LOAN AGREEMENT

among

PEAK ENERGY SERVICES LTD.

- and -

PEAK ENERGY HOLDCO LTD.

- and -

PEAK ENERGY SERVICES PARTNERSHIP

- and -

PEAK COMMERCIAL TRUST

- and -

PEAK ENERGY SERVICES TRUST

- and -

PEAK ENERGY SERVICES USA, INC.

- and -

INTEGRATED PRIVATE DEBT FUND LP

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LOAN AGREEMENT

THIS AGREEMENT made as of the 31st day of August, 2005.

BETWEEN:

PEAK ENERGY SERVICES LTD., a corporation formed under the laws of Alberta
(hereinafter called the "Borrower")

- and -

PEAK ENERGY HOLDCO LTD., a corporation formed under the laws of Alberta

- and -

PEAK ENERGY SERVICES PARTNERSHIP, a partnership formed under the laws of Alberta

- and -

PEAK COMMERCIAL TRUST, a trust formed under the laws of Alberta

- and -

PEAK ENERGY SERVICES TRUST, a trust formed under the laws of Alberta

- and -

PEAK ENERGY SERVICES USA, INC., a corporation formed under the laws of Wyoming

- and -

INTEGRATED PRIVATE DEBT FUND LP, a limited partnership formed under the laws of Ontario
(hereinafter called the "Lender")

WHEREAS the Borrower has requested the Credit Facility; and

WHEREAS the Lender has agreed to provide the Credit Facility to the Borrower on the terms and conditions herein set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and for other good and valuable consideration, the receipt and adequacy of which is hereby conclusively acknowledged by each of the Parties hereto, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

For the purposes of this Agreement, unless there is something in the subject matter or context inconsistent therewith:

(a) "**ATB**" means the Alberta Treasury Branches;

(b) "**Advances**" means the Initial Advance and the Subsequent Advance, and "**Advance**" means either of such Advances as the context may require;

(c) "**Affiliate**" shall be interpreted pursuant to the *Business Corporations Act* (Alberta);

(d) "**Borrower's Counsel**" means [redacted] and such other firm of lawyers which may be designated by the Borrower;

(e) "**Business Day**" means a day, other than a Saturday, Sunday, a statutory holiday, on which the principal commercial banks located at Toronto, Ontario are open for business during normal banking hours;

(f) "**Commercial Notes**" means the notes issued under the Note Indenture and any other note indenture providing for the issuance of unsecured notes by Peak Commercial Trust to Peak Energy Services Trust which are subordinated to the Lender in form and substance satisfactory to the Lender;

(g) "**control**" and "**controlled**" have the same meanings as defined in the Business Corporations Act (Alberta) and "**controlling**" has a comparable meaning;

(h) "**Credit Facility**" means the Advances to be made to the Borrower by the Lender in accordance with the provisions hereof;

(i) "**Current Assets**" means all assets of the Borrower which would, in accordance with GAAP, be classified as current assets on a consolidated balance sheet of the Borrower, but specifically excluding all amounts owing from shareholders, controlling or controlled corporations or directors, shareholders or officers of the Borrower or any Guarantor;

(j) "**Current Liabilities**" means all liabilities of the Borrower and the Guarantors (including taxes accrued as estimated) which would, in accordance with GAAP, be classified as current liabilities on a consolidated balance sheet of the Borrower;

(k) "**Debentures**" means the debentures in the principal amount of One Hundred Million Dollars ($100,000,000), to be issued by the Borrower, Peak Energy Holdco Ltd. and Peak Energy Services Partnership in favour of the Lender, substantially in the form of Schedule "C" hereto;

(l) "**Default**" means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default;

(m) "**Designated Principal Amount**" means, at any time, the aggregate of the principal amount of the Advances and the outstanding principal amount of the NBC Acquisition Facility;

(n) "**Deposit Agreements**" means the deposit agreements to be executed by the Borrower, Peak Energy Holdco Ltd. and Peak Energy Services Partnership with the Lender, substantially in the form of Schedule "F" hereto;

(o) "**Distributable Cash Flow**" means, in respect of the Borrower and the Guarantors, on a consolidated basis for any period, EBITDA (excluding trailing EBITDA from acquisitions during the period) less cash taxes, interest expense, scheduled principal payments and Unfunded Capex.

(p) "**Distribution**" means:

(i) the declaration, payment or setting aside for payment of any dividend or other distribution on or in respect of any equity of the Borrower or the Guarantors;

(ii) the redemption, retraction, purchase, retirement or other acquisition, in whole or in part, of any equity of the Borrower or the Guarantors (other than wholly-owned (directly or indirectly) by the Borrower or the Guarantors or any securities, instruments or contractual rights capable of being converted into, exchanged or exercised for equity of the Borrower (other than wholly-owned (directly or indirectly) by the Borrower or the Guarantors, including, without limitation, options, warrants, conversion or exchange privileges and similar rights;

(iii) the making of any loan or advance (other than Intercorporate Indebtedness) or any provisions of credit to any equityholder of the Borrower or the Guarantors;

(iv) the payment of any principal, interest, fees or other amounts (other than on account of Intercorporate Indebtedness) on or in respect of:

(A) any loans, advances or other debts; or

(B) any securities issued by the Borrower which in accordance with generally accepted accounting principles are classified as part of equity but the terms of which entitle the holder thereof to receive payments of money,

owing at any time by the Borrower or the Guarantors to any equityholder of the Borrower or the Guarantors, Affiliates of the Borrower or the Guarantors or equityholders of Affiliates of the Borrower or the Guarantors;

(v) prepayments pursuant to the PESL Note;

(vi) payments pursuant to the Commercial Notes;

(vii) payments by Peak Energy Services Trust to its unitholders;

(q) "**Drawdown Date**" means the date upon which an Advance is made by the Lender hereunder;

(r) "**EBITDA**" means earnings before deduction of interest and taxes, plus or minus non-cash items, depreciation and amortization prior to making any Distributions and such calculation shall be annualized based on the Trailing Fiscal Quarters in the event of an acquisition by the Borrower or any of the Guarantors;

(s) "**Equity**" means the aggregate shareholders' equity of the Borrower and the Guarantor which would, in accordance with GAAP, appear as shareholders' equity on a consolidated balance sheet of the Borrower (including without limitation, stated capital, contributed surplus and retained earnings), excluding (i) goodwill, patents, trademarks, intellectual property and other similar intangibles after adding back the non-current portion of future tax liability, and (ii) investments (by way of share purchase, capital contribution, loan, time deposit or otherwise) in unconsolidated Subsidiaries and Affiliates, but including the principal amount from time to time of shareholder loans which are postponed and subordinated to the Loan Indebtedness by instruments in writing in form and substance satisfactory to the Lender;

(t) "**Event of Default**" means any of the events specified in Section 8.1;

(u) "**Financial Statements**" means the financial statements of the Borrower on a consolidated basis dated December 31, 2004, which shall include a balance sheet, a statement of earnings (or losses) and a statement of changes in financial position, together with comparative figures in each case (where a comparative period on a earlier statement exists), all prepared, maintained and stated on a consolidated basis in accordance with GAAP applied consistently;

(v) "**Fixed Interest Rate**" means with respect to the Initial Advance or a Subsequent Advance, a rate of interest per annum to be established by the Lender three (3) Business Days prior to the Drawdown Date for the Initial Advance or the Subsequent Advance, as the case may be, at the seven year Government of Canada bond yield at that date, plus 2.15% per annum;

(w) "**Funded Net Debt**" means the amount outstanding under the NBC Operating Facility and all Long-Term Debt, including the current portion on a consolidated basis, including, without limitation, that under any capital leases and the net present value of any operating leases, less free cash, all of which shall be calculated in accordance with GAAP.

