ZENAS ENERGY CORP.

(Incorporated under the laws of the Province of Alberta)

FIXED AND FLOATING CHARGE DEMAND DEBENTURE

1. **ZENAS ENERGY CORP.** a body corporate having its head office at the City of Calgary, in the Province of Alberta (hereinafter called the "**Debtor**"), for value received hereby acknowledges itself indebted and promises to pay to •, (who and whose successors and assigns are hereinafter collectively called the "**Secured Party**"), **on demand** or on such earlier date as the principal sum hereby secured may become payable hereunder, the sum of **TWENTY MILLION DOLLARS ($20,000,000.00)** in lawful money of Canada; (hereinafter called the "**Principal Sum**") at •, and to pay on demand in the same money and at the same place interest on the Principal Sum or on so much thereof as remains from time to time unpaid at the rate of prime rate plus two percent (2%) per annum more than the annual rate of interest announced from time to time by the Royal Bank of Canada as a reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada, reckoned from the date or dates the Principal Sum or any part thereof is due and payable.

2. The Debtor, as security for the payment of the Principal Sum, interest and all other monies from time to time payable by the Debtor to the Secured Party pursuant to this Debenture and as security for the performance and observance of the covenants and agreements on the part of the Debtor herein contained, hereby:

   (a) mortgages, charges, grants and assigns to and in favour of the Secured Party as and by way of a first floating mortgage, charge and security interest all of its present and after-acquired right, title, estate and interest in and to all OF THE property listed in Schedule "B" attached hereto, including proceeds thereof together with any and all accretions and accessions thereto, substitutions therefore and any and all fixtures and attachments and other property at any time or times placed upon or associated with, or as may be necessary for the effective use and operation of, such property (all of which are hereinafter collectively called the "**Mortgaged Premises**"). The Secured Party acknowledges that the Mortgaged Premises are subject to the permitted encumbrances more particularly described in Schedule "A" attached hereto (the "**Permitted Encumbrances**").

   Until the security hereby constituted shall have become enforceable and the Secured Party shall have determined to enforce the same (and except as hereinafter provided), the Debtor may, in the ordinary course of the business of the Debtor and for the purpose of carrying on the same, sell, assign, lease, dispose of and deal with the Mortgaged Premises, except as may be agreed to in writing by the Secured Party; **PROVIDED THAT** the Debtor shall not, and the Debtor hereby covenants that it will not, without the prior written consent of the Secured Party, make, give, create, grant, incur or assume any mortgage, pledge, hypothec, lien, charge, encumbrance, assignment, security interest or other security, upon the Mortgaged Premises or any part thereof, other than the Permitted Encumbrances, ranking or purporting to rank in priority to or pari passu with the grant, mortgage, charge, assignment, transfer and security interest created and secured hereby (hereinafter referred to as the "**Charge**").

TO HAVE AND TO HOLD the Mortgaged Premises and rights hereby conferred on the Secured Party for the use and purposes and with the power and authority and subject to the terms, conditions, provisos, covenants and stipulations herein expressed.

The Charge shall not extend or apply to the last day of the term of any lease, whether oral or written, now held or hereafter acquired by the Debtor but should such Charge become enforceable and the Secured Party shall have determined to enforce the same, the Debtor shall thereafter stand possessed of such last day and shall hold it in trust to assign the same to any person who may acquire such term or the part thereof hereby charged in the course of any enforcement of the said Charge or any realization of the subject matter thereof.

3. The Debtor covenants and agrees with the Secured Party:

(a) that the Debtor will perform and observe the terms, conditions, covenants and provisions of the Farmout Agreement dated December 29, 2004 between the Secured Party as Farmor and the Debtor as Farmee as amended, modified, supplemented, replaced or restated from time to time (the "Farmout Agreement");

(b) that the Debtor has good right, full power and lawful authority to charge the Mortgaged Premises according to the true intent and meaning of this Debenture;

