UNDERWRITING AGREEMENT

Effective November 15, 2005

Stylus Energy Inc.
530, 400 – 5th Avenue S.W.
Calgary, Alberta
T2P 0L6

Attention: Mr. Paul D. Evans
President and Chief Executive Officer

Re: Issue and Sale of Common Shares and Flow-Through Common Shares

Peters & Co. Limited and Acumen Capital Finance Partners Limited (collectively, the "**Underwriters**") understand that Stylus Energy Inc. (the "**Corporation**") proposes to issue and sell, by way of private placement, 1,390,000 common shares of the Corporation ("**Common Shares**") at a price of $3.60 per Common Share and 1,120,000 common shares of the Corporation issued on a "flow-through" basis pursuant to the *Income Tax Act* (Canada) ("**Flow-Through Shares**") at a price of $4.50 per Flow-Through Share for aggregate gross proceeds of $10,044,000, subject to the terms and conditions as set out below (the "**Offering**"). The Flow-Through Shares and the Common Shares offered hereby are collectively referred to as the "**Shares**".

Subject to the terms and conditions hereof, the Underwriters agree to act as, and the Corporation appoints the Underwriters as, the sole and exclusive agents of the Corporation to offer the Common Shares and Flow-Through Shares for sale on the Closing Date in the Selling Jurisdictions on a private placement basis at a price of $3.60 per Common Share and $4.50 per Flow-Through Share and to use their reasonable best efforts to secure subscriptions therefor, provided that, in the event that less than 1,390,000 Common Shares and 1,120,000 Flow-Through Shares are sold by the Underwriters as agents, the Underwriters hereby severally and not jointly, agree to purchase the Common Shares and Flow-Through Shares from the Corporation in the respective percentages, and on the terms, provided for in Section 19, and the Corporation hereby agrees to issue and sell to the Underwriters, subject to Section 19, on the Closing Date, at a price of $3.60 per Common Share and $4.50 per Flow-Through Share, that number of Common Shares and Flow-Through Shares that, together with such shares sold by the Underwriters as agents, aggregates 1,390,000 Common Shares and 1,120,000 Flow-Through Shares.

The Shares will be issued and sold pursuant to exemptions under Applicable Securities Laws (as hereinafter defined) in the Selling Jurisdictions (as hereinafter defined) in accordance with the provisions hereof.

In connection with the offering and sale of the Shares, the Underwriters shall be entitled to retain as sub-agents other registered securities dealers and may receive (for delivery to the Corporation at the Closing Time) subscriptions for Shares from other registered securities dealers. The fee payable to such sub-agents shall be for the account of the Underwriters and shall not exceed the fee payable to the Underwriters hereunder. The Underwriters shall, however, be under no obligation to engage any sub-agent.

In consideration for its services hereunder, the Underwriters shall be entitled to the fee provided for in Section 9. That fee shall be payable at the Closing Time upon the closing of the sale of the Shares. For greater certainty, the services provided by the Underwriters pursuant to this Agreement will not be subject to the Goods and Services Tax provided for in the *Excise Tax Act* (Canada) and taxable supplies will be incidental to the exempt financial services provided.

The following are the further terms and conditions of this Agreement:

Section 1 Definitions

As used in this Agreement, including the paragraphs prior to this definitional section and any amendments hereto, unless the context otherwise requires:

(a) "**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

(b) "**Agreement**" means this agreement and not any particular Article or Section or other portion except as may be specified, and words such as "**hereto**", "**herein**" and "**hereby**" refer to this Agreement as the context requires;

(c) "**AIF**" means the annual information form of the Corporation dated March 30, 2005 for the year ended December 31, 2004;

(d) "**Applicable Securities Laws**" includes, without limitation, all applicable securities and corporate laws, rules, regulations, instruments, notices, blanket orders, decision documents, statements, circulars, procedures and policies in the Selling Jurisdictions including, without limitation, the policies and by-laws of the Exchange;

(e) "**Arrangement**" means the arrangement under the provisions of Section 193 of the ABCA involving Stylus Exploration and Kinloch, on the terms and conditions set forth in the Plan of Arrangement pursuant to which Stylus Exploration and Kinloch were amalgamated to form the Corporation;

(f) "**Arrangement Agreement**" means the agreement dated December 10, 2004 between Stylus Exploration and Kinloch respecting the Arrangement, and includes any amendment thereto or agreement or instrument supplementary or auxiliary thereto;

(g) "**Arrangement Information Circular**" means the joint information circular dated January 28, 2005 of Stylus Exploration and Kinloch furnished in connection with the solicitation of proxies for consideration of the Arrangement by shareholders of Kinloch and Stylus Exploration;

(h) "**business day**" means a day which is not Saturday, Sunday or a legal holiday in Calgary, Alberta;

(i) "**Canadian Exploration Expense(s)**" or "**CEE**" means Canadian exploration expense described in paragraph (a) or (d) of the definition of "Canadian exploration expense" in subsection 66.1(6) of the Tax Act or that would be described in paragraph (h) of such definition if the reference therein to "paragraphs (a) to (d) and (f) to (g.1)" were a reference to "paragraphs (a) and (d)", excluding amounts which are prescribed to constitute "Canadian exploration and development overhead expense" under the Tax Act, the amount of any assistance described in paragraph 66(12.6)(a) of the Tax Act and any expense described in paragraph 66(12.6)(b.1) of the Tax Act;

(j) "**Closing Date**" means December 6, 2005, or such other date or dates as the Underwriters and the Corporation may agree in writing;

(k) "**Closing Time**" means 7:00 a.m. (Calgary time), or such other time on the Closing Date as the Underwriters and the Corporation may agree;

(l) "**Commitment Amount**" means $4.50 multiplied by the number of Flow-Through Shares subscribed and paid for pursuant to the Offering, being an aggregate of $5,040,000;

(m) "**Common Share Subscriber**" means a person resident in the Selling Jurisdictions who subscribes for Common Shares;

(n) "**Common Share Subscription Agreements**" means the agreements to be entered into at closing between the Corporation and each of the Common Share Subscribers setting out the contractual relationship between the Corporation and the Common Share Subscribers, in form and substance satisfactory to the Corporation and the Underwriters;

(o) "**common shares**" means the voting common shares in the capital of the Corporation and, where appropriate in the context, includes the Common Shares and the Flow-Through Shares;

(p) "**Corporation**" means Stylus Energy Inc., a corporation duly amalgamated pursuant to the provisions of the ABCA;

(q) "**Corporation's counsel**" means Burnet, Duckworth & Palmer LLP, or such other legal counsel as the Corporation, with the consent of the Underwriters, may appoint;

(r) "**Documents**" means, collectively:

   (i) the AIF;

   (ii) the Financial Statements;

   (iii) the Stylus Exploration Financial Statements;

   (iv) the Pro Forma Financial Statements;

   (v) the Information Circular;

(vi) the Arrangement Information Circular;

(vii) the material change reports of the Corporation subsequent to March 1, 2005 and of Kinloch subsequent to December 31, 2004; and

(viii) the press releases of the Corporation subsequent to March 1, 2005 and of Kinloch subsequent to December 31, 2004;

(s) "**Exchange**" means The Toronto Stock Exchange or any successor thereto;

(t) "**Expenditure Period**" means the period commencing on the Closing Date and ending on the earlier of:

(i) the date on which the Commitment Amount has been fully expended in accordance with the terms of the Flow-Through Subscription Agreements; and

(ii) December 31, 2006;

(u) "**Financial Statements**" means the unaudited interim financial statements of the Corporation for the three month period ended March 31, 2005, the three and six month periods ended June 30, 2005 and the three and nine month periods ended September 30, 2005, including in each case the notes thereto and management's discussion and analysis of the Corporation's financial condition and results of operations related thereto;

(v) "**Flow-Through Subscriber**" means a person resident in the Selling Jurisdictions who subscribes for Flow-Through Shares;

(w) "**Flow-Through Subscription Agreements**" means the subscription and renunciation agreements to be entered into at closing between the Corporation and each of the Flow-Through Subscribers setting out the contractual relationship between the Corporation and the Flow-Through Subscribers, in form and substance satisfactory to the Corporation and the Underwriters;