(x) "**Funded Net Debt to EBITDA Ratio**" means the ratio of (i) Funded Net Debt to (ii) EBITDA;

(y) "**General Security Agreements**" means the general security agreements to be issued by Peak Energy Services Trust, Peak Commercial Trust and Peak Energy Services USA, Inc. in favour of the Lender, substantially in the form of Schedule "E" hereto;

(z) "**generally accepted accounting principles**" and "GAAP" means the accounting principles recommended by the Canadian Institute of Chartered Accountants as provided in the "CICA Handbook", as the same may be amended, replaced or restated from time to time;

(aa) "**Guarantees**" means the guarantees to be executed by each of Peak Energy Holdco Ltd., Peak Energy Services Partnership, Peak Commercial Trust, Peak Energy Services Trust and Peak Energy Service USA, Inc. in favour of the Lender, substantially in the form of Schedule "D" hereto;

(bb) "**Guarantors**" means Peak Energy Holdco Ltd.; Peak Energy Services Partnership; Peak Commercial Trust; Peak Energy Services Trust and Peak Energy Services USA, Inc.;

(cc) "**Indebtedness**" of a person means, without duplication:

(i) all obligations, matured and unmatured, contingent and otherwise, of such person which, in accordance with GAAP, would be classified upon such person's balance sheet or in the notes to its financial statements as liabilities;

(ii) all obligations which are secured by any Lien existing on property owned or acquired by such person, whether or not the obligations secured thereby shall have been assumed by such person; and

(iii) all Indirect Liabilities of such person;

(dd) "**Indirect Liabilities**" means debts, liabilities and obligations for the payment of money for which, in accordance with GAAP, a person is or may become indirectly or contingently liable whether as guarantor, surety, endorser or otherwise;

(ee) "**Initial Advance**" means an Advance in the amount of Thirty Million Dollars ($30,000.000), to be advanced by the Lender to the Borrower pursuant to this Agreement;

(ff) "**Interest Rate Differential**" means, on the date of a prepayment, the premium which is equal to the difference between:

(i) the present value of (A) the interest payments foregone on the prepaid amount; and (B) the principal payments foregone, discounted on the basis of the yield to maturity of a Government of Canada Bond less [redacted] (compounded on a monthly equivalent basis) selected by the Lender, for the term from the date of the prepayment to the Maturity Date of the Advance being prepaid; and

(ii) the face value of the principal amount being prepaid at the date of payment;

(gg) "**Lender's Counsel**" means [redacted], and such other firm of lawyers which may be designated by the Lender;

(hh) "**Lien**" means any mortgage, charge, pledge, lien, hypothec, encumbrance, assignment by way of security, security interest, capital lease, sale and leaseback, lease (including an operating lease), conditional sale or title retention agreement or other security, howsoever created or arising, whether absolute or contingent, fixed or floating, legal or equitable, perfected or otherwise, and any other interest in property or assets that secures payment or performance of an obligation;

(ii) "**Loan Documents**" means this Agreement, the Security Documents and all other instruments, documents, certificates (including officer's certificates) delivered by the Borrower or the Guarantors in connection therewith;

(jj) "**Loan Indebtedness**" means the aggregate, at any time, of the outstanding principal amount of the Advances, all accrued and unpaid interest hereunder, and all fees, indemnities and other amounts due to the Lender hereunder or under any other Loan Document;

(kk) "**Long-Term Debt**" means the aggregate, without duplication, of all Indebtedness of the Borrower on a consolidated basis determined in accordance with GAAP which matures by its terms on, or is renewable at the option of the Borrower to, a date more than twelve (12) months after the date of the incurring or issue thereof, including the current portion of any such Indebtedness of the Borrower, and excluding the non-current portion of future tax liabilities and the principal amount from time to time of shareholders loans which are postponed and subordinated to the Lender by instruments in writing in form and substance satisfactory to the Lender;

(ll) "<u>**Material Adverse Change**</u>" means a material adverse change in:

(i) the financial condition of the Borrower and the Guarantors on a consolidated basis taken as a whole,

(ii) the ability of the Borrower to repay all or any of the Loan Indebtedness in accordance with the terms of this Agreement,

(iii) the rights or remedies of the Lender under this Agreement or under any of the Security Documents,

(mm) "<u>**Maturity Date**</u>" means in respect of the Initial Advance, seven (7) years from the date of the Initial Advance or in respect of the Subsequent Advance, seven (7) years from the date of the Subsequent Advance;

(nn) "<u>**Mortgaged Property**</u>" means and includes all of the undertaking, property and assets of the Borrower and the Guarantors expressed herein or in the Security Documents to be subject to the Lien of the Security Documents;

(oo) "<u>**NBC**</u>" means National Bank of Canada, Calgary, Alberta branch;

(pp) "<u>**NBC Acquisition Facility**</u>" means the extendable revolving term facility in the maximum amount of Sixty Million Dollars ($60,000,000) established by NBC and ATB in favour of the Borrower;

(qq) "<u>**NBC Credit Agreement**</u>" means the credit agreement dated June 18, 2004 between the Borrower, Guarantors, NBC and ATB, as amended, modified, supplemented, restated or replaced from time to time;

(rr) "<u>**NBC Foreign Exchange Facility**</u>" means the foreign exchange facility in the amount of One Hundred Thousand Dollars ($100,000) established by NBC in favour of the Borrower;

(ss) "<u>**NBC Mastercard Facility**</u>" means the Mastercard business expense card facility in the amount of One Hundred and Fifty Thousand Dollars ($150,000) established by NBC in favour of the Borrower;

(tt) "<u>**NBC Operating Facility**</u>" means the extendable revolving operating facility in the maximum principal amount of Five Million Dollars ($5,000,000) established by NBC in favour of the Borrower;

(uu) "<u>**NBC Treasury Risk Facility**</u>" means the treasury risk line in the amount of One Million Dollars ($1,000,000) established by NBC in favour of the Borrower;

(vv) "**NBC Facilities**" means collectively the NBC Acquisition Facility, NBC Foreign Exchange Facility, NBC Mastercard Facility, NBC Operating Facility and NBC Treasury Risk Facility;

(ww) "**Note Indenture**" means that Note Indenture dated May 1, 2004 between Peak Commercial Trust and Valiant Trust Company;

(xx) "**Opinion of Borrower's Counsel**" means an opinion substantially in the form of Schedule "G" hereto;

(yy) "**Opinion of Lender's Counsel**" means an opinion substantially in the form of Schedule "H" hereto;

(zz) "**PESL Note**" means the promissory note dated May 1, 2004 in the principal amount of $151,537,681.40 issued by the Borrower to Peak Commercial Trust;

(aaa) "**Peak Trust Agreement**" means any one of the following:

(1) Peak Energy Services Trust Trust Indenture dated March 26, 2004 between Valiant Trust Company and the Borrower;

(2) Peak Commercial Trust Indenture dated March 26, 2004 between Valiant Trust Company and Peak Energy Services Trust;

(3) Note Indenture dated May 1, 2004 between Peak Commercial Trust and Valiant Trust Company;

(bbb) "**Permitted Encumbrances**" means any one or more of the following:

(i) Liens for taxes, assessments, governmental charges or levies at the time not overdue or delinquent or the validity of which is being diligently contested in good faith by appropriate proceedings, provided adequate provision reasonably determined by the Lender shall have made on the books;

(ii) Liens for the excess amount of any taxes for which a final assessment has not been received over the amount of such taxes as estimated, acting reasonably;

(iii) Liens created or resulting from any litigation which is being contested diligently and in good faith by appropriate proceedings, provided that execution thereon is stayed pending such proceedings and the Liens do not secure an amount in excess of [redacted]

(iv) Liens securing assessments under workers' compensation laws, employment insurance or similar social security legislation which are not at the time overdue or if overdue are being contested in good faith by appropriate proceedings;

(v) pledges or deposits to secure current obligations which are not at the time dischargeable by the payment of money, and which are incurred in the ordinary course of business under workers' compensation laws or similar laws, provided such pledges or deposits are commensurate with such current obligations;

(vi) pledges or deposits to secure performance in connection with bids or tenders, or contracts (other than contracts for the payment of money) or leases of real property (other than capital leases), all in the ordinary course of business, provided such performance obligations are not overdue or if overdue are being contested in good faith by appropriate proceedings;

(vii) Liens or rights of distress reserved in any lease for rent, or for compliance with the terms of such lease;

(viii) any capital lease or purchase money security interest upon property created or assumed to secure all or any part of the funds required for the lease or purchase of such property, any sale leaseback transaction or other off balance sheet financing and any operating lease entered into the ordinary course of business; provided that aggregate amount outstanding of all such transactions does not exceed [redacted] (as determined by the Lender acting reasonably);

(ix) Liens incidental to construction, maintenance or operations which at the time have not been filed, or if filed, that relate to obligations not overdue or delinquent;

(x) Liens given in the ordinary course of business to a public utility or any municipality, governmental or other public authority;

(xi) Liens securing the NBC Acquisition Facility, NBC Foreign Exchange Facility, NBC Mastercard Facility, NBC Operating Facility and the NBC Treasury Risk Facility so long as such Liens are and continue to be subject to a priority agreement establishing priorities in the manner provided for in Section 2.3(g) on terms and conditions satisfactory to the Lender;

(xii) Liens in favour of the Lender or made with the prior written consent of the Lender;

(ccc) "**person**" includes an individual, a partnership, a joint venture, a trust, an unincorporated organization or any other association, a corporation and a government or any department or agency thereof and any other entity recognized by law;