(c) that the Mortgaged Premises are now and will continue to be free and clear of all mortgages, liens, charges, encumbrances and security interests created by, through or under the Debtor other than (i) the Charge, (ii) the Permitted Encumbrances, and (iii) any mortgage, lien, charge, encumbrance or security interest which is specifically permitted by the Secured Party pursuant to an instrument in writing executed by the Secured Party and addressed to the Debtor, which instrument shall refer to this Debenture and describe any such mortgage, lien, charge, encumbrance or security interest so permitted by the Secured Party;

(d) to pay the Principal Sum, interest and other monies hereby secured in accordance with the terms of this Debenture;

(e) to carry on and continuously conduct its business in a lawful, efficient, diligent and businesslike manner;

(f) to repair and keep in repair and in good working order and condition all buildings, structures, plant, machinery and apparatus that from time to time comprise and form a part of the Mortgaged Premises in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations and laws;

(g) to promptly pay when due all business, income and profits taxes properly levied or assessed against the Debtor, its business, operations, revenues, incomes or profits, save and except when and so long as the validity of any such tax is in good faith contested by the Debtor, in which event the Debtor shall, if required by the Secured Party, furnish security satisfactory to it for the full amount of any of such taxes being so contested;

(h) to fully pay and discharge as and when the same become due and payable all taxes (including local improvement rates), rates, duties and assessments that may be levied, rated, charged or assessed against the Mortgaged Premises, or any part thereof, and if the Debtor fails to pay any of such taxes, rates, duties or assessments and if it is not in good faith contesting the same, the Secured Party may, but shall not be obligated to, pay the same, and any amounts so paid by the Secured Party shall become and form part of the Principal Sum secured hereby and shall bear interest at the rate aforesaid until paid; and

(i) to at all times promptly observe, perform, execute and comply with all applicable laws, rules, requirements, orders, directions, by-laws, ordinances, work orders and regulations of every governmental authority and agency whether federal, provincial, municipal or otherwise, including, without limiting the generality of the foregoing, those dealing with zoning, use, occupancy, subdivision, parking, historical designations, fire, access, pollution of the environment, toxic materials or other environmental hazards, public health and safety, and all private covenants and restrictions affecting the Mortgaged Premises or any portion thereof, and from time to time, upon request of the Secured Party, to provide to the Secured Party evidence of such observance and compliance, and at its own expense to make any and all improvements thereon or alterations to the Mortgaged Premises, structural or otherwise, and to take all such other action as may be required at any time by any such present or future law, rule, requirement, order, direction, by-law, ordinance, work order or regulation.

4. Except as otherwise agreed to in writing by the Secured Party and the Debtor, the Debtor covenants that at all times during the continuation of this security, it will insure and keep insured against all insurable hazards with insurers acceptable to the Secured Party, all of the Mortgaged Premises which is of an insurable nature in accordance with accepted oil and gas industry practices. Unless otherwise agreed to in writing by the Secured Party, the losses under all such insurance shall be payable firstly to the Secured Party as its interest may appear.

(a) The Debtor agrees that so long as it remains indebted to the Secured Party, it will, unless otherwise agreed to in writing by the Secured Party and the Debtor, maintain with reputable insurers third party public liability, blow-outs, "all risks" perils and property damage insurance covering all operations of the Debtor within limits of coverage usually carried by others owning or operating the same or a similar type and size of business as that being conducted by the Debtor.

(b) Except as otherwise agreed to in writing by the Secured Party and the Debtor, the Debtor will, upon the request of the Secured Party, deliver to the Secured Party certified copies of all policies or contracts of insurance being carried by the Debtor pursuant to the terms hereof, together with such certificates of insurance as the Secured Party may reasonably require and evidence that the premiums on all such insurance have been paid.

(c) If the Debtor should fail to take out or maintain all the insurance required to be carried by the Debtor pursuant to the terms of this Debenture, the Secured Party may, but shall not be obligated to, take out all or any of such insurance and all sums expended by the Secured Party in effecting such insurance shall forthwith become due and be payable by the Debtor to the Secured Party and until paid shall form part of the Principal Sum secured hereby and shall bear interest at the aforesaid rate.

(d) Except as otherwise agreed to in writing, in the event of loss under any of the insurance referred to in this clause 4, the Secured Party, at its option, may apply the insurance proceeds on account of the Principal Sum and interest secured hereby or may apply the same to rebuilding, repairing and restoring the Mortgaged Premises, or may apply the same partly for one purpose and partly for the other purpose.

