PURCHASE AND SALE AGREEMENT

SAE.374259

BETWEEN:

[redacted]

AND

1107567 ALBERTA LTD.

AND

BREAKER ENERGY LTD.

DATED THE 17TH DAY OF MAY 2006

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT dated the 17th day of May 2006,

BETWEEN:

[redacted] an Alberta general partnership having an office and carrying on business in the City of Calgary, in the Province of Alberta ("**Vendor**")

- and -

1107567 ALBERTA LTD., a body corporate having an office and carrying on business in the City of Calgary, in the Province of Alberta ("**Purchaser**")

- and -

BREAKER ENERGY LTD., a body corporate having an office and carrying on business in the City of Calgary, in the Province of Alberta ("**Breaker**")

WHEREAS Vendor wishes to convey to Purchaser and Purchaser wishes to purchase from Vendor the Assets, all subject to and in accordance with the terms and conditions set forth herein;

NOW THEREFORE in consideration of the premises and the mutual covenants and agreements hereinafter contained, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals, this clause and the schedules attached hereto, the following capitalized words and phrases shall have the following meanings:

(a) "**Abandonment and Reclamation Obligations**" means all obligations to abandon the Wells and restore and reclaim the surface sites thereof, to decommission and remove the facilities and equipment comprised in the Tangibles and restore and reclaim the surface sites thereof and to reclaim and restore the lands to which the surface rights relate, all in accordance with good oil and gas field practices, and in compliance with the Regulations;

(b) **"Additional Indemnitees"** means, with respect to any Party to which an indemnity is granted pursuant to this Agreement, its Affiliates, and the respective directors, officers, servants, agents, advisors, employees and consultants of that Party and its Affiliates;

(c) **"Adjustment Date"** means the hour of 8:00 a.m. Calgary, Alberta time on April 1, 2006;

(d) **"AEUB"** means the Alberta Energy and Utilities Board;

(e) **"AFEs"** means authorities for expenditure, cash calls and operations notices issued under Title and Operating Agreements authorizing expenditures and similar items and amounts budgeted pursuant to unit operating agreements for the Units and approved mail ballots, if any;

(f) **"Affected Asset"** has the meaning provided in clause 3.2;

(g) **"Affiliates"** means any company, person, partnership or other legal entity which controls or is controlled by a Party to this Agreement, or which controls or is controlled by a company, person, partnership or other legal entity which controls such Party, and **"control"** means the power to direct or cause the direction of the management and policies of the other company, person, partnership or legal entity, whether directly or indirectly, through one or more intermediaries or otherwise, and whether by virtue of the ownership of shares or other equity interests, the holding of voting rights or contractual rights, or partnership interests or otherwise. For certainty, a partnership which is a Party and which is comprised of corporations which are Affiliates, as described above, shall be deemed to be an Affiliate of each such corporation and its other Affiliates;

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

(i) **"Basic Purchase Price"** means the sum of money set forth in clause 2.2(a);

(j) **"Business Day"** means any day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta, and each Business Day to be calculated under this Agreement shall be a full and complete day encompassing the period from 8:00 a.m. to 4:30 p.m. of such day;

(k) **"Closing"** means the transfer of possession, beneficial ownership and risks of the Assets to Purchaser and the exchange of conveyance documents and payment of the Purchase Price and all other items and consideration required to be delivered at the Closing Time pursuant hereto;

(l) **"Closing Time"** means the hour of 2:00 p.m. Calgary, Alberta time on the later of:

(i) June 20, 2006;

(ii) the third Business Day following the day on which all Rights of First Refusal shall have been exercised or waived by the holders thereof or all time periods within which such rights may be exercised have expired;

(iii) the third Business Day following the day on which approval pursuant to the *Competition Act* (Canada) as contemplated herein is received or the time period within which such approval may be refused has expired;

(iv) the third or fifth Business Day, as the case may be, after an arbitrator has rendered a decision in accordance with and as further described in article 3; or

(v) such other date or time as may be agreed upon in writing by the Parties;

(m) "**Consent Rights**" has the meaning provided in clause 4.2;

(n) "**Data Room Materials**" means the documents, files, data and information which were reviewed by Purchaser, or were available to be reviewed by Purchaser in Vendor's data room during the period March 29, 2006 to the execution of this Agreement or were otherwise provided to Purchaser by Vendor at any time prior to the execution of this Agreement;

(o) "**Deposit**" means the sum of money set out in clause 2.7(a);

(p) "**Environmental Defect**" means any one or more Environmental Liabilities relating to any particular Asset for which, in Purchaser's opinion acting reasonably and in good faith, the cost of remediation of such Asset is equal to or greater than five percent (5%) of its value, provided however, the following shall not be, nor deemed to be, an Environmental Defect:

(i) Environmental Liabilities disclosed in the Data Room Materials or otherwise disclosed in writing to Purchaser prior to the execution of this Agreement; and

(ii) Abandonment and Reclamation Obligations;

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

(r) "**Facilities**" means the right, title, estate and interest of Vendor described in Schedule "B" in and to the facilities described in Schedule "B", if any;

(s) "**General Conveyance**" means the conveyance to be executed at Closing conveying beneficial title to the Assets from Vendor to Purchaser, in the form attached as Schedule "G";

(t) "**GST**" means the goods and services tax administered pursuant to the *Excise Tax Act* (Canada), 1985, R.S.C., c.E-15, as amended and the regulations thereunder or under any successor or parallel federal or provincial legislation that imposes a tax on the recipient of goods and services;

(u) "**Interest Amount**" means the amount equivalent to the interest that shall be deemed to have accrued at [redacted] calculated daily and not compounded, on the Basic Purchase Price calculated from and including the Adjustment Date up to and including the day prior to the Closing Time except that the interest calculated on the portion of the Basic Purchase Price minus the amount of the Deposit [redacted] shall be calculated on the day the Deposit is received by Vendor up to and including the day prior to the Closing Time, which amount shall cumulatively increase the Purchase Price as described in clause 2.2(b) and shall be allocated for tax purposes solely to the Petroleum and Natural Gas Rights;

(v) "**Lands**" means the lands set forth and described in Schedule "A" (insofar as rights thereto are granted by the Leases) and any and all lands pooled or unitized therewith and includes the Petroleum Substances within such lands, subject to such limitations as to geological formations and Petroleum Substances as set forth in Schedule "A";

(w) "**Leases**" means:

(i) all leases, licences, permits and other documents of title set forth and described in Schedule "A", by virtue of which the holder thereof is entitled to drill for, win, take, own or remove the Petroleum Substances within, upon or under the Lands or lands with which the Lands are pooled or unitized, or by virtue of which the holder thereof is deemed to be entitled to a share of Petroleum Substances removed from the Lands or lands with which the Lands are pooled or unitized, and includes, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefore but only insofar as the same relate to the Lands; and

(ii) with respect to Lands in which Vendor holds fee simple title means a lease in the form attached hereto as Schedule "J" which will be entered into between Vendor and Purchaser at Closing;

(x) "**Licensee Liability Rating**" means the licensee liability rating as assessed by the AEUB under Directive 006 and related AEUB regulations, guidelines, interim directives and policies;

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

(z) "**Miscellaneous Interests**" means, subject to any and all limitations and exclusions provided for in this definition, the entire interest of Vendor in and to all property, assets, interests and rights pertaining to the Petroleum and Natural Gas Rights, the Wells, and the Tangibles, or any of them, but only to the extent that such property, assets, interests and rights pertain to the Petroleum and Natural Gas Rights, the Wells and the Tangibles to which Vendor is entitled at Closing, or any of them, or any rights relating thereto, including, without limitation, any and all of the following:

(i) the Leases, the Title and Operating Documents, the Production Sales Contracts, the Transportation Agreements, the Processing Obligations and any other contracts and agreements to the extent that they relate to the Petroleum and Natural Gas Rights, the Wells and the Tangibles, or any of them;

(ii) all subsisting leasehold rights to, and rights to enter upon, use or occupy the surface of any lands which are or may be used to gain access to or use or operate the Petroleum and Natural Gas Rights, the Wells, and the Tangibles, or any of them, excluding any such rights that pertain only to a well or wells other than the Wells;

(iii) all records, books, documents, licences, permits, approvals, drawings (whether in electronic format or otherwise, including all 'as-built' drawings, and including a list of drawings) authorizations, files, or papers which relate to the Petroleum and Natural Gas Rights, the Wells and the Tangibles, or either of them; and

(iv) [redacted]

and the right, title, estate and interest of Vendor described in Schedule "A" in and to the Wells, including the wellbores and any and all casing thereof; but specifically excluding any of the foregoing that (i) may pertain to any seismic other than the [redacted] or to geophysical or geological data or matters, engineering forecasts, evaluations and reserve estimates; (ii) may pertain to Vendor's proprietary information or technology or interpretations or Vendor's tax and financial records or economic evaluations; (iii) are owned or licensed by Third Parties with restrictions on their delivery or disclosure by Vendor to any assignee or Third Party or which require the payment of any fees to transfer or disclose same; (iv) are referred to specifically as exclusions in Schedule "B"; (v) are legal opinions, or documents prepared by Vendor in contemplation of litigation; or (vi-) pertain to records required to be maintained by Vendor under the Regulations;

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

(bb) "**Partner Seismic Data**" means seismic data owned by Vendor jointly with one or more third parties, to the extent such data is related to the Lands and described on Schedule "I";

(cc) "**Permitted Encumbrances**" means, with respect to the Assets:

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

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

(iii) rights of general application reserved to or vested in any governmental or other public authority to levy taxes on Petroleum Substances produced from the Lands or any of them or the revenue therefrom;

(iv) legally binding requirements imposed under the Regulations concerning rates of production from operations in respect of any of the Assets and which are generally applicable to the oil and gas industry including, without limitation, any order or directive of the AEUB or other governmental authority, whether before or after the Adjustment Date, to limit or shut-in production from the Assets;

(v) the terms and conditions of the Production Sales Contracts, the Transportation Agreements, and the Processing Obligations, and of other agreements (if any) for the sale of Petroleum Substances produced from the Lands that are terminable upon 90 days notice or less (without an early termination penalty or other cost);

(vi) the terms and conditions of the Leases and the Title and Operating Documents, including without limitation any penalty or forfeiture that is disclosed on Schedule "A", or that applies to the Assets subsequent to the Adjustment Date resulting from Purchaser's election under clause 6.2(e) not to participate in a particular operation;

(vii) to the extent they are detailed in Schedule "A":

(A) any overriding royalties, net profits interests or other encumbrances applicable to the Petroleum and Natural Gas Rights for which Purchaser will assume the obligation for payment;

(B) any existing potential alteration of Vendor's interest in the Assets because of payout conversion or farmin, farmout or other such agreement;

(C) any Rights of First Refusal; and

(D) any penalty or forfeiture that applies to the Assets at the Adjustment Date because of Vendor's election not to participate in a particular operation;

(viii) liens or security incurred, created or granted in the ordinary course of business or imposed by Regulations, to a public utility or government authority in connection with the Assets or operations thereon for the payment of taxes, assessments and governmental charges which are not due at Closing, or the validity of which is being diligently contested in good faith by or on behalf of Vendor;

(ix) liens (including, without limitation, processors', operators' and similar liens) incurred or created in the ordinary course of business as security in favour of the person conducting the development or operation of the Assets for Vendor's proportionate share of the costs and expenses of such development or operation which are not due at Closing, or the validity of which is being diligently contested in good faith by or on behalf of Vendor;

(x) mechanics', builders' or materialman's liens in respect of services rendered or goods supplied, but only insofar as such liens relate to goods or services for which payment is not due at Closing, or the validity of which is being diligently contested in good faith by or on behalf of Vendor;

(xi) statutory exceptions to title, and the reservations, limitations, provisos and conditions in any original grants from the Crown of any of the Assets or interests therein;

(xii) any Security Interest held by any Third Party encumbering Vendor's interest in and to the Assets, or any part or portion thereof, in respect of which Vendor delivers a registerable discharge or a 'no interest' letter to Purchaser at or prior to Closing;