(x) "**Indemnified Persons**" means the Underwriters and the directors, officers, shareholders and employees of the Underwriters and affiliates of the Underwriters;

(y) "**Information Circular**" means the information circular and proxy statement of the Corporation dated May 24, 2005 with respect to the annual and special meeting of shareholders of the Corporation held on June 23, 2005;

(z) "**Kinloch**" means Kinloch Resources Inc., a corporation amalgamated under the ABCA that was subsequently amalgamated with Stylus Exploration to form the Corporation pursuant to the Arrangement;

(aa) "**Kinloch Assets**" means the oil and gas assets of Kinloch acquired by the Corporation pursuant to the Arrangement;

(bb) "**Plan of Arrangement**" means the plan of arrangement which is annexed to the Arrangement Agreement as Exhibit 1, as amended or supplemented from time to time in accordance with the Arrangement Agreement;

(cc) "**Pro Forma Financial Statements**" means the unaudited pro forma balance sheet of the Corporation as at September 30, 2004 and the unaudited pro forma statement of operations of the Corporation for the nine months ended September 30, 2004 and the year ended December 31, 2003, together with the compilation report thereon and notes thereto, all as contained in Schedule E of the Arrangement Information Circular;

(dd) "**Public Record**" means all information filed by or on behalf of the Corporation with the Securities Commissions, including, without limitation, the Documents and any other information filed with any Securities Commission in compliance, or intended compliance, with any Applicable Securities Laws;

(ee) "**Qualifying Expenditures**" means expenses that are CEE at the date they are incurred to the extent permitted to be renounced to the Flow-Through Subscribers under the Flow-Through Subscription Agreements;

(ff) "**Securities Commissions**" means, collectively, the securities commissions or similar regulatory authorities in each of the Selling Jurisdictions in Canada and "**Securities Commission**" means any of them;

(gg) "**Selling Dealer Group**" means the dealers and brokers, other than the Underwriters, who participate in the offer and sale of the Shares pursuant to this Agreement;

(hh) "**Selling Jurisdictions**" means the Provinces of British Columbia, Alberta, Manitoba and Ontario and such other provinces of Canada and jurisdictions outside of Canada as may be agreed by the Underwriters and the Corporation prior to the Closing Date as evidenced by the Corporation's acceptance of a Subscription Agreement with respect thereto;

(ii) "**Stylus Exploration**" means Stylus Exploration Inc., a corporation amalgamated under the ABCA that was subsequently amalgamated with Kinloch to form the Corporation pursuant to the Arrangement;

(jj) "**Stylus Exploration Assets**" means the oil and gas assets of Stylus Exploration acquired by the Corporation pursuant to the Arrangement;

(kk) "**Stylus Exploration Financial Statements**" means the unaudited interim financial statements of Stylus Exploration for the three and nine months ended September 30, 2004 and the annual audited comparative financial statements of Stylus for the years ended December 31, 2004 and 2003 together with the report of Stylus Exploration's auditors thereon, and the notes thereto and management's discussion and analysis of Stylus Exploration's financial condition and results of operations related thereto;

(ll) "**Subscriber**" means a Common Share Subscriber or Flow-Through Subscriber, as applicable, and "**Subscribers**" means, collectively, the Common Share Subscribers and the Flow-Through Subscribers;

(mm) "**Subscription Agreements**" means, collectively, the Common Share Subscription Agreements and the Flow-Through Subscription Agreements;

(nn) "**Subsidiary**" means a subsidiary in respect of the Corporation within the meaning of the ABCA;

(oo) "**Swaps**" means any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);

(pp) "***Tax Act***" means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as amended from time to time;

(qq) "**Trustee**" means

(rr) Trust Company in its capacity as registrar and transfer agent for the common shares;

(ss) "**Underwriters' counsel**" means Blake, Cassels & Graydon LLP, or such other legal counsel as the Underwriters, with the consent of the Corporation, may retain; and

"**misrepresentation**", "**material change**" and "**material fact**" shall have the meanings ascribed thereto under the Applicable Securities Laws of the Selling Jurisdictions; "**distribution**" means "distribution" or "distribution to the public", as the case may be, as defined under the Applicable Securities Laws of the Selling Jurisdictions; and "**distribute**" has a corresponding meaning. In this Agreement, words importing the singular include the plural and words importing gender include all genders.

Section 2 Corporation's Covenants as to Issuance

The Corporation agrees:

(a) that the Shares will be duly and validly authorized and issued;

(b) to comply with all covenants of the Corporation set forth in this Agreement and the Subscription Agreements and to duly, punctually and faithfully perform all the obligations to be performed by it under this Agreement and the Subscription Agreements;

(c) to deliver to the Underwriters as many copies of the Documents as the Underwriters may reasonably request and such delivery shall constitute the

Corporation's authorization of the Underwriters to use the Documents in connection with the offering of the Shares for sale in the Selling Jurisdictions;

(d) as soon as reasonably possible, and in any event by the Closing Date, to take all such steps as may reasonably be necessary to enable the Shares to be offered for sale and sold on a private placement basis in the Selling Jurisdictions through the Underwriters or any other investment dealers or brokers registered in any of the Selling Jurisdictions by way of the exemptions under Applicable Securities Laws of the Selling Jurisdictions as contemplated hereby; and

(e) prior to the Closing Date, to allow the Underwriters to conduct all due diligence which the Underwriters may reasonably require in order to: (i) confirm the Public Record is accurate, current and complete in all material respects; and (ii) fulfill the Underwriters' obligations as agents, and will provide to the Underwriters and their counsel and consultants reasonable access to the Corporation's properties, senior management personnel and corporate, financial and other records for the purposes of conducting such due diligence reviews. Without limiting the generality of the foregoing, the Corporation shall make available its directors, senior management, auditors and independent engineers to answer any questions which the Underwriters may have and to participate in one or more due diligence sessions to be held prior to the Closing Time (collectively, the "**Due Diligence Session**"). The Underwriters shall distribute a list of written questions to be answered in advance of such Due Diligence Session and the Corporation shall provide written responses to such questions and shall use its best efforts to have its auditors and independent engineers provide written responses to such questions in advance of the Due Diligence Session. The Underwriters shall have the option to terminate this Agreement pursuant to Section 12(f).

Section 3 Corporation's Covenants as to Changes

The Corporation agrees that:

(a) during the period commencing with the date hereof until completion of the distribution of the Shares, the Corporation will promptly inform the Underwriters of the full particulars of:

(i) any material change (actual, anticipated or threatened) in the assets, liabilities (absolute, accrued, contingent or otherwise), business, operations, capital or condition (financial or otherwise) of the Corporation;

(ii) any change in any material fact contained or referred to in the Public Record;

(iii) the occurrence of a material fact or event which, in any such case, is, or may be, of such a nature as to: (A) render any part of the Public Record untrue, false or misleading in a material respect; (B) result in a misrepresentation in any part of the Public Record; or (C) result in any part of the Public Record not complying with Applicable Securities Laws; or

(iv) the discovery by the Corporation of any misrepresentation in any part of the Public Record or in any information regarding the Corporation previously provided to the Underwriters by the Corporation;

provided that if there may be any reasonable doubt as to whether a material change, change in material fact, occurrence or event of the nature referred to in this subsection has occurred, the Corporation shall promptly inform the Underwriters of the full particulars of the occurrence giving rise to the uncertainty and shall consult with the Underwriters as to whether the occurrence is of such nature;

(b) during the period commencing with the date hereof until the completion of the distribution of the Shares, the Corporation will promptly inform the Underwriters of the full particulars of:

(i) any request of any Securities Commission or other securities commission or similar regulatory authority for any amendment to any part of the Public Record or for any additional information which may be material to the distribution of the Shares;

(ii) the issuance by any Securities Commission or other securities commission or similar regulatory authority, the Exchange or by any other competent authority of any order to cease or suspend trading of any securities of the Corporation (including the Shares) or of the institution or threat of institution of any proceedings for that purpose; or