5. The Debtor shall not and covenants that it will not, without the written consent of the Secured Party first had and received:

(a) sell, assign, transfer, convey or otherwise dispose of all or any part of the Mortgaged Premises which in the aggregate would exceed $1,000,000 in any calendar year inclusive of any sale and leaseback of the facilities owned by the Debtor; and

(b) mortgage, charge, pledge or otherwise encumber all or any part of the Mortgaged Premises other than to the Secured Party or as contained in the Permitted Encumbrances.

6. The Debtor will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all and every such further acts, deeds, mortgages, transfers and assurances in law as the Secured Party shall reasonably require for better assuring, mortgaging, assigning and confirming unto the Secured Party all and singular the undertaking and all of the property and assets of the Debtor hereby charged or intended so to be or which the Debtor may hereafter become bound to charge to and in favour of the Secured Party and for the better accomplishing and effectuating of the intentions of this Debenture.

7. Without limiting in any way the right of the Secured Party to make demand for payment at any time, the principal, interest and other monies secured by this Debenture shall become immediately due and payable, whether with or without prior demand therefore, and the security hereby constituted shall become immediately enforceable in each and

every of the following events (each of such events being hereinafter called an "**Event of Default**"):

(a) if the Debtor makes a default in the payment, in whole or in part, of the Principal Sum of or interest on this Debenture or any other monies secured hereby;

(b) if the Debtor makes default in the observance or performance of any other covenant, agreement or condition on the part of the Debtor to be kept, observed or performed under this Debenture or commits a Default as defined in Article 11 of the Farmout Agreement and the same is not cured within 10 days of receipt of written notice thereof from the Secured Party or, if such default is not reasonably capable of being cured in such 10 day period, the Debtor does not take all reasonable steps to commence remedy of the default within such 10 day period and to thereafter diligently pursue its rectification;

(c) if an order is made or an effective resolution is passed for the winding-up of the Debtor, or if a petition is filed for the winding-up of the Debtor;

(d) if the Debtor becomes insolvent, or makes an unauthorized assignment or bulk sale of its assets, or if a petition in Bankruptcy is filed or presented against the Debtor;

(e) if any proceeding with respect to the Debtor is commenced under the *Companies' Creditors Arrangements Act* or the *Bankruptcy and Insolvency Act*;

(f) if any execution, sequestration, writ of extent or any other process of any court becomes enforceable against the Debtor, or if a distress or analogous process is levied upon all of the property of the Debtor or any material part thereof, provided that such execution, sequestration, writ of extent or other process is not in good faith being contested by the Debtor;

(g) if the Debtor ceases or threatens to cease to carry on its business or if the Debtor commits or threatens to commit any act of bankruptcy; and

(h) if the Debtor shall permit any sum which has been admitted as due by the Debtor or is not disputed to be due by it and which forms or is capable of being made a charge upon any of the Mortgaged Premises in priority to or *pari passu* with the Charge to remain unpaid for ten (10) days after proceedings have been taken to enforce the same as a charge upon the Mortgaged Premises ranking in priority to or *pari passu* with the Charge.

8. The Secured Party may waive any breach by the Debtor of any of the provisions contained in this Debenture or any default by the Debtor in the observance or performance of any covenant, agreement or condition required to be kept, observed or performed by the Debtor under the terms of this Debenture; **PROVIDED ALWAYS** that no act or omission of the Secured Party in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default or to affect the rights of the Secured Party resulting therefrom.

