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FARMOUT AND OPTION AGREEMENT

THIS AGREEMENT made this 29th day of November, 2005.

BETWEEN:

TRANSGLOBE ENERGY CORPORATION;
a body corporate, having an office
at the City of Calgary, in the Province of Alberta;
(hereinafter called the "Farmor")

- and -

RICHARDS OIL & GAS LIMITED
a body corporate, having an office
at the City of Calgary, in the Province of Alberta;
(hereinafter called the "Farmee")

WHEREAS Farmor has granted to Farmee the right to drill Test Wells on the Farmout Lands upon the terms and conditions hereinafter set forth;

NOW THEREFORE in consideration of the premises, the mutual covenants and agreements herein contained, and subject to the terms and conditions hereinafter set out, the Parties agree as follows:

1. DEFINITIONS

In this Agreement, including the recitals, unless the context otherwise requires, the terms and expressions as used herein shall have the meanings ascribed to them in the Farmout and Royalty Procedure and the following terms and expressions shall have the following meanings, namely:

- (a) "Assignment Procedure" means the CAPL 1993 Assignment Procedure, which by this reference is incorporated herein and made a part hereof;
- (b) "Contract Depth" means a depth one thousand four hundred and fifty (1,450) metres or fifteen (15) metres into the Stettler member of the Wabamun Formation, whichever first occurs;
- (c) "Farmor" means TransGlobe Energy Corporation
- (d) "Farmee" means Richards Oil & Gas Limited
- (e) "Operating Procedure" means the CAPL 1990 Operating Procedure together with the PASC 1988 Accounting Procedure attached thereto as Exhibit "1", both of which by this reference are incorporated herein and made a part hereof, with the elections, insertions and amendments as set forth in Schedule "B" hereof;
- (f) "Operator" means the Party appointed as such pursuant to Clause 8. hereof;

- (g) "Completion" means, in the case of a well capable of producing petroleum substances in paying quantities, to set in the well production casing, to run an absolute open flow test, or any other test required in accordance with the Regulations and, without restricting the generality of the foregoing, shall include perforating, stimulating, treating, fracturing and swabbing a well and to place in the well and on the wellsite all equipment necessary for the taking of production, up to and including the outlet valve on the wellhead;
- (h) "Completion Costs" means all costs incurred and monies expended for the completion of a well;
- (i) "Drilling" means the drilling of a well, including coring, logging and all drill stem testing as determined necessary by the Farmee to assess whether or not the well should initially, Contract Depth having been obtained, be completed or abandoned by the Farmee and includes the abandonment of the well and the restoration of the wellsite;
- (j) "Drilling Costs" means all costs incurred and monies expended for the drilling of a well;
- (k) "Equipping" means, with respect to a well, the supplying and installation of all appurtenances beyond the wellhead necessary for the taking of production from the well and shall include but not be limited to, in the case of a gas well, all flowlines, heaters, dehydrators and processing equipment, other than a processing plant;
- (l) "Equipping Costs" means all costs incurred and monies expended for the equipping of a well;
- (m) "Farmout Lands" means the lands and the Title Documents described as such and set forth in Schedule "A" hereto;
- (n) "Farmout Procedure" means the 1997 Farmout and Royalty Procedure with the elections and insertions as set out in Schedule "C" hereto;
- (o) "Operating Costs" means all costs incurred and monies expended, exclusive of Drilling Costs, Completion Costs and Equipping Costs, to operate a well or wells for the recovery of petroleum substances, as more particularly described in the Operating Procedure;
- (p) "Paying Quantities" means the anticipated output from a well of that quantity of petroleum substances which, when considering the costs of completing, equipping, tying-in, operating, the kind and quality of the production, the availability of markets, the price to be received therefrom and the royalties payable with respect thereto, would warrant incurring the completion and equipping costs for that well;
- (q) "Regulations" means all statutes, laws, rules, orders and regulations in effect from time to time and made by governmental authorities having jurisdiction over the Farmout Lands and the Option Lands and over the operations to be conducted thereon;
- (r) "Test Wells" means the two test wells to be drilled pursuant to Clause 3. hereof, which Test Wells will be located at Lsd 16 of Section 20, Twp. 37, Rge. 19, W4M and Lsd 12 of Section 24, Twp. 37, Rge. 20, W4M; and

- (s) "Title Documents" means the documents of title set forth and described as such under the heading Title Documents in Schedule "A" hereto and any renewals or extensions thereof, insofar as they relate to the Farmout Lands and the Option Lands.