(iii) the receipt by the Corporation of any communication from any Securities Commission or other securities commission or similar regulatory authority, the Exchange or any other competent authority relating to any part of the Public Record or the distribution of the Shares;

and except as otherwise agreed by the Underwriters, the Corporation will use its best efforts to prevent the issuance of any such cease trading order or suspension order and, if issued, to obtain the withdrawal thereof as soon as possible;

(c) during the period commencing on the date hereof until the completion of the distribution of the Shares, the Corporation will promptly provide to the Underwriters, for review by the Underwriters and the Underwriters' counsel, prior to the publication, filing or issuance thereof:

(i) any proposed document, including without limitation, any annual information form, material change report, financial statement, business acquisition report or information circular, which is or may be deemed to be part of the Public Record; or

(ii) any press release (subject to the Corporation's obligations under Applicable Securities Laws to make timely disclosure of material information); and

(d) the Corporation shall promptly comply, to the reasonable satisfaction of the Underwriters and the Underwriters' counsel, with all applicable filing and other requirements under Applicable Securities Laws of the Selling Jurisdictions with respect to any material change, change, occurrence or event of the nature referred to or contemplated in Section 3(a) or Section 3(b) and the Corporation will prepare and file promptly at the Underwriters' request, acting reasonably, any amendment to any part of the Public Record and take such other steps, which in the Underwriters' opinion may be necessary or advisable to comply with Applicable Securities Laws and the Corporation shall consult with the Underwriters with respect to the form and content of any amendment to any part of the Public Record proposed to be filed by the Corporation and shall provide an opportunity for the prior review and approval thereof by the Underwriters, acting reasonably, prior to the filing of any such amendment.

Section 4 Corporation's Other Covenants

The Corporation agrees that:

(a) the Corporation shall not take any action that would prevent the Corporation and the Underwriters from relying on the exemptions from the prospectus requirements of Applicable Securities Laws as contemplated by the Subscription Agreements;

(b) the Corporation will use the proceeds from the issuance and sale of the Common Shares to fund a portion of the Corporation's capital program and for general corporate purposes and will use the gross proceeds from the issuance and sale of the Flow-Through Shares to incur Qualifying Expenditures in connection with the Corporation's oil and natural gas exploration program;

(c) the Corporation will allow the Underwriters and the Underwriters' counsel to participate fully in the preparation of the Subscription Agreements;

(d) the Corporation will make available its senior management persons to meet with potential investors if so requested by the Underwriters;

(e) the Corporation will use its commercial best efforts to obtain all necessary approvals of the Exchange for the listing and posting of the Shares for trading on the Exchange, subject only to the filing of required documents which cannot reasonably be filed until after the Closing Time;

(f) the Corporation shall use its best efforts to maintain its (or any successors') status as a reporting issuer not in default of any Applicable Securities Laws until 90 days after 120 days after the Closing Date in the Selling Jurisdictions in which it is or in which it becomes a reporting issuer;

(g) the Corporation will carry on its business in a prudent manner in accordance with industry standards and good business practice and will keep or cause to be kept proper books of accounts in accordance with applicable law; and

(h) the Corporation will not, from the date hereof until that date that is 120 days following the Closing Date, directly or indirectly, sell, or offer to sell, or announce the offering of, or enter into or make any agreement or understanding, or announce the making or entry into of any agreement or understanding, to issue, sell or exchange any common shares or securities exchangeable or convertible into common shares without the prior written consent of Peters & Co. Limited, not to be unreasonably withheld, provided that notwithstanding the foregoing the Corporation may: (i) grant stock options under the Corporation's existing stock option plan (not in excess of the number of options allowable under the rules of the Exchange); and (ii) issue common shares to the holders thereof or to the holders of other stock options or other convertible securities or instruments of the Corporation existing at the date hereof.

Section 5 Underwriters' Covenants

Each of the Underwriters covenants and agrees with the Corporation that it will:

(a) conduct its activities in connection with the proposed offer and sale of the Shares in compliance with all Applicable Securities Laws in the Selling Jurisdictions and cause a similar covenant to be contained in any agreement entered into with any Selling Dealer Group established in connection with the distribution of the Shares;

(b) not solicit subscriptions for Shares, trade in Shares or otherwise do any act in furtherance of a trade of Shares outside of the Selling Jurisdictions except in any other jurisdiction in compliance with the applicable laws thereof and provided that the Underwriters may so solicit, trade or act within such jurisdiction only if such solicitation, trade or act is in compliance with Applicable Securities Laws in such jurisdiction and does not: (i) obligate the Corporation to take any action to qualify any of its securities or any trade of any of its securities; (ii) obligate the Corporation to establish or maintain any office or director or officer in such jurisdiction; or (iii) subject the Corporation to any reporting or other requirement in such jurisdiction;

(c) obtain from each Common Share Subscriber or Flow-Through Share Subscriber, as applicable, an executed Common Share Subscription Agreement or Flow-Through Subscription Agreement, as applicable, and all applicable undertakings, questionnaires and other forms required under Applicable Securities Laws of the Selling Jurisdictions or requirements of the Exchange and supplied to the Underwriters by the Corporation for completion in connection with the distribution of the Shares; and

(d) not advertise the proposed offering or sale of the Shares in printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, nor provide or make available to prospective purchasers of Shares any document or material which would constitute an offering memorandum as defined under Applicable Securities Laws in the Selling Jurisdictions.

Section 6 Representations and Warranties of the Corporation

The Corporation represents and warrants to the Underwriters, and acknowledges that each of the Underwriters are relying upon such representations and warranties, as follows:

(a) the Corporation has been duly amalgamated and is validly existing under the laws of the jurisdiction of its incorporation and has all requisite corporate capacity, power and authority to carry on its business, as now conducted and as presently proposed to be conducted by it, and to own its properties and assets;

(b) the Corporation is qualified to carry on business under the laws of each jurisdiction in which it carries on a material portion of its business;

(c) the Corporation has conducted and is conducting and will conduct its business in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or by-laws or other lawful requirements of any governmental or regulatory bodies applicable to it of each jurisdiction in which it carries on a material portion of its business and holds all licences, registrations and qualifications in all jurisdictions in which it carries on a material portion of its business which are necessary or desirable to carry on the business of the Corporation as now conducted and as presently proposed to be conducted, except where the failure to so conduct its business or to hold such licences, registrations or qualifications would not have a material adverse effect on the Corporation, all such licences, registrations or qualifications are valid and existing and in good standing and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any material adverse effect on the business of the Corporation as now conducted or as proposed to be conducted, and the Corporation is not aware of any legislation, regulation, rule or lawful requirements presently in force or proposed to be brought into force which the Corporation anticipates the Corporation will be unable to comply with without materially adversely affecting the Corporation;

(d) other than 904217 Alberta Ltd., the Corporation does not have any Subsidiaries, the Corporation is not "affiliated" with or a "holding corporation" of any other body corporate (within the meaning of those terms in the ABCA), nor is it a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships, and the Corporation has no material shareholdings in any other corporation or business organization;

(e) the minute books of the Corporation contain true and correct copies of all the constating documents of the Corporation and contain copies of all minutes of all meetings (to the extent such minutes have been reviewed and approved by the board of directors of the Corporation, drafts of any such unapproved minutes, having been provided to the Underwriters' counsel) and all consent resolutions of the directors, committees of directors and shareholders of the Corporation and all such meetings were duly called and properly held and all consent resolutions were properly adopted;

(f) the books of account and other records of the Corporation, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices;

(g) the Corporation has duly and timely filed, in proper form, returns in respect of taxes under the *Income Tax Act* (Canada), the income tax legislation of any province of Canada or any foreign country having jurisdiction over affairs of the Corporation, the *Freehold Mineral Rights Tax Act* (Alberta) and similar legislation of other provinces having jurisdiction over the affairs of the Corporation for all periods in respect of which such filings have heretofore been required, if any, and all taxes shown thereon, if any, have been paid or accrued on the books of the Corporation and there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, provincial or other income tax return for any period, and all payments by the Corporation to any non-resident of Canada have been made in accordance with applicable legislation in respect of withholding tax; to the knowledge of the Corporation, there are no assessments or reassessments respecting the Corporation pursuant to which there are amounts owing or discussions in respect thereof with any taxing authority and the Corporation has withheld from each payment made to any of its officers, directors, former directors and employees the amount of all taxes (including, without limitation, income tax) and other deductions required to be withheld therefrom and has paid the same to the proper tax or other authority within the time required under any applicable tax legislation, other than arising from or in respect of an audit currently being conducted in respect of a predecessor to the Corporation;