9. If an Event of Default shall have occurred and be continuing, the Secured Party may, in its discretion, appoint a receiver (which term shall herein include a receiver and manager) of the Mortgaged Premises, of the rents, issues, profits, revenues and income thereof or of any part or parts of any of the foregoing, and upon any such appointment by the Secured Party the following provisions shall apply:

(a) the appointment of any receiver by the Secured Party hereunder shall be made in writing signed by the Secured Party and such writing shall be conclusive evidence for all purposes of such appointment. The Secured Party may from time to time in the same manner remove any receiver so appointed and appoint another in his stead. Notwithstanding anything to the contrary hereby expressed or implied, in making any such appointment of a receiver hereunder, the Secured Party shall be deemed to be acting as the attorney for the Debtor and the Debtor does hereby irrevocably appoint the Secured Party as its attorney for that purpose;

(b) the Secured Party, in its discretion, may appoint one or more receivers hereunder in respect of all or any part or parts of the Mortgaged Premises, as may be designated in writing by the Secured Party when making any such appointment;

(c) any such receiver shall have the power:

(i) to take possession of, collect and to get in all or any part of the Mortgaged Premises and for that purpose to take proceedings in the name of the Debtor or otherwise and to make any arrangement or compromise;

(ii) to carry on or concur in carrying on all or any part of the business of the Debtor; and

(iii) to sell or to concur in selling all or any part of the Mortgaged Premises in such manner as may seem advisable to the receiver, and to effect such sale by conveying the same in the name and on behalf of the Debtor or otherwise in respect thereof;

(d) every such receiver may, in the discretion of the Secured Party, be vested with all or any of the powers and discretions conferred on the Secured Party under this Debenture;

(e) the Secured Party may from time to time fix the reasonable remuneration of every such receiver and may direct the payment thereof (in priority to the Secured Party), out of the Mortgaged Premises and the rents, profits, revenues and income therefrom or the proceeds thereof;

(f) the Secured Party may from time to time require any receiver to give security for the performance of his duties as such receiver and may fix the nature and amount thereof, but the Secured Party shall not be bound to require any such security from the receiver;

(g) every such receiver may, with the consent in writing of the Secured Party, borrow money for the purpose of maintaining, protecting or preserving the Mortgaged Premises or any part thereof, or for the purpose of carrying on the business of the Debtor, and any receiver may issue certificates (in this sub clause called "Receiver's Certificates") for such sums as will, in the opinion of the Secured Party, be sufficient for obtaining security upon the Mortgaged Premises or any part thereof for the amounts from time to time so required by the receiver, and such Receiver's Certificates may be payable either to order or to bearer and may be payable at such time or times, and shall bear such interest as the Secured Party may approve and the receiver may sell, pledge or otherwise dispose of the Receiver's Certificates in such manner and may pay such commission on the sale thereof, as the Secured Party may consider reasonable, and the amounts from time to time payable by virtue of such Receiver's shall form a charge upon the Mortgaged Premises in priority to the amounts secured under this Debenture;

(h) every such receiver shall, so far as concerns responsibility for his acts or omissions, be deemed to be the agent for the Debtor, and in no event the agent of the Secured Party. The Secured Party shall not, in making or consenting to such appointment, incur any liability to any receiver for his remuneration or otherwise howsoever be liable or responsible for the acts or omissions, including the negligence, misconduct or misfeasance, on the part of any such receiver;

(i) except as may be otherwise directed in writing by the Secured Party, all monies from time to time received by such receiver shall be paid over to the Secured Party to be held by it as part of the Mortgaged Premises; and

(j) the Secured Party may pay over to any receiver any monies constituting part of the Mortgaged Premises to the extent that the same may be applied for the purposes hereof by such receiver, and the Secured Party may from time to time determine what funds the receiver shall be at liberty to keep on hand with a view to the performance of his duties hereunder as such receiver.

10. If an Event of Default shall have occurred and be continuing, the Secured Party may in its discretion, in lieu of appointing a receiver as provided for in subclause 9(a) hereof, apply to any court or courts of competent jurisdiction for the appointment of one or more receivers of the Mortgaged Premises, of the rents, issues, profits, revenues and income thereof or of any part or parts of any of the foregoing, with such powers as the court or courts making such appointment or appointments shall confer including, without limiting the generality thereof, all or any of the powers set forth in clause 9 hereof. Any receiver or receivers so appointed by a court, shall be subject to the supervision of that court.

11. Nothing done by the Secured Party or by any receiver or receivers in possession of the Mortgaged Premises shall render the Secured Party a mortgagee in possession or responsible as such, or in any way limit or curtail the remedies of the Secured Party as a mortgagee or creditor under any applicable law or statute.