(xiii) any security held by, or granted by, through or under a Third Party in respect of or encumbering that Third Party's interest in and to the Assets or any part or portion thereof;

(xiv) any defect or deficiencies in title to the Assets disclosed in this Agreement, and any other Title Defects or Environmental Defects that are waived or deemed to be waived under article 3; and

(xv) all other liens, adverse claims, and other claims or interests of Third Parties set out in Schedule "A";

(dd) **"person"** means an individual, a partnership, a corporation, a trust, an unincorporated organization, a union, a governmental authority and the heirs, executors, administrators or other legal representatives thereof;

(ee) **"Personal Information"** has the meaning provided in clause 12.2;

(ff) **"Petroleum and Natural Gas Rights"** means the right, title, estate and interest of Vendor described in Schedule "A" in and to the Lands or any lands with which the Lands have been pooled or unitized and, insofar as they pertain thereto, the Leases, including without limitation any of the following which relate thereto:

(i) rights to explore for, drill for, extract, win, produce, take, save or market Petroleum Substances therefrom;

(ii) rights to a share of the production of Petroleum Substances therefrom;

(iii) rights to all Petroleum Substances injected into but not produced therefrom;

(iv) rights to a share of the proceeds of sale of, or rights to receive payment calculated by reference to, the quantity or value of the production of Petroleum Substances produced therefrom, other than the rights under agreements for the sale of Petroleum Substances;

(v) rights to acquire any of the rights described in subparagraphs (i) to (iv) of this definition;

(vi) interests in any rights described in subparagraphs (i) to (v) of this definition;

(vii) to the extent that they are described in Schedule "A" all interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests, economic interests; and

(viii) and all other interests, fractional or undivided interests in any of the foregoing;

but specifically excludes any fee simple interest of Vendor in the Lands;

(gg) "**Petroleum Substances**" means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, natural gas derived from or associated with coal deposits, sulphur, and any and all other substances and minerals related to any of the foregoing, whether liquid, solid or gaseous and whether hydrocarbons or not, to the extent any of the foregoing are located within or comprise all or part of the Petroleum and Natural Gas Rights or are produced therefrom (subject to such limitations as to geological formations and Petroleum Substances as may appear in Schedule "A");

(hh) "**Pipelines**" means the right, title, estate and interest of Vendor as described in Schedule "D", in and to the pipelines described in Schedule "D", if any;

(ii) "**Place of Closing**" means the offices of Vendor at [redacted] Calgary, Alberta, or such other place as may be agreed upon in writing by the Parties;

(jj) "**Prime Rate**" means the daily rate of interest expressed as a per annum rate announced from time to time by the main branch of the Royal Bank of Canada in Calgary, Alberta as a reference rate for the determination of interest rates on Canadian dollar commercial loans to customers in Canada which are in effect during the interest calculation period set forth in this Agreement;

(kk) "**Processing Obligations**" means those obligations relating to the processing of Petroleum Substances produced from the Lands (whether or not such obligations can be terminated on less than ninety-one (91) day's notice), described in Schedule "B", if any;

(ll) "**Production Sales Contracts**" means those contracts for the sale of Petroleum Substances produced from the Lands, which cannot be terminated on less than ninety-one (91) days' notice (without an early termination penalty or other cost), described in Schedule "E", if any;

(mm) "**Proprietary 100% Seismic Data**" means Vendor's wholly owned proprietary seismic data, to the extent such data is related to the Lands and described on Schedule "I";

(nn) "**Purchase Price**" means the total consideration payable by Purchaser to Vendor, resulting from the calculation set forth in clause 2.2;

(oo) "**Regulations**" means all statutes, laws, rules, orders, regulations and directions of governmental and other competent authorities in effect from time to time and made by governments, governmental boards or agencies, tribunals, arbitrators, or judicial authorities having jurisdiction over the Assets, the Parties or the transaction contemplated herein;

(pp) "**Remaining Environmental Defects**" has the meaning provided in clause 3.6;

(qq) "**Rights of First Refusal**" means a right of first refusal, pre-emptive right of purchase or similar right whereby any Third Party has the right to acquire or purchase all or a portion of the Assets as a consequence of the Parties entering into this Agreement or the transaction to be effected by this Agreement;

(rr) "**Security Interests**" means security interests in the Assets or any portion thereof or granted by Vendor, its Affiliates or predecessors in title to any Third Party, whether by way of mortgage, deed of trust, assignment under the *Bank Act* (Canada), debenture, general security agreement or land charge under personal property security legislation or otherwise, including any amendments thereto;

(ss) "**Seismic Review Area**" means the area within one (1) mile of the Lands, to the extent such data is described on Schedule "I", within which Purchaser has the right to review and access Vendor's seismic data, to the extent provided herein;

(tt) "**Specific Conveyances**" means all conveyances, assignments, registerable transfers, novations, bills of sale, and other documents or instruments, other than the General Conveyance, that are reasonably required or desirable to convey, assign and transfer the interest of and the obligations of Vendor in and to the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets and all of Vendor's obligations relating thereto;

(uu) "**Tangibles**" means the right, title, estate and interest of Vendor, to the extent they pertain to the Petroleum and Natural Gas Rights or are otherwise described on Schedule "B", in and to:

(i) all tangible depreciable property and assets which are situate in, on or about the Lands or appurtenant thereto and which are used or are intended to be used by or on behalf of Vendor to the extent that they are used in connection with production, gathering, processing, measuring, making marketable, injection, removal, transmission or treatment or storage of Petroleum Substances or operations thereon or relative thereto or appurtenant to or used in connection with the Wells or in connection with water or miscible fluids injection or removal operations that pertain to the Petroleum and Natural Gas Rights including, without limitation, production equipment, fresh and produced water facilities, flowlines, pipeline connections, meters, dehydrators, motors, compressors, treaters, scrubbers, separators, pumps, tanks, boilers and communication equipment, but specifically excluding any tangible depreciable property and assets beyond the point of entry into a gathering system, plant or other facility;

(ii) the Facilities;

(iii) the Unit Facilities; and

(iv) the Pipelines;

(vv) **"Third Party"** means any person (other than the Parties to the extent of their roles in this Agreement as Vendor and Purchaser) provided that any reference to "Third Party" in respect of Rights of First Refusal shall include Purchaser to the extent of its Rights of First Refusal existing under the Title and Operating Documents or the other contracts and agreements comprising the Miscellaneous Interests;

(ww) **"Thirteenth Month Adjustment"** means the accounting procedure performed annually by an operator of particular Tangibles for the purpose of redistributing certain revenues and expenses, including, without limitation, operating expenses, processing fee revenues, excess capacity utilization fees and recoveries, royalties and gas cost allowances (or similar cost allowances);

(xx) **"this Agreement"**, **"herein"**, **"hereto"**, **"hereof"** and similar expressions mean and refer to this Purchase and Sale Agreement together with all Schedules, in its entirety;

(yy) **"Title and Operating Documents"** means, to the extent directly related to the Petroleum and Natural Gas Rights, Wells, and Tangibles, or any of them:

(i) agreements whereby Vendor derives any interest in, or affecting Vendor's interests and obligations therein, including, without limitation, operating agreements, royalty agreements, farmout or farmin agreements, option agreements, participation agreements, pooling agreements, or trust agreements (whether Vendor is trustee or beneficiary);

(ii) agreements for the construction, ownership and operation of the Tangibles;

(iii) service agreements for the injection or subsurface disposal of substances, the use of well bores or the contract operation of any Wells or Tangibles by a Third Party as set forth in Schedule "B";

(iv) any approvals, authorizations or licences required under the Regulations for the conduct of operations with respect to the Assets, including, without limitation, Well, Pipeline and Facility licences;

(v) agreements respecting the unitization of any of the Petroleum and Natural Gas Rights; and

(vi) all other agreements other than the Leases that relate to the ownership, operation or exploitation of the Petroleum and Natural Gas Rights, the Wells, or the Tangibles;

(zz) "**Title Defect**" means, in respect of any particular Asset (whether a Lease, Title and Operating Document, Tangible, Well or otherwise):

(i) that Vendor holds a smaller beneficial interest in and to the particular Asset or any portion thereof other than attributed to it in Schedule "A"; or

(ii) that the interest of Vendor as described in Schedule "A" is subject to an encumbrance which was either not disclosed or was misdescribed in Schedule "A", where the value of such undisclosed encumbrance or of the misdescribed portion of such encumbrance, is material or would be adverse to the enforcement or defence of title to that Asset; or

(iii) any other deficiency or discrepancy in or affecting the title of Vendor in and to any of the Assets;

in each case in which, in Purchaser's opinion acting reasonably and in good faith, the reduction in value of such Asset is equal to or greater than five percent (5%). Notwithstanding the foregoing, "Title Defect" specifically excludes, without limitation:

(iv) any defect, deficiency, discrepancy, matter or thing which was disclosed in the Data Room Materials or otherwise disclosed in writing by Vendor to Purchaser prior to Purchaser's execution of this Agreement;

(v) any defect or other issue relating to any Rights of First Refusal or similar rights which may or may not have been applicable as a result of the contribution of the Assets by an Affiliate of Vendor to Vendor, or as a result of any previous internal reorganization of Vendor or its Affiliates;

(vi) the loss of lease acreage between the Adjustment Date and the Closing Time because the term of a Lease expires;

(vii) all Permitted Encumbrances;

(viii) the fact that only a beneficial interest, but not a legal interest, of Vendor or any of its predecessors in the Assets is held by Vendor;

(ix) any matter pertaining to the interest of a Third Party that does not pertain to the interest of Vendor in the Assets;

(x) any Environmental Defect;

(xi) the timely exercise of any Right of First Refusal by a Third Party, which that Third Party is entitled to so exercise;

(xii) failure to obtain consent of a Third Party prior to Closing for any Lease or Title and Operating Document requiring prior written consent to assign the Lease or Title and Operating Document an interest therein;

(xiii) an alteration, subsequent to the Adjustment Date, to Vendor's interest in the Assets set forth in a Schedule attached hereto as a result of an earning or payout conversion under the Leases or Title and Operating Documents, provided such earning or payout conversion right is described in Schedule "A" attached hereto;

(xiv) with the exception of any "unless type" freehold leases, any missing document or receipt which would otherwise demonstrate timely and full payment of a Lease rental, delay payment or shut-in payment, for a Lease, where the lessor thereof has accepted subsequent payments and there is no notice of default from the lessor in the Lease file; and

(xv) any missing or unsigned documents in the chain of Vendor's title to the particular Asset where such document is not reasonably required to confirm the creation, establishment or maintenance of such title and the current status of title can otherwise be confirmed with reasonable certainty;

(aaa) "**Transportation Agreements**" means those agreements relating to the transportation of Petroleum Substances attributable to the Petroleum and Natural Gas Rights (whether or not such agreements can be terminated on less than ninety-one (91) days' notice), described in Schedule "E", if any;

(bbb) "**Unit**" means the scheme of unitization for the production of Petroleum Substances, the unit area established thereunder and all property subject to such scheme created pursuant to the unit agreements and unit operating agreements including any and all amendments thereto, described in Schedule "B", if any;

(ccc) "**Unit Facilities**" means the Unit Interest in and to all tangible depreciable property and assets owned and operated by the Unit;

(ddd) "**Unit Interest**" means the right, title, estate and interest of Vendor described in Schedule "B" in and to the Unit; and

(eee) "**Wells**" means the wells identified in Schedule "C", and all other wells which are or may be or were used in connection with the Petroleum and Natural Gas Rights, and including without limitation, producing, shut-in, suspended, abandoned, water source, injection or disposal wells unless any such other wells are specifically excluded on Schedule "C".