(h) all filings made by the Corporation under which the Corporation has received or is entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or previously accrued on the accounts thereof to be recovered or disallowed, other than arising from or in respect of an audit currently being conducted in respect of a predecessor to the Corporation;

(i) except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on the business, financial condition, assets, properties, liabilities or operations of the Corporation:

(i) the Corporation is not in violation of any applicable federal, provincial, state, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**");

(ii) the Corporation has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;

(iii) except as have been disclosed in writing to the Underwriters, there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation that have not been remedied;

(iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation;

(v) the Corporation has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign ("**Government Authority**") the occurrence of any event which is required to be so reported by any Environmental Law; and

(vi) the Corporation holds all licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licences, permits and approvals are in full force and effect, and except for (A) notifications and conditions of general application to assets of the type owned by the Corporation, and (B) notifications relating to reclamation obligations under the *Environmental Protection and Enhancement Act* (Alberta), and the Corporation has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any licence, permit or approval issued pursuant thereto, or that any licence, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

(j) any and all operations of the Corporation and, to the knowledge of the Corporation, any and all operations by third parties, on or in respect of the assets and properties of the Corporation, have been conducted in accordance with good oil and gas industry practices and in material compliance with applicable laws, rules, regulations, orders and directions of governmental and other competent authorities;

(k) in respect of the assets and properties of the Corporation that are operated by it, if any, the Corporation holds all valid licences, permits and similar rights and privileges that are required and necessary under applicable law to operate the assets and properties of the Corporation as presently operated;

(l) the Corporation has full corporate capacity, power and authority to enter into this Agreement and the Subscription Agreements and to perform its obligations set out herein and therein (including, without limitation, to create, issue and sell the Shares and renounce to the Flow-Through Subscribers Qualifying Expenditures in an amount equal to the Commitment Amount), and this Agreement has been, and the Subscription Agreements will be, on the Closing Date duly authorized, executed and delivered by the Corporation and this Agreement is, and the Subscription Agreements will on the Closing Date be, legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;

(m) at the Closing Date the Shares will be duly and validly created, authorized, allotted and reserved for issuance and will be issued as fully paid and non-assessable common shares in the capital of the Corporation;

(n) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of, this Agreement or the Subscription Agreements by the Corporation or any of the transactions contemplated hereby or thereby, does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under, any term or provision of the articles, by-laws or resolutions of shareholders or directors of the Corporation, or any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound, or any law, judgment, decree, order, statute, rule or regulation applicable to the Corporation which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise) of the Corporation or its properties or assets or would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement or the Subscription Agreements;

(o) there has not been any material change in the assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Corporation from the position set forth in the Documents (other than as have been publicly and generally disclosed), and there has not been any material adverse change in the capital, assets (including oil, natural gas and natural gas liquids reserves and information or data relating to the estimated value of such reserves), liabilities (absolute, accrued, contingent or otherwise), business, operations, capital or condition (financial or otherwise) of the Corporation or with respect to the Kinloch Assets or the Stylus Exploration Assets since December 31, 2004 and since that date there have been no material facts, transactions, events or occurrences which, to the knowledge of the Corporation, could materially adversely affect the capital, assets, liabilities (absolute, accrued, contingent or otherwise), business, operations or condition (financial or otherwise) or results of the operations of the Corporation on a consolidated basis which have not been disclosed in the Documents or in writing to the Underwriters;

(p) the Financial Statements fairly present, in all material respects and in accordance with generally accepted accounting principles in Canada, consistently applied, the financial position and condition, the results of the operations, cash flows and other information purported to be shown therein of the Corporation as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of the Corporation as at the dates thereof required to be disclosed in accordance with generally accepted accounting principles in Canada, and include all adjustments necessary for a fair presentation;

(q) the Stylus Exploration Financial Statements fairly present, in all material respects and in accordance with generally accepted accounting principles in Canada, consistently applied, the financial position and condition, the results of the operations, cash flows and other information purported to be shown therein of Stylus Exploration as at the dates thereof and for the periods then ended and reflect all assets, liabilities and obligations (absolute, accrued, contingent or otherwise) of Stylus Exploration as at the dates thereof required to be disclosed in accordance with generally accepted accounting principles in Canada;

(r) there has not been any reportable disagreement (within the meaning of Section 4.11 of National Instrument 51-102 of the Canadian Securities Administrators) with the auditors of the Corporation;

(s) the Corporation is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Corporation and applicable laws, indemnification agreements or covenants that are entered into arising in the ordinary course of business, including operating and similar agreements, indemnification and contribution provisions in agency and underwriting agreements and in transfer agency agreements and indemnification provisions in flow-through subscription agreements) or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person;

(t) the Corporation does not have any loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation that are currently outstanding;

(u) there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of the Corporation, pending or threatened against or affecting the Corporation at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially adversely affects, or may in any way materially adversely affect, the business, operations, capital or condition (financial or otherwise) or assets of the Corporation or which affects or may affect the distribution of the Shares or which would impair the ability of the Corporation to consummate the transactions contemplated hereby or to duly observe and perform any of its covenants or obligations contained in this Agreement or the Subscription Agreements and the Corporation is not aware of any existing ground on which such action, suit, proceeding or inquiry might by commenced with any reasonable likelihood of success;

(v) the information and statements set forth in the Public Record and the Documents, were true, correct, and complete and did not contain any misrepresentation, as of the date of such information or statement, and were prepared in accordance with and complied with Applicable Securities Laws and the Corporation has not filed any confidential material change reports still maintained on a confidential basis;

(w) the authorized capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, of which 21,559,857 common shares are currently issued and outstanding, each of which shares is validly issued, fully paid and non-assessable, and an unlimited number of preferred shares, issuable in series, of which none are currently issued or outstanding;

(x) no person, firm, corporation or other entity holds any securities convertible or exchangeable into securities of the Corporation or has any agreement, warrant, option, right or privilege (whether pre-emptive or contractual) being or capable of becoming an agreement, warrant, option or right (whether or not on condition(s)) for the purchase or other acquisition of any unissued securities of the Corporation except: (i) as disclosed in the Public Record; and (ii) 1,866,802 common shares subject to options granted by the Corporation pursuant to its stock option plan;

(y) Valiant Trust Company, at its principal office in the City of Calgary, has been duly appointed registrar and transfer agent of the common shares;

(z) no Securities Commission, other securities commission or similar regulatory authority, the Exchange or other exchange in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of the Corporation, no such proceeding is, to the knowledge of the Corporation, pending, contemplated or threatened and the Corporation is not in default of any material requirement of Applicable Securities Laws of the Selling Jurisdictions;

(aa) the issued and outstanding common shares are listed and posted for trading on the Exchange and the Corporation is in material compliance with the by-laws, rules and regulations of the Exchange;

(bb) the Corporation is a "reporting issuer" in each of the Provinces of British Columbia, Alberta, Saskatchewan and Ontario within the meaning of the Applicable Securities Laws in such provinces and is not in default of any material requirement of Applicable Securities Laws;

(cc) to the knowledge of the Corporation, no insider of the Corporation has a present intention to sell any securities of the Corporation held by it;

(dd) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Corporation in connection with the sale and delivery of the Shares, except as contemplated hereby;

(ee) other than as provided for in this Agreement, the Corporation has not incurred any obligation or liability, contingent or otherwise, or brokerage fees, finder's fees, underwriter's or agent's commission or other similar forms of compensation with respect to the transactions contemplated hereby;

(ff) the form and terms of definitive certificates representing the common shares have been duly approved and adopted by the Corporation and comply with all legal requirements relating thereto;