12. If the security hereby constituted shall become enforceable, the Secured Party may, subject to applicable law, either before or after any entry, sell and dispose of all or any part of the Mortgaged Premises either as a whole or in several portions thereof, at public auction or by public tender or by private sale at such time or times and on or subject to such terms and conditions as the Secured Party may determine, and it shall be lawful for the Secured Party to make such sale, either for cash or upon credit or partly for cash and partly upon credit, and with or without advertisement, and upon such reasonable conditions as to upset, reserve bid or price and as to terms of payment as the Secured Party may deem proper, and the Secured Party may also rescind or vary any contract of sale that may have been entered into and resell with or under any of the powers conferred hereunder and adjourn any such sale from time to time and may execute and deliver to the purchaser or purchasers of the Mortgaged Premises or any part thereof good and sufficient title to the same, the Secured Party being hereby constituted irrevocably the attorney of the Debtor for the purpose of making such sale and for executing all deeds and documents pertaining thereto and any such sale made as aforesaid shall be a perpetual bar both in law and in equity against the Debtor and all other persons claiming such property or any part thereof, by, from, through or under the Debtor.

13. The Debtor acknowledges that if a stay of proceedings is issued against the Debtor pursuant to the *Secured Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangements Act* or otherwise, the Secured Party would be irreparably harmed and materially prejudiced if any proceeds of the Mortgaged Premises were used for any purpose other than the repayment of the debts secured by this Debenture, and the Debtor hereby acknowledges and agrees that any proceeds of the Mortgaged Premises received by the Debtor while such stay is in effect shall be received by and held by the Debtor in trust for the Secured Party.

14. If the Debtor should fail to comply with any covenant or agreement contained herein, the Secured Party or agent of the Secured Party may, but shall not be obligated to, do whatever is necessary to rectify such failure, and all sums so expended by the Secured Party or its agent shall forthwith become due and be payable by the Debtor to the Secured Party and until paid shall form part of the Principal Sum secured hereby and shall bear interest at the aforesaid rate.

15. The Debtor agrees to pay to the Secured Party forthwith upon demand all reasonable costs, charges and expenses (including legal fees on a solicitor and his own client basis) of, or incurred by the Secured Party in connection with recovering or enforcing payment of any of the monies owing hereunder including all reasonable costs, charges and expenses incurred in connection with taking possession, preserving, collecting or realizing upon the Mortgaged Premises, together with interest thereon at the aforesaid rate from the date of incurring such costs, charges and expenses.

16. Upon payment by the Debtor to the Secured Party of the Principal Sum (or the reduction of the Principal sum to zero (0), as provided for in this Debenture), interest and all other monies secured by this Debenture and provided the security hereby constituted shall not have become enforceable, the Secured Party shall, upon the written request of the Debtor, deliver up this Debenture to the Debtor and shall, at the expense of the Debtor, release

and discharge the security hereby constituted and execute and deliver to the Debtor such deeds or other documents as shall be requisite to release and discharge this Debenture and the security afforded hereby; provided, however, that this Debenture may be assigned, pledged, hypothecated or deposited by the Debtor as security for advances or loans to or for indebtedness or other obligations or liabilities of the Debtor and in such event this Debenture shall not be deemed to have been discharged or redeemed by reason of the account of the Debtor having ceased to be in debit balance while this Debenture remains so assigned, pledged, hypothecated or deposited.

17. No postponement or partial release or discharge of the Charge in respect of all or any part of the Mortgaged Premises shall in any way operate or be construed so as to release and discharge the security hereby constituted in respect of the Mortgaged Premises except as therein specifically provided, or so as to release or discharge the Debtor from its liability to the Secured Party to fully pay and satisfy the Principal Sum, interest and all other monies due or remaining unpaid by the Debtor to the Secured Party.