1.2 Schedules and Exhibits

The following schedules are attached to, form part of, and are incorporated in this Agreement:

Schedule "A"	- Lands and Leases
Schedule "B"	- Facilities, Processing Obligations, Units, and exclusions from Miscellaneous Interests
Schedule "C"	- Wells
Schedule "D"	- Pipelines
Schedule "E"	- Production Sales Contracts and Transportation Agreements
Schedule "F"	- Rights of First Refusal Notice and Waiver Request
Schedule "G"	- General Conveyance
Schedule "H"	- AFEs
Schedule "I"	- Proprietary 100% Seismic Data, Partner Seismic Data and Licensed Seismic Data
Schedule "J"	- [redacted]

These schedules are incorporated herein by reference as though contained in the body of this Agreement. Whenever any term or condition, whether express or implied, of any schedule conflicts or is at variance with any term or condition of the body of this Agreement, the latter shall prevail.

1.3 Interpretation Not Affected by Headings

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

1.4 Included Words

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

1.5 Headings

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

1.6 Statutory References

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

1.7 Invalidity of Provisions

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

1.8 References in Agreement

Any reference to time refers to the time in Calgary, Alberta at the applicable time. All references to "dollars" or "$" herein refer to lawful currency of Canada.

1.9 Knowledge or Awareness

In this Agreement, the stated knowledge, information, belief or awareness of a Party consists only of the actual knowledge or awareness, as the case may be, of the current officers and managers of such Party and its Affiliates whose normal responsibilities relate to the matter in question in the course of their normal duties, and does not include knowledge, information or belief and awareness of any other person or persons or any constructive or imputed knowledge. With the exception of its Affiliates, Vendor does not have any obligation to make inquiry of Third Parties or the files and records of any Third Party or public authority in connection with representations and warranties that are made to its knowledge, information, belief or awareness.

1.10 Conflicts

Whenever any term or condition, whether express or implied, of any Schedule conflicts with or is at variance with any term or condition of the body of this Agreement, the latter shall prevail. If any term or condition of this Agreement conflicts with a term or condition of the Leases or the Regulations, the term or condition of the Lease or the Regulations will prevail, and this Agreement will be deemed to be amended to the extent required to eliminate any such conflict.

1.11 Interpretation If Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement that presumes that Purchaser has acquired the Assets hereunder will be construed as having been contingent upon Closing having occurred.

ARTICLE 2
PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Vendor agrees to sell, assign, set over, convey and transfer to Purchaser upon receipt of that part of the Purchase Price payable on Closing, and Purchaser agrees to acquire and purchase from Vendor, all the right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to the conditions of and upon the terms of this Agreement.

2.2 Purchase Price

The Purchase Price for the Assets is the amount resulting from the following calculation:

(a) [redacted] (the Basic Purchase Price);

(b) plus or minus adjustments, if any, resulting from the operation of article 7; provided however that any apportionment made thereunder that is not contained in the interim or final accounting referenced in article 7 shall not adjust the Purchase Price;

(c) plus the Interest Amount; and

(d) minus the adjustments, if any, resulting from the operation of article 4;

which sum less the Deposit and interest accrued thereon shall be paid in accordance with clause 2.4 on the Closing Time to Vendor.

2.3 Closing

Closing shall take place at the Place of Closing at the Closing Time if there has been satisfaction or waiver of the conditions of Closing contained in this Agreement. Subject to all other provisions of this Agreement, and upon receipt by Vendor of that part of the Purchase Price payable by Purchaser at Closing and any other sums payable by Purchaser at Closing, possession, risk and beneficial ownership of Vendor's interest in and to the Assets shall pass from Vendor to Purchaser at the Closing Time, but Purchaser shall not be entitled to claim ownership of the Assets until the Closing Time.

2.4 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made at Closing shall be made by bank wire.

2.5 Tax Allocation

The Parties shall allocate the Purchase Price amongst the Assets as follows:

(a) Petroleum and Natural Gas Rights $ [redacted]

(b) Tangibles $ [redacted]

(c) Miscellaneous Interests $ [redacted]

2.6 GST and Other Taxes

(a) At Closing, Purchaser shall pay to Vendor the GST payable in respect of the Assets (excluding the portion of the Purchase Price allocated to the Petroleum and Natural Gas Rights) which Vendor shall remit according to law. The GST registration number of Vendor is [redacted] and of Purchaser is 858642275RT0001.

(b) At Closing, Purchaser shall be solely responsible for any provincial sales tax pertaining to its acquisition of the Assets and shall remit any such taxes to the applicable governmental authority according to the Regulations.

(c) If Vendor is required to collect from Purchaser any tax, fee or charge under the Regulations in connection with Purchaser acquiring the Assets, including but not limited to GST, then Purchaser shall pay the amount of those taxes, fees or charges to Vendor, and Vendor shall remit those amounts in the manner required by the Regulations. If the amount of any tax, fee or charge is adjusted as a result of any audit or determination by any government authority then any increase or decrease and any related penalties and interest paid or received shall be paid by or received by Purchaser.

2.7 Deposit

(a) Vendor acknowledges receipt from Purchaser, on the day of execution of this Agreement, of a deposit of [redacted] (the "**Deposit**") paid by cheque, which shall be held by Vendor, in accordance with the terms and conditions of this Agreement, by Vendor.

(b) If Closing does not occur, then with respect to the Deposit:

(i) If this Agreement does not close pursuant to: (A) the termination provisions of either clause 3.3 or clause 3.6; or (B) clause 8.2 through no act, default, or omission of Purchaser; then Vendor shall reimburse Purchaser for the full amount of the Deposit, with simple interest thereon calculated at the Prime Rate from the time of its receipt by Vendor to but not including the day of payment of the Deposit to Purchaser.

(ii) In all other circumstances, the Deposit shall be retained by Vendor as liquidated damages, to compensate Vendor for expenses incurred in connection with the transaction contemplated herein and the delay or permanent impairment caused to Vendor's efforts to sell the Assets and in such event Purchaser shall be released from all liabilities and obligations under the Agreement except as provided in clause 12.1. For clarity, Vendor's retention of the Deposit is not a penalty but is a genuine pre-estimate by the Parties of the full limit of all damages that Vendor will suffer, having regard to the size of the Purchase Price, the amount of time between the date hereof and the Closing Time, and the time and expense incurred and to be incurred by Vendor. Any interest accruing on the Deposit from and after the date of its receipt by Vendor shall be for the benefit of Vendor.

(c) [redacted]

2.8 Calculation of Purchase Price

The Parties have taken into account Purchaser's assumption of responsibility for the Environmental Liabilities, Environmental Defects and Abandonment and Reclamation Obligations together with the future abandonment and reclamation costs associated with the Assets, as set forth in this Agreement, and Vendor's release of responsibility therefore when they determined the Purchase Price.

ARTICLE 3
DUE DILIGENCE REVIEW

3.1 Access

Promptly after execution of this Agreement, Vendor shall, subject to the Regulations and all existing contractual and fiduciary obligations and restrictions and to the provisions of clause 12.1, provide Purchaser and its nominees:

(a) with reasonable access during normal business hours to Vendor's Leases, Title and Operating Documents, and all other Miscellaneous Interests agreements, documents, Lease records, data sheets, permits, easements, licences and orders to which the Assets are subject for the purpose of the review of the Assets and Vendor's title thereto, and provide, if requested by Purchaser, copies of same at Purchaser's cost and expense, which copies will be destroyed by Purchaser or returned to Vendor and confirmation thereof provided to Vendor if Closing does not occur; and

(b) with a reasonable opportunity during normal business hours, upon reasonable prior notice to Vendor by Purchaser, to physically inspect the Assets and conduct an environmental assessment of the Assets, all at the sole cost, risk and expense of Purchaser, insofar as such access can be reasonably provided. Purchaser agrees to be liable to and to indemnify, defend and hold harmless Vendor and its representatives from and against any and all liabilities, claims and causes of action for personal injury, death or property damage occurring as a result of or in connection with such entry onto any property to so inspect the Assets. Vendor further agrees to comply fully with all rules, regulations, and instructions issued by Purchaser regarding Vendor's actions while upon, entering, or leaving any such property. If Purchaser undertakes an environmental assessment, the scope of the proposed assessment, including testing protocols, must be acceptable to Vendor prior to the commencement of the proposed assessment. If Purchaser takes samples from the Lands or Tangibles, Vendor shall require splitting of each sample and Purchaser shall deliver such split sample to Vendor. Purchaser shall, at its sole cost, provide Vendor with copies of all draft and final reports, results, data and analyses of the site visit, inspections and assessments within five (5) Business Days of Purchaser's receipt of them. Notwithstanding anything contained herein, the provisions of clause 12.1 in respect of such information shall survive Closing on the Closing Time for the benefit of Vendor.

3.2 Notice of Title Defects

In the event that Purchaser elects to review Vendor's title to the Assets, it shall do so with reasonable diligence after the execution of this Agreement. No later than ten (10) days prior to Closing Time, Purchaser shall notify Vendor in writing of the Title Defects. Such notice shall include a description of each Title Defect and the Assets affected thereby (hereinafter called the "**Affected Asset**"), the bona fide value allocated by Purchaser acting reasonably to the Affected Asset and the bona fide amount, in Purchaser's opinion acting reasonably, by which the value of each Affected Asset has been reduced by the Title Defect, taking into account the likelihood the Title Defect will manifest itself, and Purchaser's requirements for the remedying thereof. Failure to deliver the written notice within the ten (10) days, or failure to include all of the foregoing in a written notice, or failure to include a Title Defect in a written notice shall be deemed to be a permanent waiver of such Title Defect(s) for the purposes of this clause.

3.3 Rectification of Title Defects

Vendor shall use all reasonable efforts to cure or rectify the Title Defects of which Purchaser gives notice pursuant to clause 3.2. If any such Title Defects are not cured or removed, to Purchaser's reasonable satisfaction, at least three (3) Business Days prior to the scheduled Closing Time:

(a) where the cumulative amount by which the value of all of the Affected Assets has been reduced is, in Purchaser's opinion acting reasonably and in good faith, less than [redacted] of the Basic Purchase Price, Purchaser shall be deemed to waive permanently the uncured Title Defects, and shall complete the transaction contemplated hereby without an adjustment to the Purchase Price on account of such Title Defects; or

(b) where the cumulative amount by which the value of all of the Affected Assets has been reduced is, in the Purchaser's opinion acting reasonably and in good faith, [redacted] or more of the Basic Purchase Price but less than [redacted] f the Basic Purchase Price:

(i) the parties may delay Closing to a mutually agreeable time and date, in which case:

(A) the Vendor shall make further attempts to cure or remove the uncured Title Defects; and

(B) when such mutually agreeable time and date arrives, the elections pursuant to this clause 3.3(b) shall once again be made; or

(ii) Purchaser may elect to complete the transaction contemplated hereby with the Basic Purchase Price being reduced by the amount of the reduction in the value of the Affected Assets less [redacted] of the Basic Purchase Price; or

(c) where the cumulative amount by which the value of all of the Affected Assets has been reduced is, in Purchaser's opinion acting reasonably and in good faith, [redacted] or more of the Basic Purchase Price, either Purchaser or Vendor may, subject to clause 3.4, terminate this Agreement upon written notice to the other Party two (2) Business Days or more before the scheduled Closing Time, in which case the Parties shall have no further obligation to each other hereunder, except for obligations arising pursuant to subclause 2.7(c) and clause 12.1. Failure by either Purchaser or Vendor to elect in writing to terminate this Agreement within the time period aforesaid will be deemed to be an election to complete the transaction contemplated hereby without an adjustment to the Purchase Price on account of such Title Defects.

3.4 Value Disputes for Title Defects

In determining any reduction in value of the Assets due to uncured Title Defects, it is the intent of the Parties to include, when reasonably possible, only that portion of the Assets directly, adversely and materially affected by the uncured Title Defect. If Vendor disagrees with the value allocated by Purchaser to the Affected Assets or the reduction in value thereof, or disagrees as to the validity of a Title Defect, and if the amount allocated by Purchaser to the reduction in value of the Affected Assets is equal to or greater than a respective threshold provided in clause 3.3 and Vendor believes the value reduction of the Affected Assets (if any) is less than the respective threshold provided in clause 3.3, the Parties shall promptly meet in good faith to discuss the issue. If after such a meeting the issue has not been resolved or if a Party does not forthwith meet to discuss the issue, the issue shall be referred to arbitration pursuant to the provisions of article 11, in which case Closing shall be delayed until after the decision of the arbitrator has been rendered, subject to the remainder of this clause 3.4.