(gg) to the knowledge of the Corporation, Kinloch made available to Sproule Associates Ltd. ("**Sproule**"), prior to the issuance of the report dated January 27, 2005 and effective December 31, 2004 with respect to the Corporation's crude oil, natural gas and natural gas liquids reserves attributable to the Kinloch Assets (the "**Sproule Report**"), for the purpose of preparing the Sproule Report, all information requested by Sproule, which information did not contain any material misrepresentation. The Corporation has no knowledge of a material adverse change in any information in respect of the Kinloch Assets provided to Sproule since the date that such information was so provided;

(hh) to the knowledge of the Corporation, Stylus Exploration made available to McDaniel & Associates Consultants Ltd. ("**McDaniel**"), prior to the issuance of the report dated January 27, 2005 and effective December 31, 2004 with respect to the Corporation's crude oil, natural gas and natural gas liquids reserves attributable to the Stylus Exploration Assets (the "**McDaniel Report**"), for the purpose of preparing the McDaniel Report, all information requested by McDaniel, which information did not contain any material misrepresentation. The Corporation has no knowledge of a material adverse change in any information in respect of the Stylus Exploration Assets provided to McDaniel since the date that such information was so provided. The Corporation believes that the McDaniel Report reasonably presents the quantity and pre-tax present worth values of oil and gas reserves of Stylus Exploration as at December 31, 2004 based upon information available at the time the McDaniel Report was prepared and the assumptions as to commodity prices and costs contained therein and the Corporation believes that at the date of such report it did not overstate the aggregate quantity or pre-tax present worth values of such reserves;

(ii) although it does not warrant title, the Corporation does not have reason to believe that the Corporation does not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this clause, the foregoing are referred to as the "**Interest**") and does represent and warrant that the Interest is free and clear of adverse claims created by, through or under the Corporation except as disclosed in the Public Record or those arising in the ordinary course of business, and that, to its knowledge, the Corporation holds its Interest under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements except where the failure to so hold its Interest would not have a material adverse effect on the Corporation;

(jj) to the knowledge of the Corporation, none of its directors or officers are now, or ever have been, subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange;

(kk) the Pro Forma Financial Statements have been prepared and presented in accordance with Canadian generally accepted accounting principles, consistently applied, and in accordance with Applicable Securities Laws, and include all adjustments necessary for a fair presentation; the assumptions contained in the Pro Forma Financial Statements were suitably supported and reasonable in the circumstances and consistent with the financial results of the Corporation, and such statements provide a reasonable basis for the compilation of the Pro Forma Financial Statements and the Pro Forma Financial Statements accurately reflect such assumptions;

(ll) the representations and warranties made by the Corporation in the Subscription Agreements are, or will be, true and correct as of the date at which they are made;

(mm) the Corporation has taken or will take prior to the Closing Date all such steps as may be necessary to comply with such requirements of Applicable Securities Laws such that the Shares may, in accordance with Applicable Securities Laws, be offered for sale and sold on a private placement basis to the public in the Selling Jurisdictions through the Underwriters or any other investment dealers or brokers registered in any of the Selling Jurisdictions and complying with Applicable Securities Laws by way of the exemptions to the prospectus requirements;

(nn) other than as set forth in Schedule B hereto, there are no material contracts or agreements to which the Corporation is a party or by which any one of them is bound. For the purposes of this subparagraph, any contract or agreement pursuant to which the Corporation will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of $500,000 or receive or be entitled to receive revenue of more than $500,000 in either case in the next 12 months, or is out of the ordinary course of business of the Corporation, shall be considered to be material;

(oo) except as set forth in Schedule C hereto, the Corporation is not a party to any contracts of employment which may not be terminated on one month's notice or which provide for payments occurring on a change of control of the Corporation;

(pp) Schedule D hereto sets forth all of the Swaps that the Corporation currently has outstanding, together with the details thereof;

(qq) the Corporation does not have in place a shareholder rights protection plan;

(rr) to its knowledge, neither the Corporation nor any of its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of the Corporation;

(ss) the Arrangement became effective on March 1, 2005 and was completed pursuant to and in accordance with the terms and conditions of the Arrangement Agreement;

(tt) the Corporation is a "principal-business corporation" as defined in subsection 66(15) of the *Tax Act*;

(uu) except as a result of any agreement or arrangement respecting the Flow-Through Shares to which the Corporation is not a party and of which it has no knowledge, upon issuance pursuant to the provisions of the Flow-Through Subscription Agreements, the Flow-Through Shares will be "flow-through shares" as defined in subsection 66(15) of the *Tax Act* and will not be "prescribed shares" for the purpose of section 6202.1 of the Regulations to the *Tax Act*; and

(vv) as at the date hereof, the Corporation has not issued any flow-through common shares subsequent to December 31, 2004 and has not renounced any Qualifying Expenditures subsequent to December 31, 2004.

Section 7 Conditions

The obligation of the Underwriters hereunder shall be conditional upon the Underwriters receiving at the Closing Time:

(a) legal opinions of: (i) the Corporation's counsel (addressed to the Underwriters, the Subscribers and the Underwriters' counsel); and (ii) the Underwriters' counsel (addressed to the Underwriters), in each case in form and substance satisfactory to the Underwriters, acting reasonably, relating to the offering, issuance and sale of the Shares, including, without limitation, the matters set forth in Schedule A in the case of the Corporation's counsel and as to all other legal matters, including compliance with Applicable Securities Laws of the Selling Jurisdictions, in any way connected with the offering, issuance, sale and delivery of the Shares as the Underwriters may reasonably request.

It is understood that the respective counsel may rely on the opinions of local counsel acceptable to them as to matters governed by the laws of jurisdictions other than the jurisdiction of residence of such counsel or Canada and on certificates of officers of the Corporation, the transfer agent of the common shares and the auditors of the Corporation as to relevant matters of fact. It is further understood that the Underwriters' counsel may rely on the opinion of the Corporation's counsel as to matters which specifically relate to the Corporation and the Shares, including the creation and issuance of the Shares.

(b) a certificate of the Corporation dated the Closing Date, addressed to the Underwriters and signed on the Corporation's behalf by two senior officers of the Corporation satisfactory to the Underwriters, acting reasonably, certifying that:

(i) the Corporation has complied with and satisfied all terms and conditions of this Agreement on its part to be complied with or satisfied at or prior to the Closing Time, other than those which have been waived in writing by the Underwriters;

(ii) the representations and warranties of the Corporation set forth in this Agreement and the Subscription Agreements are true and correct at the Closing Time, as if made at such time;

(iii) no event of a nature referred to in Section 12(a), (b) or (d) has occurred since the date of this Agreement or to the knowledge of such officers is pending, contemplated or threatened (excluding in the case of Sections 12(b) and (d) any requirement of the Underwriter to make a determination as to whether or not any event or change has, in the Underwriter's opinion, had or could have the effect specified therein);

(iv) the Corporation has made and/or obtained, on or prior to the Closing Time, all necessary filings, approvals, consents and acceptances under Applicable Securities Laws, and under any applicable agreement or document to which the Corporation is a party or by which it is bound, required for the execution and delivery of this Agreement and the Subscription Agreements, the offering and sale of the Shares in the Selling

Jurisdictions and the consummation of the other transactions contemplated hereby (subject to completion of filings with certain regulatory authorities following the Closing Date); and

(v) such other matters as may be reasonably requested by the Underwriters or the Underwriters' counsel;

and the Underwriters shall have no knowledge to the contrary; and

(c) evidence satisfactory to the Underwriters that the Corporation has obtained all necessary approvals of the Exchange for the issuance of the Shares and the listing of the Shares, subject only to the filing of any documents and payment of applicable fees which may be required by the Exchange.

The foregoing conditions are for the sole benefit of the Underwriters and may be waived in whole or in part by the Underwriters at any time and, without limitation, the Underwriters shall have the right, on behalf of potential subscribers, to withdraw all Subscription Agreements delivered and not previously withdrawn or rescinded by such persons. If any of the foregoing conditions are not met, the Underwriters may terminate their obligations under this Agreement without prejudice to any other remedies they may have.