18. The Debtor acknowledges and agrees that in the event it amalgamates with any other corporation or corporations it is the intention of the Debtor and the Secured Party that the term "Debtor" when used herein shall apply to each of the amalgamating corporations and to the amalgamated corporation, such that the Charge shall secure the indebtedness of each of the amalgamating corporations and the amalgamated corporation to the Secured Party at the time of amalgamation and any indebtedness of the amalgamated corporation to the Secured Party thereafter arising. The Charge shall attach to all of the "**Mortgaged Premises**" owned by each corporation amalgamating with the Debtor, and by the amalgamated corporation, at the time of amalgamation, and shall attach to any "Mortgaged Premises" thereafter owned or acquired by the amalgamated corporation when such becomes owned or is acquired.

19. The Debtor will indemnify the Secured Party and its successors and assigns against any and all liabilities, actions, claims, judgments, costs, charges and legal fees that may be made against or incurred by the Secured Party, by reason of the assertion that the Secured Party has received funds that may be claimed by third persons, either before or after the payment in full of the Principal Sum, interest and other monies secured hereby and either before or after the release either wholly or partially of the Charge; and the Secured Party shall have the right to defend against any such claims, actions and charges and claim from the Debtor all expenses incurred by the Secured Party in connection therewith, together with all reasonable legal fees as may be paid by the Secured Party in connection therewith. It is understood and agreed that the covenants and conditions of this clause 19 shall at all times be construed to be a personal covenant in favour of the Secured Party and shall not run with the Mortgaged Premises, and that such covenants and indemnity shall remain in full force and effect notwithstanding the payment of the Principal Sum, interest and all other monies secured by this Debenture and the release, either partially or wholly, of the Charge, or any foreclosure hereof.

20. The Principal Sum, interest and other monies hereby secured will be paid by the Debtor and shall be assignable by the Secured Party free from any right of set-off or counterclaim by the Debtor or any equities between the Debtor and the Secured Party.

21. The Charge shall take effect forthwith upon execution of this Debenture and shall operate as security for the actual amount of all the debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Debtor to the Secured Party or remaining unpaid.

22. The security hereby constituted is in addition to, and not in substitution for, any other security now or hereafter held by the Secured Party and no payment to the Secured Party shall constitute payment on account of the Principal Sum, interest or other monies from time to time owing hereunder unless specifically so appropriated in writing by the Secured Party. The taking of any action or proceedings or remaining from so doing, or any other dealing with any other security for the monies secured hereby shall not release or affect the security of this Debenture and the taking of the security hereby granted or any proceedings hereunder for the realization of the security hereby granted shall not release or affect any other security held by the Secured Party for the monies hereby secured.

23. Any notice that may be given by the Secured Party in accordance with this Debenture shall be in writing and may be given at any time either by delivering or by mailing the same addressed to the Debtor at its address specified on the signature page hereof. Any notice delivered to the Debtor shall be deemed to have been given on the business day during which the same was so delivered to the Debtor and any notice mailed to the Debtor shall be conclusively deemed to have been received by the Debtor on the third business day following that on which it was so mailed. The Debtor may change its address for notices by notice to the Secured Party.

24. The Debtor hereby authorizes the Secured Party to file or register such financing statements, financing change statements and other documents as the Secured Party may deem appropriate to perfect on an ongoing basis and continue the Charge, and to protect and preserve the Mortgaged Premises and the Debtor hereby irrevocably constitutes and appoints the legal counsel for the Secured Party the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever it may be deemed necessary or expedient.

25. The Debtor hereby acknowledges receipt of a copy of this Debenture, and waives its right to receive a copy of any financing statement or financing change statement registered by the Secured Party.

26. To the full extent that it may lawfully do so, the Debtor hereby:

    (a) waives and disclaims any benefit of, and shall not have or assert any right under any statute or rule of law pertaining to, the marshalling of assets, the exemption of homestead, the administration of estates, or any other matter whatever, to defeat, reduce or affect the rights of the Secured Party under the terms of this Debenture to a sale of the Mortgaged Premises or any part thereof or for the collection of all amounts secured hereby;

(b) agrees that it shall not have or assert any right or equity of redemption or any right under any statute or otherwise to redeem the Mortgaged Premises or any part thereof after the sale hereunder to any person whether such sale is by the Secured Party, any receiver or otherwise, notwithstanding, if such should be the case, that the Secured Party may have purchased same;

(c) agrees that the *Land Contracts (Actions) Act* (Saskatchewan) shall have no application to any action (as defined in such Act) taken with respect to any Charge herein; and

(i) agrees that the *Limitation of Civil Rights Act* (Saskatchewan) shall have no application to:

(ii) this Debenture or any instrument or agreement in implementation hereof,

(iii) any Charge or security for the payment of money made, given or created pursuant to any of the foregoing instruments,

(iv) any instrument or agreement entered into at any time hereafter by the Debtor renewing or extending or collateral to this Debenture or to any of the foregoing instruments, or

(v) the rights, powers or remedies of the Secured Party or any receiver under any of the foregoing instruments.