If the arbitrator's decision is that the reduction in value (if any) of the Affected Assets is less than a respective threshold provided in clause 3.3, the Parties shall proceed to Closing on the third Business Day after the decision of the arbitrator has been rendered and given to both Parties, with any corresponding adjustment, if any, to the Purchase Price on account of such Title Defects.

If the arbitrator's decision is that the reduction in value of the Affected Assets is equal to or greater than the termination threshold described in clause 3.3, either Party may terminate this Agreement upon written notice to the other Party within two (2) Business Days after the decision of the arbitrator has been rendered and given to both Parties. If neither Party so terminates this Agreement, the Parties shall proceed to Closing on the fifth Business Day after the decision of the arbitrator has been rendered and given to both Parties.

3.5 Notice of Environmental Defects

In the event that Purchaser elects to conduct a review of the environmental status of the Assets, it shall do so with reasonable diligence after the execution of this Agreement. Not later than ten (10) days prior to the scheduled Closing Time, Purchaser shall notify Vendor in writing of the Environmental Defects that Purchaser does not waive. Such notice shall specify such Environmental Defects in reasonable detail, the Assets directly, adversely and materially affected thereby, Purchaser's bona fide estimates of the aggregate cost of any required remediation, and Purchaser's requirements for the remedying of such Environmental Defects. Failure to deliver the written notice within the ten (10) days, or failure to include all of the foregoing in a written notice, or failure to include an Environmental Defect in a written notice shall be deemed to be a permanent waiver of such Environmental Defect(s) for the purposes of this clause.

3.6 Rectification of Environmental Defects

Vendor shall use all reasonable efforts to meet or respond to Purchaser's requirements regarding the Environmental Defects, at least three (3) Business Days prior to the scheduled Closing Time. Where Purchaser is not reasonably satisfied with Vendor's response to all or part of the Environmental Defects described in Purchaser's notice, or where Vendor has failed to respond to Purchaser regarding this matter, then with respect to the unresolved or unanswered Environmental Defects (called the "**Remaining Environmental Defects**"), then:

(a) where the cumulative amount of all of the Remaining Environmental Defects is, in Purchaser's opinion acting reasonably and in good faith, [redacted] or less of the Basic Purchase Price, Purchaser shall be deemed to waive permanently the Remaining Environmental Defects, and shall complete the transaction contemplated hereby without an adjustment to the Purchase Price on account of such Remaining Environmental Defects; or

(b) Termination Threshold: where the cumulative amount of all of the Remaining Environmental Defects is, in Purchaser's opinion acting reasonably and in good faith, more than [redacted] of the Basic Purchase Price, either Purchaser or Vendor may, subject to clause 3.7, terminate this Agreement upon written notice to the other Party two (2) Business Days or more before the scheduled Closing Time, in which case the Parties shall have no further obligation to each other hereunder, except for obligations arising pursuant to subclause 2.6(b) and clause 12.1. Failure by either Purchaser or Vendor to elect in writing to terminate this Agreement within the time period aforesaid will be deemed to be an election to complete the transaction contemplated hereby without an adjustment to the Purchase Price on account of such Remaining Environmental Defects.

3.7 <u>Value Disputes for Remaining Environmental Defects</u>

(a) In determining any value of the Remaining Environmental Defects, it is the intent of the Parties to include, when reasonably possible, only that portion of the Assets directly, adversely and materially affected by the Remaining Environmental Defects. If Vendor disagrees as to the validity of a Remaining Environmental Defect or Purchaser's estimate of the cost of remediation of a Remaining Environmental Defect, and if Purchaser's estimate of the cost of remediation of the Remaining Environmental Defects is equal to or greater than the termination threshold provided in clause 3.6 and Vendor believes the cost of remediation of the Remaining Environmental Defects (if any) is less than the termination threshold provided in clause 3.6, the Parties shall promptly meet in good faith to discuss the issue. If after such a meeting the issue has not been resolved or if a Party does not promptly meet to discuss the issue, the issue shall be referred to arbitration pursuant to the provisions of article 11, and Closing shall be delayed until the decision of the arbitrator has been rendered, subject to clause 3.7(c).

(b) If the arbitrator's decision is that the cost of remediation of the Remaining Environmental Defects (if any) is less than the termination threshold described in clause 3.6, the Parties shall proceed to Closing on the third Business Day after the decision of the arbitrator has been rendered and given to both Parties, with no adjustment to the Purchase Price on account of such Remaining Environmental Defects.

(c) If the arbitrator's decision is that the cost of remediation of the Remaining Environmental Defects is equal to or exceeds the termination threshold described in clause 3.6, either Party may terminate this Agreement upon written notice to the other Party within two (2) Business Days after the decision of the arbitrator has been rendered and given to both Parties. If neither Party so terminates this Agreement, the Parties shall proceed to Closing on the fifth Business Day after the decision of the arbitrator has been rendered and given to both Parties, with no adjustment to the Purchase Price on account of such Remaining Environmental Defects.

ARTICLE 4
ROFR'S, CONSENTS, AND COMPETITION ACT APPLICATION

4.1 Rights of First Refusal

(a) Vendor and Purchaser agree that certain of the Assets as identified in Schedule "A" are subject to Rights of First Refusal. Within two (2) Business Days after executing this Agreement, Purchaser shall advise Vendor in writing of its bona fide allocations of value for Vendor's interest in and to such Assets. Vendor shall comply with the applicable provisions of the Rights of First Refusal and shall forthwith deliver (by the means set out in the governing agreement) notices to the Third Parties (and Purchaser, if applicable) holding such rights after it receives the bona fide allocations of Purchaser, in the form attached hereto as Schedule "F", using the bona fide allocations of Purchaser, except where such allocations are in Vendor's opinion, unreasonable. In such case, the Parties shall promptly meet in good faith to discuss the issue. If after such a meeting the issue has not been resolved, or if a Party does not promptly meet to discuss the issue, the issue shall be referenced to arbitration pursuant to the provisions of article 11. Purchaser shall indemnify and save Vendor harmless from and against any Losses that Vendor suffers or incurs as a consequence of using Purchaser's allocations of value in the notices. Vendor shall provide Purchaser with copies of all notices delivered pursuant to this clause 4.1(a).

(b) Vendor shall notify Purchaser in writing forthwith upon each Third Party exercising or waiving a Right of First Refusal. If any such Third Party elects to exercise a Right of First Refusal Purchaser shall purchase that portion of the Assets not subject to exercised Rights of First Refusal, the definition of "Assets" shall be deemed to be amended to exclude those Assets in respect of which the Right of First Refusal has been exercised, the pertinent Schedules shall be amended to exclude the Assets in which Rights of First Refusal have been exercised (including using an amendment date postdating the date of such exercise), such Assets shall not be conveyed to Purchaser, the Basic Purchase Price shall be reduced by an amount equal to the bona fide value allocated to such Assets, and the tax allocation set out in clause 2.5 shall be adjusted (if necessary), and the GST and any other provincial taxes based on the Purchase Price and payable to Vendor shall be reduced accordingly.

4.2 Consents

(a) If any Lease provides that Vendor shall obtain the written consent from a Third Party prior to the disposition of such Lease to Purchaser, Vendor shall, no later than ten (10) Business Days after the execution of this Agreement, serve all notices and request all consents required to permit the conveyance of such Leases to Purchaser. Provided Vendor has complied with its obligations under this clause, failure to obtain consents for all Leases requiring prior written consent (the "**Consent Rights**") on or prior to the Closing Time, shall not constitute grounds for failing to complete the conveyance of the Assets, shall not constitute a Title Defect and shall not constitute a breach of any of Vendor's representations and warranties. Vendor shall give prompt written notice to Purchaser of all Consent Rights for which consents are either granted or refused. If any Third Party notifies Vendor that it refuses to give the consent required by the Consent Right, Vendor and Purchaser at no additional cost to Purchaser, shall cooperate in attempting to obtain such consent. Purchaser may elect by written notice to proceed to Closing in respect of that Lease, provided that Purchaser will agree to indemnify Vendor, or terms and conditions reasonably satisfactory to Purchaser and Vendor, against Losses of Vendor as a result of such Closing. Vendor shall after Closing hold Purchaser's beneficial interest in that Lease in trust for Purchaser and shall continue to seek such written consent from the Third Party.

(b) To the extent not acquired prior to Closing, Vendor shall, after Closing, cooperate with Purchaser in securing all further consents required to permit the conveyance of the Assets to Purchaser at no additional cost to Purchaser.

4.3 <u>Competition Act Application</u>

Vendor and Purchaser shall each use all of their respective reasonable efforts, and shall cooperate with each other, to obtain all governmental and regulatory filings, approvals and consents as may be or become necessary under the *Competition Act* (Canada) for or in connection with the consummation of the transactions contemplated by this Agreement, including:

(a) if required by the Regulations, Purchaser and Vendor shall either promptly file an appropriate premerger notification under the *Competition Act* (Canada) or Purchaser shall promptly file a request for an advance ruling certificate under Section 102 of the *Competition Act* (Canada), as Purchaser may elect;

(b) Vendor agrees to furnish or cause to be furnished to Purchaser such information and reasonable assistance as Purchaser may reasonably request in connection with its preparation of necessary filings or submissions required by the *Competition Act* (Canada);

(c) Purchaser and Vendor shall cooperate to make reasonable efforts to respond to any governmental request or inquiry with respect thereto, but neither Purchaser nor Vendor, nor any of their Affiliates, shall be required to make any payment (other than for reasonable legal fees) that it is not presently contractually required to make, divest any assets, make any change in the conduct of its business, accept any limitation on the future conduct of its business, enter into any other agreement or arrangement with any Person that it is not presently contractually required to enter into, accept any significant modification in any existing agreement or arrangement, or agree to any of the foregoing, or to litigate or participate in administrative actions regarding such filings; and

(d) Purchaser will, at the request of Vendor, from time to time prior to Closing, provide Vendor and its representatives with copies of all applications, filings, notifications, submissions, as it relates to the *Competition Act* (Canada) condition to Closing in clause 8.2(e), and other correspondence or documents (including drafts thereof) related to the satisfaction of all the conditions to Closing together with such written advice and information with respect to the status of Purchaser's efforts to obtain the satisfaction of the conditions to Closing as Vendor may reasonably request.

[redacted]

ARTICLE 5
DOCUMENTS, RECORDS AND CONVEYANCES

5.1 Conveyances and Joint Obligations

(a) Vendor shall at its cost prepare the Specific Conveyances and the General Conveyance, to be executed and delivered by the Parties at Closing.

(b) None of the Specific Conveyances shall confer or impose upon a Party any greater right or obligation than contemplated in this Agreement. All Specific Conveyances are to be prepared and circulated to Purchaser no later than three (3) Business Days prior to Closing for execution and delivery by the Parties at Closing or as soon thereafter as reasonably possible. However, any surface rights granted under a "Master Agreement" or similar industry surface-use agreement shall not be conveyed, but Purchaser shall have sixty (60) days following the Closing Time in which to enter into a "Master Agreement" or similar industry agreement with the applicable Third Party covering such surface rights. To the extent any Specific Conveyances are not prepared or delivered at Closing, Vendor shall be entitled to retain the Leases, contracts, agreements, correspondence, records, books, documents, licences, reports and data relating thereto until such Specific Conveyances are delivered to Purchaser, but Purchaser may access all of the foregoing at Vendor's offices during business hours for review purposes and to make copies.

(c) Forthwith after execution and delivery of the Specific Conveyances, with the cooperation of Purchaser Vendor shall circulate and register, as the case may be, all Specific Conveyances that by their nature may be circulated or registered. All costs of registration of the Specific Conveyances, including without limiting the generality of the foregoing, all transfers of caveats, all Well, Facility and Pipeline licence transfers, assignments of dispositions and any associated security deposits shall be for Purchaser's account.