2. SCHEDULES

The following Schedules are attached hereto, form a part hereof and are incorporated into this Agreement:

Schedule "A" which describes the Farmout Lands, the Option Lands, the Title Documents and the Farmor's interest therein;

Schedule "B" which is the elections, insertions and amendments to the Operating Procedure;

Schedule "C" which is the elections and insertions for the Farmout Procedure;

Schedule "D" which specifies the type of drilling information required to be supplied by the Farmee to the Farmor pursuant to the Farmout Procedure;

3. TEST WELLS

Subject to surface accessibility, regulatory approvals obtained and availability of suitable equipment, Farmee will, on or before January 31, 2006 commence the drilling of the first of the Test Wells and thereafter diligently and continuously drill same to Contract Depth and will, subject to the Farmout Procedure, thereafter complete and equip, cap or abandon such Test Well, all in accordance with good oilfield practice, and at Farmee's sole cost, risk and expense.

Subject to surface accessibility, regulatory approvals obtained and availability of suitable equipment, Farmee will, on or before the expiry of thirty days from rig release of the first Test Well, commence the drilling of the second of the Test Wells and thereafter diligently and continuously drill same to Contract Depth and will, subject to the Farmout Procedure, thereafter complete and equip, cap or abandon each of such Test wells, all in accordance with good oilfield practice, and at Farmee's sole cost, risk and expense.

In addition to the foregoing, Farmee acknowledges that Farmor has expended certain funds in acquiring surface rights and surveying the locations of the Test Wells. Within thirty days of being invoiced by the Farmor, Farmee will reimburse Farmor for 100% of all costs expended with respect to the foregoing to the date of this agreement.

4. INTEREST EARNED - TEST WELLS

Subject to Article 3.00 of the Farmout & Royalty Procedure and clause 3. hereof and provided Farmee is not otherwise in default under this agreement, Farmee will earn:

(a) Test Well Spacing Unit

100% of the Farmor's Pre-Farmout Working Interest from surface to the base of the deepest formation fully penetrated and evaluated with each Test Well, subject to the Overriding Royalty reserved by Farmor and the right of conversion in Article 6.00 of the Farmout & Royalty Procedure, resulting in the initial Working Interest in each Test Well Spacing Unit being Farmee 100% and Farmor 0%.

(b) Balance of the Farmout Lands

50% of the Farmor's Pre-Farmout Working Interests from surface to the base of the deepest formation fully penetrated and evaluated by each Test Well, resulting in the Working Interest in the balance of the Farmout Lands being Farmee 50% and Farmor 50%.

5. OPTION WELLS

Having fulfilled all of its obligations with respect to the Test Wells and provided Farmee is not otherwise in default hereunder, Farmee shall have the right, but not the obligation, to elect to drill additional test wells at locations of Farmee's choice on the Option Lands ("Option Wells"). Farmee shall elect whether to drill the first Option Well within forty-five days of rig release date of the second of the Test Wells and will spud the first Option Well within forty-five days of its election to drill same. Such Option Well will be drilled to Contract Depth and will, subject to the Farmout Procedure, be completed and equipped, capped or abandoned, all in accordance with good oilfield practice and at Farmee's sole cost, risk and expense.

Failure by the Farmee to make an election hereunder within the forty-five day period specified shall be deemed to be an election by the Farmee not to drill an Option Well and its right to earn further interests under this agreement will terminate.

Provided the Farmee drills the Option Well, Farmee will have further options to drill additional Option Wells at locations of its choice on the unearned portions of the Option Lands. Farmee shall elect whether to drill an additional Option Well within forty-five days of rig release date of the previous Option Well drilled and shall spud each Option Well within forty-five days of its election to drill same. Each additional Option Well will be drilled to Contract Depth and will, subject to the Farmout Procedure, be completed and equipped, capped or abandoned, all in accordance with good oilfield practice and at Farmee's sole cost, risk and expense.

Failure by the Farmee to make an election hereunder to drill an additional Option Well within the forty-five day period specified shall be deemed to be an election by the Farmee not to drill an additional Option Well and its right to earn further interests under this agreement will terminate.

6. INTEREST EARNED – OPTION WELLS

Subject to Article 3.00 of the Farmout & Royalty Procedure and clause 5. hereof and provided Farmee is not otherwise in default hereunder, Farmee will earn, for each Option Well drilled:

(a) Option Well Spacing Unit

100% of the Farmor's Pre-Farmout Working Interest from surface to the base of the deepest formation fully penetrated and evaluated by the Option Well subject to the Overriding Royalty reserved by the Farmor and the right of conversion in Article 6.00 of the Farmout & Royalty Procedure, resulting in the initial working interests in the Option Well Spacing Unit being Farmee 100% and Farmor 0%.