(ddd) "**Promissory Note**" means a promissory note substantially in the form of Schedule "A" hereto;

(eee) "**Request for Advance**" means a request on the Lender to make an Advance substantially in the form of Schedule "B" hereto;

(fff) "**Security Documents**" means the Debentures, Deposit Agreements, Guarantees, General Security Agreements and any other instrument or agreement which secures or purports to secure the Loan Indebtedness;

(ggg) "**Subordination Agreements**" means those subordination and postponement agreements referred to in sections 6.1(b) and (c);

(hhh) "**Subsequent Advance**" means an advance in the amount of Twenty Million Dollars ($20,000,000) which is made by the Lender to the Borrower subsequent to the Initial Advance pursuant to this Agreement;

(iii) "**Subsidiary**" means (i) any corporation more than 50% of the voting shares of which at the time of determination are owned, directly or indirectly, by the Borrower or by one or more Subsidiaries of the Borrower and (ii) any trust, partnership or joint venture of which the Borrower or any Subsidiary of the Borrower (A) is the general or managing partner, or (B) directly or indirectly, owns at least 50% of the equity or beneficial interest thereof;

(jjj) "**Tangible Net Assets**" of the Borrower means the aggregate book value of the property, plant and equipment of the Borrower (being the acquisition cost less depreciation as determined in accordance with GAAP);

(kkk) "**Total Debt**" means the aggregate of Current Liabilities and Long Term Debt of the Borrower;

(lll) "**Trailing Fiscal Quarters**" means the most recently completed consecutive four (4) fiscal quarters of the Borrower; and

(mmm) "**Unfunded Capex**" means for any period, the sum (without duplication) of the aggregate amount of all expenditures of the Borrower and the Guarantors for capital assets made during such period, which, in accordance with generally accepted accounting principles, would be classified as capital expenditures, where such expenditures are not funded by Funded Net Debt, equity investments made by the holders of any shares, trust units, shares exchangeable into trust units, partnership interests or partnership units of the Borrower and the Guarantors or the Material Subsidiaries and proceeds from the sale of assets of any of such parties, less the aggregate amounts of any undrawn availability under the NBC Acquisition Facility, to the extent that such deduction would not otherwise cause a Default or Event of Default.

1.2 Canadian Dollars

All dollar amounts referred to in this Agreement are in Canadian funds unless otherwise provided.

1.3 Extended Meanings

In this Agreement, where the context requires, the singular number includes the plural and vice versa, the masculine gender includes the feminine and neuter genders and vice versa.

1.4 Headings

All headings are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents thereof.

1.5 Schedules

The following schedules are incorporated herein and form part of this Agreement:

Schedule A	-	Promissory Note
Schedule B	-	Request for Advance
Schedule C	-	Debentures
Schedule D	-	Guarantees
Schedule E	-	General Security Agreement
Schedule F	-	Deposit Agreement
Schedule G	-	Borrower's Counsel Opinion
Schedule H	-	Lender's Counsel Opinion
Schedule I	-	Compliance Certificate

1.6 Financial Terms and Accounting Rules

Whenever in this Agreement reference is made to generally accepted accounting principles or GAAP, such reference shall be deemed to be to the recommendations at the relevant time of the Canadian Institute of Chartered Accountants, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided or contemplated herein to be applicable on an unconsolidated basis) as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense or amount of equity is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any other Document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

1.7 Participation of Counsel

The respective legal counsel for the parties have reviewed and participated in settling the terms of this Agreement and all ancillary instruments and agreements contemplated herein and, consequently, the parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party shall not be applicable to the interpretation of this Agreement and all ancillary instruments and agreements contemplated herein.

1.8 Clause and subclause references

The words "this Agreement", "herein", "hereof", "hereinafter" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. All references in this Agreement to a clause, subclause or other subdivisions or to a Schedule refer to a clause, subclause or the subdivision or a Schedule of this Agreement unless expressly provided otherwise. Whenever the words "include", "includes", "including" are used in this Agreement, such words shall be deemed to be followed by the words "without limitation". A reference to a statute shall be deemed to be a reference to both the statute and all associated regulations, all amendments made thereto and enforced from time to time and any statute or regulation that may be passed which has the effect of supplementing or superceding the aforesaid statute or regulation.

1.9 Time

Except where otherwise indicated in this Agreement, any reference in the Agreement to a time shall mean local time in Calgary, Alberta.

ARTICLE 2
THE LOAN

2.1 Purpose

The Initial Advance to the Borrower is to be used by the Borrower to repay an existing advance under the NBC Acquisition Facility of Thirty Million Dollars ($30,000,000) to NBC and shall not be used by the Borrower for any other purpose without the prior written consent of the Lender. The Subsequent Advance to the Borrower shall be used by the Borrower for the purpose of making acquisitions of a business or businesses of a like or similar nature to those of the Borrower, and shall not be used by the Borrower for any other purpose without the prior written consent of the Lender.

2.2 Principal Amount

Subject to the terms and conditions of this Agreement and relying upon the representations and warranties set forth herein, the Lender shall lend to the Borrower the amount of Thirty Million Dollars ($30,000,000) to be made available by way of a single Initial Advance subject to the satisfaction of the conditions precedent set forth in Section 2.3 hereof and the amount of Twenty Million Dollars ($20,000,000) to be made available by one Subsequent Advance to be drawn down subject to the conditions precedent set forth in Section 2.4 hereof. Any amount of the Advances repaid or prepaid hereunder may not re-borrowed by the Borrower.

2.3 Conditions to Initial Advance

The obligation of the Lender to make the Initial Advance is conditional upon and subject to the satisfaction of the following conditions precedent on or prior to the Drawdown Date, the satisfaction of which shall be in the sole determination of the Lender:

(a) the Lender shall have received:

(i) a Request for Advance at least five (5) days prior to the Drawdown Date;

(ii) opinions of Borrower's Counsel and Lender's Counsel, both of which shall be to the reasonable satisfaction of the Lender;

(iii) a Promissory Note duly executed by the Borrower dated the Drawdown Date in the principal amount of the Advance;

(iv) certified copies of the resolutions of the boards of directors or the partners, as the case may be, and authorizations in respect of Peak Energy Services Trust and Peak Commercial Trust, of the Borrower and the Guarantors in respect of the execution, delivery and performance of this Agreement and the Security Documents;

(v) certified copies of the constating documents of the Borrower and the Guarantors and certifying such other matters as the Lender or Lender's Counsel may reasonably request;

(vi) confirmation that the NBC Operating Facility, [redacted], and the NBC Acquisition Facility are in place and committed to by NBC on the terms of the NBC Credit Agreement;

(vii) a certificate of a senior officer of the Borrower certifying that (A) no Material Adverse Change has occurred between the date of the approval of the loan herein and the date of the Initial Advance; (B) the representations and warranties set out in Article 5 are true and correct in all material respects as of the date of the Initial Advance; and (C) no Default or Event of Default has occurred as of the date of the Initial Advance;

(viii) such other documents, consents, acknowledgements and agreements as the Lender or Lender's Counsel may reasonably request;

(b) the Lender shall have received and approved of and be satisfied with the audited Financial Statements and the unconsolidated financial statements of the Borrower and each Guarantor for the year ended December 31, 2004, together with unaudited interim Financial Statements and unconsolidated financial statements of the Borrower and each Guarantor for the most recent month end available, which must not be more that forty-five (45) days prior to the Drawdown Date;

(c) there shall have occurred no Material Adverse Change between June 30, 2005 and the Drawdown Date;

(d) the Lender shall be satisfied that the representations and warranties set out in Article 5 are true and correct in all material respects as of the Drawdown Date, that no Default or Event of Default has occurred as of the Drawdown Date, and that the Borrower and the Guarantors, or any of them are not in default under the

NBC Facilities or any other loan obligations or other indebtedness of the Borrower or the Guarantors;

(e) the Lender shall have received the Security Documents duly executed by Borrower and the Guarantors, as applicable, and the Lender shall have received confirmation that the Security Documents have been registered, recorded or filed in all places and all jurisdictions where such registration, recording or filing is necessary or desirable in order to perfect the Lien of the Security Documents in a first priority position, subject to Permitted Encumbrances; provided that nothing herein shall be construed as a subordination of the Security Documents to any Permitted Encumbrances;

(f) all policies of insurance required to be placed pursuant to this Agreement shall have been placed and shall be in full force and effect and shall be assigned to the Lender, and all premiums required thereunder shall have been fully paid, the adequacy of which shall have been confirmed in a report to the Lender by an insurance consultant, acceptable to the Lender, and the Lender shall be named as a loss payee thereunder as its interests may appear, and the Lender shall have received certificates evidencing such policies of insurance and loss payee endorsements;