(d) Neither the General Conveyance nor any of the Specific Conveyances shall require Purchaser to assume or incur any obligation, or to provide any representation or warranty, beyond those contained in this Agreement, nor shall they entitle Purchaser to impose any obligation upon or to rely on any representation or warranty, express or implied, of Vendor beyond those contained in this Agreement.

5.2 Delivery of Data

(a) Subject to completion of Specific Conveyances as provided in clause 5.1, Vendor shall deliver to Purchaser at Closing or forthwith thereafter the original copies of the Leases, the Title and Operating Documents, and any other agreements and documents to which the Assets are subject and the original copies of contracts, agreements, correspondence, records, books, documents, licences, permits, approvals, reports and data comprising Miscellaneous Interests which are now in the possession of Vendor or of which it gains possession prior to Closing, all in an organized form. Notwithstanding the foregoing, if and to the extent such Leases, contracts, agreements, correspondence, records, books, documents, licences, reports and data also pertain to interests other than the Assets, photocopies or other copies may be provided to Purchaser in lieu of original copies, at Purchaser's sole cost and expense for copying. Vendor may retain photocopies of all Leases, contracts, agreements, correspondence, records, books, documents, licences, reports and data, at its sole cost and expense.

(b) Notwithstanding anything contained herein, with respect to the Leases, Title and Operating Documents, and all other files, records and other documents included in the Miscellaneous Interests, for a period of seven (7) years after the Closing Time, or until such time as Purchaser disposes of any or all of the Assets, whichever date is sooner, Purchaser shall give Vendor reasonable access to all such materials (including permitting the copying thereof where appropriate) acquired from Vendor and will make its personnel reasonably available for the purpose of providing Vendor, upon Vendor's reasonable request, with assistance in locating information from such records, providing appropriate verifications of documents and information, developing information, reports, submissions and the like relating to Vendor's operation of the Assets prior to the Closing Time, or otherwise providing reasonable assistance which the Parties mutually deem appropriate.

(c) At Closing, Vendor shall either provide the documents included in Miscellaneous Interests or undertake to deliver them within three (3) weeks following the Closing Time.

5.3 AEUB Licence Transfers

(a) If requested by Vendor, at least 5 days prior to the Closing Time Purchaser shall communicate with the AEUB to determine all conditions and deposits which the AEUB will require in order for the AEUB to approve the transfer by Vendor of licences for the Wells, Facilities and Pipelines and any other Tangibles to Purchaser, and shall advise Vendor in writing of such conditions and required deposits. In such case, at the Closing Time, Purchaser shall satisfy the deposit requirements of the AEUB which the AEUB requires, in order to approve any of those licence transfers to Purchaser. Purchaser further covenants to comply with all conditions imposed by the AEUB in respect of such transfers.

(b) Within five (5) Business Days following Closing, and subject to the approval of Vendor's working interest partners in the particular Asset (to the extent such working interest partners have the contractual right to grant or deny consent) Vendor shall prepare and electronically submit an application to the AEUB for the transfer of the Wells, Facilities and the Pipelines, if any, held in the name of Vendor and Purchaser shall electronically ratify and sign such application. If Vendor's working interest partners for an Asset deny their consent to such transfer, the Parties shall cooperate in re-transferring the pertinent licences back to Vendor for Vendor's assignment to an approved operator.

(c) Should the AEUB deny any licence transfer because of misdescription or other minor deficiencies in the application, Vendor shall within two (2) Business Days correct the application and amend and re-submit an application for the licence transfers and Purchaser shall electronically ratify and sign such application.

(d) After Closing, whether or not Purchaser requested prior determination of AEUB transfer conditions under clause 5.3(a), if for any reason the AEUB requires Purchaser to make a deposit in order to approve the licence transfer, Purchaser shall and covenants to immediately make such deposit.

(e) If Purchaser fails to make a deposit it is required to make under clause 5.3(d) within ten (10) days of Purchaser's receipt of notification from AEUB that such deposit is required, Vendor shall have the right, but not the obligation, to make such deposit. In such event, Purchaser shall reimburse Vendor for the amount of such deposit plus interest thereon at the Prime Rate plus two percent (2%) from the date Vendor paid the deposit until such reimbursement is made. In addition to all other rights to enforce such reimbursement otherwise available to Vendor, it shall have the right to set-off the amount of such reimbursement (including interest) against other monies due to Purchaser pursuant to this Agreement.

(f) Purchaser hereby appoints Vendor as its agent with regard to the payment referred to in clause 5.3(e), it being agreed however that Vendor shall not have any obligation to make such security deposits on behalf of Purchaser.

5.4 <u>Seismic Data and Partner Data</u>

(a) [redacted]

(d) resign or take any action which would result in Vendor's resignation or replacement as operator of any of the Lands or the Petroleum and Natural Gas Rights for which Vendor is the current operator; or

(e) if any operation or the exercise of any option respecting the Assets is proposed by a Third Party in circumstances which would require the written consent of Purchaser, Vendor will promptly give notice thereof to Purchaser, Purchaser will advise Vendor by notice not later than two (2) Business Days prior to the time Vendor is required to respond, and Vendor will make the election authorized by Purchaser. Any election by Purchaser not to participate in an operation or exercise of an option will not result in any reduction in the Purchase Price if Vendor's interest in the pertinent Assets is terminated, reduced or altered as a result of that election, nor will it constitute a Title Defect or a breach of Vendor's representations and warranties. Vendor may require Purchaser to advance or otherwise secure any costs to be incurred by Vendor in such manner as may be reasonable under the circumstances.

Purchaser ratifies all actions taken, or refrained from being taken, by Vendor under this clause, with the intention that all of those actions will be deemed to be those of Purchaser, except to the extent that Vendor's actions under this clause constitute gross negligence or wilful misconduct by it.

6.3 <u>Post-Closing Transition</u>

Following Closing and to the extent that Purchaser must be recognized by Third Parties under the Title and Operating Documents or otherwise recognized as the owner of any of the Assets, the following will apply to those Assets until that recognition has be effected:

(a) the provisions of clauses 6.1 and 6.2 will continue to apply, *mutatis mutandis*;

(b) Vendor shall hold title to the Assets, or any portion thereof, in trust for Purchaser, represent Purchaser and receive and hold all proceeds, benefits and advantages accruing in respect of the Assets for the benefit, use and ownership of Purchaser;

(c) Vendor will forthwith provide to Purchaser all Third Party AFEs, notices, mail ballots, specific information, communications, invoices, cash calls, billings, and other documents Vendor receives respecting the Assets, and will respond to such AFEs, notices, mail ballots, information and other documents pursuant to the written instruction of Purchaser, if received on a timely basis, provided that Vendor may refuse to follow instructions that it reasonably believes to be unlawful, unethical or in conflict with an applicable contract by providing notice to that effect to Purchaser in a timely manner;

(d) Pursuant to article 7, Vendor will deliver to Purchaser, on a monthly basis, in a manner consistent with Vendor's internal accounting processes, all revenues, proceeds and other benefits received by Vendor respecting the Assets after the Adjustment Date, together with all relevant statements of operating expenses, less the share of the applicable lessor royalties, operating costs, treating, gathering, processing and product transportation expenses and those other costs and expenses directly relating to the Assets and the production of Petroleum Substances. Vendor shall be entitled to retain any portion of such funds to satisfy any amounts owing or payable hereunder or to satisfy any amounts owing to Third Parties by Purchaser under the Leases, agreements or other documents relating to the Assets. Any net amount owing to Vendor under this subclause (d) will be paid by Purchaser within thirty (30) days of Vendor's invoice therefore; and

(e) Vendor will, as agent of Purchaser, deliver to Third Parties all such agreements, notices and other documents as Purchaser may reasonably request, to effect Purchaser's ownership of the Assets, and all money or other items provided in respect thereof.

6.4 Vendor as Agent of Purchaser

(a) Provided Closing occurs and insofar as Vendor maintains the Assets and takes actions on behalf of Purchaser in compliance with the obligations under this article 6, Vendor will be deemed to have been the agent of Purchaser hereunder. Purchaser hereby ratifies all actions taken, or refrained from being taken, by Vendor under this article in that capacity, with the intention that all of those actions will be deemed to be those of Purchaser, except to the extent that Vendor's actions under this article constitute gross negligence or wilful misconduct.

(b) Purchaser will be liable to and, in addition, indemnify Vendor and each of its directors, officers, agents, consultants and employees against all of their Losses and liabilities as a result of maintaining the Assets or exercising other rights as Purchaser's agent under this article, insofar as those Losses and liabilities are not a direct result of the gross negligence or wilful misconduct of Vendor or any of its pertinent directors, officers, agents, consultants or employees. An act or omission will not be regarded a gross negligence or wilful misconduct under this article, however, to the extent that it was done or omitted to be done in accordance with Purchaser's written instructions or written concurrence.

ARTICLE 7
APPORTIONMENTS

7.1 Apportionments

(a) Except as provided below in this article 7, the net amount of all benefits and obligations of every kind and nature relating to the ownership and operation of the Assets and accruing in respect of the Assets including without limitation, rentals, drilling penalties, property taxes, maintenance, development, capital and operating costs, accounts receivable in respect of such Assets, the proceeds from the sale of production, injected Petroleum Substances and revenues from processing and transportation fees charged to Third Parties, shall be apportioned between the Parties as of the Adjustment Date on an accrual basis in accordance with generally accepted accounting principles.

(b) Proceeds from the sale of Petroleum Substances that were beyond the wellhead prior to the Adjustment Date or were produced prior to the Adjustment Date and are in storage will be for the Vendor's account. Proceeds from the sale of Petroleum Substances that were not beyond the wellhead prior to the Adjustment Date or were produced after the Adjustment Date and are in storage shall be for the Purchaser's account.

(c) Without limiting clause 7.1(a), in the apportionment hereunder, Vendor shall receive a credit from Purchaser for an amount equal to all unexpended cash call advances, operating funds, and similar advances made by Vendor to operators in respect of the Assets. In cases where Vendor is the operator of the Assets, or any portion thereof, Vendor shall, at its option, either refund such funds and advances it has received as operator for which expenses have not been incurred or accrued to the applicable joint venture parties or transfer such funds to Purchaser. In respect of any of such funds transferred to Purchaser, Vendor shall receive a credit from Purchaser for the amount of any such funds and Purchaser shall hold such funds as trustee on behalf of the Third Parties that paid such funds subject to the terms of the agreements under which such funds were paid.

(d) Any adjustments resulting from joint venture audits, Thirteenth Month Adjustments, plant equalizations, royalty audits or Crown royalty audits relating to the Assets:

(i) relating to the period prior to the Closing Time and for which audit queries are outstanding at the Closing Time;

(ii) that occur after the Closing Time but not later than three (3) years after the Closing Time or within the applicable period in the governing agreements included in the Miscellaneous Interests, whichever is later; or

(iii) that occur after the Closing Time but not later than three (3) years after the Closing Time or within the applicable period specified in the governing Leases or Regulations, as applicable, whichever is later, in the case of royalty audits or Crown royalty audits;

shall be made as they are established and payment for them shall be made by the Party required to make payment hereunder in accordance with clause 7.1(a) within thirty (30) days of being notified in writing of the determination of the amount owing.

(e) All costs incurred in connection with work performed or goods or services provided in respect of the Assets shall be deemed to have accrued as of the date the work was performed or the goods or services were delivered, regardless of the times such costs became payable.

7.2 Interim and Final Accounting

(a) An interim accounting of all apportionments required under this article shall be carried out by the Parties for Closing based upon Vendor's good faith best estimate of such apportionments (based upon information then available) and the net apportionment pursuant to this article based upon such accounting shall be paid at Closing. A statement setting out the above interim accounting shall be delivered by Vendor to Purchaser no later than two (2) Business Days prior to Closing. Vendor shall assist Purchaser in verifying the amounts set forth in such interim statements of adjustments.