(b) Balance of the Section Containing the Option Well

50% of the Farmor's Pre-Farmout Working Interest from surface to the base of the deepest formation fully penetrated and evaluated by the Option Well, resulting in the Working Interests being Farmee 50% and Farmor 50%.

7. ASSIGNMENT OF INTEREST EARNED

Farmor shall assign to Farmee the entire interest earned in the Farmout Lands and the Option Lands, but if such assignment is not possible or practical, Farmor and Farmee shall enter into a trust agreement, in a form acceptable to the Farmor, to provide for the holding of such interests in trust for Farmee.

8. OPERATOR

Farmee is appointed to and accepts the position of initial Operator under the Operating Procedure.

9. NO JOINT OPERATIONS

Farmee shall not propose any operation on any of the Farmout Lands or Option Lands until it has earned its entire interest it is entitled to earn hereunder or its right to earn any further interest hereunder has terminated or expired.

10. ASSIGNMENT

Until Farmee has earned the entire interest it is entitled to earn hereunder or its right to earn any further interest hereunder has terminated or expired, Farmee shall not assign this Agreement either in whole or in part.

12. EQUITABLE PRODUCTION

Farmee shall use its reasonable best efforts, subject to any applicable laws or regulatory requirements, to produce any of the Petroleum Substances capable of being produced from the Farmout Lands and the Option Lands rateably with any other similar substances produced from any other lands within the same pool or field in which Farmee has an interest. Farmee shall not discriminate against Petroleum Substances produced or capable of being produced from the Farmout Lands or the Option Lands in the production and marketing of Petroleum Substances.

13. FACILITIES PARTICIPATION

If at any time during the term of this Agreement, a Party (in this clause called the "proposing party") wishes to construct or participate in the construction of any facilities, including battery and pipelines (the "project"), for the gathering, treating, processing or transportation of production from the Farmout Lands or the Option Lands which are, or may be, held jointly by virtue of any right of acquisition of a Working Interest as provided for in this agreement, it shall afford to each other Party an opportunity to participate in the planning, design and construction of the project on terms that are not less favorable than those on which it is participating; provided that, in the case of a project serving more than just the Farmout Lands or the Option Lands, any such participation will be based upon the volume of production committed thereto. The proposing party shall provide each other Party with the background information necessary for such other Party to evaluate the project and shall afford each other Party a reasonable opportunity to have input into the project.

14. ADDRESS FOR SERVICE OF NOTICE

The addresses for service of notice of the parties hereto are as follows:

Farmor: TransGlobe Energy Corporation	Farmee: Richards Oil & Gas Limited
2500, 605 – 5 th Avenue S.W.	600, 815 – 8 th Avenue S.W.
Calgary, Alberta	Calgary, Alberta
T2P 3H5	T2P 3P2

15. LIMITATIONS

The parties expressly agree to extend the limitation period for all claims brought pursuant to, or arising out of this Agreement, to four (4) years from the date the claim arose, irrespective of whether the claimant was aware of the material facts which gave rise to the claim, or not.

16. AUTHORITY TO ENTER INTO AGREEMENT

Each party covenants that it has good right, full power and authority to enter into this Agreement.

17. CONFLICTS

If any provision in this Agreement conflicts with any provision in an exhibit or schedule attached hereto (other than any Title Document) the provisions of this Agreement shall prevail.

If there is a conflict between any provision of this Agreement and the Regulations or Title Documents, the Regulations or Title Documents, as the case may be, shall govern, except that: (a) as between the parties in their capacities as working interest owners, the working interests shall prevail if there is a difference between the working interests and the registered interests in the Title Documents; and (b) the allocation of responsibility for losses as provided herein shall govern the relationship of the parties.

If there is a conflict between the Farmout and Royalty Procedure and the Operating Procedure the Farmout and Royalty Procedure shall prevail with respect to all matters or operations pertaining to the Farmout Lands and the Option Lands until the Farmee has fully performed its obligations hereunder, following which the Farmout and Royalty Procedure shall prevail with respect to those matters set out in Clause 17.01 of the Farmout and Royalty Procedure; in all other cases the Operating Procedure shall prevail.

If there is a conflict as provided in the foregoing paragraphs, this Agreement (excluding the Title Documents) shall be modified accordingly to the extent necessary to resolve such conflict and, as so modified, shall continue in full force and effect.

18. JURISDICTION


This Agreement shall be subject to and interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta. Each party accepts the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom.

