Cdn. $90,000,000 EXTENDIBLE REVOLVING TERM CREDIT FACILITY
Cdn. $10,000,000 OPERATING CREDIT FACILITY

CREDIT AGREEMENT

AMONG:

PARALLEL ENERGY COMMERCIAL TRUST
(as Canadian Borrower)

- and -

PARALLEL ENERGY ACQUISITIONS LP
(as U.S. Borrower)

- and -

CANADIAN IMPERIAL BANK OF COMMERCE
ROYAL BANK OF CANADA
THE BANK OF NOVA SCOTIA
and each such other financial institution which becomes a signatory hereto
(as Lenders)

- and -

CANADIAN IMPERIAL BANK OF COMMERCE
(as Sole Lead Arranger, Sole Bookrunner and Administration Agent for the Lenders)

Dated April 21, 2011

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THIS CREDIT AGREEMENT is dated April 21, 2011.

AMONG:

PARALLEL ENERGY COMMERCIAL TRUST, a trust created under the laws of Alberta, as the Canadian Borrower

AND:

PARALLEL ENERGY ACQUISITIONS LP, a limited partnership formed under the laws of Delaware, as the U.S. Borrower

AND:

CANADIAN IMPERIAL BANK OF COMMERCE, ROYAL BANK OF CANADA, THE BANK OF NOVA SCOTIA AND THE OTHER FINANCIAL INSTITUTIONS NAMED HEREIN OR IN LENDER TRANSFER AGREEMENTS, in their capacities as Lenders

AND:

CANADIAN IMPERIAL BANK OF COMMERCE, a Canadian chartered bank having its head office in the City of Toronto, Ontario, Canada, in its capacity as Agent

WHEREAS the Borrowers have requested and the Lenders have agreed to establish senior secured extendible revolving credit facilities on the terms and conditions set forth herein and CIBC has agreed to act as Agent for the Lenders under such credit facilities;

NOW THEREFORE, in consideration of the premises, the covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals and the Schedules hereto and in all notices pursuant to this Agreement, unless something in the subject matter or context is inconsistent therewith, the following words and phrases shall have the following meanings:

"**Acceleration Notice**" means a written notice delivered by the Agent to the Borrowers pursuant to Section 10.2(b) declaring all indebtedness and liabilities of the Borrowers outstanding to the Lenders hereunder to be due and payable;

"**Accommodations**" means:

(a) the advance of Loans and Libor Loans by the Syndicated Lenders (the "**Syndicated Accommodations**"); and

(b) the advance of Loans and Libor Loans by the Operating Lender, the acceptance and purchase of Bankers' Acceptances by the Operating Lender and the issuing of Letters of Credit by the Operating Lender (the "**Operating Accommodations**");

"**Account Control Agreement**" means, if any deposit account of any Loan Party is held with a financial institution that is not the Agent or a Lender, an agreement or agreements in form and substance reasonably acceptable to the Agent among the Agent, the applicable Loan Party and such other financial institution governing any such deposit accounts of such Loan Party;

"**Accounts**" means the accounts and records established by the Agent and the Operating Lender pursuant to Section 4.6 to record each Borrower's liability to each of the Lenders in respect of the Borrowings and other amounts outstanding by each Borrower to each of the Lenders and the Agent hereunder;

"**Adjustment Time**" means the time of occurrence of the last event necessary (being either the delivery of a Demand for Repayment or the occurrence of a Termination Event) to ensure that all Lender Outstandings are thereafter due and payable and such time shall conclusively be:

(a) in the case where such last event is the delivery of a Demand for Repayment, the time of delivery of such Demand for Repayment or, where not delivered as required within a time period specified in Section 10.3, then the last day of such time period; and

(b) in the case where such last event is the occurrence of a Termination Event, the time of occurrence of such Termination Event determined pursuant to the provisions of the Credit Agreement giving rise to such Termination Event;

"**Administrative Services Agreement**" means the administrative services agreement dated March 10, 2011 between the Trustee and PEI, pursuant to which PEI agrees to provide administrative services to the Trust and pursuant to which the Administrator is delegated certain duties in connection with governance of the Trust;

"**Administrator**" means PEI, or such other party as may be appointed as administrator from time to time pursuant to the Administrative Services Agreement as permitted hereunder;

"**Affiliate**" means any Person which, directly or indirectly controls, is controlled by, or is under common control with another Person, and for the purpose of this definition, "control" (including with correlative meanings, the terms "controlled by" or "under common control") means the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of Voting Shares, by contract or otherwise, provided that, for all purposes of this Agreement, each of the Loan Parties shall all be deemed to be Affiliates of each other;

"**Agent**" means CIBC and any successor entity to CIBC when acting in its capacity as administration agent hereunder and includes any successor agent appointed pursuant to Section 12.16;

"**Agent's Account for Payments**" means such Canadian Dollar and U.S. Dollar accounts maintained by the Agent in connection with the Syndicated Facility and notified to the U.S. Borrower and the Lenders from time to time;

"**Agent's Branch of Account**" means the office of the Agent located at the address set forth opposite the Agent's name on the signature pages to this Agreement or such other office or branch of the Agent in Canada as the Agent may from time to time advise the Borrowers and the Lenders in writing;

"**Agreeing Lender**" has the meaning ascribed thereto in Section 3.3(g);

"**Agreement**" means this credit agreement, all Schedules attached hereto and any future amendments, amendments and restatements, replacements or supplements hereto or thereto;

"**Applicable Law**" means, in relation to any Person, property, transaction or event, all applicable provisions (or mandatory applicable provisions, if so specified) of federal, provincial, state or local laws, statutes, rules, regulations, official directives and orders of all Governmental Authorities and Governmental Actions in actions or proceedings in which the Person in question is a party or by which it is bound or having application to the Person, property, transaction or event;

"**Applicable Lenders**" means, in the case of the Syndicated Facility and in respect of a Borrowing Notice, Conversion Notice or Rollover Notice given under the Syndicated Facility, all of the Syndicated Lenders and, in the case of the Operating Facility and in respect of a Borrowing Notice, Conversion Notice or Rollover Notice given under the Operating Facility, means only the Operating Lender and, to the extent the original Drawdown of a Borrowing subject to Conversion or Rollover was made from a Term Lender during its Revolving Period, such term shall also include such Term Lender;

"**Applicable Margin**" means a margin, expressed as a rate per annum, payable to, in the case of the Syndicated Facility, the Agent on behalf of all of the Syndicated Lenders, and in the case of the Operating Facility, the Operating Lender, with respect to Borrowings or standby fees, as set forth in the table below for the applicable Debt to Cash Flow Ratio:

Level	Debt to Cash /Flow Ratio	Prime Loans and U.S. Base Rate Loans	Libor Loans, Bankers' Acceptances and Financial Letters of Credit	Standby Fee
I	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
II	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
III	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
IV	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
V	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

provided that:

(a) changes in the Applicable Margin shall be effective and adjusted in accordance with Section 5.11;

(b) the Applicable Margin for Letters of Credit that are not Financial Letters of Credit (as determined by the Agent or the Operating Lender in its discretion) will be [REDACTED] percent ([REDACTED]%) of the Applicable Margin for Financial Letters of Credit;

(c) for the purposes of calculating the Applicable Margins for Prime Loans, U.S. Base Rate Loans and Bankers' Acceptances, the per annum rate is expressed on the basis of a 365 day year, as applicable, and the Applicable Margin for Libor Loans is calculated as a per annum rate expressed on the basis of a 360 day year;

(d) during the Term Period for any Lender, each of the above Applicable Margins (other than the Applicable Margin for Standby Fees) will increase by [REDACTED] bps for such Lender;

(e) upon the occurrence and during the continuance of any Borrowing Base Shortfall or Event of Default, each of the above Applicable Margins will increase by [REDACTED] bps; and

(f) as at the Effective Date and until redetermined in connection with delivery of the Compliance Certificate for the Fiscal Quarter ending September 30, 2011, the Applicable Margin shall be set at Level II;

"**Available Distributable Cash Flow**" means, for any period and as determined in accordance with GAAP on a consolidated basis, the Cash Flow of the Trust, less, without duplication, any mandatory capital expenditure requirements as provided in the "proved developed producing reserves schedule"' of the then current Engineering Report to be made in respect of the Oil and Gas Properties of the Loan Parties or which such Loan Parties have legally committed to make in the ordinary course of business prior to being notified by the Agent that a Borrowing Base Shortfall is outstanding;

"**BA Acceptance Fee**" means, with respect to Bankers' Acceptances, the fee, expressed as a rate per annum, payable to each Lender or retained by each Lender, in each case with respect to Bankers' Acceptances to be accepted and purchased by such Lender as set forth in the table in the definition of Applicable Margin for Bankers' Acceptances;

"**BA Purchasing Lender**" means each Applicable Lender that purchases a Bankers' Acceptance accepted by such Applicable Lender;

"**Bankers' Acceptances**" means bankers' acceptances denominated in Cdn. Dollars which are issued by Canadian Borrower pursuant to Sections 3.6, 3.12 or 3.13 and accepted and if applicable, purchased by the Applicable Lender pursuant to Section 3.8;

"**BBS Cure Period**" has the meaning ascribed thereto in Section 3.5(i);

"**Borrower**" means, in respect of the Operating Facility, the Canadian Borrower, and in respect of the Syndicated Facility, the U.S. Borrower;

"**Borrowing Base**" means the amount, determined and redetermined, as applicable, by the Lenders from time to time pursuant to Section 3.5 in the exercise of their sole discretion in accordance with their usual and customary practices for loans of a similar nature to the Facilities, and which represents such Lenders' estimate of the net present value of revenues (adjusted to take into account coverage ratios customarily applied by such Lenders) expected to be derived in the future from the Borrowing Base Assets to which the Lenders attribute value, after deducting therefrom such capital expenditures, operating and other expenses and charges, royalties, burdens or encumbrances on or in respect of any of the Borrowing Base Assets or deductible in arriving at revenues obtained therefrom, and such abandonment and reclamation costs in respect thereof, as the Lenders determine. In making any determination or redetermination of the Borrowing Base from time to time, the Lenders will utilize their estimates of economic factors, quantity and recoverability of reserves, demand for and deliverability of Petroleum Substances, pricing forecasts, burdens, foreign exchange rates, hedges, escalation or de-escalation of commodity prices and expenses over the economic life of the relevant reserves and other assumptions and factors as the Lenders consider affect such determination or redetermination;

"**Borrowing Base Assets**" means all and only:

(a) the P&NG Rights of each Loan Party to which any proved reserves are attributed in the Engineering Report most recently provided to the Agent; and

(b) the Tangibles of each Loan Party which are directly or indirectly attributed any value in the Engineering Report most recently provided to the Agent and located and primarily used in connection with any reserves described in paragraph (a) of this definition;

in each case which the Lenders have included in the determination of the Borrowing Base;

"**Borrowing Base Shortfall**" has the meaning ascribed thereto in Section 3.5(i);

"**Borrowing Base Subsidiary**" means any wholly-owned direct or indirect Subsidiary of the Trust that either owns Borrowing Base Assets or has a direct or indirect ownership interest in a Borrowing Base Subsidiary that owns Borrowing Base Assets or is designated by the Borrowers as a Borrowing Base Subsidiary in accordance with Section 6.5 which has provided Security in accordance with Article 6 but, in each case, only for so long as it remains, in the case of a corporation or a limited liability company, a direct or indirect wholly-owned Subsidiary of the Trust, in the case of a partnership, a partnership in which Loan Parties are the only partners and, in the case of a trust, a trust in which Loan Parties are the sole beneficiaries or trustees, unless otherwise agreed to in writing by the Majority Lenders;

"**Borrowing Notice**" means a notice to effect an Accommodation delivered under Section 3.6 and substantially in the form of Schedule "B" with all applicable blanks completed;

"**Borrowings**" means, at any time:

(a) the principal amount outstanding by way of Loans and Libor Loans made by the Syndicated Lenders (collectively, the "**Syndicated Borrowings**"); and

(b) the principal amount outstanding by way of Loans and Libor Loans made by the Operating Lender together with the face amount of Bankers' Acceptances outstanding, accepted and purchased by the Operating Lender and the undrawn amount of all outstanding Letters of Credit issued by the Operating Lender (collectively, the "**Operating Borrowings**");

"**bps**" means 1/100th of one percent;