(b) Subject to the audit rights in clause 7.3, Vendor and Purchaser shall cooperate in preparing a final accounting of all apportionments pursuant to this article within one hundred eighty (180) days following the Closing Time. Upon agreement as to the amounts of such adjustments to be made pursuant to this article, Purchaser shall pay to Vendor, or Vendor shall pay to Purchaser, as the case may be, the net cash amount owing in respect of the apportionments as specified in the final accounting within thirty (30) days of completion of the accounting. Subject to clauses 7.1(d) and 7.3, the Parties shall not be obligated to make any adjustments after such one hundred eighty (180) day period unless such adjustment has been specifically requested, by notice, within such period. All adjustments shall be settled by payment by the Party required to make payment hereunder within thirty (30) days of being notified of each such apportionment being agreed upon. All overdue payments hereunder shall be payable with interest calculated at the Prime Rate plus one per cent (1.0%).

7.3 Audit Rights for Apportionments

During the twelve (12) month period following the Closing Time or in the event the final accounting of all apportionments has not been completed within one hundred eighty (180) days following the Closing Time, during the six (6) month period following completion of the final accounting of all apportionments pursuant to clause 7.2(b), Purchaser may audit the books, records and accounts of Vendor respecting the Assets for the purpose of ascertaining, verifying or effecting adjustments pursuant to this article. Such audit shall be conducted upon reasonable notice to Vendor at its offices during normal business hours, and shall be conducted at the sole expense of Purchaser. Any discrepancies disclosed by such audit shall be identified in writing to Vendor within one (1) month following the completion of such audit, and Vendor shall respond in writing to any claims or discrepancies within four (4) months of the receipt of such claims. To the extent that the Parties are unable to resolve any outstanding claims or discrepancies disclosed by such audit within one (1) month of the response of Vendor, such audit exceptions shall be resolved by arbitration pursuant to article 11. Notwithstanding the foregoing audit period limitation, Purchaser's audit rights under this clause 7.3 shall be extended for the time period, and in respect of those books, records and accounts, as may be reasonably necessary to permit Purchaser to verify refunds or payments to be received or made by it pursuant to clause 7.1(c).

7.4 Securities Regulation Audit Requirements

At any time prior to Closing or in the four (4) years following Closing, should Purchaser require an audited operating statement with respect to the Assets pursuant to the Regulations including any securities act disclosure requirements, for a period during which the Assets were owned by Vendor or an Affiliate of Vendor, Vendor shall provide access to the records of Vendor and its Affiliates relevant to preparation of such an operating statement during such period. Such access shall be provided by Vendor to an independent auditing firm selected by Purchaser, subject to the auditing firm entering into a confidentiality agreement with terms as reasonably required by Vendor. Vendor shall not be required to provide direct access to Vendor's records to Purchaser or any employees, consultants or other representatives of Purchaser. If the independent auditors require the assistance of Vendor's personnel to find, collect or interpret the necessary information from Vendor's records, Vendor shall cause such assistance to be provided and Purchaser shall pay reasonable hourly costs to Vendor as compensation for the time devoted by such personnel.

7.5 General

(a) Either Party may, at any time, refer to arbitration pursuant to article 11, a dispute between the Parties respecting the requirement for, or the amount of, or the allocation of, an adjustment pursuant to the provisions of this article.

(b) GST shall be payable with respect to apportionments where required by law and paid accordingly by the applicable Party.

(c) The Parties confirm Vendor shall claim all revenue and expenses relating to the Assets prior to the Closing Time and shall be responsible for any income taxes relating thereto. Nothing contained in this article shall impose any liability on any Party for the income tax liability of the other Party.

(d) With respect to the sale of the Assets, if the Purchase Price is adjusted pursuant to clause 7.1 or clause 7.3, such adjustment shall be allocated among the Petroleum and Natural Gas Rights and the Tangibles as is appropriate under the circumstances.

ARTICLE 8
CLOSING

8.1 Vendor's Closing Conditions

The obligation of Vendor to complete the sale of its interest in and to the Assets is subject to the following conditions that are inserted herein and made part hereof for the exclusive benefit of Vendor:

(a) the representations and warranties of Purchaser contained in this Agreement shall be true in all material respects when made and as of the Closing Time and a certificate to that effect from a senior officer of Purchaser shall have been delivered to Vendor;

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

(c) all material obligations of Purchaser contained in this Agreement to be performed or satisfied prior to or at Closing shall have been timely performed and satisfied in all material respects and a certificate to that effect from a senior officer of Purchaser shall have been delivered to Vendor;

(d) all deposits to be paid by Purchaser to AEUB pursuant to clause 5.3(a) at or prior to Closing shall have been paid in a timely manner, and Vendor shall be satisfied in reliance upon a representation by Purchaser, that the AEUB or other relevant regulatory board or agency will approve the transfer to Purchaser of Well, Facility and Pipeline licences and other licences and permits pertaining to the Assets that are currently registered in the name of Talisman Energy Inc.;

(e) on or prior to the Closing Time, one of the following conditions shall be met:

(i) the Commissioner of Competition appointed under the *Competition Act* (Canada) shall have issued an advance ruling certificate pursuant to Section 102 of the *Competition Act* (Canada) in respect of the transaction contemplated hereby on terms and conditions satisfactory to the Parties, acting reasonably;

(ii) the applicable waiting period under Section 123 of the *Competition Act* (Canada) shall have expired without the Commissioner of Competition having advised the Parties that he/she intends to apply to the Competition Tribunal for an order under Section 92 or Section 100 of the *Competition Act* (Canada) in respect of the transactions contemplated by this Agreement; or

(iii) the Commissioner of Competition shall have advised Purchaser in writing that he/she does not intend at the current time to apply to the Competition Tribunal for an order under Section 92 of the *Competition Act* (Canada) or otherwise shall have indicated in writing that he/she will take no action in respect of the transaction contemplated by this Agreement.

The conditions contained in this clause shall be for the sole and exclusive benefit of Vendor and may, without prejudice to any of the rights of Vendor contained in this Agreement (including reliance on or enforcement of the representations, warranties or covenants which are preserved dealing with or similar to the condition or conditions waived), be waived by Vendor in writing, in whole or in part, at any time. In the event that any one of the foregoing conditions is not satisfied or waived by Vendor, at or before the Closing Time, Vendor may, in addition to any other remedies which it may have available to it, rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in clauses 8.3 and 12.1;

8.2 Purchaser's Closing Conditions

The obligation of Purchaser to complete the purchase of Vendor's interest in and to the Assets is subject to the following conditions that are inserted herein and made a part hereof for the exclusive benefit of Purchaser:

(a) the representations and warranties of Vendor contained in this Agreement shall be true in all material respects when made and as of the Closing Time and a certificate to that effect from a senior officer of Vendor shall have been delivered to Purchaser;

(b) all material obligations of Vendor contained in this Agreement to be performed and satisfied prior to or at Closing shall have been timely performed and satisfied in all material respects and a certificate to that effect from a senior officer of Vendor shall have been delivered to Purchaser;

(c) from the execution date of this Agreement to the Closing Time, the Assets shall have suffered in aggregate no material adverse damage or change, provided however variations in the price at which Petroleum Substances may be sold or the rate of production of Petroleum Substances from the Lands are not material adverse damages or changes;

(d) Vendor shall have delivered to Purchaser at or prior to Closing either registerable discharges or no interest letters (in a form satisfactory to Purchaser) for all Security Interests encumbering the Assets which are requested by Purchaser a reasonable time prior to Closing;

(e) on or prior to the Closing Time, one of the following conditions shall be met:

(i) the Commissioner of Competition appointed under the *Competition Act* (Canada) shall have issued an advance ruling certificate pursuant to Section 102 of the *Competition Act* (Canada) in respect of the transaction contemplated hereby on terms and conditions satisfactory to the Parties, acting reasonably;

(ii) the applicable waiting period under Section 123 of the *Competition Act* (Canada) shall have expired without the Commissioner of Competition having advised the Parties that he/she intends to apply to the Competition Tribunal for an order under Section 92 or Section 100 of the *Competition Act* (Canada) in respect of the transactions contemplated by this Agreement; or

(iii) the Commissioner of Competition shall have advised Purchaser in writing that he/she does not intend at the current time to apply to the Competition Tribunal for an order under Section 92 of the *Competition Act* (Canada) or otherwise shall have indicated in writing that he/she will take no action in respect of the transaction contemplated by this Agreement.

(f) documentation evidencing all Rights of First Refusal have been exercised or extinguished (whether by waiver or lapse);

(g) the General Conveyance duly executed by Vendor; and

(h) the Specific Conveyances duly executed by Vendor.

The conditions contained in this clause shall be for the sole benefit of Purchaser and may, without prejudice to any of the rights of Purchaser contained in this Agreement (including reliance on or enforcement of the representations, warranties or covenants which are preserved dealing with or similar to the condition or conditions waived), be waived by Purchaser in writing, in whole or in part, at any time. In the event that any one of the foregoing conditions is not satisfied or waived by Purchaser, at or before the Closing Time, Purchaser may, in addition to any other remedies which it may have available to it, rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in clauses 8.3 and 12.1.

8.3 Efforts to Fulfill Conditions to Closing

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

ARTICLE 9
REPRESENTATIONS AND WARRANTIES

9.1 Representations and Warranties of Vendor

Purchaser acknowledges that it is purchasing Vendor's interest in and to the Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to or on behalf of Purchaser by Vendor or any Third Party, whether verbal or in writing, except that and subject in all instances to Permitted Encumbrances and the consents, approvals and waivers contemplated by this Agreement, Vendor makes only the following representations and warranties to Purchaser, no claim in respect of which shall be made or be enforceable by Purchaser unless written notice of such claim, with reasonable particulars, is given by Purchaser to Vendor within a period of twenty-four (24) months from the Closing Time:

(a) Standing: Vendor was formed as a general partnership under the *Partnership Act* (Alberta) and currently exists and is registered as a general partnership under that Act. Vendor is duly organized, validly subsisting and authorised to carry on business in the jurisdictions in which the Assets are located;

(b) Authority: Vendor now has and shall have at all times material to the transactions contemplated hereby, taken all necessary actions and has all requisite capacity, power and authority to enter into this Agreement and the other agreements and documents required to be delivered by it pursuant hereto, and to perform its obligations as Vendor under this Agreement and the other agreements and documents required to be delivered by it pursuant hereto;

(c) Execution and Enforceability of Documents: This Agreement and the other documents and agreements required by it have been duly executed and delivered by it and constitute legal, valid, binding and enforceable obligations of Vendor subject to the qualification that such enforceability may be subject to:

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

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

(d) No Conflicts: The consummation by Vendor of the transaction contemplated herein will not, in any material respects, violate, or be in beach of, or conflict with any of the constating documents, partnership agreement, charter, by-laws or other governing documents of Vendor or any provision of any material agreement or instrument to which Vendor is party or by which Vendor or the Assets are bound, or any Regulation applicable to Vendor or the Assets;

(e) Canadian Resident: It is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada);

(f) Title: Although it does not warrant title to the Assets, Vendor confirms that except for the Permitted Encumbrances:

(i) it has not assigned, mortgaged or in any way alienated or encumbered all or any portion of its interest in the Assets;

(ii) none of the Petroleum and Natural Gas Rights are subject to reduction or conversion to an interest of any other size or nature by reference to payout of any well or otherwise except as noted in Schedule "A";

(iii) the Assets will be, at the Closing Time, free and clear of all liens, encumbrances and adverse claims created by through or under Vendor; and

(iv) subject to the rents, covenants, conditions and stipulation in the Leases and any other agreements pertaining to the Assets, and on the lessee's or holder's part thereunder to be paid, performed and observed, Purchaser may enter into and upon, hold and enjoy the Assets for the residue of the respective terms of the Leases and any other agreements pertaining to the Assets, as to the interests hereunder assigned for Purchaser's own use and benefit without interruption of or by Vendor or any other Person whomsoever claiming by, through or under Vendor;

(g) Finders' Fees: It has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this transaction for which Purchaser shall have any obligation or liability;

(h) No Lawsuits or Claims: To Vendor's knowledge there are no material unsatisfied claims, proceedings, actions, lawsuits, administrative proceedings or governmental investigations in existence or threatened against or with respect to the Assets or its interest therein and to Vendor's knowledge, no particular circumstance exists that it reasonably believes will give rise to such a material claim proceeding, action or lawsuit that would have an adverse material effect on a particular Asset or Assets;