(g) NBC and ATB shall have entered into a priority or intercreditor agreement with the Lender confirming that (i) Liens securing the Loan Indebtedness rank *pari passu* with Liens securing the NBC Acquisition Facility, and (ii) Liens securing the NBC Operating Facility rank first on inventory and receivables of the Borrower and the Guarantors and second to Liens securing the Loan Indebtedness with respect to all property and assets of the Borrower and the Guarantors other than such inventory and receivables, and providing for such other terms and conditions and covering such other matters as the Lender requires;

(h) the consent of NBC and ATB to the loan herein, the receipt of which is acknowledged by the Lender;

(i) the Lender shall receive and be satisfied with the unaudited financial statements for the 2003 and 2004 fiscal year ends of Consolidated Wireline Services Ltd.;

(j) an opinion of Lender's Counsel that covenants of the Borrower and Guarantors contained in the NBC Credit Agreement, are consistent in all material respects with the covenants of the Borrower and Guarantors in this Agreement;

(k) all fees of the Lender, including without limitation any legal fees of Lender's Counsel, shall have been paid on or prior to the Drawdown Date (or arrangements suitable to the Lender shall have been made to pay such fees out of the proceeds of the Advance); and

(l) the Initial Advance shall be made by the Lender on or prior to September 1, 2005.

2.4 Conditions to Subsequent Advance

The obligation of the Lender to make a Subsequent Advance is in the case of each such Subsequent Advance conditional upon and subject to the satisfaction of the following conditions precedent on or prior to the Drawdown Date, the satisfaction of which shall be in the sole determination of the Lender:

(a) The Lender shall have received:

(i) full particulars, in such detail as the Lender may reasonably require, of all material facts relating to the acquisition transaction for which the Subsequent Advance in question is to be used and shall have approved of such acquisition in writing to the Borrower;

(ii) if the acquisition transaction involves the purchase of assets, such additional security as it may reasonably require on the assets comprised in the acquisition transaction for which the Advance in question is to be used;

(iii) if the acquisition transaction involves the acquisition of the shares of a corporation or the acquisition of a partnership, Security Documents duly executed by such corporation or partners, as applicable, and the Lender shall have received confirmation that such Security Documents have been registered, recorded or filed in all places and all jurisdictions where such registration, recording or filing is necessary or desirable in order to perfect the Lien of the Security Documents in a first priority position, subject to Permitted Encumbrances; provided that nothing herein shall be construed as a subordination of the Security Documents to any Permitted Encumbrances;

(iv) a Request for Advance at least five (5) days prior to the Drawdown Date for such Subsequent Advance;

(v) a Promissory Note duly executed by the Borrower dated the Drawdown Date in the principal amount of the Subsequent Advance;

(vi) if the acquisition transaction results in delivery of Security Documents from a new Guarantor or Guarantors, certified copies of the resolutions of the boards of directors or the partners, as the case may be, of the new Guarantor or Guarantors authorizing the execution, delivery and performance of the Security Documents together with certified copies of the constating documents of the new Guarantor or Guarantors and certifying such other matters as the Lender may request;

(vii) a favourable opinion of the Lender's counsel with respect to the due authorization and enforceability of the Security Documents and with respect to the due registration, recording and filing of all Security Documents;

(viii) a certificate of a senior officer of the Borrower certifying that (A) no Material Adverse Change has occurred between June 30, 2005 and the Drawdown Date, (B) the representations and warranties set out in Article 5 are true and correct in all material respects as of the Drawdown Date and (C) no Default or Event of Default has occurred as of the Drawdown Date;

(ix) the approval of NBC and ATB to the Subsequent Advance obtained by the Borrower;

(x) such other documents, consents, acknowledgements and agreements as the Lender or Lender's Counsel may reasonably request;

(b) the Lender shall have received and approved of and be satisfied with the unaudited interim Financial Statements and unconsolidated financial statements of the Borrower and each Guarantor for the most recent month end available, which must not be more than forty-five (45) days prior to the Drawdown Date;

(c) there shall have occurred no Material Adverse Change between June 30, 2005 and the Drawdown Date;

(d) the Lender shall be satisfied that the representations and warranties set out in Article 5 are true and correct in all material respects as of the Drawdown Date, and that no Default or Event of Default has occurred as of the Drawdown Date;

(e) all fees of the Lender, including without limitation any legal fees of Lender's Counsel, shall have been paid on or prior to the Drawdown Date (or arrangements suitable to the Lender shall have been made to pay such fees out of the proceeds of the Advance); and

(f) the Subsequent Advance shall be made on or prior to December 31, 2005; provided, however, such date may be extended at the Lender's option to a subsequent date upon the request in writing of the Borrower.

2.5 No Waiver

The Borrower acknowledges that the completion of an Advance shall not be deemed to be a waiver by the Lender of any condition precedent, and shall not be deemed to be a waiver of any rights the Lender might have for breach of such condition, unless the Lender has actual knowledge at such time that such condition precedent has not been complied with. The parties acknowledge that the conditions set forth in Section 2.3 and Section 2.4 are for the benefit of the Lender and may be waived by the Lender, but no such waiver shall be taken as a precedent requiring the Lender to waive any conditions precedent for any subsequent breach.

2.6 Form and Substance of Documents

All Loan Documents, certificates, reports, opinions and other documentation which the Lender is entitled to receive hereunder from time to time shall be in form and substance satisfactory to the Lender and the Lender's Counsel, acting reasonably, and in a form consistent with the NBC Credit Agreement.

ARTICLE 3
INTEREST

3.1 Interest and Interest Payments

(a) In respect of the Initial Advance and the Subsequent Advance, interest shall accrue on each Advance, at the Fixed Interest Rate applicable to such Advance computed from the Drawdown Date for such Advance and shall be calculated and payable monthly, in arrears, by 1:00 p.m., Toronto time on the fifteenth (15th) day of each and every month in each and every year.

(b) In respect of the period from the Drawdown Date to the fifteenth (15^{th}) day of the month next following the month in which the Advance occurs, the interest payment shall be based on the actual number of days elapsed from the date of the Advance.

(c) Subsequent to the interest payment in Section 3.1(b), the monthly interest payment will be calculated from the fifteenth ($15^{th)}$ day of one (1) month to the next and shall be payable in accordance with Section 3.1(a), the first of such payments being due on the fifteen (15^{th}) of the month immediately following the payment in Section 3.1(b).

(d) All interest shall be calculated after as well as before demand, maturity, default and judgment.

3.2 Interest on Overdue Amounts

To the maximum extent permitted by law, the Borrower shall pay interest on all overdue amounts owing by the Borrower hereunder (including, without limitation, any overdue interest payments) from the date each such amount is due until the date each such amount is paid in full. Such interest shall be calculated daily, compounded monthly and payable on demand of the Lender at the applicable rate per annum set out in this Article 3.

3.3 General Interest Provisions

(a) Each determination by the Lender of the amount of interest, fees or other amounts due from the Borrower hereunder shall, in the absence of manifest error or other error of which the Borrower shall give notice to the Lender within a period of sixty (60) days from the date of entry of the relevant information, be *prima facie* evidence of the accuracy of such determination.

(b) All interest, fees and other amounts payable by the Borrower hereunder shall accrue daily, be computed as described herein, and be payable both before and after demand, maturity, default and judgment.

(c) To the maximum extent permitted by law, the covenant of the Borrower to pay interest at the rates provided herein shall not merge in any judgment relating to any obligation of the Borrower to the Lender.

ARTICLE 4
REPAYMENT AND PREPAYMENT

4.1 Maturity Date

Notwithstanding any other provision of this Agreement, the portion of the Loan Indebtedness relating to the amount of the Initial Advance or the Subsequent Advance shall be repaid in full no later than the Maturity Date of the Initial Advance or the Subsequent Advance, as the case may be.

4.2 Revised Repayment Schedule

If the revolving period of the NBC Acquisition Facility is converted pursuant to the NBC Credit Agreement to a five (5) year term loan, then Section 4.1 shall not apply, and, should the Lender so request, the Borrower shall make scheduled principal repayments of the Advances on the 15th day each month following the month in which such conversion occurs in an amount equal to the principal balance of the Advances then outstanding on the date of such conversion divided by sixty (60), subject always to Section 4.1.