(d) agrees that the provisions of Part IV (excepting only Section 46) of the Saskatchewan Farm Security Act shall have no application to this Debenture, any agreements, instruments, or other security taken collateral thereto or in connection therewith, any mortgages or charges evidenced thereby, any renewals or extensions thereof or the rights, powers or remedies of the Secured Party or any other person under or in relation to any of the foregoing, or any future security whatsoever granted by the Debtor in favour of the Secured Party.

27. The Debtor and the Secured Party have not agreed to postpone the time of attachment and that the Charge is intended to attach when this Debenture is signed by the Debtor and, with respect to after-acquired property, when the Debtor acquires an interest in such property.

28. This Debenture and all its provisions shall enure to the benefit of the Secured Party, its successors and assigns and shall be binding upon the Debtor, its successors and assigns.

29. Wherever the singular or masculine or neuter is used in this Debenture, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context so requires.

30. The Debtor will assist the Secured Party to ensure that this Debenture and all supplementary and corrective instruments and all additional mortgage and security documents described in clause 6, and all documents, caveats, cautions, memorials,

security notices, financing statements and assurances in respect thereof. are promptly filed and re-filed, registered and re-registered and deposited and re-deposited in such manner, in such offices and places, and at such times and as often as may be required by law or as may be necessary or desirable to perfect and preserve the Charge created or intended to be created hereby as a first priority Charge and the rights conferred or intended to be conferred upon the Secured Party by the Charge herein contained.

31. No waiver of any right of the Secured Party hereof shall be valid unless in writing delivered to the Debtor as herein provided. No amendment hereunder shall be valid or effective for any purpose unless consented to in writing by the Secured Party.

32. The provisions of the Farmout Agreement are not superseded by or merged in the execution or registration of this Debenture and the provisions of the Farmout Agreement shall remain in full force and effect until all of the conditions thereof to be observed or performed by the Debtor have been fully paid and satisfied.

33. In the event that any term or provision in this Debenture shall, to any extent, be invalid or unenforceable, the remaining terms and provisions of this Debenture shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by applicable law.

34. This Debenture shall be governed by and construed in accordance with the laws in force in the Province of Alberta and for the purposes of any legal proceedings in respect of this Debenture, the Debtor irrevocably submits to the jurisdiction of the courts of the Province of Alberta. There shall be no application of any conflict of laws rule which is inconsistent with this section.

IN WITNESS WHEREOF the Debtor has executed this Debenture by its proper officers duly authorized in that behalf as of the 2nd day of August, 2005.

ZENAS ENERGY CORP.

(signed) "John Rooney"
JOHN ROONEY,
President and Chief Executive Officer

ADDRESS of Debtor

Suite 305, 505 – 3rd Street S.W.
Calgary, Alberta
T2P 3E6

SCHEDULE "A"

PERMITTED ENCUMBRANCES

1. Liens for taxes, assessments or governmental charges:

   (a) not at such date due or delinquent; or

   (b) the validity of which the Debtor shall be contesting in good faith and in respect of which:

      (i) an amount in cash sufficient to pay such taxes, assessments or charges shall have been deposited with a court, a taxing or assessing authority or the Secured Party; or

      (ii) a surety bond, satisfactory to the Secured Party, for such amount shall have been deposited with the Secured Party.

2. The lien of any judgment rendered, or claim filed, against the Debtor which the Debtor shall be contesting in good faith and in respect of which:

   (a) an amount in cash sufficient to pay such judgment or claim shall have been deposited with a court or the Secured Party; or

   (b) a surety bond, satisfactory to the Secured Party, for such amount, shall have been deposited with the Secured Party.