"**Branch of Account**" means, with respect to each Lender, the branch or office of such Lender (being, in the case of the Operating Lender, the Operating Lender's Branch of Account) located at the address set forth opposite such Lender's name on the signature pages of this Agreement or in its Lender Transfer Agreement or such other branch or office in Canada as such Lender may from time to time advise the Borrowers and the Agent in writing; provided that, for purposes of delivering any notice required to be delivered by the Agent to a Lender pursuant to Section 12.6 and for purposes of effecting any payments to a Lender in connection with this Agreement, a Lender may specify in writing to the Agent any other branch or office of such Lender in Canada and such branch or office shall thereafter be the Branch of Account of such Lender for such purpose;

"**Bravo**" means Bravo Natural Gas, LLC, a Delaware limited liability company;

"**Bravo Acquisition**" means the transaction pursuant to which the Partnership will acquire the Bravo Assets pursuant to the Bravo Purchase Agreement;

"**Bravo Acquisition Documents**" means the Bravo Purchase Agreement, and schedules, certificates and exhibits relating thereto and ancillary agreements executed by Bravo, the Partnership or any other Loan Party in connection with the Bravo Purchase Agreement and the Bravo Acquisition;

"**Bravo Purchase Agreement**" means the purchase and sale agreement entered into on April 14, 2011 with an effective date of April 1, 2011 between the Partnership and Bravo, pursuant to which the Partnership will acquire the Bravo Assets;

"**Bravo Assets**" means a minimum 51% working interest in the West Panhandle Field to be acquired by the Partnership on the Effective Date pursuant to the Bravo Purchase Agreement;

"**Budgeted Capital Expenditures**" means, the budgeted amount of capital expenditures shown in the annual consolidated budget for the Trust, provided such capital expenditures relate to additions to property, plant or equipment of the Loan Parties and do not relate to expenditures to be made with the proceeds of insurance or compensation for lost or damaged assets;

"**Business Day**" means a day, excluding Saturday and Sunday, on which banking institutions are open for the transaction of commercial business in Toronto, Ontario, Calgary, Alberta, Montreal, Quebec, and New York, New York and also, if such term is considered in the context of a Libor Loan or determination of Libor, London, England;

"**Canadian Borrower**" means the Commercial Trust, by the CT Trustee;

"**Canadian Dollars**", "**Cdn. Dollars**" and the symbols "**Cdn. $**" and "**$**" each mean lawful money of Canada;

"**Capital Lease**" means, with respect to any Person, any lease or other arrangement relating to real or personal property which should, in accordance with GAAP, be accounted for as a capital lease on a balance sheet of such Person;

"**Canadian Loan Party**" means a Loan Party which is incorporated under or otherwise created or governed by the laws of Canada or a province or territory thereof;

"**Capitalized Lease Obligations**" means, at any time, the amount of any obligation which would, in accordance with GAAP, be required to be classified and accounted for as a Capital Lease on the consolidated balance sheet of the Trust;

"**Cash Collateral Account**" means an account with the Agent, or such other financial institution as designated by the Agent, from which a Borrower does not have any withdrawal rights or privileges until repayment of the Borrowings in full, termination of the Total Commitment and termination of this Agreement, except to apply the amount represented thereby to the Borrowings or a portion thereof, which account and all funds credited thereto and interest earned thereon (which interest shall be at the prevailing rate of the Agent or such other financial institution, as the case may be, for demand deposits of comparable amounts) shall be the subject of a Security Interest in favour of the Agent on behalf of the Lenders;

"**Cash Flow**" means in respect of any period and as determined in accordance with GAAP on a consolidated basis, the cash flow from operations of the Trust for such period, which, for clarity, shall be calculated as follows:

(a) Net Income;

(b) plus non-cash items deducted in determining such Net Income (including specifically, to the extent so deducted, future income taxes, depletion, depreciation, accretion and stock based compensation);

(c) minus non-cash items added in determining such Net Income; and

(d) minus abandonment expenditures (to the extent not deducted in determining Net Income), without giving effect to extraordinary items;

and provided that:

(i) Net Income shall be calculated without taking into account the unrealized gains and losses on Swaps;

(ii) for the purposes of this definition, if any Material Acquisition is made by a Loan Party (whether by amalgamation, asset or share acquisition or otherwise) at any time during the relevant period of calculation, such Material Acquisition shall be deemed to have been made on and as of the first day of such calculation period; and if any Material Disposition is made by a Loan Party (whether by asset or share disposition or otherwise) at any time during the relevant period of calculation, or the assets cease to be owned by a Loan Party, such Material Disposition shall be deemed to have been made on and as of the first day of such calculation period; and

(iii) for the purposes of determining the "**Debt to Cash Flow Ratio**": (A) for the Fiscal Quarter ending September 30, 2011, Cash Flow will be calculated by multiplying the Cash Flow for only that Fiscal Quarter by four; (B) for the Fiscal Quarter ending December 31, 2011, Cash Flow will be calculated by multiplying the Cash Flow for only that Fiscal Quarter plus the immediately preceding Fiscal Quarter by two; and (C) for the Fiscal Quarter ending March 31, 2012, Cash Flow will be calculated by multiplying the Cash Flow for only that Fiscal Quarter plus the two immediately preceding Fiscal Quarters by 4/3;

"**CDOR Rate**" means on any day:

(a) with respect to Bankers' Acceptances having a Standard Term which are required to be accepted and, if applicable, purchased on any day, the arithmetical average of the percentage discount rates for Canadian Dollar bankers' acceptances in comparable amounts having an identical issue and maturity date which are quoted on the "Reuters' Screen CDOR CAD-BA Page" (as defined in the International Swaps and Derivatives Association, Inc. definitions, as modified and amended from time to time) (or if such screen shall not be available any successor or similar service selected by the Agent) as at approximately 8:00 a.m. (Calgary time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day (as adjusted by the Agent in good faith after 8:00 a.m. (Calgary time) or as soon thereafter as practicable to reflect any error in a posted rate of interest or in the posted average annual rate of interest); and

(b) with respect to Bankers' Acceptances which do not have a Standard Term or if the rate referred to in paragraph (a) of this definition does not appear on such "Reuters Screen CDOR Page" (or a successor service as referred to in paragraph (a) of this definition), then the CDOR Rate, on any day, shall be the arithmetic average of the percentage discount rate quoted by the Operating Lender (determined by the Operating Lender as of 8:00 a.m. (Calgary time) on such day), which would be applicable in respect of an issue of bankers' acceptances in a comparable amount and with identical maturity dates to the Bankers' Acceptances proposed to be issued by the Canadian Borrower on such day or if such day is not a Business Day, then on the immediately preceding Business Day;

If any Lender does not furnish a timely quotation, the Agent shall determine the relevant discount rate on the basis of the quotation or quotations furnished by the remaining Lenders. Each determination of the CDOR Rate shall be conclusive and binding, absent manifest error, and be computed using any reasonable averaging and attribution method;

"**CERCLA**" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601 et seq.;

"**Change of Control**" means the occurrence of any of the following:

(a) any circumstances arising after the date hereof in which a Person or combination of Persons acting jointly or in concert (within the meaning of the *Securities Act* (Alberta)) acquires Units of the Trust which, together with all other Units of the Trust held by such Persons, constitute in the aggregate more than thirty percent (30%) of all outstanding Units of the Trust;

(b) the Unitholders approve the liquidation, winding-up or other dissolution of the Trust or, other than as a result of a Reorganization Transaction permitted under Section 9.2(g), any Borrower;

(c) PEI ceases to be the CT Trustee and the Administrator or either of them;

(d) the Trust ceases to be the registered and beneficial owner of 100% of the issued and outstanding units and other securities of the Canadian Borrower;

(e) the Canadian Borrower ceases to be the registered and beneficial owner of: (i) 99.999% of the issued and outstanding interests of the Partnership; or (ii) 100% of the issued and outstanding units and other securities of the GP;

(f) the GP ceases to be the registered and beneficial owner of 0.001% of the issued and outstanding interests of the Partnership;

(g) the Trust ceases (either directly or indirectly through another Borrowing Base Subsidiary) to be the registered and beneficial owner of all the issued and outstanding share, partnership and trust capital of each Borrowing Base Subsidiary other than as a result of a Reorganization Transaction permitted under Section 9.2(g); or

(h) any circumstances arising after the date hereof in which a Person or combination of Persons acting jointly or in concert (within the meaning of the *Securities Act* (Alberta)) acquires the right to elect a majority of the directors of PEI;

"**CIBC**" means Canadian Imperial Bank of Commerce, a Canadian chartered bank and its successors and permitted assigns;

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time;

"**Collateral**" is a collective reference to all property, assets, rights and things (whether real, personal or mixed), tangible and intangible, and the proceeds and products thereof, subjected or intended to be subjected from time to time to any Security Interest under any of the Security;

"**Commercial Trust**" means Parallel Energy Commercial Trust, an unincorporated open-ended trust established under the laws of the Province of Alberta;

"**Commitment**" means each Lender's Syndicated Facility Commitment or Operating Facility Commitment, as the case may be or, if the context so requires, the aggregate thereof;

"**Commodity Swap**" means, an agreement entered into between a Person and a counterparty on a case by case basis, the purpose and effect of which is to mitigate or eliminate such Person's exposure to fluctuations in commodity prices, including for certainty agreements relating to physical transactions;

"**Compliance Certificate**" means a compliance certificate substantially in the form attached hereto as Schedule "E" executed by a senior officer of the CT Trustee;

"**Conversion**" means a conversion of a Borrowing (other than a Letter of Credit) or part thereof from one basis of Borrowing to another (other than a Letter of Credit) and, where applicable, such term shall include the issuance of new Bankers' Acceptances in respect of converted or unconverted portions of a Borrowing;

"**Conversion Date**" means each Business Day that a Borrower has notified the Agent or the Operating Lender, as applicable, as the date on which the conversion of a Borrowing or a portion thereof is to be made pursuant to a request from such Borrower under Section 3.12;

"**Conversion Notice**" means a notice to effect a Conversion delivered under Section 3.12 and substantially in the form of Schedule "D" with all applicable blanks completed;

"**Credit Agreements**" mean, collectively, this Agreement and all Swaps with a Swap Lender documented under the applicable ISDA Master Agreements and all Transactions documented thereunder, and "Credit Agreement" means any of them;

"**CT Note Indenture**" means the note indenture dated as of April 21, 2011 between the Commercial Trust and Computershare Trust Company of Canada, as trustee thereunder, pursuant to which the Commercial Trust will issue CT Notes from time to time;

"**CT Notes**" means the subordinated unsecured promissory notes issued by the CT from time to time pursuant to the CT Note Indenture;

"**CT Trust Indenture**" means the trust indenture establishing the Commercial Trust made as of March 10, 2011 between PEI, as initial trustee, and the Trust, as initial unitholder;

"**CT Trustee**" means PEI or such other trustee as may be appointed pursuant to the CT Trust Indenture as permitted hereunder;

"**CT Units**" means the trust units of the Commercial Trust, each such unit representing an equal undivided beneficial interest in the Commercial Trust;

"**Currency Swap**" means a contract entered into between a Person and a counterparty on a case by case basis in connection with forward rate, currency swap or currency exchange and other similar currency related transactions, the purpose and effect of which is to mitigate or eliminate such Person's exposure to fluctuations in exchange rates;

"**Debt**" means, with respect to any Person, as at any particular time and as determined on a consolidated basis in accordance with GAAP, without duplication, all obligations, indebtedness and liabilities:

(a) for borrowed money;

(b) arising pursuant to bankers' acceptance facilities, note purchase facilities and commercial paper programs, or the stated amount of letters of credit, letters of guarantee and surety bonds supporting obligations which would otherwise constitute Debt within the meaning of this definition or indemnities issued in connection therewith;

(c) that are evidenced by bonds, debentures, notes or other similar instruments (whether or not with respect to the borrowing of money);

(d) arising under Guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the indebtedness or other obligations of any other Person which would otherwise constitute Debt within the meaning of this definition and all other obligations incurred for the purpose of or having the effect of providing Financial Assistance to another Person in respect of such indebtedness or such other Debt obligations, including endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business);

(e) in respect of Prepaid Obligations or Production Payments;

(f) secured by a Permitted Encumbrance on any property of the Loan Parties, whether or not assumed by them;

(g) for or in respect of the deferred purchase or acquisition price of property (including, without limitation, obligations under a Capital Lease, obligations secured by Purchase Money Security Interests and obligations in respect of a Sale/Leaseback) in excess of ninety (90) days but excluding, for certainty accounts payable arising in the ordinary course of business;