4.3 Prepayments

No prepayments of an Advance shall be made by the Borrower prior to the first (1^{st}) anniversary date of the Drawdown Date for such Advance. Thereafter, the Borrower shall be permitted to prepay at any time in whole, the principal amount of such Advance, provided the Borrower provides to the Lender thirty (30) days prior written notice of its intention to prepay, together with a premium equal to the greater of (a) [redacted]month's interest on the prepaid amount, and (b) the Interest Rate Differential as determined by the Lender. Prepayments shall be applied to scheduled principal repayments in reverse order of maturity.

4.4 Place and Manner of Payment

The Borrower shall deliver, by cheque or electronic transfer of funds, to the Lender, the principal and interest due on a date a sufficient number of days prior to the date on which such principal and interest becomes due to ensure receipt on the payment date at 130 Adelaide Street West, Suite 2200, Toronto, Ontario, M5H 3P5. Payment shall be credited to the account of the Borrower on the day of receipt only if received prior to 1:00 p.m. and otherwise shall be credited on the next business day following receipt. The receipt of such cheque shall satisfy and discharge the liability for the principal and interest to the extent of the sums represented thereby unless such cheque is not paid on presentation.

4.5 No Set-Off

The obligations of the Borrower to make all payments of principal and interest and all other amounts due thereunder shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, any set-off, compensation, counter-claim, recoupment, defence or other right which the Borrower may have against the Lender or anyone else for any reason whatsoever.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

5.1 General Representations and Warranties

The Borrower and the Guarantors jointly and severally represent and warrant to the Lender, and acknowledges that the Lender is relying on such representations and warranties in entering into this Agreement, as follows:

(a) the Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of Alberta, is duly registered to carry on business in all other applicable jurisdictions where it carries on business and has the corporate capacity and power to own its property and assets, to carry on its business, to execute and deliver the Loan Documents, to comply with the provisions thereof and to duly perform and observe all of its obligations thereunder and the entering into, performance and observance by it of such obligations has been duly authorized by all necessary corporate action;

(b) Peak Energy Holdco Ltd. and Peak Energy Services Partnership have been duly incorporated or established and is a valid and subsisting corporation or partnership, as the case may be, under the laws of their jurisdictions of incorporation or establishment, and have full capacity and power to own their property and assets, to carry on business, to execute and deliver the Security Documents, to comply with all provisions thereof and to duly perform and observe all of their obligations thereunder and the entering into, performance and observance by them of their obligations has been duly authorized by all necessary corporate or partnership action;

(c) Peak Energy Services Trust and Peak Commercial Trust have been duly formed as trusts and are in good standing under the legislation governing them, and have the powers, permits and licenses required to operate their business or enterprise and to own, manage and administer their property;

(d) the borrowing of money by the Borrower, the entering into and performance of the Loan Documents by the Borrower and the Guarantors, and the issue of the Security Documents to be given hereunder do not conflict with, and do not result in a breach or violation of, or constitute a default under, the articles of incorporation of the Borrower or any corporate Guarantor, the partnership agreement of any partnership Guarantor, or the by-laws or other constating documents of the Borrower or any Guarantor, or under any of the covenants or the provisions contained in any material agreement to which the Borrower or any Guarantor is a party or by which it or its assets are or may be bound or to which it or its assets are or may be subject and do not require the consent or approval of any person;

(e) the Loan Documents constitute valid and binding obligations of the Borrower and the Guarantors enforceable against the Borrower and the Guarantors in accordance with their respective terms (subject to applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and the fact that specific performance, injunctive relief and other equitable remedies may be given at the discretion of the courts before which such remedies are sought);

(f) subject only to the Permitted Encumbrances, the Borrower and the Guarantors have good and marketable title to the Mortgaged Property free and clear of all Liens (provided nothing herein shall constitute a subordination of the Security Documents to any Permitted Encumbrances), and subject only to Permitted Encumbrances, neither the Borrower nor any Guarantor has granted any person a right to acquire any of the Mortgaged Property;

(g) neither the Borrower nor any Guarantor is in default in the performance or observance of any of the obligations, covenants or conditions contained in any material contract, agreement or other instrument to which it is a party or by which it is bound including, without limitation, the NBC Facilities, which default would result in a Material Adverse Change;

(h) since the date of the most recent audited Financial Statements dated as at December 31, 2004 , there has occurred no Material Adverse Change;

(i) all balance sheets, earnings statements and other financial data of the Borrower and the Guarantors which have been delivered to the Lender are true and correct in all material respects as at the respective dates thereof, have been prepared in accordance with generally accepted accounting principles consistently applied, and fairly present the financial position and condition of the Borrower and the Guarantors as at the respective dates thereof, and all other information, certificates, schedules, reports and other papers and data which have been furnished to the Lender are complete, accurate and correct in all material respects as at the time the same were furnished;

(j) there are no actions, suits or judicial or arbitral proceedings pending or threatened against the Borrower or any Guarantor in any court or other authority which might result in a Material Adverse Change, or which might affect the ownership, status or use of the Mortgaged Property;

(k) neither the Borrower nor any Guarantor is in breach of any by-law, law, statute, regulation, rule or order, of any authority relating in any way to the Mortgaged Property or the operation of its business or both, which breach would result in a Material Adverse Change;

(l) there are no material judgments or executions filed against the Borrower, any Guarantor or any of the Mortgaged Property;

(m) neither the Borrower nor any Guarantor:

(i) is insolvent,

(ii) has committed an act of bankruptcy, has taken advantage of any legislation for bankrupt or insolvent debtors, has filed a notice of intention to make a proposal or has made a proposal under the *Bankruptcy and Insolvency Act* (Canada), has proposed a compromise or arrangement of its creditors generally, made any assignment for the benefit of creditors, or taken any proceedings with respect to a compromise or arrangement or to have a receiver appointed over any part of its assets,

(iii) has had a petition for a receiving order filed against it, has had a proposal made in respect of it or a notice of intention to enforce security sent to it, under the *Bankruptcy and Insolvency Act* (Canada), and

there are no proceedings in effect or threatened under the provisions of the *Winding-Up and Restructuring Act* (Canada) or the *Companies' Creditors Arrangement Act* (Canada), nor has any receiver, receiver and manager, monitor, custodian or official with similar powers been appointed by court order or privately, respecting the Borrower or any Guarantor or any of their assets or property;

(n) the Borrower and the Guarantors are in good standing under all leases to which they are a party and the loss of which would result in a Material Adverse Change, and no right currently exists in any lessor or lessee thereunder to terminate any such lease and each such lease is valid and binding;

(o) all material remittances required to be made by the Borrower and the Guarantors to the federal, provincial or municipal governments have been made, are currently up to date and there are no outstanding arrears;

(p) there are no material liabilities of the Borrower or any Guarantor of any kind whatsoever, whether or not accrued and whether or not determined or determinable, in respect of which the Borrower or such Guarantor is or may become liable on or after the date of this Agreement which are not fully and properly reflected in the written financial information of the Borrower delivered to the Lender;

(q) all of the Mortgaged Property of the Borrower and the Guarantors is currently located in the Provinces of Alberta, British Columbia, Saskatchewan and the State of Wyoming and in no other place or places;

(r) the Mortgaged Property is insured against loss and damage as required hereunder, and neither the Borrower nor any Guarantor is in default with respect to any of the provisions contained in any such insurance policy or failed to give any notice or present any claim exceeding Five Hundred Thousand Dollars ($500,000) under any insurance notice in due and timely fashion;

(s) there are no pension plans of the Borrower or any Guarantor except for the Borrower's group RRSP with Standard Life;

(t) except as may be provided for as a Permitted Encumbrance, there is nothing owing in respect of the Mortgaged Property to any municipality or to any other corporation or commission owning or operating a public utility for water, gas, electrical power, energy, steam or hot water or for the use thereof or for the equipment used in connection therewith;

(u) all buildings located on real Mortgaged Property are entirely within the limits of such Mortgaged Property, and the use of such Mortgaged Property is not in breach of any by-laws, statutes, ordinances, regulations, covenants or restrictions applicable thereto, which breach would result in a Material Adverse Change;

(v) none of the real Mortgaged Property nor any lands adjacent thereto has ever been used by the Borrower or any Guarantor for the purpose of a waste disposal site, other than in compliance with all applicable environmental laws, rules and regulations;

(w) other than substances normally resulting from or used in the operation of the Mortgaged Property, no hazardous substances, including, without limitation, asbestos, urea formaldehyde foam insulation, radon gas and PCBs, is, has been, or will be located, stored or incorporated in or on real Mortgaged Property by the Borrower or any Guarantor, and the Borrower and the Guarantors have complied in all material respects with all federal, provincial and municipal orders, regulations and by-laws relating to environmental matters including, but not limited to, matters related to air pollution, noise control, on-site or off-site waste or hazardous substance handling, discharge, disposal or recovery, toxic or hazardous substances or materials (whether products or waste), asbestos, urea formaldehyde foam insulation, radon gas and PCBs;

(x) there have been no "releases" of "substances", as those terms are defined in the *Environmental Protection and Enhancement Act* (Alberta), for which the Borrower or any Guarantor is responsible either as the "owner of a substance", or "person having control of a substance" as those terms are defined in the *Environmental Protection and Enhancement Act* (Alberta), other than in respect of the equipment utilized by Whitefox Environmental Services Inc. in compliance with all applicable environmental laws, rules and regulations;

(y) all drums or containers containing waste of the Borrower or any Guarantor have been or will be removed from the Mortgaged Property by means of delivery to a carrier licensed under the applicable laws of the jurisdiction in which the carrier operates, for disposal in a waste disposal site licensed under the applicable laws of the jurisdiction in which the waste disposal site is located; and

(z) there is no Default or Event of Default under any of the Loan Documents and, when used in relation to any person, the term "Security Documents" shall mean and refer to the Security Documents executed and delivered by such person.