19. COUNTERPART EXECUTION


This Agreement may be executed in counterpart and all executed pages taken together will constitute one and the same agreement. No party shall be bound hereby until all have executed either one document or a counterpart.

IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above.

TRANSGLOBE ENERGY CORPORATION



RICHARDS OIL & GAS LIMITED



PRESIDENT & CEO

**SCHEDULE "A" ATTACHED TO AND FORMING PART OF A FARMOUT AND OPTION
AGREEMENT DATED NOVEMBER 29, 2005 BETWEEN TRANSGLOBE ENERGY
CORPORATION AND RICHARDS OIL & GAS LIMITED**

"FARMOUT LANDS"

TITLE DOCUMENTS

LAND DESCRIPTION

Alberta Crown P&NG Lease No.
0404090462 dated September 16, 2004

Twp. 37, Rge. 19, W4M: All Section 20
(P&NG below base of Belly River)

Alberta Crown P&NG Lease No.
0403120081 dated December 11, 2003

Twp. 37, Rge. 19, W4M: All Section 32
(P&NG below base of Belly River)

Alberta Crown P&NG Lease No.
0405040117 dated April 7, 2005

Twp. 37, Rge. 20, W4M: All Section 24
(P&NG below base Belly River)

"OPTION LANDS"

TITLE DOCUMENTS

LAND DESCRIPTION

Alberta Crown P&NG Lease No.
0405060415 dated June 16, 2005

Twp. 36, Rge. 19, W4M: All Section 36
(P&NG below base Belly River)

Alberta Crown P&NG Lease No.
0405060420 dated June 16, 2005

Twp. 37, Rge. 18, W4M: All Section 30
(P&NG below base Belly River)

Alberta Crown P&NG Lease No.
0405060421 dated June 16, 2005

Twp. 37, Rge. 19, W4M: All Section 4
(P&NG below base Belly River)

Alberta Crown P&NG Lease No.
0405070140 dated July 14, 2005

Twp. 37, Rge. 19, W4M: All Section 11
(P&NG below base Mannville)

Alberta Crown P&NG Lease No.
0405060422 dated June 16, 2005

Twp. 37, Rge. 19, W4M: All Section 24
(P&NG below base Belly River)

FARMOR'S PRE-FARMOUT WORKING INTEREST

An undivided 100%

**SCHEDULE "B" ATTACHED TO AND FORMING PART OF A FARMOUT AND OPTION
AGREEMENT DATED NOVEMBER 29, 2005 BETWEEN TRANSGLOBE ENERGY CORP. AND
RICHARDS OIL & GAS LIMITED**

CAPL 1990 OPERATING PROCEDURE

Clause 311 – Insurance Alternate B

Clause 604 – Marketing Alternate A

Clause 903 – Casing Point Election Alternate A

Clause 1004 – Amended to Read:

1004 OPERATOR FOR INDEPENDENT OPERATIONS – Notwithstanding anything to the contrary contained in this Operating Procedure, if the Operator is a participating party, it shall carry out the operation for the account of the participating parties; provided, if the Operator is not a participating party, the participating parties shall, as among themselves and in accordance with the provisions of Clause 206, mutatis mutandis, appoint an Operator for the operation. If the operation is commenced prior to the time the Operator becomes a participating party (and it is specifically understood that nothing in this Clause shall restrict or prohibit the proposing party from actually commencing operations as provided in Clause 1003) the Operator, upon becoming a participating party, shall have the right to take over and carry out the operation for the participating parties.

Clause 1007 – Penalty
Exploratory Well 500%
Development Well 400%

Clause 1010 – Title Preserving Well
180 days

Clause 2202 – Addresses For Notices
TransGlobe Energy
2500, 605 – 5th Avenue S.W.
Calgary, Alberta
T2P 3H5

Richards Oil & Gas Limited
600, 815 – 8th Avenue S.W.
Calgary, Alberta
T2P 3P2

Clause 2401 – Dispositions

Alternate A

Clause 2404 – Recognition

Replaced by Assignment Procedure

PASC 1988 ACCOUNTING PROCEDURE (Revised February, 1991 Version)

Clause 105 – Operating Advances 10%

Clause 110 – Approvals

2 or more parties totaling 75% or more

Clause 202 – Labour

202 (b) (1) shall be chargeable

202 (b) (2) shall be chargeable

Clause 203 – Employee Benefits 25%

Clause 217 – Warehouse Handling 2.5%, \$5,000.00, 5%

Clause 302 – Overhead Rates

(a) & (c) Exploration and Construction Projects
5% of the first \$50,000.00
3% of the next \$100,000.00
1% of costs exceeding \$150,000.00