(h) all obligations for or in respect of the purchase of any of its property, the purchase price in respect of which has been prepaid by the purchaser in excess of 90 days before the property subject to such purchase is to be delivered to the purchaser;

(i) all redemption obligations of the Loan Parties with respect to any shares or units issued by the Trust or such other Loan Party which are not held by a Loan Party and which are by their terms or pursuant to any contract, agreement or arrangement:

  (i) redeemable, retractable, payable or required to be purchased or otherwise retired or extinguished, or convertible into Debt of a Loan Party in any case, prior to the latest Term Maturity Date then applicable to any of the Lenders (A) at a fixed or determinable date, (B) at the option of any holder thereof, or (C) upon the occurrence of a condition not solely within the control and discretion of the Loan Parties, or

  (ii) convertible into any other shares described in (i) above;

(j) Capitalized Lease Obligations;

(k) in respect of the proceeds received from any accounts receivable securitization program; and

(l) all obligations of the Loan Parties to purchase any of the foregoing items or to advance or otherwise supply funds for payment of any of the foregoing of other entities;

"**Debt to Cash Flow Ratio**" means, as at the end of a Fiscal Quarter, the ratio of Debt of the Trust as at the end of such Fiscal Quarter to Cash Flow for the 12 months ending at the end of such Fiscal Quarter, as determined by reference to the Trust's most recent consolidated financial statements, subject to paragraph (iii) of the definition of "Cash Flow";

"**Default**" shall mean the occurrence of any of the events specified in Section 10.1, whether or not any requirement for notice or lapse of time or other condition precedent has been satisfied;

"**Defaulting Lender**" means any Lender:

(a) that has failed to fund any payment or its portion of any Accommodations required to be made by it hereunder or to purchase any participation required to be purchased by it hereunder and under the other Loan Documents;

(b) that has notified the Borrowers, the Agent or any Lender (verbally or in writing) that it does not intend to or is unable to comply with any of its funding obligations under this Agreement or has made a public statement to that effect or to the effect that it does not intend to or is unable to fund advances generally under credit arrangements to which it is a party;

(c) that has failed, within three (3) Business Days after written request by the Agent or the Borrowers, to confirm in writing to the Agent and the Borrowers that it will comply with the terms of this Agreement relating to its obligations to fund prospective Accommodations;

(d) that has otherwise failed to pay over to the Borrowers, the Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, unless the subject of a good faith dispute;

(e) in respect of which a Lender Insolvency Event or a Lender Distress Event has occurred in respect of such Lender or its Lender Parent;

(f) that is generally in default of its obligations under other existing creditor loan documentation under which it has commitments to extend credit; or

(g) with respect to which the Agent has concluded, acting reasonably, and has advised the Lenders in writing, that it is of the view that it is more likely than not that such Lender shall become a Defaulting Lender pursuant to paragraphs (a) to (e), inclusive, of this definition;

"**Demand for Repayment**" means delivery of an Acceleration Notice or a Swap Demand for Repayment;

"**Development Agreement**" means the development agreement dated April 21, 2011 between the Partnership and Bravo upon closing of the Bravo Acquisition pursuant to which any working interest acquired by the Partnership from Bravo in the West Panhandle Field may be developed;

"**Discount Proceeds**" means, in respect of any Bankers' Acceptance required to be purchased by a Lender hereunder, an amount (rounded to the nearest whole cent with one-half of one cent being rounded up) determined as of the applicable Drawdown Date, Conversion Date or Rollover Date which is equal to:

Face Amount x Price

where "**Face Amount**" is the face amount of such Bankers' Acceptance and "**Price**" is equal to:

$$\frac{1}{1 + (\text{Rate} \times \frac{\text{Term}}{365})}$$

where the "**Rate**" is the applicable Discount Rate expressed as a decimal on the day of purchase; the "**Term**" is the term of such Bankers' Acceptance expressed as a number of days; and the Price as so determined is rounded up or down to the fifth decimal place with .000005 being rounded up;

"**Discount Rate**" means:

(a) with respect to an issue of Bankers' Acceptances having the same maturity date accepted by a Lender that is a bank under Schedule I of the *Bank Act* (Canada), the CDOR Rate; and

(b) with respect to an issue of Bankers' Acceptances having the same maturity date accepted by a Lender that is not a bank under Schedule I to the *Bank Act* (Canada), the CDOR Rate plus [REDACTED] bps;

"**Distribution**" by a Person means:

(a) any declaration, payment or setting aside for payment of any dividend, return of capital or other distribution on or in respect of any of the share, partnership or trust capital of such Person;

(b) any redemption, retraction, purchase, retirement or other acquisition, in whole or in part, of any of the share, partnership or trust capital of such Person or any securities, instruments or contractual rights capable of being converted into, exchanged or exercised for share, partnership or trust capital of such Person, including options, warrants, conversion or exchange privileges and similar rights;

(c) the payment of any principal, interest, fees, redemption amounts or other amounts on or in respect of any loans, advances or other indebtedness owing at any time by such Person to a holder of shares, partnership interests or trust units of such Person or an Affiliate of such holder;

(d) any loan, advance, payment of management or consulting fees or reimbursement of costs which is made by the Person to or in favour of a holder of shares, partnership interests or trust units of such Person or an Affiliate of such holder except where any such payment is made to any such holder in such holder's capacity as an officer, director or employee of such Person in the ordinary course of business;

(e) the transfer by the Person of any property or assets for consideration of less than its or their fair market value or on non-arms' length terms and conditions to a holder of shares, partnership interests or trust units of such Person or an Affiliate of such holder;

(f) any other payment or distribution whereby any production or revenues from Borrowing Base Assets are paid or distributed to a holder of shares, partnership interests or trust units of such Person or an Affiliate of such holder; or

(g) any Trust Distribution;

whether any of the foregoing is made, paid or satisfied in or for cash, property or both (but excluding any in specie Distribution by way of Units made in lieu of cash);

"**Drawdown**" means the advance of a Borrowing other than as a result of a Conversion, Rollover or a drawing under a Letter of Credit;

"**Drawdown Date**" means each Business Day on which a Borrowing is to be made pursuant to a request from a Borrower under Section 3.6;

"**Effective Date**" means the date on which the conditions precedent under Section 8.1 have been satisfied;

"**Engineering Report**" means a detailed report prepared by Ryder Scott Company, L.P. with respect to the West Panhandle Field or another independent petroleum engineer or firm thereof satisfactory to the Majority Lenders, acting reasonably, which report shall, as of its date, set forth the reserves attributable to the P&NG Rights and which report shall be in form and substance satisfactory to the Majority Lenders, acting reasonably, and shall, at a minimum, set forth each Loan Party's royalty interests, proved developed producing, proved developed non-producing and proved undeveloped reserves and a projection of the rate of production and future net revenue therefrom;

"**Environmental Certificate**" means a certificate substantially in the form of Schedule "I" hereto;

"**Environmental Laws**" means all Applicable Laws and Governmental Actions regarding health, safety, the environment, or the preservation or reclamation of natural resources or pursuant to which Environmental Liabilities could arise or have arisen, including, without limitation, all Applicable Laws and Governmental Actions relating to the Release or threatened Release of any Hazardous Material or the generation, use, storage or transportation of any Hazardous Material, including the following United States laws to the extent applicable: the Oil Pollution Act of 1990, the Clean Air Act, CERCLA, the Federal Water Pollution Control Act, the Occupational Safety and Health Act of 1970, the RCRA, the Safe Drinking Water Act, the Toxic Substances Control Act, the Superfund Amendments and Reauthorization Act of 1986, and the Hazardous Materials Transportation Law;

"**Environmental Liabilities**" means any and all liabilities for any Release, any environmental damage, any contamination or any other environmental problem caused by any Person to property or the environment as a result of any Release, whether or not caused by a breach of Applicable Laws, including, without limitation, all liabilities arising from or related to: any surface, underground, air, groundwater, or surface water contamination; the abandonment or plugging of any well; restorations and reclamations of the environment required under Environmental Laws; the cleaning up or reclamation of storage sites required under Environmental Laws; any Release; violation of Environmental Laws; and property damage arising from the foregoing;

"**Equivalent Amount**" in one currency (the "**First Currency**") of an amount in another currency (the "**Other Currency**") means, as of the date of determination, the amount of the First Currency which would be required to purchase such amount of the Other Currency at the Bank of Canada 10:00 a.m. (Calgary time) mid-point spot rate for such currencies on such date of determination (as quoted or published from time to time by the Bank of Canada) or, if such date of determination is not a Business Day, on the Business Day immediately preceding such date of determination, or at such other rate as may have been agreed to by the Borrowers and the Agent;

"**ERISA**" means the United States Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect;

"**ERISA Affiliate**" means any trade or business (whether or not incorporated) that together with the U.S. Borrower or any Subsidiary of a Borrower that is subject to ERISA is treated as a "single employer" within the meaning of Section 4001(b)(1)of ERISA or subsection (b), (c), (m), or (o) of Section 414 of the Code;

"**Escrow Funds**" has the meaning ascribed thereto in Section 10.4;

"**Event of Default**" means any of the events or circumstances specified in Section 10.1;

"**Facilities**" means, collectively, the Syndicated Facility and the Operating Facility and "**Facility**" means either of them;

"**FATCA**" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement and any current or future regulations or official interpretations thereof;

"**Federal Funds Rate**" means, on any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the annual rates of interest on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such day is not a Business Day, such weighted average for the immediately preceding Business Day for which the same is published or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by the Agent, acting reasonably;

"**Federal Reserve Board**" means the Board of Governors of the Federal Reserve System of the United States of America or any successor thereof;

"**Financial Assistance**" means providing or agreeing to provide (either directly or indirectly) financial assistance to any Person including, without limitation, financial assistance by way of a loan, Guarantee, loan purchase, share purchase, equity contribution or any credit support arrangement of any nature whatsoever, the purpose of which is to assure payment to the holder of any liabilities of such Person;

"**Financial Letter of Credit**" means any Letter of Credit which the Operating Lender in accordance with its usual and customary practices, determines is a "financial letter of credit" for capital adequacy purposes;

"**Fiscal Quarter**" means the three (3) month period commencing on the first day of each Fiscal Year and each successive three month period thereafter during such Fiscal Year;

"**Fiscal Year**" means the Trust's fiscal year commencing on January 1 of each year and ending on December 31 of such year;

"**GAAP**" means generally accepted accounting principles which are in effect from time to time in Canada, being, for profit-oriented Canadian publicly accountable enterprises, International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board;

"**Governmental Action**" means an authorization, consent, approval, waiver, order, decree, licence, exemption, permit, registration, filing, qualification or declaration of or with any Governmental Authority (other than routine reporting requirements) or the giving of notice to any Governmental Authority or any other action in respect of a Governmental Authority;

"**Governmental Authority**" means any federal, state, provincial, county, local or municipal government; any governmental body, agency, authority, board, bureau, department or commission (including any taxing authority); any instrumentality or office of any of the foregoing (including any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; or any Person directly or indirectly controlled by any of the foregoing;

"**GP**" means Parallel Energy GP LLC, a limited liability company formed pursuant to the laws of the State of Delaware, in its capacity as general partner of the Partnership;

"**GP LLC Agreement**" means the Parallel Energy GP LLC Limited Liability Company Agreement dated April 14, 2011 entered into by CT Trustee, as sole member of the GP;

"**Guarantee**" means any undertaking, whether direct or indirect, contingent or otherwise, to assume, guarantee, endorse, contingently agree to purchase or to provide funds for the payment of, or otherwise become liable in respect of, any indebtedness or liability of any Person, or indemnifying any Person against loss in any manner, whether direct or indirect; provided that the amount of each Guarantee shall be deemed to be the amount of the indebtedness or liability guaranteed, indemnified or assured thereby, unless the Guarantee is limited to a specified amount or to realization on specified assets, in which case the amount of such Guarantee shall be deemed to be the lesser of such specified amount or the fair market value of such specified assets, as the case may be, or the amount of such indebtedness or liability;

“**Hazardous Material**” means any substance regulated or as to which liability might arise under any applicable Environmental Law including: (a) any chemical, compound, material, product, by-product, substance or waste defined as or included in the definition or meaning of "hazardous substance", "hazardous material", "hazardous waste", "solid waste", "toxic waste", "extremely hazardous substance", "toxic substance", "contaminant", "pollutant", or words of similar meaning or import found in any applicable Environmental Law; (b) hydrocarbons, petroleum products, petroleum substances, natural gas, oil, oil and gas waste, crude oil, and any components, fractions, or derivatives thereof; and (c) radioactive materials, explosives, asbestos or asbestos containing materials, polychlorinated biphenyls, radon, and infectious or medical wastes.