5.2 Survival of Representations and Warranties

The covenants, agreements, representations and warranties set forth in this Agreement and in any certificate or other document delivered hereunder, notwithstanding any investigation made by the Lender or its counsel or any other representative of the Lender or the making of the Advance hereunder or any other thing or matter:

(a) are material;

(b) shall be deemed to be relied upon by the Lender or by any subsequent holder of the Security Documents;

(c) shall survive the execution and delivery of this Agreement and the Security Documents; and

(d) shall continue in full force and effect until repayment in full of all of the Loan Indebtedness.

ARTICLE 6
<u>SECURITY</u>

6.1 Security Documents

(a) As continuing collateral security for the Loan Indebtedness in addition to those Security Documents held by the Lender, the Borrower shall execute and deliver, and shall cause the Guarantors to execute and deliver, to and in favour of the Lender the Debentures, the Deposit Agreements, the General Security Agreements, the Subordination Agreements and the Guarantees, as specified in section 1.1;

(b) Subordination Agreements by Peak Commercial Trust in respect of any amounts owing by the Borrower or any Guarantor to Peak Commercial Trust, including without limitation, amounts due or accruing due under the PESL Note and an undertaking not to make any payments under the Commercial Notes if they cannot be made pursuant to section 7.2(f);

(c) Subordination Agreements by Peak Energy Services Trust in respect of any amounts owing by the Borrower or any Guarantor to Peak Energy Services Trust, including without limitation, amounts due or accruing due under the Commercial Notes and an undertaking not to make any Distributions to its unitholders, if Distributions cannot be made pursuant to section 7.2(g).

6.2 General Security Provisions

(a) All Security Documents shall rank in priority to all Liens other than Permitted Encumbrances; provided that nothing herein shall be construed as a subordination of the Security Documents to any Permitted Encumbrances.

(b) Each of the Security Documents shall be registered or perfected in all such jurisdictions as may be required, in the reasonable opinion of the Lender or Lender's Counsel, to preserve and protect the priority of the Security Documents.

(c) Each of the Security Documents shall for all purposes be treated as a separate and continuing collateral Liens and shall be deemed to have been given in addition to and not in place of any other Security Document or any other Lien now or hereafter acquired by the Lender.

(d) The Lender may grant extensions of time or other indulgences, acquire and release Liens (including, without limitation, the Security Documents or any part or parts thereof), accept compromises, grant releases and discharges and otherwise deal with the Borrower, the Guarantors and other persons and with Liens (including without limitation, the Security Documents and each part thereof) as the Lender may see fit, without prejudice to any other rights or recourse the Lender may have under this Agreement or any of the Security Documents.

(e) The Security Documents shall be effective immediately and shall be continuing, whether the Advance shall be advanced before or after or at the same time as the creation of any such Security Documents or before or after or upon the date of execution of any amendments to this Agreement.

(f) Upon payment in full of the Loan Indebtedness and termination of this Agreement, the Lender shall release the Security Documents.

ARTICLE 7
<u>COVENANTS</u>

7.1 Positive Covenants

The Borrower hereby covenants and agrees with the Lender that, so long as any Loan Indebtedness remains unpaid:

(a) the Borrower will duly and punctually pay or cause to be paid to the Lender the Loan Indebtedness at the date, time and places, and in the manner provided for herein;

(b) the Borrower will give the Lender prompt notice of:

(i) any action, suit, litigation or other proceeding which is commenced or threatened against the Borrower or any Guarantor and which involves a claim or potential claim in excess of [redacted]

(ii) any claim against the Borrower or any Guarantor which is not fully covered by insurance except for deductible amounts,

(iii) any claims for costs for environmental clean-up, or orders to effect environmental clean-up in excess of [redacted]

(iv) any Material Adverse Change,

(v) any material loss, destruction or damage of or to any properties or assets of the Borrower or any Guarantor,

(vi) any amendment to the terms governing the NBC Operating Facility or the NBC Acquisition Facility, including any demand thereunder,

(vii) the occurrence of any Default or Event of Default;

(c) the Borrower shall furnish to the Lender:

(i) within one hundred and forty (140) days after the end of each of its fiscal years, audited Financial Statements of the Borrower as at the end of such fiscal year, signed by two officers of the Borrower, together with a report of the Borrower's auditors thereon containing no reservation of opinion and subject to no negative qualification which the Lender finds unacceptable;

(ii) within forty-five (45) days after the end of each month, consolidated unaudited Financial Statements of the Borrower as at the end of such month;

(iii) concurrently with the delivery of the Financial statements in (i) and (ii) above, a compliance certificate of the Borrower in the form of Schedule I;

(iv) copies of all quarterly reports provided to its shareholders within sixty (60) days after the end of each fiscal quarter of the Borrower;

(v) within sixty (60) days after the end of each fiscal year of the Borrower, an annual report setting out all purchases and sales of the Borrower and the Guarantors of fixed assets charged with the Lien of the Security Documents during such fiscal year, specifically setting out the date of purchase or sale, the purchase price or sale price and the method of payment;

(vi) within ninety (90) days after the end of each fiscal year of the Borrower, a business plan and operating budget for the upcoming fiscal year in form and substance satisfactory to the Lender, which shall include a balance sheet, income statement and cash flow statement all prepared in accordance with generally accepted accounting principles;

(vii) such other information respecting the Borrower, any Guarantor, any of their properties and assets, and other matters and information relating to the Borrower and the Guarantors and their respective businesses, as the Lender may from time to time reasonably request;

(d) the Borrower shall and shall cause the Guarantors to at all times maintain their corporate, partnership or trust existence, and the Borrower will provide the Lender with copies of all amendments to the constating documents of the Borrower or any Guarantor;

(e) the Borrower will and will cause the Guarantors to carry on business in a proper and efficient manner and not change the general nature of their respective businesses, and will keep or cause to be kept proper books of account and make or cause to be made therein true and faithful entries of all material dealings and transactions in relation to their respective business, and will and will cause the Guarantors to at all times abide by all laws, by-laws, regulations, orders, decrees and the like regarding the properties, assets and operation of the businesses of the Borrower and the Guarantors, including those pertaining to the protection of the environment;

(f) the Borrower will and will cause the Guarantors to duly and timely file all tax returns required to be filed by them, and will pay or cause to be paid or remitted all taxes, rates, government fees, dues and other amounts levied, assessed or imposed upon them or any of their properties or any part thereof, as and when the same become due and payable, save and except when and so long as, the validity of any such taxes, rates, fees dues, levies, assessments or imposts is in good faith, by proper legal proceedings, being contested by it, provided such proceedings effectively postpone enforcement of any Lien arising from non-payment and adequate provision on the books in the opinion of the Lender is made therefor; and without the prior written consent of the Lender, the Borrower will not and will cause the Guarantors not to make any agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return by, or payment of any taxes, governmental charges, governmental royalties or deficiency assessed against, the Borrower or any Guarantor;

(g) the Borrower will and will cause the Guarantors to insure the Mortgaged Property at all times during the term hereof, at their own expense, to the full insurable value thereof and in any event to an amount at least equal to the outstanding principal amount of the Advances, against loss or damage by fire, lightning, explosion, windstorm, aircraft or vehicles or other insurable hazards which are now, or hereafter from time to time may be, insured against by the terms of a standard all risk fire insurance extended coverage and additional perils supplemental contract of insurance against loss of, or damage to, property of a class or kind similar to the Mortgaged Property, including third party sudden and accidental environmental impairment insurance as may be available from time to time at a reasonable cost and boiler and pressure vessel insurance, if applicable; and the Lender shall be named as a loss payee, as its interest may appear, in all such insurance contracts effected by the Borrower and the Guarantors which shall include a mortgage clause in a form approved by the Lender;