Section 8 Closing

The issue and sale of the Shares shall be completed at the Closing Time at the offices of the Corporation's counsel in Calgary, Alberta or at such other place as the Corporation and the Underwriters may agree. Subject to the conditions set forth in Section 7, the Underwriters, on the Closing Date, shall deliver to the Corporation:

(a) all completed Subscription Agreements (including any applicable documents specifically referred to in the Subscription Agreements), in form and substance reasonably satisfactory to the Underwriters and the Underwriters' counsel; and

(b) originally executed forms required under Applicable Securities Laws or by the Exchange from each of the Common Share Subscribers or Flow-Through Subscribers; and

(c) a certified cheque or bank draft payable to the Corporation at par in Calgary, Alberta or effect the wire transfer of funds to the Corporation in an amount equal to the aggregate of all subscriptions for Shares delivered to and accepted by the Corporation (unless the Underwriter shall have elected to deduct the fee payable pursuant to Section 9 hereof, from the subscription proceeds, in which case the amount of such wire transfer shall be net of such amount)

against delivery by the Corporation of:

(a) definitive certificates representing, in the aggregate, all of the Common Shares and Flow-Through Shares, as applicable, subscribed for or purchased registered in such name or names as the Underwriters shall notify the Corporation in writing of not less than 24 hours prior to the Closing Time provided such certificates registered in such names may, subject to receipt by the Corporation and the Trustee of a satisfactory indemnity, be delivered in advance of the Closing Date to the Underwriters or such other parties in such locations as the Underwriters may direct and the Underwriters and the Corporation may agree upon;

(b) a certified cheque or bank draft payable to Peters & Co. Limited at par in Calgary, Alberta in the amount of the fee set forth in Section 9 (unless the Underwriter shall have elected to deduct such fee from the subscription proceeds); and

(c) such further documentation as may be contemplated by this Agreement or that may reasonably be requested by Underwriters' counsel.

The Corporation may not reject any properly completed Subscription Agreement which is in compliance with Applicable Securities Laws, unless the number of Shares subscribed for or purchased pursuant to all Subscription Agreements tendered by the Underwriters exceeds the maximum number of Shares to be sold under this Agreement, in which case Subscription Agreements representing the over-allotment shall, in consultation with the Underwriters, be rejected or unless the acceptance of such Subscription Agreement may breach or violate any Applicable Securities Laws.

Section 9 Fees

In consideration for its services hereunder, the Corporation agrees to pay to the Underwriters a fee equal to the amount of $0.198 (5.5%) for each Common Share subscribed for and a fee equal to the amount of $0.2475 (5.5%) for each Flow-Through Share subscribed for, including any Common Shares or Flow-Through Shares, as applicable, purchased by an Underwriter as principal hereunder, and for which the subscription is accepted by the Corporation, which aggregate fee of up to $552,420 shall be payable on the Closing Date.

The foregoing fee may, at the sole option of Peters & Co. Limited, be deducted from the aggregate gross proceeds of the Shares and withheld for the account of the Underwriters.

Section 10 Expenses

Whether or not the transactions contemplated herein shall be completed, all costs and expenses of or incidental to the creation, issue, sale or distribution of the Shares shall be borne by the Corporation, including, without limitation, all costs and expenses of or incidental to the private placement of the Shares, the fees and expenses of the Corporation's counsel, agent counsel retained by the Corporation's counsel, the Corporation's auditors, the Corporation's engineers, the Trustee, the reasonable out-of-pocket expenses of the Underwriters, including, but not limited to, travel and road show expenses and the Underwriters' legal fees and expenses (such reimbursable out-of-pocket expenses not to exceed $25,000, exclusive of GST), and all other costs and expenses relating to the transactions contemplated herein. All fees and expenses incurred by the Underwriters which are reimbursable hereunder shall be payable by the Corporation immediately upon receiving an invoice therefor from the Underwriters.

Section 11 Waiver

The Underwriters may, in respect of the Corporation, waive in whole or in part any breach of, default under or non-compliance with any representation, warranty, covenant, term or condition hereof, or extend the time for compliance therewith, without prejudice to any of its rights in respect of any other representation, warranty, covenant, term or condition hereof or any other breach of, default under or non-compliance with any other representation, warranty, covenant, term or condition hereof, provided that any such waiver or extension shall be binding on the Underwriters only if the same is in writing.

Section 12 Termination Events

Each of the Underwriters may terminate its obligations hereunder, without any liability on such Underwriter's part, by written notice to the Corporation, in the event that after the date hereof and at or prior to the Closing Time:

(a) any order to cease or suspend trading in any securities of the Corporation, or prohibiting or restricting the distribution of the Shares is made, or proceedings are announced, commenced or threatened for the making of any such order, by any securities commission or similar regulatory authority, the Exchange or by any other competent authority, and the same has not been rescinded, revoked or withdrawn;

(b) any inquiry, investigation (whether formal or informal) or other proceeding in relation to the Corporation or any of its directors or senior officers is announced or commenced by any securities commission or similar regulatory authority, the Exchange or by any other competent authority or any order is issued under or pursuant to any statute of Canada or of any of the provinces of Canada, or any other applicable law or regulatory authority (unless based on the activities or alleged activities of the Underwriter or its agent), or there is any change of law, regulation or policy or the interpretation or administration thereof which, in the sole opinion of the Underwriter, acting reasonably, materially adversely affects, or may materially adversely affect, the trading in the common shares or the distribution of the Shares;

(c) there should develop, occur or come into effect or existence any event, action, state, condition (including, without limitation, terrorism or accident) or major financial occurrence of national or international consequence, or any action by government, law or regulation, enquiry or any other occurrence of any nature whatsoever which in the sole opinion of the Underwriter, acting reasonably, seriously adversely affects, or involves, or might be expected to seriously adversely affect or involve, the financial markets or the business, operations or affairs of the Corporation;

(d) there should occur any change, event, fact or circumstance (actual, contemplated or threatened) of the nature referred to in Section 3(a) or any development that could result in such a change, event, fact or circumstance, any of which, in the opinion of the Underwriter, as determined by the Underwriter in its sole discretion, acting reasonably, could reasonably be expected to have a material adverse effect on the business, operations or affairs of the Corporation or the market price or value or the marketability of the Shares;

(e) the Underwriter, acting reasonably, determines that the Corporation shall be in breach of, default under or non-compliance with any material representation, warranty, covenant, term or condition of this Agreement or the Subscription Agreements; or

(f) the Underwriter has become aware, as a result of its due diligence review or otherwise, of any adverse material fact or change (determined solely by the Underwriter, acting reasonably) with respect to the Corporation which had not been publicly disclosed or disclosed in writing to the Underwriters prior to the date hereof or which occurred after the effective date hereof but prior to the Closing Time;

in any of such cases, the Underwriter shall be entitled, at its option, to terminate and cancel its obligations to the Corporation under this Agreement and the obligations of any Subscriber under any Subscription Agreement.

Section 13 Continuation of Termination Right

Each Underwriter may exercise any or all of the rights provided for in Section 7, Section 11 or Section 12 notwithstanding any material change, change, event or state of facts and notwithstanding any act or thing taken or done by the Underwriters or any inaction by the Underwriters, whether before or after the occurrence of any material change, change, event or state of facts including, without limitation, any act of the Underwriters related to the offering or continued offering of the sale of the Shares. An Underwriter shall only be considered to have waived or be estopped from exercising or relying upon any of its rights under or pursuant to Section 7, Section 11 or Section 12 if such waiver or estoppel is in writing and specifically waives or estops such exercise or reliance.

Section 14 Exercise of Termination Right

Any termination pursuant to the terms of this Agreement shall be effected by notice in writing delivered to the Corporation, provided that no termination shall discharge or otherwise affect any obligation of the Corporation under Section 10, Section 15, Section 16, Section 17 or Section 18. The rights of each of the Underwriters to terminate obligations hereunder are in addition to, and without prejudice to, any other remedies it may have.