3. Undetermined or inchoate liens arising in the ordinary course of and incidental to construction or current operations which:

   (a) relate to obligations at such date not due or delinquent; or

   (b) relate to obligations being contested at the time in good faith by the Debtor, provided that the Debtor has posted security therefore with the Secured Party or with the lien holder in an amount sufficient to discharge same.

4. Liens incurred or created in the ordinary course of business and in accordance with sound industry practice on any petroleum and natural gas rights or production of hydrocarbons therefrom as security in favour of any person who is conducting the development or operation of the property to which such petroleum or natural gas rights relate, for the Debtor's portion of the cost and expenses of such development or operation, which relate to obligations not due or delinquent.

5. Easements, rights-of-way, servitudes or other similar rights or restriction in property (including, without limitation, rights-of-way and servitudes for railways, sewers, drains, pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables) granted to or reserved or take by other

persons which in the aggregate do not materially detract from the value of such property or materially impair its use in the operation of the business of the Debtor.

6. Security given by the Debtor to any public utility, any municipality, a governmental or other public authority when required by such utility, municipality or authority in the ordinary course of the business of the Debtor, which in the aggregate do not detract materially from the value of any part of the Mortgaged Premises or its use in the operations of the Debtor.

7. The right reserved to or vested in any municipality, governmental or other public authority under the terms of any lease, license, franchise, grant or permit required by the Debtor or by any statutory provision to terminate any such lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof.

8. The reservation in any original grant from any government of any land or interest therein and statutory exceptions to title.

9. To the extent a security interest is constituted or created thereby, any right of first refusal in favour of any person granted in the ordinary course of business with respect to the oil and gas properties of the Debtor, other than rights of first refusal in respect of the Mortgaged Premises created by, through or under the Debtor.

10. Security interests on hydrocarbons or the proceeds of sale of hydrocarbons arising or granted by the Debtor in the ordinary course of the Debtor's business pursuant to a processing or transmission arrangement entered into by the Debtor in the ordinary course of business, securing the payment of the fees, costs and expenses attributable to the processing or transmission (as the case may be) of any such petroleum substances under any such processing or transmission arrangement, but insofar as such security interests relate to obligations which are at such time not past due.

11. Any lease or sublease of substances other than hydrocarbons granted by the Debtor provided that any such lease or sublease does not interfere with the enjoyment by the Debtor of its petroleum and natural gas properties.

12. Any caveat relating to a lease or, sublease referred to in paragraph 11 above filed by or on behalf of the lessee or sublessee thereunder or its successors or assigns.

13. Any interest of a third party under any pooling unit development, farm-in, overriding royalty, net - profits interest, carried interest, reversionary interest or operating agreement affecting petroleum and natural gas rights entered into in the ordinary course of business between arm's length third parties on reasonable commercial terms.

14. Any lien or trust arising in connection with workers' compensation, unemployment insurance, pension and employment laws or regulations, provided, however:

    (a) the Debtor's obligations thereunder are not at the time due or delinquent; or

(b) the validity of which is being contested by the Debtor in good faith and by appropriate proceedings, provided that no execution in respect of such security interests, trust or deposit has been initiated or, if initiated, such execution has been stayed; and

(c) all such failures in the aggregate have no material adverse effect on the financial condition of the Debtor.

15. The Lender Security, as defined in the Farmout Agreement.

16. Any claim or encumbrance from time to time disclosed by the Debtor to the Secured Party and which is consented to in writing by the Secured Party.

17. Security Interest taken, held or received in collateral by the vendor or lessor of such collateral to secure all or part of the purchase price of or lease payments in respect of the collateral, provided, however, that the aggregate principal amount of the indebtedness secured by the security interests referred to in this paragraph shall not exceed 75% of purchase price or total lease payments.

18. Any mortgages, liens, pledges, charges, royalties and other encumbrances to which the Mortgaged Premises are subject immediately prior to the Debtor's acquisition thereof from the Secured Party.

SCHEDULE "B"

MORTGAGED PREMISES

INTENTIONALLY DELETED