(h) the Borrower will and will cause the Guarantors to maintain comprehensive general public liability and property damage insurance with limits of liability at least equal to [redacted] for each instance or such greater amounts as the Lender may require; such insurance shall include the Lender as a named insured;

(i) the Borrower will pay or cause to be paid, when due, all amounts owing in respect of the Mortgaged Property to any municipality or other commission, corporation or utility owning or operating a utility for water, gas, electric power, energy, steam or hot water, or for the use thereof or for the equipment used in connection therewith;

(j) the Borrower will pay or reimburse the Lender and its agents for all legal fees, including disbursements, (on a solicitor and client basis) of or incurred by the Lender in connection with the completion of the loan transaction provided for in this Agreement and the Security Documents taken in pursuance hereof, including all costs of title examination and perfecting the Liens of the Security Documents, as required, and all costs, charges and expenses of the Lender in connection with the recovery or enforcement of repayment of the Loan Indebtedness or any part thereof or in connection with the enforcement or realization of any such Security Documents and any amount not so paid shall bear interest at the Interest Rate;

(k) the Borrower will at all times repair and keep in repair and good order and condition, or cause to be so repaired and kept in good order and condition, all buildings, erections, machinery and plant used in or in connection with the Mortgaged Property, and renew and replace or cause to be renewed and replaced all and any of the same which may become worn, dilapidated, unserviceable, inconvenient or destroyed, all as may be required by good business practices, and at all reasonable times will allow or will cause to be allowed the Lender or its duly authorized agents access to the Mortgaged Property in order to view the state and condition of the same;

(l) the Borrower shall give the Lender thirty (30) days prior notice of any change of address of its head office;

(m) the Borrower shall and shall cause the Guarantors to, at reasonable times and upon reasonable notice, permit representatives of the Lender to visit any of the premises of the Borrower and the Guarantors and to examine the books, accounts, records and other property and assets of the Borrower and the Guarantors, and to make copies of all financial and other records and information of the Borrower and the Guarantors; and

(n) the Borrower will promptly notify the Lender of the creation or existence of any Subsidiary; the Lender may require that any such Subsidiary guarantee the repayment by the Borrower of the Loan Indebtedness and the performance of its other obligations under the Loan Documents, and the Borrower shall promptly cause such Subsidiary to execute a guarantee in form and substance satisfactory to the Lender, together with such legal opinions and other documents and instruments in connection therewith or with respect to such Subsidiary as may be reasonably requested by the Lender.

7.2 Financial Covenants

The Borrower and the Guarantors covenant and agree with the Lender that, so long as any Loan Indebtedness remains unpaid, the Borrower and the Guarantors shall:

(a) at all times maintain a ratio of Current Assets to Current Liabilities of not less than [redacted]

(b) at all times maintain a ratio of Total Debt to Equity of not more than [redacted]

(c) maintain a ratio of Funded Net Debt to EBITDA of [redacted] and, if prior to the end of any fiscal quarter (the "**Relevant Fiscal Quarter**"), the Borrower and the Guarantors, as the case may be, have consummated an acquisition approved by the Lender, the Borrower may or the Lender may request that the Borrower submit to the Lender a *pro forma* Compliance Certificate, together with a management analysis (including supporting financial statements) respecting the *pro forma* Compliance Certificate, certified by a responsible officer, setting forth what would have been the Funded Net Debt to EBITDA Ratio at the end of such Relevant Fiscal Quarter, had the material transaction closed at the beginning of the period in respect of which Funded Net Debt to EBITDA Ratio is calculated (the "**Relevant Period**"), and if in the opinion of the Lender, acting reasonably, the *pro forma* Compliance Certificate accurately represents what would have been the Funded Net Debt to EBITDA Ratio at the end of the Relevant Fiscal Quarter had the material transaction closed at the beginning of the Relevant Period, the Funded Net Debt to EBITDA Ratio shall be the value of that ratio as disclosed in such *pro forma* Compliance Certificate;

(d) at all times maintain a ratio of Tangible Net Assets to Designated Principal Amount of not less than [redacted]

(e) not be permitted to incur additional term debt ranking *pari passu* with the Loan Indebtedness unless (and then only to the extent that):

(i) in the case of the acquisition of a corporation, utilizing on a consolidated basis the combined pro forma financial statements (based on the preceding twelve (12) months' actual results) of the Borrower and the corporation being acquired; and

(ii) in any other case, utilizing pro forma financial statements (based on the preceding twelve (12) months' actual results) of the Borrower and the corporation being acquired, the Borrower would, after giving effect to the additional term debt incurred, be in compliance with all financial covenants contained in this Agreement, there is no Default or Event of Default nor any default or event of default under the NBC Facilities or any other debt obligations, and any additional term debt incurred matures no earlier than the Loan Indebtedness;

(f) in respect of the Borrower and the Guarantors, excluding Peak Energy Services Trust, not make any Distributions:

(i) in excess of the covenants specified in the Peak Trust Agreement or otherwise out of the ordinary course of business;

(ii) after a Default or Event of Default has occurred; or

(iii) if such Distribution would create a Default or Event of Default or otherwise impair the ability of the Borrower or the Guarantors, excluding Peak Energy Services Trust, to fulfill their respective obligations under this Agreement or the Security Documents;

(g) in respect of Peak Energy Services Trust, not make any Distributions:

(i) out of the ordinary course of business;

(ii) after the Lender has given notice to Peak Energy Services Trust that a Default or Event of Default has occurred; or

(iii) for greater certainty but not so as to restrict the generality of the foregoing, which exceed Distributable Cash Flow in more than two (2) of the Trailing Fiscal Quarters, or at any time when the aggregate amount of Distributions in any Trailing Fiscal Quarters exceeds the aggregate Distributable Cash Flow for such period, to be tested at each Fiscal Quarter of the Borrower. Notwithstanding the foregoing, the aggregate Distributions for the Trailing Fiscal Quarters shall not at any time exceed the Distributable Cash Flow for the Trailing Fiscal Quarters;

provided however, with respect to paragraph (b) above, in the event that changes in legislation occur which affect the priorities on realization currently afforded to future tax liabilities, the Lender may in its sole discretion revise and restructure the treatment in Equity of future tax liabilities.

7.3 Negative Covenants

The Borrower hereby covenants and agrees with the Lender that so long as any of the Loan Indebtedness remains outstanding, without the prior written consent of the Lender (such consent not to be unreasonably withheld), it will not and will cause the Guarantors not to:

(a) sell, transfer, assign, abandon, surrender, exchange, lease, sublease, convey or otherwise dispose of any of its property and assets, except for (i) dispositions to the Borrower or any Guarantor, (ii) dispositions of inventory in the ordinary course of business, and (iii) dispositions of tangible equipment which has become worn out, unserviceable, obsolete, unsuitable or unnecessary in the conduct of its business; provided that the fair market value of such tangible equipment disposed of in any fiscal year of the Borrower shall not exceed [redacted]

(b) create, issue, incur, assume or permit to exist or otherwise have outstanding any Lien on any of its property and assets other than Permitted Encumbrances (provided that nothing herein shall be construed as a subordination of the Security Documents to any Permitted Encumbrances); and

(c) amalgamate, merge or consolidate with any other person except for a reorganization of and among the Borrower and the Guarantors or any of them and except for any hostile takeover bid brought by a third party regarding the Borrower and Guarantors

7.4 Waiver of Covenants

The Lender may waive compliance with any covenant contained in Article 7 on request in writing from the Borrower, provided that no such waiver shall extend to or be taken in any manner whatsoever to affect any subsequent or other non-compliance with such covenants except as expressly set forth in such waiver.