Section 15 Survival

All representations, warranties, covenants, indemnities, terms and conditions herein or contained in certificates or documents submitted pursuant to or in connection with the transactions contemplated herein shall survive the payment by the Underwriters for the Shares and shall continue in full force and effect for the benefit of the Underwriters and the Subscribers regardless of any investigation by or on behalf of the Underwriters with respect thereto.

Section 16 Indemnity

The Corporation shall indemnify and save each of the Indemnified Persons harmless against and from all liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses to which any of the Indemnified Persons may be subject or which any of the Indemnified Persons may suffer or incur, whether under the provisions of any statute or otherwise, in any way caused by, or arising directly or indirectly from or in consequence of:

(a) any information or statement contained in any part of the Public Record (other than any information or statement relating solely to one or more of the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in any part of the Public Record) or contained in this Agreement or any certificate or other document delivered by or on behalf of the Corporation to the Underwriters hereunder which is or is alleged to be untrue or any omission or alleged omission to provide any information or state any fact the omission of which makes or is alleged to make any such information or statement untrue or misleading in light of the circumstances in which it was made;

(b) any misrepresentation or alleged misrepresentation (except a misrepresentation which is based upon information relating solely to one or more of the Underwriters and furnished to the Corporation by the Underwriters expressly for inclusion in any part of the Public Record) contained in any part of the Public Record;

(c) any prohibition or restriction of trading in the securities of the Corporation or any prohibition or restriction affecting the distribution of the Shares (not based upon the activities or the alleged activities of any of the Underwriters or the Selling Dealer Group members, if any) imposed by any of the Securities Commissions or any other competent authority;

(d) any order made or any inquiry, investigation (whether formal or informal) or other proceeding commenced or threatened by any of the Securities Commissions or any other one or more competent authorities (not based upon the activities or the alleged activities of any of the Underwriters or the Selling Dealer Group members, if any) into the affairs of the Corporation or any of its directors, officers or principal shareholders or relating to or affecting the trading or distribution of the Shares; or

(e) any breach of, default under or non-compliance by the Corporation with any representation, warranty, term or condition of this Agreement, the Subscription Agreements, or delivered pursuant thereto or any requirement of Applicable Securities Laws,

provided that in the event and to the extent that a court of competent jurisdiction in the final judgement from which no appeal can be made or a regulatory authority in a final ruling from which no appeal can be made shall determine that any matter in respect of which indemnity may be sought hereunder resulted solely from the negligence, fraud or wilful misconduct of an Indemnified Person, this indemnity shall not apply.

The Corporation hereby waives its right to recover contribution from the Underwriters with respect to any liability of the Corporation by reason of or arising out of any misrepresentation in the Documents or any part of the Public Record provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of or arising out of: (i) any misrepresentation which is based upon information relating solely to the Underwriters contained in such document and furnished to the Corporation by the Underwriters expressly for inclusion in such document; or (ii) any failure by the Underwriters to provide to prospective purchasers of Shares any document which the Corporation is required to provide to such prospective purchasers and which the Corporation has provided to the Underwriters to forward to such prospective purchasers.

The Corporation agrees that in case any legal proceedings or investigation shall be brought against or initiated against the Corporation by any governmental commission, regulatory authority, exchange, court or other authority and an Indemnified Person or other representative of the Underwriters shall be required to testify or respond to procedures designed to discover information regarding, in connection with or relating to the performance of professional services rendered to the Corporation by the Underwriters, the Corporation shall pay the Underwriters the reasonable costs (including an amount to reimburse the Underwriters for the time spent by their personnel in connection therewith on a per diem basis and out of pocket expenses) in connection therewith unless such proceedings or investigations shall be brought or initiated as a result of any negligence, fraud or any actions or inactions of the Underwriters, or any of its affiliates or any member of the Selling Dealer Group.

Section 17 Notice of Indemnity Claim

If any claim contemplated by Section 16 shall be asserted against any of the Indemnified Persons in respect of which indemnification is or might reasonably be considered to be provided for in such section, such Indemnified Person shall notify the Corporation as soon as possible of the nature of such claim and the Corporation shall be entitled (but not required) to assume the defence of any suit brought to enforce such claim, provided however, that the defence shall be through legal counsel selected by the Corporation and acceptable to the Indemnified Person acting reasonably and that no admission of liability or settlement may be made by the Corporation or the Indemnified Person without the prior written consent of the other, such consent not to be unreasonably withheld. The Indemnified Person shall have the right to retain its own counsel in any proceeding relating to a claim contemplated by Section 16 if:

(a) the Indemnified Person has been advised in writing by counsel that there may be a material legal defence available to the Indemnified Person which is different from or additional to a defence available to the Corporation or that a conflict of interest exists or reasonably may exist which makes representation by counsel chosen by the Corporation not advisable (in which case the Corporation shall not have the right to assume the defence of such proceedings on the Indemnified Person's behalf);

(b) the Corporation shall not have undertaken the defence of such proceedings and employed counsel within ten days after notice of commencement of such proceedings; or

(c) the employment of such counsel has been authorized by the Corporation in connection with the defence of such proceeding;

and, in any such event, the reasonable fees and expenses of such Indemnified Person's counsel shall be paid by the Corporation; it being understood, however, that the Corporation shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate law firm (in addition to any local counsel) for all Indemnified Persons.

It is the intention of the Corporation to constitute the Underwriters as trustee for the Indemnified Persons for the purposes of Section 16, Section 17 and Section 18 and the

Underwriters agrees to accept such trust and to hold and enforce such covenants on behalf of such persons.

Section 18 Right of Contribution

In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is due in accordance with its terms but is (in whole or in part), for any reason, held by a court to be unavailable from the Corporation on grounds of policy or otherwise, each of the Corporation and the party or parties seeking indemnification shall contribute to the aggregate liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) to which they may be subject or which they may suffer or incur:

(a) in such proportion as is appropriate to reflect the relative benefit received by the Corporation on the one hand and by the Underwriters on the other hand from the offering of the Shares; or

(b) if the allocation provided by Section 18(a) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in Section 18(a) but also to reflect the relative fault of the party or parties seeking indemnity, on the one hand, and the parties from whom indemnity is sought, on the other hand, in connection with the statement, omission, misrepresentation or alleged misrepresentation, order, inquiry, investigation or other matter or thing which resulted in such liabilities, claims, demands, losses, costs, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Corporation, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion that the total proceeds of the offering received by the Corporation (net of fees but before deducting expenses) bear to the fees received by the Underwriters.

The amount paid or payable by an Indemnified Person as a result of liabilities, claims, demands, losses (other than losses of profit), costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof) referred to above shall, without limitation, include any legal or other expenses reasonably incurred by the Indemnified Person in connection with investigating or defending such liabilities, claims, demands, losses, costs, damages and expenses (or claims, actions, suits or proceedings in respect thereof), whether or not resulting in any action, suit, proceeding or claim.

The Corporation agrees that it would not be just and equitable if contributions pursuant to this Agreement were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding sections. The rights to contribution provided in this Section 18 shall be in addition to, and without prejudice to, any other right to contribution which the Underwriters may have.

Any liability of the Underwriters under this Section 18 shall be limited to the amount payable to the Underwriters pursuant to Section 9.

Section 19 Several Liability of Underwriters

The Underwriters' rights and obligations under this Agreement are separate and not joint and several including, without limitation, that each of the Underwriters shall be obligated to purchase only the percentage of the total number of Common Shares and Flow-Through Shares set opposite their names set forth in this Section 19. Nothing in this Section 19 shall obligate the Corporation to sell less than all of the Common Shares and Flow-Through Shares to the Underwriters.

The applicable percentage of the total number of Common Shares and Flow-Through Shares which each of the Underwriters shall be separately obligated to purchase is as follows:

Peters & Co. Limited	75%
Acumen Capital Finance Partners Limited	25%
	100%

Section 20 Authority to Bind Underwriters

The Corporation shall be entitled to and shall act on any notice, waiver, extension or communication given by or on behalf of the Underwriters by Peters & Co. Limited, which shall represent the Underwriters and which shall have the authority to bind the Underwriters in respect of all matters hereunder, except in respect of any settlement under Sections 16, 17 or 18 or any matter referred to in Sections 13, 14 or 19.