"**Interest Date**" means the third Business Day of each month;

"**Interest Swap**" means a contract entered into between a Person and a counterparty on a case by case basis, in connection with interest rate swap transactions, interest rate options, cap transactions, floor transactions, collar transactions and other similar interest rate related transactions, the purpose and effect of which is to mitigate or eliminate such Person's exposure to fluctuations in interest rates;

"**ISDA Master Agreement**" means:

(a) the 1992 or 2002 International Swaps and Derivatives Association, Inc. Master Agreement (Multi Currency-Cross Border) as from time to time amended, restated or replaced by the International Swaps and Derivatives Association, Inc.; and

(b) in respect of physically settled Commodity Swaps, such agreements as are usual and customary with respect thereto;

and, in each case, as used in this Agreement in relation to Lender Swaps, means the form of such agreement as entered into between a Loan Party and the applicable Swap Lender;

"**Joint Operating Agreement**" means the joint operating agreement dated April 21, 2011 between the Partnership and Bravo, pursuant to which any working interest acquired by the Partnership from Bravo in the West Panhandle Field will be operated, subject to the Development Agreement;

"**Lender Distress Event**" means, in respect of a given Lender, such Lender or its Lender Parent: (a) is subject to a forced liquidation, merger, sale or other change of control supported in whole or in part by guarantees or other support (including the nationalization or assumption of ownership or operating control by the Government of the United States, Canada or any other Governmental Authority); or (b) is otherwise adjudicated as, or determined to be, insolvent or bankrupt, in each case, by any Governmental Authority having regulatory authority over such Lender or Lender Parent or their respective assets; provided that, for certainty, a Lender Distress Event shall not have occurred solely by virtue of the ownership or acquisition of any equity interest in such Lender or its Lender Parent by any Governmental Authority;

"**Lender Insolvency Event**" means, in respect of a Lender, such Lender or its Lender Parent:

(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(b) becomes insolvent, is deemed insolvent by Applicable Law or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

(c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

(d) (i) institutes, or has instituted against it by a regulator, supervisor or any similar Governmental Authority with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, (A) a proceeding pursuant to which such Governmental Authority takes control of such Lender's or Lender Parent's assets, (B) a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy, insolvency or winding-up law or other similar law affecting creditors' rights, or (C) a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar Governmental Authority; or (ii) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy, insolvency or winding-up law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (i) above and either (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof;

(e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial portion of all of its assets;

(g) has a secured party take possession of all or a substantial portion of all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case, within fifteen (15) days thereafter;

(h) causes or is subject to any event with respect to it which, under the Applicable Law of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (g) above, inclusive; or

(i) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing;

"**Lender Outstandings**" means, collectively, the Borrowings and all Permitted Swap Indebtedness;

"**Lender Parent**" means any Person that directly or indirectly controls a Lender and, for the purposes of this definition, "control" shall have the same meaning as set forth in the definition of "Affiliate" contained herein;

"**Lender Swap**" means any Swap entered into by any Loan Party where the other party (other than such Loan Party), at the time the Swap was entered into, is a Lender or an Affiliate of a Lender, whether or not such Lender remains a Lender thereafter;

"**Lender Transfer Agreement**" means an agreement substantially in the form attached hereto as Schedule "G";

"**Lender's Proportion**" means, at any time prior to the Adjustment Time with respect to each Lender and each Facility, the proportion that such Lender's Commitment in respect of such Facility bears to the amount of the total Commitments of all Lenders in respect of such Facility at such time and, if such total Commitment in respect of such Facility is cancelled or terminated, "**Lender's Proportion**" shall mean the Lender's Proportion of such Lender in effect immediately prior to such cancellation or termination; provided however, that when such term is used in reference to or in relation to:

(a) the Operating Facility, the Lender's Proportion for the Operating Lender shall be one hundred percent (100%) and for all other Lenders shall be zero percent (0%); and

(b) the Syndicated Lenders, the Lender's Proportion for a Syndicated Lender shall be the proportion that the Syndicated Facility Commitment of such Syndicated Lender bears to the Total Syndicated Facility Commitment at such time.

After the Adjustment Time the Lender's Proportion of each Lender shall be calculated based on its Commitment as a proportion of the Total Commitment and without any distinction as to which Facility may be relevant to such Lender, and when used in Section 12.11(b) in relation to both Lenders and Swap Lenders, the "Lender Outstandings" of Swap Lenders for the purposes of such calculation shall be their Permitted Swap Indebtedness as calculated after the Adjustment Time;

"**Lender's Proportion of the Total Commitment**" means in respect of each Lender, the proportion that such Lender's Commitment bears to the Total Commitment;

"**Lenders**" means each of the financial institutions named in Schedule "A" hereto as Lenders, including the lenders under the Syndicated Facility and Operating Facility and CIBC in its capacity as a Lender but excluding CIBC in its capacity as the Agent; and any other financial institution which is a Permitted Assignee that has executed a Lender Transfer Agreement pursuant to Section 13.1 which Lender Transfer Agreement has been executed by the assignee, the assignor and the Agent, and "**Lender**" means any one of them;

"**Letter of Credit**" means a standby or documentary letter of credit or letter of guarantee in Cdn. Dollars or U.S. Dollars issued by the Operating Lender at the request of the Canadian Borrower pursuant to this Agreement;

"**Letter of Credit Fee**" means a fee based on the applicable Debt to Cash Flow Ratio from the definition of "Applicable Margin" and expressed as a rate per three hundred and sixty-five (365) day period with respect to Letters of Credit issued by the Operating Lender hereunder and for purposes of calculating the Letter of Credit Fee, plus, in the case of documentary Letters of Credit, the administrative costs and expenses of issuing such Letters of Credit;

"**Libor**" means, with respect to any Libor Interest Period applicable to a Libor Loan, the rate determined by the Agent based on a three hundred sixty (360) day year, rounded upwards, if necessary, to the nearest whole multiple of one-one-hundredth of one percent (1/100%), as the average of the offered quotations appearing on the display referred to as the "LIBOR 01 Page" (or any display substituted therefor) of Reuters Monitor Money Rates Service for a period equal to the number of days in the applicable Libor Interest Period, for deposits in U.S. Dollars of amounts comparable to the principal amount of such Libor Loan to be outstanding during such Libor Interest Period, at or about 11:00 a.m. (London, England time) two (2) Business Days prior to a Drawdown Date, Conversion Date or Rollover Date, as the case may be, for such Libor Interest Period. If such "LIBOR 01 Page" is not available, then "Libor" shall mean, with respect to any Libor Interest Period applicable to a Libor Loan, the rate determined by the Agent based on a three hundred sixty (360) day year, rounded upwards, if necessary, to the nearest whole multiple of one-one-hundredth of one percent (1/100%), at which the Agent, in accordance with its normal practice, would be prepared to offer to leading banks in the London interbank market for delivery by the Agent on the first day of the applicable Libor Interest Period for a period equal to the number of days in such Libor Interest Period, deposits in U.S. Dollars of amounts comparable to the principal amount of such Libor Loan to be outstanding during such Libor Interest Period, at or about 11:00 a.m. (London, England time) two (2) Business Days prior to a Drawdown Date, Conversion Date or Rollover Date, as the case may be, for such Libor Interest Period;

"**Libor Interest Date**" means the date falling on the last day of each Libor Interest Period; provided that if a Borrower selects a Libor Interest Period for a period longer than three (3) months, the Libor Interest Date shall be each date falling every three (3) months after the beginning of such Libor Interest Period and the date falling on the last day of such Libor Interest Period;

"**Libor Interest Period**" means, with respect to each Libor Loan, the period (subject to availability) of approximately one (1) month, two (2) months, three (3) months or six (6) months (as selected by a Borrower and notified to the Agent or the Operating Lender, as applicable, pursuant to Section 3.6 or 3.7) commencing on and including the Drawdown Date, Conversion Date or Rollover Date, as the case may be, applicable to such Libor Loan and ending on and including the last day of such period; provided that no Libor Interest Period may be selected which, in the case of any Libor Loan made by a Lender, ends after such Lender's Term Maturity Date;

"**Libor Loans**" means the advances or any portion thereof, made available by the Syndicated Lenders or the Operating Lender, as applicable, to a Borrower pursuant to Sections 3.6, 3.12 or 3.13 and outstanding from time to time, which are denominated in U.S. Dollars and on which such Borrower has agreed to pay interest in accordance with Section 5.3;

"**Loan Documents**" means this Agreement, the Security, each Bankers' Acceptance, each application and indemnity with respect to a Letter of Credit, all other agreements, certificates, instruments and documents delivered by or on behalf of any Loan Party in connection herewith or therewith from time to time and all future renewals, extensions, or restatements of, or amendments, modifications or supplements to, all or any part of the foregoing;

"**Loan Parties**" means, collectively, the Borrowers, the Trust and each Borrowing Base Subsidiary and "**Loan Party**" means any of them;

"**Loan Party Guarantee**" means the loan party guarantee provided by the Loan Parties in favour of the Agent on behalf of the Lenders with respect to the payment and performance of the Secured Obligations, as amended, supplemented or replaced from time to time;

"**Loans**" means Prime Loans and U.S. Base Rate Loans;

"**Majority Lenders**" means:

(a) when there are less than three (3) Lenders, all of the Lenders;

(b) during the continuance of a Default or an Event of Default when there are any Borrowings, and subject to Section 10.5(a), those Lenders to whom there is owing 66⅔% or more of the aggregate Borrowings under the Syndicated Facility and Operating Facility; and

(c) at any other time, those Lenders whose Commitments are, in the aggregate, at least 66⅔% of the Total Commitment;

"**Mark-to-Market**" means, in respect of any Swap and for any day on which the Mark-to-Market is calculated, the amount, if any, that would be payable by any Loan Party to a counterparty (expressed as a positive number, a "**Positive Mark-to-Market**") or by such counterparty to such Loan Party (expressed as a negative number, a "**Negative Mark-to-Market**"), estimated by making at mid-market the calculations required by the ISDA Master Agreement between such counterparty, on the one hand, and such Loan Party, on the other hand, as if such ISDA Master Agreement were being terminated as a result of a Termination Event (as defined in the ISDA Master Agreement) with two Affected Parties (as defined in the ISDA Master Agreement) on that day of calculation;

"**Material Acquisition**" means an acquisition by a Loan Party of shares or other assets which increases the consolidated net assets (excluding current assets) of the Trust, as shown on the most current consolidated financial statements of the Trust, by more than ten percent (10%) of the Borrowing Base and includes, for certainty, the Bravo Acquisition;

"**Material Adverse Effect**" means any event, circumstance, occurrence or change which results, or which would reasonably be expected to result, in a material adverse change in:

(a) the ability of PEI or any Loan Party to perform any material obligation under this Agreement, any other Loan Document or any Material Contract to which it is a party;

(b) the validity or enforceability of any of the Security or the ranking of any of the Security Interests granted thereby or the material rights or remedies intended or purported to be granted to the Agent under or pursuant to the Security; or

(c) the business, operations, assets, condition (financial or otherwise) or results of operations of the Loan Parties, on a consolidated basis, or PEI;

provided that a change in commodity prices for Petroleum Substances shall not be regarded as an event which constitutes or would reasonably be expected to constitute a Material Adverse Effect except for the purposes of any redetermination of the Borrowing Base requested by the Lenders pursuant to Section 3.5(f);

"**Material Contracts**" means the agreements described in Schedule "L" hereto;

"**Material Disposition**" means a disposition by a Loan Party of shares or other assets which decreases the consolidated net assets (excluding current assets) of the Trust, as shown on the most current consolidated financial statements of the Trust, by more than ten percent (10%) of the Borrowing Base;

"**MGM Services Agreement**" means the services agreement dated as of April 1, 2011 between the Administrator and MGM Energy Corp. pursuant to which MGM Energy Corp. provides a sublease of office space plus the provision of certain administrative services;

"**Minor Title Defects**" means, in respect of a Person, Title Defects or irregularities which are of a minor nature if such defects do not constitute Security Interests and do not materially detract from the value or use of such Person's title to such property for the purposes for which it is held, or impair its saleability, or cause a material disruption or reduction in the production of Petroleum Substances or cash flow (if any) associated therewith;

"**Miscellaneous Interests**" means, in respect of any P&NG Rights or Tangibles, all interests, property and rights at such time, whether contingent or absolute, legal or beneficial, present or future which affect or are related to or are associated with such P&NG Rights or Tangibles, including, without limitation, the following property, rights, and assets:

(a) all present and future contracts, agreements and documents (including Title and Operating Documents and insurance contracts) relating to any of such P&NG Rights or Tangibles or any rights in relation thereto;

(b) all present and future surface rights which are used or useful in connection with any of such P&NG Rights or Tangibles;

(c) all present and future permits, licenses, authorizations and deposits relating to any of such P&NG Rights or Tangibles, including in respect of facilities, wells and pipelines, or the export, removal, transportation, purchase or sale of Petroleum Substances;

(d) all Petroleum Substances in the course of production from any of such P&NG Rights;

(e) books, maps, records, documents, seismic, geological, engineering, data processing, well, plant and other reports, data, information, computer programs or other records which relate to or are used or useful in connection with any of such P&NG Rights or Tangibles; and

(f) all extensions, renewals, amendments or replacements of or to any of the foregoing items described in paragraphs (a) through (e) of this definition;

"**Mortgages**" means each of the mortgages or deeds of trust executed by any one or more of the Borrowers or any Borrowing Base Subsidiary in favour of the Agent;

"**Negative Mark-to-Market**" has the meaning ascribed thereto in the definition of "Mark-to-Market";

"**Net Income**" means, for any fiscal period, the net income of the Trust determined on a consolidated basis in accordance with GAAP, as set forth in the consolidated financial statements of the Trust for such period;

"**Non-Agreeing Lender**" has the meaning ascribed thereto in Section 3.3(g);

"**Non-Recourse Debt**" means any indebtedness, obligations and Guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent obligations in respect of obligations of another Person which, in each case, are incurred to finance the creation, development, construction or acquisition of property or assets and any increases in or extensions, renewals or refunding of any such indebtedness, liabilities and obligations, provided that the recourse of the lender thereof or any agent, trustee, receiver or other Person acting on behalf of the lender in respect of such indebtedness, liabilities and obligations or any judgment in respect thereof is limited in all circumstances (other than in respect of false or misleading representations or warranties and customary indemnities provided with respect to such financings) to the assets created, developed, constructed or acquired in respect of which such indebtedness, liabilities and obligations has been incurred and to any receivables, inventory, equipment, chattel paper, intangibles and other rights or collateral arising from or connected with the assets created, developed, constructed or acquired and to which the lender has recourse;

"**Offering**" means the initial public distribution of Units of the Trust pursuant to the Prospectus;

"**Oil and Gas Ownership Certificate**" means a certificate substantially in the form of Schedule "J";

"**Oil and Gas Properties**" means, in respect of the Loan Parties:

(a) all of their P&NG Rights;

(b) all of their Tangibles; and

(c) all of their Miscellaneous Interests;

"**One Month BA Rate**" means, on any day, the CDOR Rate (determined as of 8:00 a.m. Calgary time on such day) which would be applicable in respect of an issuance of Bankers' Acceptances with a term to maturity of one month issued on such day, or if such day is not a Business Day, then on the immediately preceding Business Day;

"**Operating Accommodations**" has the meaning ascribed thereto in Section 1.1 in the definition of "Accommodations";

"**Operating Borrowings**" has the meaning ascribed thereto in Section 1.1 in the definition of "Borrowings";

"**Operating Facility**" has the meaning ascribed thereto in Section 3.1(a);

"**Operating Facility Amount**" means $10,000,000;

"**Operating Facility Commitment**" means, with respect to the Operating Lender, its obligation to make Loans and Libor Loans available to, accept and purchase Bankers' Acceptances from, and issue Letters of Credit at the request of, the Canadian Borrower, subject to the terms of this Agreement, in an aggregate amount not at any time in excess of the Operating Facility Amount, as such amount may hereafter be cancelled, reduced, increased or terminated from time to time pursuant to the provisions of this Agreement;

"**Operating Lender**" means CIBC in its capacity as the provider of the Operating Facility;

"**Operating Lender's Accounts for Payments**" means such Canadian Dollar and U.S. Dollar accounts maintained by the Operating Lender in connection with the Operating Facility and notified to the Canadian Borrower from time to time;

"**Operating Lender's Branch of Account**" means the office or branch of the Operating Lender located at the address set forth opposite the Operating Lender's name on the signature page to this Agreement or such other office or branch of the Operating Lender in Canada as the Operating Lender may advise the Canadian Borrower in writing;

"**Operator**" means, in respect of any of the Oil and Gas Properties, such Person as has from time to time been appointed by a Loan Party (or by the Administrator or the CT Trustee on behalf of a Loan Party, as applicable) or its predecessor in title to conduct the development and operation of such Oil and Gas Properties and as used hereunder, where the context requires, means collectively all such Persons in respect of all of the Oil and Gas Properties;

"**Other Taxes**" means all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to this Agreement or any other Loan Document;

"**Overdraft**" means, in respect of the Operating Facility, an amount owing by the Canadian Borrower to the Operating Lender from time to time as a result of clearance of cheques or drafts drawn on, or transfers of funds from, accounts that the Canadian Borrower maintains with the Operating Lender at the Operating Lender's Branch of Account in U.S. Dollars or Canadian Dollars for such purpose;

"**P&NG Rights**" means the entire right, title, estate and interest of the Loan Parties (whether legal or beneficial, contingent or absolute, present or future) in and to all:

(a) rights to explore for, drill for, produce, save or market Petroleum Substances;

(b) rights to a share, when produced, of Petroleum Substances;

(c) rights to a share of proceeds of, or to receive payments calculated by reference to the quantity or value of, production from Petroleum Substances when produced;

(d) rights in lands or documents of title relating thereto, including leases, subleases, licenses, permits, reservations, rights and privileges; and

(e) rights to acquire any of the rights described in subparagraphs (a) through (d) of this definition;

and includes: interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests, economic interests and other interests; fractional or undivided interests in any of the foregoing; freehold, leasehold or other interests; and options in respect of the foregoing;

"**Partnership**" means Parallel Energy Acquisitions LP, a limited partnership established under the laws of the State of Delaware and governed by the Partnership Agreement, the partners of which on the Effective Date are the GP, as general partner, and the Commercial Trust, as limited partner;

"**Partnership Agreement**" means the limited partnership agreement dated April 14, 2011 between the GP, as the general partner, and the Commercial Trust, as the limited partner, establishing and governing the business and affairs of the Partnership;

"**Patriot Act**" means the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001));

"**PBGC**" means the Pension Benefit Guaranty Corporation in the United States or any entity succeeding to any or all of its functions under ERISA;

"**PEI**" means Parallel Energy Inc., a corporation incorporated under the laws of the Province of Alberta;

"**Permitted Assignee**" has the meaning ascribed thereto in Section 13.1;

"**Permitted Dispositions**" means, in respect of the Loan Parties:

(a) the sale or disposition of its share of current production of Petroleum Substances from its Oil and Gas Properties; provided that such sales are not Prepaid Obligations, Production Payments or sales or other such dispositions made as a means of borrowing or raising monies or providing, directly or indirectly, Financial Assistance to any Person;

(b) any sale, lease, sublease, trade or other disposition of any tools, implements, equipment or machinery which may have become worn out, unservable, unserviceable, obsolete, unsuitable or unnecessary in operations or activities relating to its Oil and Gas Properties provided that such sale, lease, sublease, trade or other disposition is in keeping with prudent industry practice;

(c) abandonments, surrenders or terminations of P&NG Rights or interests therein which are effected in accordance with prudent industry practice and which dispositions are effected with respect to P&NG Rights which are not capable of production in economic quantities;

(d) exchanges, farmouts or other dispositions of P&NG Rights which do not comprise Borrowing Base Assets;

(e) sales or dispositions of P&NG Rights, Tangibles or Miscellaneous Interests (excluding any sale or disposition included in any of items (a) through (d) above, but including any sale or disposition pursuant to the exercise of any ROFR), the fair market value of which, when taken in the aggregate in respect of all such sales and dispositions by all Loan Parties since the last determination or redetermination of the Borrowing Base are not in excess of ten percent (10%) of the amount of the Borrowing Base most recently determined or redetermined;

(f) any sales or dispositions by a Loan Party to another Loan Party; and

(g) any Disposition constituting a Reorganization Transaction to the extent permitted by Section 9.2(g);

provided in each case that no Default or Event of Default has occurred and is continuing or would reasonably be expected to occur as a result thereof;

"**Permitted Encumbrances**" means any of the following Security Interests or other encumbrances:

(a) reservations, limitations, provisos and conditions expressed in any original grant from the Crown;

(b) Security Interests for Taxes, assessments or governmental charges and any other statutory Security Interests which:

(i) are not due or delinquent; or

(ii) relate to claims being contested at the time in good faith by a Loan Party by appropriate proceedings;

(c) undetermined or inchoate Security Interests arising in the ordinary course of business and incidental to construction or operations which relate to obligations:

(i) not due or delinquent and which have not at such time been filed pursuant to law and no other statutory proceedings have been taken to enforce the same; or

(ii) being contested at the time in good faith by a Loan Party by appropriate proceedings;

(d) Security Interests incurred or created in the ordinary course of business as security in favour of any other Person which is conducting the exploration, development or operation of the property to which such Security Interests relate for any Loan Party's obligations in respect of the costs and expenses of such exploration, development or operation, which relate to obligations of any Loan Party not due or delinquent or to obligations of any Loan Party being contested at the time in good faith by such Loan Party by appropriate proceedings;

(e) the Security Interest of any judgment rendered, or claim filed, against a Loan Party which such Loan Party shall be contesting in good faith if during such contestation there is no risk of forfeiture of any material assets or property of such Person either because (A) a stay of enforcement of such judgement or claim (if enforceable by seizure, sale or other remedy against any property), as the case may be, is in effect or (B) the value of the assets of any Loan Party affected thereby does not exceed $5,000,000;

(f) easements, rights-of-way, servitudes or other similar rights in and (including, without limitation, rights-of-way and servitudes for railways, sewers, drains, pipe lines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons and other minor defects, encumbrances and restrictions which either alone or in the aggregate do not materially detract from the value of such land or materially impair its use in the operation of the Oil and Gas Properties;

(g) Security Interests given by a Loan Party to a public utility or any municipality or governmental or other public authority when required by such public utility or municipality or other governmental authority in the ordinary course of the business of such Loan Party in connection with the Oil and Gas Properties provided such security does not either alone or in the aggregate materially detract from the value of the assets or properties affected thereby or materially impair its use in the operation of the Oil and Gas Properties;

(h) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease by any statutory provision to terminate any lease or to require payment of royalties as a condition of the continuance thereof;

(i) to the extent that a Security Interest is constituted or created thereby, a pooling or unitization of P&NG Rights in the ordinary course of business which is necessary or advisable to facilitate the orderly exploration, development or operation of such P&NG Rights, provided that the value to any Loan Party of its interests in the P&NG Rights which are subject to the pooling or unitization immediately after the pooling or unitization (taking into account obligations associated therewith) is not less than the value of its interest in such P&NG Rights immediately before the pooling or unitization;

(j) Security Interests on Petroleum Substances or the proceeds of sale of Petroleum Substances arising or granted or assumed by any Loan Party in the ordinary course of its business pursuant to a processing or transmission arrangement entered into or assumed by it in the ordinary course of business, securing the payment of its obligations in respect of the fees attributable to the processing or transmission (as the case may be) of any such Petroleum Substances under any such processing or transmission arrangement, but only insofar as such Security Interests relate to its obligations which are at such time not due or delinquent;

(k) the Security Interests of the Security and any Security Interests created in favour of the Agent pursuant to any of the Loan Documents;

(l) inchoate liens or any rights of distress reserved in or exercisable under any real property lease or sublease to which any Loan Party is a lessee which secure the payment of rent or compliance with the terms of such lease or sublease, provided that such rent is not then overdue and such Loan Party is then in compliance in all material respects with such terms;

(m) lessor royalties (including crown or freehold lessor royalties) granted in the ordinary course of business;

(n) any lien, charge or encumbrance the satisfaction of which has been provided for by deposit with the Agent of cash or a surety bond or other security satisfactory to the Agent in an amount sufficient to pay the liability in respect of such lien in full;

(o) Purchase Money Security Interests provided that such Security Interests are granted at the time of acquisition of the property subject thereto and are limited to the property so acquired;

(p) Security Interests in respect of Non-Recourse Debt permitted hereunder, including, for certainty, any pledge of shares or other ownership interest of any Subsidiary of the Trust that owns the assets financed by Non-Recourse Debt granted in favour of the lender of such Non-Recourse Debt;