(i) Payment of Taxes: To Vendor's knowledge, all royalties, rentals and all ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of the Assets, or the production of Petroleum Substances from the Lands, or the receipt of proceeds therefrom, payable by Vendor or any of its Affiliates prior to the Adjustment Date and for all prior years have been properly paid and discharged or will be paid when due;

(j) Compliance: To Vendor's knowledge, Vendor has complied with, performed, observed and satisfied all material terms, conditions, obligations and liabilities which have heretofore arisen and were the obligations of Vendor or any of its Affiliates under any of the provisions of the Title and Operating Documents, Production Sales Contracts, Transportation Agreements or arrangements relating to the Processing Obligations affecting the Assets or any then-existing Regulation relating to the Assets;

(k) AFE's: Other than as disclosed in Schedule "H", as of the date of execution of this Agreement, there are no outstanding AFE's or other financial commitments in respect of those Assets which are operated by Vendor pursuant to which any expenditures are or may be required from Purchaser as a result of the transfer of the Assets, nor is there any single outstanding AFE or other single financial commitment in respect of those Assets which are not operated by Vendor in respect of which the share of Vendor is greater than [redacted] for which Purchaser will be responsible to pay;

(l) Production Sales Contracts / Transportation Agreements / Processing Obligations: There are no Production Sales Contracts, Transportation Agreements or Processing Obligations except as identified in Schedule "E" and in Schedule "B", respectively;

(m) Operations: To Vendor's knowledge, except as disclosed in the Data Room or in writing by Vendor to Purchaser prior to Purchaser executing this Agreement, all operations relating to the Assets have been conducted in accordance with good oilfield practice and all material requirements of then existing Regulations and to Vendor's knowledge, it has not received any notice of the occurrence of a material violation, and is not aware that any material violation is occurring or has occurred, in respect of operations relating to the Assets;

(n) Environmental: To Vendor's knowledge, except as disclosed in the Data Room or in writing by Vendor to Purchaser prior to Purchaser executing this Agreement:

(i) Vendor or any of its Affiliates has not received any order or directives under the Regulations relating to environmental matters of a material nature which remain outstanding in any material way as of the date hereof, and that require any further work, repairs, construction or capital expenditures of a material nature;

(ii) no demand or notice under the Regulations has been made or filed by any government or agency having to do with any material environmental damage or injury or alleged damage or injury, which remains outstanding as of the date hereof; and

(iii) there is no material matter, condition or thing that has arisen with respect to the Assets which could reasonably give rise to any such demand, notice, order or directive;

(o) Assets: Vendor is not disposing of all or substantially all of its assets;

(p) Regulatory Transfer Requirements: Talisman Energy Inc. meets all qualification requirements of and under the Regulations to transfer the Assets, including, without limitation, the requirement of the AEUB to have the licences for the Wells and Tangibles (for which Vendor is the licensee) located in Alberta transferred to Purchaser [redacted] and, in particular, Talisman Energy Inc.'s Licensee Liability Rating:

(i) is greater than or equal to one (1);

(ii) shall, as a result of the fulfillment of the transactions contemplated by this Agreement, be greater than or equal to one (1); and

(iii) shall be greater than or equal to one (1) at the time the AEUB considers approval of any Specific Conveyances pursuant to this Agreement;

(q) Prepaid Obligations: Vendor is not obligated by virtue of a prepayment, gas balancing, or other arrangement under any contract to make any production payment, refund of production payment, or delivery of Petroleum Substances produced from the Assets to any person at some future time without receiving in due course (and being entitled to retain) full payment therefore at current market prices or contract prices;

(r) No AMI: To Vendor's knowledge, there are no active areas of mutual interest or similar provisions contained in any Title and Operating Documents pertaining to the Assets which remain in effect;

(s) Worker's Compensation: The Worker's Compensation Board of Alberta does not possess and is not entitled to a charge on or a lien against the Assets or any of them created directly by, through or under to the Vendor;

(t) Rights of First Refusal: Except as set forth in Schedule "A", the sale of the Assets pursuant hereto is not subject to any Rights of First Refusal created by, through or under Vendor or of which Vendor has knowledge; and

(u) Default Notices: To Vendor's knowledge, Vendor has not received any notice of default under the Regulations, the Title and Operating Documents or any of the agreements affecting the Assets or any notice alleging its default thereunder, which default remains outstanding or unsatisfactory.

9.2 Limitation of Representations and Warranties

(a) Purchaser acknowledges that it is purchasing Vendor's interest in and to the Assets on an "as is, where is" basis, without representation and warranty and without reliance on any information provided to or on behalf of Purchaser by Vendor or any Third Party except as expressly set forth in clause 9.1. In particular, and without limiting the generality of the foregoing, Vendor hereby negates any representations or warranties, whether contained in any information, memorandum or otherwise, except for those set forth above in clause 9.1, with respect to:

(i) any data or information supplied by Vendor in connection therewith, including without limitation any engineering, geological, or other interpretations or economic evaluations respecting the Assets, whether provided in the Data Room Materials or otherwise;

(ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands;

(iii) the value of the Assets or the future cash flow therefrom; and

(iv) the quality, condition, serviceability, fitness or marketability of the Wells and any tangible, depreciable equipment or property or interests which comprise the Assets, including their suitability for use for any purpose.

(b) Furthermore, except to the extent that it has relied upon the representations and warranties contained in clause 9.1, Purchaser acknowledges and confirms that it has performed its own due diligence and it has not relied on any data, information or advice from Vendor with respect to any or all of the matters specifically enumerated in this clause in connection with the purchase of the Assets pursuant to this Agreement. In addition, Purchaser specifically acknowledges and confirms that in agreeing to enter into and to consummate the transaction contemplated in this Agreement, it has relied, and will continue to rely, upon its own engineering and other evaluations and projections as the same relate to the Assets and on its own inspection of all other physical property and assets which comprise the Assets.

9.3 Representations and Warranties of Purchaser

Purchaser hereby represents and warrants to Vendor at the date hereof and at the Closing Time that, subject to the consents, approvals and waivers contemplated by this Agreement:

(a) Corporate Standing: Purchaser is a corporation duly organized, validly subsisting and in good standing under the laws of its jurisdiction of incorporation and duly registered, validly subsisting and authorized to carry on business in the jurisdictions in which the Assets are located;

(b) Corporate Authority: Purchaser has taken all necessary corporate actions and has all requisite capacity, power and authority to enter into this Agreement and the other agreements and documents required to be delivered by it pursuant hereto, and to perform all other obligations of Purchaser under this Agreement and the other agreements and documents required to be delivered by it pursuant hereto;

(c) Execution and Enforceability of Documents: This Agreement and the other documents and agreements required by it have been duly executed and delivered by it and constitute legal, valid, binding and enforceable obligations of Purchaser subject to the qualification that such enforceability may be subject to:

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

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

(d) No Conflicts: The consummation by Purchaser of the transaction contemplated herein will not, in any material respects, violate, be in breach of, or conflict with any of the constating documents, partnership agreement, charter, by-laws or other governing documents of Purchaser or any provision of any material agreement or instrument to which Purchaser is party or by which Purchaser or the Assets are bound, or any Regulation applicable to Purchaser or the Assets;

(e) Canadian Resident: It is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada);

(f) Finders' Fees: It has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this transaction for which Vendor shall have any obligation or liability;

(g) AEUB: Purchaser meets all qualification requirements of all governmental agencies and under the Regulations to purchase, accept and hold the Assets, including, without limitation, the requirement of the AEUB to have the licences for the Wells and Tangibles (for which Vendor is the licensee) transferred to Purchaser, and in particular Purchaser's Licensee Liability Rating:

(i) is greater than or equal to one (1);

(ii) shall, as a result of the fulfillment of the transactions contemplated by this Agreement, be greater than or equal to one (1); and

(iii) shall be greater than or equal to one (1) at the time the AEUB considers approval of any Specific Conveyances pursuant to this Agreement;

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

9.4 No Merger

The representations and warranties set forth in clauses 9.1 and 9.3 are effective as of the date of this Agreement and shall continue to be effective up to and including the Closing Time for the benefit of the Party for which those representations and warranties were made. These representations and warranties shall not be the subject of any rights of subrogation in favour of any other persons, and the benefit thereof shall not be transferred to any other person. Such representations and warranties and the indemnities set forth in clause 10.1 and 10.2 shall be deemed to apply, as applicable, to all assignments, conveyances, transfers and documents conveying the Assets from Vendor to Purchaser and there shall not be any merger of any representation, warranty or indemnity in such assignments, transfers or documents notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

ARTICLE 10
INDEMNITIES

10.1 General Indemnity

Subject to clauses 6.4, 9.2, 10.2 and 10.3 and provided that Closing has occurred:

(a) Vendor shall:

(i) be liable to Purchaser for all Losses suffered, sustained, paid or incurred by Purchaser; and

(ii) indemnify and save Purchaser and its Additional Indemnitees harmless from and against all Losses that may be brought against or which they or any one of them may suffer, sustain, pay or incur;

as a direct result of any act, omission, circumstance or other matter arising out of, resulting from, attributable to, or connected with:

(iii) any misrepresentation or breach, on or before the Closing Time, of a representation or warranty of Vendor contained herein, provided that nothing in this clause 10.1(a) shall be construed so as to cause Vendor to be liable to Purchaser or to indemnify Purchaser and its Additional

Indemnitees in connection with any such representation or warranty if and to the extent that Purchaser or its Additional Indemnitees, as the case may be, did not rely upon such representation or warranty; and

(iv) any event of fraud by Vendor;

except any Losses insofar as they are caused by a breach of Purchaser's representations or warranties under clause 9.3, or by the gross negligence or wilful misconduct of Purchaser or any of its Additional Indemnitees, or are otherwise apportioned pursuant to clause 7.1.

(b) Purchaser shall:

(i) be liable to Vendor for all Losses suffered, sustained, paid or incurred by Vendor; and

(ii) indemnify and save Vendor and its Additional Indemnitees harmless from and against all Losses that may be brought against or which they or any one of them may suffer, sustain, pay or incur;

as a direct result of any act, omission, circumstance or other matter arising out of, resulting from, attributable to, or connected with:

(iii) any misrepresentation or breach, on, or before the Closing Time, of a representation or warranty of Purchaser contained herein, provided that nothing in this clause 10.1(b) shall be construed so as to cause Purchaser to be liable to Vendor or to indemnify Vendor and its Additional Indemnitees in connection with any such representation or warranty if and to the extent that Vendor or its Additional Indemnitees, as the case may be, did not rely upon such representation or warranty;

(iv) any event of fraud by Purchaser;

(v) the Assets, from and after the Closing Time;

except any Losses insofar as they are caused by a breach of Vendor's representations or warranties under clause 9.1, or by the gross negligence or wilful misconduct of Vendor or any of its Additional Indemnitees, or a material breach of clause 6.1 by Vendor, or are otherwise apportioned pursuant to clause 7.1.

10.2 <u>Environmental Indemnity</u>

Purchaser acknowledges that it:

(a) is familiar with the condition of the Assets, including the past and present use of the Assets;

(b) has been provided with the right and the opportunity to conduct due diligence investigations with respect to existing or potential Environmental Liabilities pertaining to the Assets; and

(c) is not relying upon any representation or warranty of Vendor as to the condition, environmental or otherwise, of the Assets, except as is specifically made pursuant to clause 9.1. Notwithstanding the provisions of clause 10.1(a), Purchaser agrees that once Closing has occurred, Vendor shall have no liability whatsoever for any Environmental Liabilities.