ARTICLE 8
DEFAULT AND ENFORCEMENT

8.1 Events of Default

Each of the following events shall constitute an Event of Default:

(a) if the Borrower fails to pay all or any part of any Loan Indebtedness when the same becomes due and payable and such default shall have continued for a period o[redacted]ays after notice in writing by the Lender;

(b) if the Borrower or any Guarantor fails to observe or perform any other covenant or obligation under any of the Loan Documents and such default shall have continued for a period of[redacted]ays after notice in writing by the Lender to the Borrower specifying such failure and requesting the Borrower to remedy the same or cause the same to be remedied;

(c) if under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or the *Winding Up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws:

(i) the Borrower or any Guarantor makes a general assignment for the benefit of creditors, files or presents a petition, makes a proposal or commits any act of bankruptcy;

(ii) any action is taken for the winding up, liquidation or the appointment of a liquidator, trustee in bankruptcy, custodian, curator, sequestrator, receiver or any other officer with similar powers be appointed with respect to the Borrower or any Guarantor;

(iii) a judgment or order shall be entered by any court or jurisdiction approving a petition for reorganization, arrangement or composition of or in respect of the Borrower or any Guarantor; or

(iv) the Borrower or any Guarantor is insolvent or declared bankrupt;

(d) if there exists a voluntary or involuntary suspension of any material business of the Borrower or any Guarantor;

(e) if any execution, sequestration, seizure, restraint, extent or any process of any court becomes enforceable against the Borrower or any Guarantor, or a distress or comparable process of any court is levied upon any property of the Borrower or any Guarantor, and in each case the same is not discharged within [redacted] days;

(f) if action is taken by an encumbrancer against the Borrower or any Guarantor to take possession of or enforce proceedings against any material assets, and (i) the Borrower or such Guarantor does not forthwith obtain and maintain a stay with respect to any sale of such assets and contests in good faith such taking of possession or enforcement proceedings by appropriate proceedings diligently conducted or (ii) a final non-appealable judgment order of a court declares the encumbrance or Lien of such encumbrancer to be valid;

(g) if any final judgment for the payment of monies in excess of [redacted]) is rendered against the Borrower or any Guarantor and is not discharged within [redacted]ays from the date of imposition of such judgment;

(h) if a receiver or a receiver and manager of the Borrower is appointed over all or any substantial portion of the property and assets of the Borrower or any Guarantor;

(i) if any representation or warranty of the Borrower made herein or in any other Loan Document shall prove to be incorrect or misleading in any material respect on the date as of which it was made and which, if capable of correction or remedy without changing the statement, is not so remedied or corrected within thirty (30) days;

(j) if payment of any of the NBC Facilities is demanded, or with respect to obligations thereunder not payable on demand, any event or circumstance occurs which entitles NBC or ATB to accelerate such indebtedness or NBC or ATB accelerates such indebtedness before the specified maturity date thereof;

(k) if the validity or enforceability of any Loan Document, or the priority of any Security Document, is prejudiced or endangered; or

(l) the Lender determines, acting reasonably, that there has been a Material Adverse Change by way of change, amendment, termination or replacement of any of the documents constituting the Peak Trust Agreement.

8.2 Effect of Event of Default

Upon the occurrence of an Event of Default, the Lender may, at its option, by notice in writing to the Borrower, and in addition to any other rights or remedies provided for herein or in the Security Documents or at law or in equity, declare all Loan Indebtedness to be immediately due and payable, whereupon:

(a) all Loan Indebtedness shall become immediately due and payable, without protest, presentment, demand or further notice of any kind, all of which are expressly waived by the Borrower and the Borrower hereby unconditionally promises and agrees to immediately pay the Loan Indebtedness to the Lender;

(b) such notice shall constitute due demand for payment under any notes issued pursuant to the Loan Documents;

(c) the Security Documents shall become enforceable; and

(d) the Lender shall be entitled to exercise all rights and remedies available to it under any of the Loan Documents, at law, in equity, by statute, or otherwise.

8.3 Waiver of Default

The Lender may at any time waive in writing any Event of Default which may have occurred, provided that no such waiver shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights or remedies resulting therefrom. No delay or failure by the Lender to exercise any right or remedy hereunder shall impair any such right or remedy or shall be construed to be a waiver of any Event of Default hereunder or under the Security or acquiescence therein.

8.4 Remedies Cumulative

Each of the remedies available to the Lender is agreed by the Borrower to be a separate remedy and in no way is a limitation on any one or more of the other remedies otherwise available to the Lender. The rights and remedies expressly specified herein or in the Security are cumulative and not exclusive. The Lender may in its sole discretion exercise any and all rights, powers, remedies and resources available herein or in the Security Documents or any other remedy available to it, and such rights, powers and remedies and resources may be exercised concurrently or individually without the necessity of any election.

8.5 Notice of Intent to Enforce

Notwithstanding any grace periods provided for in Section 8.1, the Lender may at the time of any occurrence set forth in Section 8.1 and prior to the expiry of any grace periods set forth therein, or otherwise upon the occurrence of a Default, give the Borrower or any Guarantor a Notice of Intention to Enforce Security as required by the *Bankruptcy and Insolvency Act* (Canada), as amended, it being the intention of the parties that, at the Lender's option, the grace periods to cure defaults, and the ten (10) day Notice of Intention to Enforce Security, may run concurrently.

ARTICLE 9
GENERAL CONTRACT PROVISIONS

9.1 [Intentionally Left Blank]

9.2 Standby Fee

In the event that all the funds available under this Agreement have been drawn down in full by December 31, 2005, a standby fee shall not be payable. In the event that all funds available under this Agreement have not been drawn down by December 31, 2005, and the Lender, in its sole and unfettered discretion extends the time for drawing down on the Subsequent Advances the Borrower shall forthwith pay the Lender a standby fee of [redacted] of the undrawn portion of the available funds for the period from the commencement to the termination of the extension period.

9.3 Notice

Any demand or notice to be given by any party hereto to any other party shall be in writing and may be given by personal delivery or except during any period when postal service is interrupted, by prepaid registered mail or by telecopy or by other means of instantaneous transmission that produces a permanent copy ("other communication") addressed as follows:

(a)	to the Borrower and the Guarantors at:	Peak Energy Services Ltd. Suite 1800 530 - 8th Avenue SW Calgary, Alberta T2P 3S8 Attention: Chief Financial Officer Fax: (403) 543-7335
	With a copy to:	Fraser Milner Casgrain LLP

Suite 3000, 237 – 4th Avenue S.W.
Calgary, Alberta
T2P 4X7

Attention: Scott Sangster
Fax: (403) 268-3100

(b) to the Lender at:

Integrated Private Debt Fund LP
130 Adelaide Street West
Suite 2200
Toronto, Ontario
M5H 3P5
Attention: President
Fax No.: (416) 367-2594

With a copy to:

Integrated Private Debt Fund LP
3116 - 4th Street N.W.
Calgary, Alberta
T2M 3A4
Attention: Managing Director
Fax: (403) 283-0165

and shall be deemed to have been received by the party to whom it was addressed:

(i) if given by registered mail, on the date falling four (4) business days following the date upon which it was deposited in the post office with postage and cost of registration prepaid;

(ii) if personally delivered to an adult during normal business hours, when so delivered; and

(iii) if given by other communication, three (3) hours after transmission and confirmation of receipt,

provided that any of the above-named parties may change the address designated from time to time, by notice in writing to the other party hereto.

9.4 Law Applicable

This Agreement shall be construed in accordance with the laws of the Province of Alberta.

9.5 Assignment

This Agreement shall enure to the benefit of, and shall be binding upon, the parties hereto and their respective successors and permitted assigns. This Agreement may be assigned by the Lender, in which event the Borrower shall attorn in all respects to such assignment and the assignee thereof. The Borrower cannot assign any of its rights or obligations under this Agreement.

9.6 Entire Agreement

This Agreement constitutes the entire agreement among the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no warranties, representations or other agreements between the parties in connection with the subject matter of this Agreement except as specifically set out in this Agreement. No supplement, modification, waiver or termination of this Agreement shall be binding, unless executed in writing by the party or parties to be bound thereby.

9.7 Business Day

If under the provisions of this Agreement any amount is to be paid or any act or thing is to be done or step is to be taken on a day other than a business day, then such amount shall be paid or such act or thing or step shall be done or taken on the next business day.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the dates first above written.

PEAK ENERGY SERVICES LTD.

Per: ______________________
Name: Matt Huber
Title: Chief Financial Officer and Secretary

PEAK ENERGY HOLDCO LTD.

Per: ______________________
Name: Matt Huber
Title: Secretary-Treasurer

PEAK ENERGY SERVICES PARTNERSHIP, by its Managing Partner, Peak Energy Services Ltd.

Per: ______________________
Name: Matt Huber
Title: Chief Financial Officer and Secretary

PEAK ENERGY SERVICES TRUST, by its administrator, Peak Energy Services Ltd.

Per: ______________________
Name: Matt Huber
Title: Chief Financial Officer and Secretary

PEAK COMMERCIAL TRUST, by its administrator, Peak Energy Services Ltd.

Per: ______________________
Name: Matt Huber
Title: Chief Financial Officer and Secretary

PEAK ENERGY SERVICES USA, INC.

Per: ______________________
Name: Matt Huber
Title: Director

INTEGRATED PRIVATE DEBT FUND LP, by its general partner Integrated Private Debt Fund GP Inc.

Per: ______________________
Name: Ben Bacigalupi
Title: Managing Director