(q) Security Interests constituted by Capital Leases and Sale/Leasebacks;

(r) Security Interests granted by a Loan Party to another Loan Party if the same have been subordinated to the Security Interests of the Agent;

(s) Security Interests on cash or marketable securities of any Loan Party granted in connection with Swaps permitted by this Agreement (other than Lender Swaps for which the only security is the Security) provided:

   (i) in respect of Commodity Swaps such Security Interests only secure the obligations of any Loan Party to deliver Petroleum Substances at a future date pursuant to such hedging arrangements and the Oil and Gas Properties can reasonably be expected to produce sufficient Petroleum Substances in the ordinary course of business to fulfil such obligation; and

(ii) the obligations secured by such Security Interests are not due or delinquent; and

(t) all such other claims and encumbrances as are specifically disclosed by notice in writing from the Borrowers to the Agent to the extent that the Majority Lenders, by specific notice in writing to the Borrowers, consent to such claims and encumbrances as Permitted Encumbrances;

provided that the amounts so secured are not, in the aggregate for all Loan Parties, in excess of $2,500,000 in respect of each of paragraphs (o) and (q) above and $5,000,000 in respect of paragraph (p) above;

"**Permitted Financial Assistance**" means:

(a) any Financial Assistance, other than Financial Assistance permitted by subsections (b) and (c) of this definition, which a Loan Party has provided or agreed to provide, in the ordinary course of its business, provided that the maximum aggregate amount for all Loan Parties of the obligations (actual or contingent) under all such Financial Assistance does not at any time exceed $5,000,000;

(b) any Guarantees by one Loan Party of the Permitted Indebtedness (other than Non-Recourse Debt) of another Loan Party;

(c) any Financial Assistance by a Loan Party to, or for the benefit of, another Loan Party;

"**Permitted Indebtedness**" means, without duplication:

(a) all Debt of a Loan Party to the Agent or a Lender under this Agreement or under or secured by any Loan Document;

(b) all Debt arising from a Capital Lease, Purchase Money Security Interest or a Sale/Leaseback, provided such Debt does not in the aggregate exceed $2,500,000 at any one time for all Loan Parties at the time such Debt was incurred;

(c) all unsecured Debt of a Loan Party to another Loan Party provided that in respect of all unsecured Trust Indebtedness and all unsecured Debt owing to the Commercial Trust, such unsecured Debt is subordinated to all Lender Outstandings and Swap Indebtedness under all Lender Swaps in accordance with the terms and conditions set forth in the Subordination Agreement;

(d) Non-Recourse Debt, provided the aggregate principal amount thereof does not exceed $5,000,000 at any one time for all Loan Parties;

(e) all Debt secured by a Permitted Encumbrance provided that such Debt is within any applicable amount limitations provided for in the definition of Permitted Encumbrances; and

(f) such other Debt of a Loan Party which the Majority Lenders have consented to in writing;

"**Permitted Swap Indebtedness**" means, subject to Section 3.16(c), Swap Indebtedness of any Loan Party to a Swap Lender under a Permitted Swap and for which the only security is the Security;

"**Permitted Swaps**" means any Swap permitted by the provisions of Section 9.2(i);

"**Person**" means any individual, firm, partnership, limited partnership, trust company, corporation, limited liability company or other body corporate, government, governmental body, agency, instrumentality, unincorporated body of persons or association;

"**Petroleum Substances**" means petroleum, natural gas, natural gas liquids, related hydrocarbons and all other substances, whether liquid, solid or gaseous, whether hydrocarbons or not, produced or producible in association with any of the foregoing, including hydrogen sulphide and sulphur;

"**Plan**" means any "employee pension benefit plan" (as defined in Section 3(2) of ERISA) that is subject to Title IV of ERISA, section 302 of ERISA or section 412 of the Code;

"**Positive Mark-to-Market**" has the meaning ascribed thereto in the definition of "Mark-to-Market";

"**Prepaid Obligations**" means "take-or-pay" or similar obligations of a Person whereby such Person is obligated to settle, at some future date, payment in respect of Petroleum Substances, whether by deliveries (accelerated or otherwise) of Petroleum Substances, payment of money or otherwise howsoever, including all such obligations for which such Person is liable without having received and retained a payment therefor or having assumed such obligations;

"**Prime Loan**" means the advances or any portion thereof made available by the Lenders to a Borrower pursuant to either Section 3.6, 3.9, 3.12, 3.13 or 3.17 and outstanding from time to time, which are denominated in Canadian Dollars and on which a Borrower has agreed to pay interest in accordance with Section 5.1;

"**Prime Rate**" means, with respect to Prime Loans on any day, the greater of:

(a) the annual rate of interest announced from time to time by the Agent or the Operating Lender, as applicable, as being its reference rate then in effect for determining interest rates on Canadian Dollar denominated commercial loans made by the Agent or the Operating Lender, as applicable, in Canada; and

(b) the One Month BA Rate in effect on such day plus [REDACTED] bps;

"**Production Payment**" means:

(a) the sale (including any forward sale) or other transfer of any Petroleum Substances, whether in place or when produced, for a period of time until, or of an amount such that, the purchaser will realize therefrom a specified amount of money (however determined, including by reference to interest rates or other factors which may not be fixed) or a specified amount of such product; and

(b) any other interest in property of the character commonly referred to as a "production payment";

"**Prospectus**" means the prospectus dated as of April 14, 2011 (together with all supplements thereto) describing the terms of which the Offering is being conducted;

"**Purchase Money Security Interest**" means:

(a) a Security Interest taken or reserved in property or assets to secure payment of all or part of the cost of acquisition, construction, installation or improvement of such property or assets; and

(b) a Security Interest taken in property or assets by a Person who gives value for the purpose of enabling a Loan Party to acquire rights in such property or assets, to the extent that the value is applied to acquire those rights;

but does not include a Capital Lease or an operating lease;

"**Purchasing Lender**" has the meaning ascribed thereto in Section 3.3(g);

"**Rateable**" and "**Rateably**" means, subject to adjustment pursuant to Section 10.8, the proportion that the Lender Outstandings of any Lender or Swap Lender (if not then a Lender) bears to the aggregate of the Lender Outstandings of all Lenders and Swap Lenders, as determined at the Adjustment Time;

"**RCRA**" means the Resource Conservation and Recovery Act of 1976;

"**Receiver**" means any receiver, manager, or receiver and manager of the Collateral or any part thereof or the business and undertaking of any Loan Party, or any part thereof, whether appointed by the Agent under a Loan Document or by a court pursuant to Applicable Law and any nominee of the Agent or any other person that is appointed by the Agent to exercise all or any of the powers, rights, benefits and discretion of the Agent under such Loan Document;

"**Regulation T**", "**Regulation U**" and "**Regulation X**" mean, respectively, Regulation T, Regulation U and Regulation X of the Federal Reserve Board as from time to time in effect and any successor to all or any portion of such provisions establishing comparable requirements;

"**Release**" means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, leeching or migration of any element or compound in or into the indoor or outdoor environment (including the abandonment or disposal of any barrels, tanks, containers or receptacles containing any contaminant), or in, into or out of any vessel or facility, including the movement of any contaminant through the air, soil, subsoil, surface, water, groundwater, rock formation or otherwise;

"**Repayment Notice**" means a notice to effect a repayment of Borrowings delivered under Section 3.10 and substantially in the form of Schedule "B" with all applicable blanks completed;

"**Replacement Lender**" has the meaning ascribed thereto in Section 3.3(h);

"**Request for Extension**" means a request of a Borrower substantially in the form attached as Schedule "F";

"**Revolving Lender**" has the meaning ascribed thereto in Section 3.3(a);

"**Revolving Period**" means, in respect of each Lender, the period from the Effective Date until its Term Out Date;

"**ROFR**" means, in relation to any of the Oil and Gas Properties, an option, right of first refusal, right to first purchase, right of first offer or similar right;

"**Rollover**" means, in respect of a maturing Bankers' Acceptance or Libor Loan, the provision by a Lender of a further Borrowing by way of a Bankers' Acceptance or Libor Loan, as applicable, in the same currency, the proceeds of which are to be applied in whole or part to the repayment of the maturing Borrowing;

"**Rollover Date**" means that date that a Rollover is to be made pursuant to a Rollover Notice;

"**Rollover Notice**" means a notice to effect a Rollover delivered under Section 3.13 and substantially in the form of Schedule "C" with all applicable blanks completed;

"**Sale/Leaseback**" means an arrangement under which title to any property or asset, or an interest therein, is transferred by a Person (the "**First-Mentioned Person**") to some other Person which leases or otherwise gives or grants the right to use such property or asset or interest therein to the First-Mentioned Person, whether or not in connection therewith the First Mentioned Person also acquires a right or is subject to an obligation to re-acquire the property, asset or interest, and regardless of the accounting treatment of such arrangement;

"**Security**" has the meaning ascribed thereto in Section 6.1, any amendments thereto and any indentures or instruments supplemental to or in implementation thereof, and any and all other documents, instruments or agreements pursuant to which the Agent or any Lender is granted or receives a Security Interest pursuant to the terms hereof or thereof;

"**Security Interest**" means any assignment, mortgage, charge, pledge, lien, hypothec, encumbrance securing or in effect securing an obligation or any indebtedness of any Person, conditional sale, title retention agreement or security interest whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, legal or equitable, perfected or not, and includes the rights of a lessor pursuant to a Capital Lease or Sale/Leaseback, but not under an operating lease, and the proprietary rights, if any, of a lender or buyer in respect of a Production Payment or a transaction giving rise to a Prepaid Obligation, but does not include a right of set-off or a set-off;

"**Secured Obligations**" has the meaning ascribed thereto in Section 6.1;

"**Standard Term**" means the term to maturity of a Bankers' Acceptance for which a quote is available in respect of such Bankers' Acceptance pursuant to paragraph (a) of the definition of CDOR Rate provided that in all events such term shall not exceed three hundred sixty-four (364) days;

"**Subordination Agreement**" means the subordination agreement dated as of April 21, 2011 among the Borrowers, the Subsidiaries of the Trust party thereto, the Trustee and the Agent, as amended, supplemented or replaced from time to time;

"**Subsidiary**" means:

(a) a Person of which another Person alone or in conjunction with its other Subsidiaries owns an aggregate number of the Voting Shares sufficient to enable the election of a majority of the directors (or other persons performing similar functions) regardless of the manner in which other Voting Shares are voted;

(b) a Person of which another Person alone or in conjunction with its other Subsidiaries has, through the operation of any agreement or otherwise, the ability to elect or cause the election of a majority of the directors (or other Persons performing similar functions) or otherwise exercise control over the management and policies of such Person; and

(c) any partnership or trust of which any Loan Party:

    (i) is the general or managing partner or trustee; or

(ii) directly or indirectly owns more than fifty percent (50%) of the equity or beneficial interest thereof;

and shall include any Person in like relation to a Subsidiary;

"**Swap**" means a Commodity Swap, Currency Swap or Interest Swap;

"**Swap Demand for Repayment**" means a demand made by a Swap Lender pursuant to an agreement evidencing a Lender Swap demanding repayment of all indebtedness relating thereto and shall include, without limitation, any notice under any agreement evidencing a Lender Swap which, when delivered, would require an early termination thereof and may require a payment by any Loan Party in settlement of obligations thereunder as a result of such early termination;

"**Swap Indebtedness**" means:

(a) at any time prior to the Adjustment Time, an amount determined by the Agent (or by the Canadian Borrower for the purposes of Section 9 of the Compliance Certificate) by,

(i) calculating, for each Swap Lender, the difference, if positive, between the Positive Mark-to-Market and Negative Mark-to-Market for all of its Lender Swaps, and

(ii) when such term is used in reference to all Lenders or Swap Lenders, adding together the aggregate net amounts calculated in (a)(i) under this definition for all Swap Lenders; and

(b) after the Adjustment Time, an amount determined by each Swap Lender by,

(i) calculating for each of its Lender Swaps, the Termination Amount, and determining the difference, if positive, of the aggregate net amounts payable by any Loan Party to such Swap Lender, and

(ii) when such term is used in reference to all Lenders or Swap Lenders, adding together the amounts calculated in (b)(i) under this definition for all Swap Lenders;

"**Swap Lender**" means a Person which, at the time that it entered into any Swap with any Loan Party, was a Lender or an Affiliate of a Lender;