Section 21 Notices

Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation, be addressed to:

Stylus Energy Inc.
530, 400 – 5th Avenue S.W.
Calgary, Alberta
T2P 0L6

Attention: Paul D. Evans
Telecopy No.: (403) 517-8798

with a copy to:

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.
Calgary, Alberta
T2P 3N9

Attention: Steven Cohen
Telecopy No.: (403) 260-0330

and, in the case of notice to be given to the Underwriters, be addressed to:

Peters & Co. Limited
3900 Bankers Hall West
888 – 3rd Street S.W.
T2P 5C5

Attention: Bruce A. Fiell
Telecopy No.: (403) 261-7570

with a copy to:

Acumen Capital Finance Partners Limited
404 - 6th Avenue S.W.
Suite 700
Calgary, Alberta
T2P 0R9

Attention: C. Michael Stuart
Telecopy No.: (403) 571-0313
.

with a copy to:

Blake, Cassels & Graydon LLP
Suite 3500, Bankers Hall East
855 – 2nd Street S.W.
Calgary, Alberta
T2P 4J8

Attention: Scott R. Cochlan
Telecopy No.: (403) 260-9700

or to such other address as the party may designate by notice given to the others. Each communication shall be personally delivered to the addressee or sent by facsimile transmission to the addressee, and:

(a) a communication which is personally delivered shall, if delivered before 4:30 p.m. (local time) on a business day, be deemed to be given and received on that day and, in any other case be deemed to be given and received on the first business day following the day on which it is delivered; and

(b) a communication which is sent by facsimile transmission shall, if sent on a business day before 4:30 p.m. (local time), be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first business day following the day on which it is sent.

Section 22 Trust

It is the intention of the Corporation to constitute the Underwriters as trustee for the Subscribers in respect of the benefit of the representations, warranties and covenants of the Corporation set forth in this Agreement.

Section 23 Acknowledgement and Consent

The Corporation: (i) acknowledges and agrees that each of the Underwriters has certain statutory obligations as a registrant under the Applicable Securities Laws and has fiduciary relationships with its respective clients; and (ii) consents to each of the Underwriters acting hereunder while continuing to act for its respective clients. To the extent that an Underwriter's statutory obligations as a registrant under Applicable Securities Laws or fiduciary relationships with its clients conflicts with its obligations hereunder, the Underwriter shall be entitled to fulfil its statutory obligations as a registrant under Applicable Securities Laws and its duties to its clients. Nothing in this Agreement shall be interpreted to prevent an Underwriter from fulfilling its statutory obligations as a registrant under Applicable Securities Laws or to act as a fiduciary of its clients.

Section 24 Severance

If one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

Section 25 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

Section 26 Time of the Essence

Time shall be of the essence of this Agreement.

Section 27 Counterpart Execution

This Agreement may be executed in one or more counterparts each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.

Section 28 Entire Agreement

It is understood that the terms and conditions of this Agreement supersede any previous verbal or written agreement between the Underwriters and the Corporation with respect to the issuance of securities by the Corporation and including, without limitation, the agreement constituted by the acceptance of the letter dated November 14, 2005, from Peters & Co. Limited to the Corporation.

If the foregoing is in accordance with your understanding and is agreed to by you, please confirm your acceptance by signing the enclosed copies of this letter at the place indicated and by returning the same to Bruce A. Fiell at Peters & Co. Limited.

PETERS & CO. LIMITED

Per: (signed) "Bruce Fiell"

ACUMEN CAPITAL FINANCE PARTNERS LIMITED

Per: (signed) "Michael Stuart"

ACCEPTED AND AGREED to effective as of the 15th day of November, 2005.

STYLUS ENERGY INC.

Per: (signed) "Paul Evans"

SCHEDULE A

1. the Corporation has been duly amalgamated and is validly subsisting under the laws of the jurisdiction of its amalgamation and has all requisite corporate capacity, power and authority to carry on its business as now conducted by it and to own its properties and assets;

2. the Corporation has full corporate power and authority to enter into this Agreement and the Subscription Agreements and to perform its obligations set out herein and therein, and each of this Agreement and the Subscription Agreements has been duly authorized, executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with their respective terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;

3. the execution and delivery of this Agreement and the Subscription Agreements and the fulfillment of the terms hereof and thereof by the Corporation, and the performance of and compliance with the terms of this Agreement and the Subscription Agreements by the Corporation do not and will not result in a breach of, or constitute a default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or constitute a default under:

   (a) any applicable laws of the Province of Alberta or the federal laws of Canada applicable therein;

   (b) any term or provision of the articles, by-laws or other constating documents, as applicable, of the Corporation, or, of which counsel is aware, any resolutions of the shareholders or directors (or any committee thereof) of the Corporation;

   (c) of which counsel is aware, any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound on the Closing Date; or

   (d) of which counsel is aware, any judgment, decree or order, of any court, governmental agency or body or regulatory authority having jurisdiction over the Corporation or their respective properties or assets,

   which default or breach might reasonably be expected to materially adversely affect the business, operations, capital or condition (financial or otherwise), properties or assets of the Corporation;

4. the Shares have been reserved and allotted for issuance and, when issued in accordance with the terms of the Common Share Subscription Agreements and the Flow-Through Subscription Agreements, respectively, will be validly issued as fully paid and non-assessable common shares of the Corporation;

5. the Corporation is a "reporting issuer" or has equivalent status not in default of any requirement of the *Securities Act* (Alberta), the *Securities Act* (British Columbia) and the

Securities Act (Ontario) and is not included in a list of defaulting reporting issuers maintained pursuant to the applicable securities legislation of such Provinces;

6. the offering, sale and issuance of the Shares by the Corporation is exempt from the prospectus requirements of Applicable Securities Laws and no other documents are required to be filed, proceedings taken or approvals, permits, consents or authorizations of regulatory authorities in the Selling Jurisdictions obtained under Applicable Securities Laws to permit such offering, issuance, sale and delivery, other than the execution and filing by or on behalf of the Corporation of reports of the trade required to be filed under Applicable Securities Laws, together with the requisite filing fees;

7. notice of the issuance of the Shares has been accepted by the Exchange and the Shares have been conditionally approved for listing upon the Exchange subject to any applicable filing requirements;

8. the Flow-Through Shares are "flow-through shares" as defined in subsection 66(15) of the *Tax Act* and the Flow-Through Shares do not constitute "prescribed shares" for the purpose of section 6202.1 of the Regulations to the *Tax Act*;

9. the first trade in Shares will, pursuant to Multilateral Instrument 45-102, not be subject to the prospectus requirements of Applicable Securities Laws (other than sales by control persons) after 4 months following the distribution date in the Selling Jurisdictions in Canada, subject to the conditions prescribed therein;

10. Valiant Trust Company has been duly appointed by the Corporation as the transfer agent and registrar for the common shares of the Corporation (including the Shares);

11. the form and terms of the definitive certificates representing the common shares of the Corporation (including the Shares) have been duly approved and adopted by the board of directors of the Corporation and comply with all legal requirements relating thereto, including the requirements of the Exchange;

and additionally relating to the authorized and issued capital of the Corporation.

SCHEDULE B

MATERIAL CONTRACTS

1. Farmin Agreement dated October 27, 2005 between Stylus Energy Inc. and Conoco Phillips Canada Resources Corp.

2. Canadian Imperial Bank of Commerce Extendable Revolving Credit Facility Financing Commitment

SCHEDULE C

EMPLOYMENT AGREEMENTS

1. Employment agreement with Paul D. Evans dated May 5, 2000 as amended December 12, 2003.

2. Employment agreement with Ulrich Seggewiss dated May 5, 2000 as amended December 12, 2003.

3. Employment agreement with William F. Dyer dated May 5, 2000 as amended December 12, 2003.

4. Employment agreement with Michael Dupont dated September 13, 2002.

5. Employment agreement with Carolyn Murphy dated September 13, 2002.

6. Employment agreement with Peter Hoyer dated December 15, 2003.

7. Employment agreement with Gregg Elliot dated January 19, 2004.

SCHEDULE D

SWAPS

None.