(b) Drilling Wells

3% of the first \$50,000.00

2% of the next \$100,000.00

1% of costs exceeding \$150,000.00

(d) Operation and Maintenance - \$250.00 per Producing Well
per month - will not be adjusted

\$25,000.00

5 year intervals

Article IV – Pricing of Joint Material
Article V – Inventories

THIS IS PAGE TWO TO SCHEDULE "B" TO A FARMOUT AND OPTION AGREEMENT DATED
NOVEMBER 29, 2005 BETWEEN TRANSGLOBE ENERGY CORPORATION AND RICHARDS
OIL & GAS LIMITED

**SCHEDULE "C" ATTACHED TO AND FORMING PART OF A FARMOUT AND OPTION
AGREEMENT DATED JANUARY 31, 2005 BETWEEN TRANSGLOBE ENERGY
CORPORATION AND RICHARDS OIL & GAS LIMITED**

1997 Farmout and Royalty Procedure Elections and Amendments

1. Effective Date (Subclause 1.01 (f)) – November 29, 2005
2. Payout (Subclause 1.01 (t), if Article 6.00 applies) - Alternate A
3. Incorporation of Clauses from 1990 CAPL Operating Procedure (Clause 1.02)
 - (i) Insurance (311) Alternate B
4. Article 4.00 (Option Wells) will /will not apply.
5. Article 5.00 (Overriding Royalty) will /will not apply.
6. Clause 5.01 A. (a) - Alternate 2 applies – 1/150, 5%, 15%
Clause 5.01 A. (b) – Alternate 2 applies – (i) 15%, (ii) 15%
7. Clause 5.04. B. – Alternate 1 applies
8. Article 6.00 (Conversion of Overriding Royalty) – will /will not apply.
If Article 6.00 applies, conversion to 50% of Working Interest in Subclause 6.04A.
9. Article 8.00 (Area of Mutual Interest) – will /will not apply.
10. Reimbursement of Land Maintenance Costs (Clause 11.02) will /will not apply.
If applicable, reimbursement of

**SCHEDULE "D" ATTACHED TO AND FORMING PART OF A FARMOUT AND OPTION
AGREEMENT DATED NOVEMBER 29, 2005 BETWEEN TRANSGLOBE ENERGY
CORPORATION AND RICHARDS OIL & GAS LIMITED**

TRANSGLOBE ENERGY CORPORATION
2500, 605 - 5th Avenue, S.W.
Calgary, Alberta T2P 3H5

WELL DATA REQUIREMENT SHEET

Well Location:
Company :

Richards Oil & Gas Limited

Date: Dec. 13, 2004
Atten: David Thomas

TRANSGLOBE CONTACTS

Office Phone: (403) 264-9888

Office Fax: (403) 264-9898

Engineering: Glenn Taylor - Home Phone & Fax: 289-7803 Cell 874-7009
e-mail: glennt@trans-globe.com

Geological: Jim Dowhaniuk - Home Phone & Fax: 934-2848 Cell: 803-1602
e-mail: jimmyd@trans-globe.com

Drilling & Completion: Glenn Taylor - See above

Morning Reports: Fax (403)-264-9898 - Daily (AM) – Margaret Wardle
e-mail: marga@trans-globe.com

To be notified 24 hours Prior to:
Spudding, Coring, Logging, Testing, Abandonment & Completions

Pre-Spud Package:	Application for Well License	1 Copy
	Drilling License	1 Copy
	Drilling & Geological Program	1 Copy
	Survey Plat	1 Copy
During Drilling:	Daily Drilling Reports (FAX'D DAILY)	1 Copy
	Preliminary Core Description & Analysis	1 Copy
	DST Description & Analysis	1 Copy
	Geological Report	1 Copy
	Logs - FAXED to Geologist	Faxed
	Washed & Dried Samples	(Access to operator Samples)
Post Drilling:	Final Print of Logs	1 Copy
	LAS Formatted Floppy Disc	1 Copy
	DST Reports	1 Copy
	Geological Reports	1 Copy
	Final Drilling Reports	1 Copy
	Final Analysis (oil, gas & water)	1 Copy
	Final Core Analysis	1 Copy
Cementing Reports	1 Copy	
Completion & After:	Completion Program	1 Copy
	Completion Reports (FAXE'D Daily)	1 Copy
	Cased hole Logs	1 Copy
	Production Test Data (initial rates)	1 Copy
	AOF Reports	1 Copy
	Pressure Surveys	1 Copy
	Final Fluid Analysis (oil, gas & water)	1 Copy
	All Government Reports (S-4's, ED-21's, etc.)	1 Copy