"**Syndicated Accommodations**" has the meaning ascribed thereto in Section 1.1 in the definition of "Accommodations";

"**Syndicated Borrowings**" has the meaning ascribed thereto in Section 1.1 in the definition of "Borrowings";

"**Syndicated Facility**" has the meaning ascribed thereto in Section 3.1(a);

"**Syndicated Facility Commitment**" means, with respect to each Syndicated Lender, such Lender's obligation to make Loans and Libor Loans under the Syndicated Facility available to the U.S. Borrower, subject to the terms of this Agreement, in an aggregate amount not at any time in excess of the amount set forth opposite such Lender's name in Schedule "A" hereto (or in any Lender Transfer Agreement executed hereafter) as such Lender's Syndicated Facility Commitment, as such amount may hereafter be cancelled, reduced, increased or terminated from time to time pursuant to the provisions of this Agreement;

"**Syndicated Lender**" means a Lender in its capacity as a provider of the Syndicated Facility and in no other capacity;

"**Tangibles**" means, in respect of a Loan Party at any time, all right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, of such Loan Party at such time in and to any tangible property, apparatus, plants, equipment, machinery and fixtures, fixed or non-fixed, real or personal, used or capable of use in exploiting any Petroleum Substances including:

(a) systems, plants and facilities used or useful in producing, gathering, compressing, processing, treating, refining, storing, transporting or shipping Petroleum Substances;

(b) tangible property and assets used or intended for use in exploration, producing, storing, injecting or removing Petroleum Substances; and

(c) all extensions, additions and accretions to any item described in items (a) or (b) above;

"**Tax**" or "**Taxes**" means all present and future taxes, rates, levies, imposts, assessments, dues, government fees, stamp taxes, deductions, charges or withholdings, and all liabilities with respect thereto, and any interest, additions to tax and penalties imposed with respect thereto, excluding, with respect to the Agent or any Lender, (i) taxes (including sales, use or goods and services tax) imposed on its income, purchases or capital and franchise taxes imposed on it by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (ii) any branch profits or similar taxes imposed by any jurisdiction in which the Borrower is located, (iii) in the case of a Lender, any U.S. or Canadian withholding tax that is imposed on amounts payable to such Lender pursuant to any law that was in effect at the time such Lender becomes a party to this Agreement or is attributable to such Lender’s failure or inability to comply with Section 7.3, and (iv) any United States tax imposed pursuant to FATCA;

"**Term Lender**" means a Lender which is not a Revolving Lender;

"**Term Maturity Date**" means, in respect of each Lender, the date which is three hundred and sixty six (366) days after the Term Out Date of such Lender (as such Term Out Date may be extended hereunder);

"**Term Out Date**" means, in respect of each Lender:

(a) April 30, 2012; and

(b) if the Term Out Date is thereafter further extended pursuant to Section 3.3, that date which is three hundred sixty-four (364) days after its then current Term Out Date;

"**Term Period**" means, for each Lender, the period commencing on its Term Out Date and ending on its Term Maturity Date;

"**Termination Amount**" means, in respect of a Lender Swap on any day, the amount (whether positive or negative) determined by the Swap Lender thereunder in accordance with its customary practices and acting reasonably as of the close of business as though such day were an "Early Termination Date" and the Swap was a "Terminated Transaction" in accordance with the payment measures provided for in the ISDA Master Agreement between any Loan Party and such Swap Lender, with any such termination amount being expressed in Canadian Dollars and all defined terms used in this definition and not otherwise defined in this Agreement having the meaning ascribed thereto in such ISDA Master Agreement;

"**Termination Event**" means:

(a) an automatic acceleration of the repayment of indebtedness outstanding hereunder without any notice being required thereunder from the Agent or any Lender; or

(b) an automatic early termination of obligations relating to a Lender Swap, without any notice being required from the Swap Lender;

"**Title and Operating Documents**" means, in respect of any P&NG Rights or Tangibles at any time, all of the documents (including leases, reservations, permits, licenses of all sorts, exploration agreements, operating agreements, unit agreements, production sharing agreements, pooling agreements, assignments, trust declarations or other agreements to recognize a Loan Party's interest, participation agreements, farmin or farmout agreements, royalty agreements, purchase agreements and transfers; gas, oil, condensate and other production sale contracts; gathering, common stream, transportation and processing agreements; and agreements for the construction, ownership and/or operation of Tangibles):

(a) by virtue of which P&NG Rights or Tangibles were acquired or constructed or held at such time;

(b) to which the construction, ownership, operation, exploitation, development, production, transportation or marketing of P&NG Rights or Tangibles are subject; or

(c) which grant rights which are or may be used by such Loan Party in connection with such P&NG Rights or Tangibles;

and including the rights (except for P&NG Rights) granted under or created by such documents;

"**Title Defect**" means:

(a) the exercise of a ROFR with respect to any of the Oil and Gas Properties; or

(b) a determination made by a Governmental Authority that a Loan Party's right or title to any Oil and Gas Property is void, forfeited, lost or subject to a ROFR, or was never acquired by it, or comprises an interest less than, or is subject to greater burdens, encumbrances or adverse claims of whatsoever nature or kind (other than Permitted Encumbrances) than, that evaluated in the most recent Engineering Report;

"**Total Commitment**" means the aggregate of the Operating Facility Commitment and the Total Syndicated Facility Commitment;

"**Total Syndicated Facility Commitment**" means, at any time, the amount equal to the aggregate of the Syndicated Facility Commitment of each Syndicated Lender at such time;

"**Transaction**" has the meaning ascribed thereto in the applicable ISDA Master Agreement between any Loan Party and a Swap Lender;

"**Trust**" means Parallel Energy Trust, an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta;

"**Trust Creditor**" means the Trustee and the Trust, or either of them;

"**Trust Distribution**" means any Distribution by any Loan Party to any Trust Creditor;

"**Trust Indebtedness**" means all present and future obligations, liabilities and indebtedness of any Loan Party to any Trust Creditor howsoever arising, whether direct or indirect, absolute or contingent, matured or not, extended or renewed, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again, and whether such Loan Party be bound alone or with others, and whether as principal or surety, including all indebtedness, liabilities and obligations to pay or effect a Trust Distribution and all expenses paid or incurred by any Trust Creditor in endeavouring to collect any Trust Indebtedness;

"**Trust Indenture**" means the trust indenture establishing the Trust made as of March 10, 2011 between PEI, as settlor, and Computershare Trust Company of Canada, as trustee;

"**Trustee**" means the trustee of the Trust, which as of the Effective Date is Computershare Trust Company of Canada;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**Unitholder**" means a registered holder of the Units;

"**Units**" means the trust units of the Trust, each such trust unit representing an equal undivided beneficial interest in the Trust;

"**U.S. Base Rate**" means, with respect to U.S. Base Rate Loans on any day, the greater of:

(a) the annual rate of interest announced from time to time by the Agent or the Operating Lender, as applicable, as being its reference rate then in effect for determining interest rates on U.S. Dollar denominated commercial loans made by the Agent or the Operating Lender, as applicable, in Canada; and

(b) the Federal Funds Rate plus [REDACTED] percent ([REDACTED]%);

"**U.S. Base Rate Loan**" means the advances or any portion thereof made available by the Lenders to a Borrower pursuant to either Section 3.6, 3.12 or 3.13 and outstanding from time to time, which are denominated in U.S. Dollars and on which a Borrower has agreed to pay interest in accordance with Section 5.2;

"**U.S. Borrower**" means the Partnership;

"**U.S. Dollars**" and the symbol "**U.S. $**" each mean lawful money of the United States;

"**U.S. Loan Party**" means a Loan Party which is incorporated under or otherwise created or governed by the laws of the United States or a state or territory thereof;

"**Voting Agreement**" means the voting agreement dated March 10, 2011 among the shareholders of the Administrator, the Trustee and the Administrator with regard to, among other matters, the election of the directors of the Administrator;

"**Voting Shares**" means:

(a) share capital of any class of any corporation or securities of any other Person which carry voting rights to elect the board of directors or other body exercising similar functions under any circumstances, but shares or other securities which carry the right to so vote conditionally upon the happening of an event shall not be considered Voting Shares until the occurrence of such event; and

(b) an interest in a general partnership, limited partnership, trust, joint venture or similar Person which entitles the holder of such interest to receive a share of the profits, or on dissolution or partition, of the assets, of such Person;

"**West Panhandle Field**" means the oil and properties known as the "West Panhandle Field" located in Carson, Hutchison, Moore and Potter counties in Texas to be acquired by the Partnership pursuant to the Bravo Purchase Agreement.

1.2 Headings and Table of Contents

The headings, the table of contents and the Article and Section titles are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 References

Unless something in the subject matter or context is inconsistent therewith, all references to Sections, Articles and Schedules are to Sections and Articles of and Schedules to this Agreement. The words "hereto", "herein", "hereof", "hereunder" and similar expressions mean and refer to this Agreement.

1.4 Rules of Interpretation

In this Agreement, unless otherwise specifically provided,

(a) the singular includes the plural and vice versa, "month" means calendar month, "quarter" means calendar quarter, and "in writing" or "written" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including facsimile;

(b) references to any agreement, contract, document or other instrument means a reference to any such agreement, contract, document or other instrument as the same has been or may be amended, modified, supplemented or restated from time to time; provided that, if consent to any such amendment, modification, supplement or restatement is required under any Loan Document, such consent must have been obtained; and

(c) references to any statute, act or other legislative enactment shall be to such statute, act or other legislative enactment as amended from time to time or replaced by a statute, act or other legislative enactment dealing with substantially the same subject matter as the statute, act or other legislative enactment so replaced.

1.5 Generally Accepted Accounting Principles

All financial statements of any Loan Party required to be furnished by the Canadian Borrower to the Agent hereunder shall be prepared in accordance with GAAP. Each accounting term used in this Agreement, unless otherwise defined herein, has the meaning assigned to it under GAAP consistently throughout the relevant period and relevant prior periods and, except as otherwise provided herein, reference to any balance sheet item, statement of income item or statement of cash flows item means such item as computed from the applicable financial statement prepared in accordance with GAAP.

1.6 References to Trusts

All references herein to representations and warranties by, covenants of, actions and steps by, or the performance of the terms and conditions of this Agreement, any other Loan Agreement or any Material Contract by the "Trust" or the "Commercial Trust", as applicable, shall, as the context requires, be and shall be construed as being by the trustee of such trust on behalf of and in respect of the such trust .

1.7 Accounting Terms: Changes to Generally Accepted Accounting Principles

If there occurs a material change in generally accepted accounting principles and such change would require disclosure under GAAP in the financial statements of the Trust and would cause an amount required to be determined hereunder (the "**Relevant Amount**") to be materially different than the amount that would be determined without giving effect to such change, the Canadian Borrower shall notify the Agent of such change (an "**Accounting Change**"). Such notice (an "**Accounting Change Notice**") shall describe the nature of the Accounting Change, its effect on the current and immediately prior year's Financial Statements in accordance with GAAP and state whether the Canadian Borrower desires to revise the method of calculating the Relevant Amount (including the revision of any of the defined terms used in the determination of such Relevant Amount) in order that amounts determined after giving effect to such Accounting Change and the revised method of calculating such Relevant Amount will approximate the amount that would be determined without giving effect to such Accounting Change and without giving effect to the revised method of calculating such Relevant Amount. The Accounting Change Notice shall be delivered to the Agent within forty-five (45) days after the end of the Fiscal Quarter in which the Accounting Change is implemented or, if such Accounting Change is implemented in the fourth Fiscal Quarter or in respect of an entire Fiscal Year, within ninety (90) days after the end of such period. Promptly after receipt from the Canadian Borrower of an Accounting Change Notice, the Agent shall deliver to each Lender a copy of such notice.

If, pursuant to the Accounting Change Notice, the Canadian Borrower does not indicate that it desires to revise the method of calculating the Relevant Amount, the Lenders may within thirty (30) days after their receipt of the Accounting Change Notice notify the Agent that they wish to revise the method of calculating the Relevant Amount in the manner described above. If the Majority Lenders so notify the Agent, the Agent shall promptly notify the Canadian Borrower.

