable securities legislation and as required by the definition of Permitted Lock-Up Agreement contained in the Rights Agreement and further provided that this Section 11.1 shall not apply to any disclosure which a party is advised by legal counsel is required or advisable to be made by applicable laws, stock exchange rules or policies of regulatory authorities having jurisdiction.

12. Amendments

12.1. This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written Agreement executed by Yukon and the Securityholder.

13. Time

13.1. Time shall be of the essence of this Agreement.

14. Successors and Assigns

14.1. This Agreement shall not be assignable by any party hereto, provided that Yukon may assign all of the rights and benefits under this Agreement to any of its affiliates. Subject to the foregoing, this Agreement shall be binding upon, enure to the benefit of and be enforceable by the Securityholder and Yukon and their respective successors and permitted assigns.

15. Remedies

15.1. The Securityholder agrees that if this Agreement is breached, or if a breach hereof is threatened, damages may be an inadequate remedy, and, therefore, without limiting any other remedy available at law or in equity, an injunction, restraining order, specific performance, and other forms of equitable relief for damages, or any combination thereof shall be available to Yukon.

16. Further Assurances

16.1. The Securityholder shall from time to time and at all times hereafter at the request of Yukon but without further consideration, do and perform all such further acts, matters and things and execute and deliver all such further documents, deeds, assignments, agreements, notices and writings and give such further assurances as shall be reasonably required for the purpose of giving effect to this Agreement.

17. Governing Law

17.1. This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the parties irrevocably attorn to the jurisdiction of the courts of the Province of Alberta.

18. Execution

18.1. This Agreement may be signed in one or more counterparts, by either original or facsimile execution, which together shall be deemed to constitute one valid and binding agreement, and delivery of the counterparts may be effected by means of telecopier among the parties.

19. Alternative Structure

19.1. The Securityholder and Yukon acknowledge and agree that, based upon tax, corporate, securities and other considerations, Yukon may determine that it is more advantageous or appropriate to carry out the proposed acquisition contemplated by this agreement by way of plan of arrangement, amalgamation or other procedure. In the event that Yukon determines to carry out the proposed acquisition pursuant to such alternative procedure, the terms and conditions hereof shall apply, mutatis mutandis, to the alternate arrangement with such changes and modifications thereto as are necessary or desirable to implement such alternate procedure and give effect to the intentions of the parties contained herein provided that the financial consideration to the Securityholder remains the same and that there is no adverse consequence to the Securityholder as a result of such alternate procedures.

20. Voting Rights

20.1. For greater certainty, the Securityholder shall exercise full voting rights over the Subject Shares until the Subject Shares are taken up and paid for by Yukon pursuant to the terms of the Offer.

21. Severability

21.1. If any term, condition or provision in this Agreement is determined to be void or unenforceable in whole or in part, such term, condition or provision shall be severable from all other terms, conditions and provisions hereof and shall not affect or impair the validity of any other term, condition or provisions hereof.