In this regard, once Closing has occurred, Purchaser shall:

(d) be solely liable and responsible for all Losses suffered, sustained, paid or incurred by Vendor; and

(e) indemnify and save Vendor and its Additional Indemnitees harmless from and against all Losses that may be brought against or which they or any one of them may suffer, sustain, pay or incur;

as a direct result of any act, omission, matter or thing related to any Environmental Liabilities pertaining to the acquired Assets, however and whenever arising or accruing and Purchaser shall assume, perform, pay and discharge all Environmental Liabilities. This liability and indemnity shall apply without limit and without regard to cause or causes, including without limitation the negligence, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful or wanton misconduct of either Vendor or Purchaser or any other person or otherwise. Purchaser acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor under the common law or statute pertaining to any Environmental Liabilities relating to the Assets including, without limitation, the right to name Vendor as a third party to any action commenced by any person against Purchaser. Nothing herein contained shall prejudice any claims or remedies that Vendor may have against Purchaser in relation to such claim or remedy outside this contract including rights and remedies under the common law or statute. Notwithstanding the foregoing, the liability of and indemnity provided by Purchaser in this clause 10.2 shall not apply to the extent of Vendor's liability and indemnification provided pursuant to clause 10.1(a) as a result of a breach of the environmental representation and warranty made by Vendor contained in clause 9.1(n).

10.3 Limitation of Claims

(a) In the absence of fraud, no claim in respect of the representations and warranties contained in this Agreement or in respect of an indemnity set out in clause 10.1 may be made or enforceable unless notice of such claim, including reasonably detailed particulars thereof, is given by the claimant to the other Party within the period of twenty-four (24) months from the Closing Time. The Parties shall consult and cooperate in respect of such claim and in determining whether the claim and any legal proceedings relating thereto should be resisted, compromised or settled. Each Party shall make available to the other all information in its possession or to which it has access which is or may be relevant to the particular claim. No such claim shall be settled or compromised without the written consent of the indemnifying Party hereunder, which consent shall not be unreasonable withheld.

(b) Subject to any specific limitations contained in this Agreement, including those in clauses 10.2 and 10.3(a) and to the timing restrictions contained in article 7, the Parties agree that the period for seeking a remedial order under Section 3.1(a) of the *Limitations Act* (Alberta) is extended from 2 years to 4 years for all claims that may arise under article 7.

(c) Nothing contained in this Agreement shall impose any liability on Vendor for indirect or consequential damages including, but not limited to, business loss, loss of profit or economic loss suffered by Purchaser or its successors and assigns.

(d) Nothing contained in this Agreement shall impose any liability on any Party for the income tax liabilities of any other Party.

(e) The liabilities and indemnities prescribed by clause 10.1 are not a title warranty by Vendor and do not provide an extension of any representation or warranty of either Vendor or Purchaser contained in clauses 9.1 or 9.3 hereof.

(f) The indemnities provided in clause 10.1 shall be reduced on a dollar for dollar basis to the extent that claims for such Losses are actually reimbursed or reimbursable to the Party to be indemnified by insurance carried by that Party.

(g) Subject to clause 10.3(h), Vendor shall have no liability for, and Purchaser shall not be entitled to any claim for liability or indemnity for Losses hereunder unless the aggregate amount of such claims by Purchaser, as agreed or as ultimately determined by a court of competent jurisdiction, exceeds [redacted] Upon the aggregate of such claims exceeding this sum, Vendor shall be required to be liable to, or to indemnify for, only that amount of such Losses which are in excess of the aforementioned sum.

(h) Notwithstanding anything contained herein, in no event shall the total liabilities and indemnities of Vendor in this Agreement (including but not limited to any claims relating to its representations and warranties in clause 9.1 and any claims for liability and indemnity under clause 10.1) exceed the Purchase Price.

(i) The provisions of this article 10 shall survive Closing on the Closing Time for the benefit of Vendor and Purchaser.

10.4 <u>Carriage of Litigation</u>

If a claim is made under this article 10 involving a claim by a Third Party, the Party with greater exposure under this Agreement in respect of the claim will have carriage of the Third Party litigation. It will consult with the other Party, which will be entitled to retain its own counsel and participate in the litigation at its own expense.

10.5 Breaker Energy Covenant

Breaker Energy Ltd. covenants with Vendor to ensure the performance by Purchaser of its obligations hereunder and to be liable as principal obligor for any such obligations in the event Purchaser is unable or unwilling to perform such obligations herein.

ARTICLE 11
DISPUTE RESOLUTION

11.1 Arbitration

In respect of any matters that must be or may be referred to arbitration under this Agreement, the Parties shall select an arbitrator within two (2) Business Days of the date the matter is referred to arbitration. If the arbitration is with respect to the existence of a Title Defect, the arbitrator shall be a recognized oil and gas lawyer in private practice in Calgary, Alberta who does not and whose firm does not represent either Party in respect of title issues. If the arbitration is with respect to the value allocated to a Title Defect or an Affected Asset, the arbitrator shall be a firm of recognized, independent reservoir engineering consultants carrying on business in Calgary, Alberta. If the arbitration is with respect to the existence of or the value of a Remaining Environmental Defect, the arbitrator shall be a firm of recognized, independent environmental remediation consultants carrying on business in Calgary, Alberta. In all other cases, the arbitrator shall meet the criteria for an arbitrator under the *Arbitration Act* (Alberta). If the Parties cannot reasonably agree on the appointment of an arbitrator, the Parties shall each appoint an umpire who shall appoint an arbitrator. If the umpires are unable to agree on an arbitrator or if one of the Parties fails to comply with the provisions of this clause 11.1, either Party may apply to a judge of the Court of Queen's Bench of Alberta for the appointment of an arbitrator.

11.2 Proceedings

The following proceedings shall apply in respect of any arbitration hereunder:

(a) The Parties shall, within two (2) Business Days of the date of selection of the arbitrator, each deliver to the arbitrator a written statement respecting the matter in dispute to the arbitrator, including such Party's proposed resolution. The arbitrator shall be required to accept one of such resolutions. If only one of the Parties submits a written resolution, the arbitrator shall be required to accept the resolution proposed by such Party. In respect of any arbitration proceedings in relation to clause 3.4 or 3.7, the value submitted to the arbitrator by the Party claiming the Title Defect or Environmental Defect shall be the same value as such Party allocated to such defect in its prior discussions with the other Party;

(b) The arbitrator shall be instructed to render his or her decision not later than five (5) Business Days after his or her appointment and shall communicate such decision to the Parties;

(c) If the arbitrator accepts Vendor's proposal, Purchaser shall pay the fees and expenses of the arbitrator and if the arbitrator selects Purchaser's proposal, Vendor shall pay the fees and expenses of the arbitrator. The decision of the arbitrator shall be final and binding on the Parties and not subject to review; and

(d) Except to the extent modified in this article, the arbitrator shall conduct any arbitration hereunder pursuant to the provisions of the *Arbitration Act* (Alberta).

ARTICLE 12
GENERAL

12.1 Confidentiality

Prior to Closing, all information respecting the Assets obtained by Purchaser shall be retained in confidence by it and used by it only for the purposes of this transaction. Whether or not Closing occurs, for a period of [redacted] after the Closing Time each Party shall keep confidential all information obtained from the other Party in connection with that other Party and shall not release any information concerning this Agreement and the transactions herein provided for, without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any governmental agency or regulatory authority or to the public if required by applicable law, provided that the Parties shall advise each other in advance of any public statement which they propose to make, (ii) in connection with obtaining consents or complying with Rights of First Refusal or consents contained in any Leases, Title and Operating Documents or any other agreements and documents to which the Assets are subject; (iii) to its financial, legal, taxation or other similar advisors in connection with completion this transaction or the financing thereof or to procure the consent of Vendor's lenders, provided that any such persons are required to comply with the confidentiality provisions hereof; or in accordance with clause 12.5 hereof. The obligations of Purchaser under this clause 12.1 are in addition to, and not in substitution for or the reduction of, the obligations of Purchaser under the Confidentiality Agreement dated [redacted] between Vendor and Purchaser in respect of the Assets.

12.2 Privacy Restrictions

For the purposes of this clause, "**Personal Information**" shall mean information about an identifiable individual that is personal in nature and is not otherwise publicly available from sources that have no obligation of confidentiality or non-disclosure. Purchaser shall comply with all Regulations which govern the collection, use and disclosure of Personal Information which is collected, used or disclosed to Purchaser in connection with this Agreement, and shall comply with Vendor's Canadian Privacy Policy [redacted] Purchaser shall limit, and shall cause any of its employees and agents to limit the use, collection and disclosure of Personal Information, if any, to those purposes that relate to this Agreement and shall otherwise limit disclosure of Personal Information to disclosure required by the Regulations. Purchaser shall use appropriate security measures to protect the Personal Information against accidental or inappropriate disclosure.

12.3 Further Assurances

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

12.4 No Merger

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

12.5 Public Announcements

The Parties shall co-operate with each other in releasing information concerning this Agreement and the transactions herein provided for, and each Party shall furnish to and discuss with the other Party drafts of all press and other releases prior to publication. Nothing contained herein shall prevent:

(a) either Party at any time from furnishing information to any governmental agency or regulatory authority or to the public if required by the Regulations or the rules of any recognized stock exchange or securities commission if the Party has advised the other Party in advance of any public statement which it proposes to make regarding the said transactions; or

(b) the Parties from furnishing information relating to this Agreement, the transactions to be completed hereunder or the identity of Parties in connection with Rights of First Refusal as contemplated by clause 4.1 or consents as contemplated by clause 4.2.

12.6 Signs and Notifications

At any time after Closing, Vendor may remove any signs which indicate Vendor's ownership or operation of the Assets. It shall be the responsibility of Purchaser, where necessary, to erect or install any signs that may be required by pursuant to the Regulations indicating Purchaser to be the operator of the Assets and to notify other working interest owners, gas purchasers, lessors, suppliers, contractors, governmental agencies and any other Third Party of Purchaser's interest in the Assets, and Purchaser shall, as soon as is reasonably possible after Closing, erect or install such signs and notify such persons.

12.7 Governing Law

This Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and applicable laws of Canada and shall, in all respects, be treated as a contract made in the Province of Alberta. Each Party irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom in respect of all matters arising out of or in connection with this Agreement.

12.8 Time

Time shall be of the essence in this Agreement.

12.9 Notices

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

Vendor:
[redacted]

Purchaser:
Suite 2300, 635 – 8^{th} Avenue S.W.
Calgary, Alberta
T2P 3M3
Attention: Land Manager
Fax: (403) 263-8665

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

(a) personally served on the other Party by hand delivery or courier delivery during the normal business hours of the recipient at the applicable address set forth above (personally served notices shall be deemed received by the addressee when actually delivered); or

(b) by facsimile transmission directed to the Party on whom they are to be served at that Party's fax number set forth above and such notices so served shall be deemed to have been received by the addressee thereof when actually received by it if received within the normal working hours of a Business Day, or, if received outside the normal working hours of a Business Day, at the commencement of the next ensuing Business Day following transmission thereof.

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

12.10 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party. Except for the Confidentiality Agreement dated April 4, 2006 between Vendor and Purchaser, this Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

12.11 Assignment

This Agreement may not be assigned by a Party without the prior written consent of the other Party, which consent may be unreasonably and arbitrarily withheld.

12.12 Enurement

This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, receiver-managers, successors and permitted assigns.

12.13 Waivers

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

12.14 Substitution and Subrogation

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

12.15 Operatorship

Purchaser acknowledges Vendor is unable to assign to Purchaser operatorship of the Assets operated by Vendor and in respect of which Vendor does not have a 100% interest. Vendor shall, however, use reasonable efforts to assist Purchaser in its attempts to obtain operatorship and in this regard Vendor shall serve all consents and requests for change of operatorship notices for all construction, operator and ownership agreements or any facility operating agreements, within the timeframe set forth in clause 4.2(a).

12.16 Counterpart Execution

This Agreement may be executed in as many counterparts as are necessary, no one copy of which need be executed by the Parties. A valid and binding contract shall arise if and when all execution pages have been both executed and delivered by the Parties in the manner provided herein.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

[redacted]

[redacted]

Per: [redacted]

Per: [redacted]

1107567 ALBERTA LTD.

Per: ______________________
Craig McClelland

Per: Vice President, Land

BREAKER ENERGY LTD.

Per: ______________________
Craig McClelland

Per: Vice President, Land