If either the Canadian Borrower or the Majority Lenders so indicate that they wish to revise the method of calculating the Relevant Amount, the Canadian Borrower, the Agent and the Majority Lenders shall in good faith attempt to agree on a revised method of calculating the Relevant Amount. If, however, within thirty (30) days after the foregoing notice by the Canadian Borrower or the Agent of the desire to revise the method of calculating the Relevant Amount, the Canadian Borrower, the Agent and the Majority Lenders have not reached agreement in writing on such revised method of calculation, such method of calculation shall not be revised and all amounts to be determined thereunder shall be determined without giving effect to the Accounting Change. For greater certainty, if no notice of a desire to revise the method of calculating the Relevant Amount in respect of an Accounting Change is given by either the Canadian Borrower or the Majority Lenders within the applicable time period described above, the method of calculating the Relevant Amount shall not be revised in response to such Accounting Change and all amounts to be determined pursuant to the Relevant Amount shall be determined after giving effect to such Accounting Change.

1.8 Time

Unless otherwise provided herein, all references to a time in this Agreement shall mean local time in the city of Calgary, Alberta.

1.9 Payment for Value

All payments required to be made hereunder shall be made for value on the required day in same day immediately available funds.

1.10 Monetary References

Whenever an amount of money is referred to herein, such amount shall, unless otherwise expressly stated, be in Canadian Dollars.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties

Each Borrower represents and warrants to each of the Lenders and the Agent (all of which representations and warranties each Borrower hereby acknowledges are being relied upon by the Lenders and the Agent in entering into this Agreement) that:

(a) **Existence:**

(i) the Canadian Borrower is an unincorporated open-ended trust duly created and validly existing under the laws of the Province of Alberta;

(ii) the U.S. Borrower is a limited partnership duly created, validly existing and in good standing under the laws of the State of Delaware;

(iii) the Trust is an unincorporated open-ended limited purpose trust duly created and validly existing under the laws of the Province of Alberta;

(iv) the GP is a limited liability company duly created, validly existing and in good standing under the laws of the State of Delaware;

(v) each other Loan Party is a duly incorporated corporation, a duly organized limited liability company or a duly created partnership or trust, as applicable, and is validly existing under its jurisdiction of formation, organization or creation, as applicable;

(vi) PEI is a corporation incorporated and validly existing under the laws of the Province of Alberta; and

(vii) each Loan Party and PEI is duly licensed, registered or qualified in all jurisdictions in which the nature of any business transacted by it or the character of any properties and assets owned or leased by it make such licensing, registration or qualification necessary or desirable, except where the failure to be so registered or qualified would not reasonably be expected to have a Material Adverse Effect;

(b) **Trust Status:** the Trust is a "mutual fund trust" and is not a "SIFT trust", in each case within the meanings of the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

(c) **Power:** each Loan Party and PEI has full corporate, limited liability company, partnership or trust, as applicable, capacity, power and authority to own its properties and assets, including without limitation its Oil and Gas Properties, as applicable, to conduct business as now conducted and as proposed to be conducted, to execute and deliver each Loan Document, Bravo Acquisition Document and Material Contract to which it is a party and to perform its obligations thereunder;

(d) **Authorization:** the execution, delivery and performance by each Loan Party or PEI of each of the Loan Documents, the Bravo Acquisition Documents and the Material Contracts to which it is a party have been duly authorized by all necessary corporate, limited liability company, partnership, trust or other action;

(e) **Execution:** each Loan Document, Bravo Acquisition Document and Material Contract to which any Loan Party or PEI is a party has been duly executed and delivered by it;

(f) **Binding Obligations:** each Loan Document, Bravo Acquisition Document and Material Contract to which any Loan Party or PEI is a party is a legal, valid and binding obligation of such Loan Party or PEI that is a party thereto, as applicable, enforceable against such Loan Party or PEI or other party thereto, as applicable, in accordance with its terms except as enforceability may be limited by general principles of equity and by Applicable Laws regarding bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by moratorium laws from time to time in effect;

(g) **No Legal Bar or Resultant Lien re: Loan Documents:** the execution, delivery and performance by each Loan Party and PEI of each Loan Document, Bravo Acquisition Document and Material Contract to which it is a party:

(i) does not and will not violate its articles, by-laws, company agreement, partnership agreement, trust indenture (each as applicable) or other governing documents;

(ii) does not and will not result in a breach of, or constitute a default or require any consent under, or result in the creation of any Security Interest, other than a Permitted Encumbrance, upon any of its property or assets pursuant to, any material indenture or other material agreement or material instrument to which it is a party or by which it or its property or assets may be bound or affected;

(iii) does not require any Governmental Action, licence, consent or approval of or notice to or filing with any Governmental Authority other than such as (i) are necessary with respect to the registration and perfection of the Security and the Security Interests constituted thereby; or (ii) have been obtained or made and are in full force and effect; and

(iv) does not and will not contravene any presently existing provision of Applicable Law or any Governmental Action applicable to it or any of its property and assets;

(h) **Title to Assets:** each Loan Party has good and valid title to all of its properties and assets (including, for certainty, the assets acquired pursuant to the Bravo Acquisition) free and clear of all Security Interests, claims and encumbrances other than Minor Title Defects which, in the aggregate, would not reasonably be expected to have a Material Adverse Effect and Permitted Encumbrances which are applicable to it and, to the best of its knowledge, information and belief, no Person is asserting or has given notice of its intention to assert any Security Interest other than Permitted Encumbrances relating to any such properties or assets;

(i) **Litigation:** there are no actions, suits or proceedings pending or, to the best of the knowledge, information and belief of any Loan Party or PEI, threatened against any Loan Party or PEI at law or in equity by or before any court, tribunal, governmental department, commission, board, bureau, agent or instrumentality, domestic or foreign, or before any arbitrator of any kind which would reasonably be expected to have a Material Adverse Effect and no Loan Party nor the Administrator or the CT Trustee is in default with respect to any judgment, order, writ, injunction, decree, award, rule or regulation of any court, tribunal, governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign or any arbitrator of any kind which, in the aggregate, would reasonably be expected to have a Material Adverse Effect;

(j) **Engineering Information:** all engineering data, production and cash flow projections, economic models and other information and data provided to the Agent by or on behalf of the Loan Parties in respect of any Loan Party's properties, assets and undertakings (including, without limitation, the most recent Engineering Report) are true and correct in all material respects except to the extent any such data, projections, models or information has been superseded or replaced by additional data, projections, models or information provided to the Agent hereunder; provided that any information which is provided by a third party, or any projections referenced herein, are subject to the provisos in Section 2.1(w);

(k) **Financial Condition:** all financial statements of the Loan Parties and PEI provided to the Agent by or on behalf of any Loan Party or PEI (other than the pro forma financial statements giving effect to the Bravo Acquisition delivered pursuant to Section 8.1(a)) fairly reflect, as of the dates thereof, the financial condition of the Loan Parties or PEI, as applicable, in all material respects and the results of their operations for the periods covered thereby, have been prepared in accordance with GAAP (except that any unconsolidated financial statements of any Subsidiary may be prepared without notes) and, from the date of the latest of such financial statements submitted to the Agent, no event or circumstance has occurred which would reasonably be expected to have a Material Adverse Effect;

(l) **Taxes:** all necessary income tax and other returns required to be filed prior to the date hereof have been filed by or on behalf of each Loan Party to the relevant taxation or other authorities and no Loan Party is in default of payment of any taxes of any material amount, except for taxes the payment of which are being contested by it in good faith and for which provision in accordance with GAAP has been made for adequate reserves, and no reassessment, appeal or material claim is, to the best of the knowledge, information and belief of any Loan Party, being asserted or processed with respect to taxes which is not disclosed in the financial statements referred to in Section 2.1(k);

(m) **Insurance:** each Loan Party has in full force and effect such policies of insurance in such amounts issued by insurers of recognized standing insuring its properties, assets and undertakings and providing such coverage as would be maintained by Persons engaged in the same or similar business in the localities where its properties and assets are located or, if such insurance is not available on commercially reasonable terms, such other insurance to the satisfaction of the Agent, acting reasonably;

(n) **Indebtedness**: no Loan Party has any Debt other than Permitted Indebtedness;

(o) **Compliance with Laws and Contracts**: each Loan Party and PEI is:

(i) in compliance with all Applicable Laws; and

(ii) not in breach or default of, nor has any event or circumstance occurred, which, but for the passage of time or the giving of notice, or both, would constitute a breach or default under any contract or agreement (including any Material Contract), licence, permit or employee benefit plan to which any Loan Party is a party or by which it or any of its properties, assets or undertakings are bound;

except for any non-compliance, breach or default, as applicable, which would not reasonably be expected to have a Material Adverse Effect;

(p) **Environmental Laws**: the representations and warranties in this Section 2.1(p) are the sole and exclusive representations and warranties under this Agreement for matters related to or arising under Environmental Law:

(i) each Loan Party has obtained, made or given all Governmental Actions which are required, obtained, made or given under any applicable Environmental Laws, all necessary Governmental Actions are in full force and effect, and no Loan Party has received any written notice or otherwise has knowledge that any such existing Governmental Action will be revoked, except in each case to the extent that failure to obtain, make or give the same would not reasonably be expected to have a Material Adverse Effect;

(ii) each Loan Party is in compliance with all Environmental Laws and all terms and conditions of all such Governmental Actions, except to the extent failure to comply would not reasonably be expected to have a Material Adverse Effect;

(iii) no Loan Party has received a written notice of non-compliance with any Environmental Laws from any Governmental Authority which would reasonably be expected to have a Material Adverse Effect, and no Loan Party has received a written notice of any Release that has occurred of, from, around, or under any of the Oil and Gas Properties which would reasonably be expected to have a Material Adverse Effect;

(iv) except as would not reasonably be expected to have a Material Adverse Effect, none of the properties of any Loan Party contain or have contained any (a) underground storage tanks; (b) asbestos-containing materials; or (c) landfills or dumps not authorized under Environmental Laws;

(v) none of the properties of any Loan Party are on or have been nominated for the National Priorities List promulgated pursuant to CERCLA or any state remedial priorities list promulgated or published pursuant to any comparable state law except as would not reasonably be expected to have a Material Adverse Effect;

(vi) except as would not reasonably be expected to have a Material Adverse Effect, there has been no Release or, to the knowledge of any Loan Party, threatened Release, of Hazardous Materials at, on, under or from any Loan Party's properties, there are no investigations, remediations, abatements, removals, or monitorings of Hazardous Materials required under applicable Environmental Laws at such properties, and, to the knowledge of any Loan Party, none of such Properties are adversely affected by any Release or threatened Release of a Hazardous Material originating or emanating from any other real property;

(q) **Subsidiaries and Organizational Chart:** The chart contained in Schedule "K", as amended or updated from time to time, lists each Subsidiary of the Trust, the Partnership is the only Subsidiary holding Borrowing Base Assets and the organizational chart contained in Schedule "K", as amended or updated from time to time, describes the complete organizational structure of the Trust and its Subsidiaries;

(r) **PEI:** PEI is the Administrator and the CT Trustee;

(s) **Borrowing Base Assets:** all of the Borrowing Base Assets are located in the State of Texas in the counties of Carson, Hutchinson, Moore and Potter and are held by the Partnership;

(t) **Financial Assistance:** no Loan Party has provided any Financial Assistance to any Person or Persons other than Permitted Financial Assistance;

(u) **Material Contracts:** (i) each Loan Party is in compliance with its obligations under each Material Contract, except to the extent such non-compliance would not reasonably be expected to have a Material Adverse Effect; (ii) there have been no amendments made to any Material Contract, except to the extent permitted under this Agreement; and (iii) notice of all amendments to any Material Contract has been provided to the Agent as required by this Agreement;

(v) **Events of Default:** no Default or Event of Default has occurred and is continuing;

(w) **Accuracy of Information:** all information (including financial information and projections), materials and documents delivered by or on behalf of any Borrower, any other Loan Party or PEI to the Agent in contemplation of the transactions contemplated by this Agreement or as required by the terms of this Agreement were:

(i) in the case of all such information, materials and documents (but excluding therefrom any projections), true, complete and accurate in all material respects as at their respective dates; provided that with respect to any information which is provided by a third party, such representations and warranties shall be limited to the knowledge of the Borrowers; and

(ii) in the case of any such projections (including the pro forma financial statements giving effect to the Bravo Acquisition delivered pursuant to Section 8.1(a)), prepared in good faith based upon assumptions believed to be reasonable at the time made;

(x) **Compliance with Pension Laws:**

(i) No event (other than routine claims for benefits) has occurred, or is reasonably expected to occur, with respect to any "employee benefit plan" (as defined in section 3(3) of ERISA) of the U.S. Borrower, any Subsidiary subject to ERISA, or any ERISA Affiliate which individually or in the aggregate could result in a material liability to the U.S. Borrower, any Subsidiary subject to ERISA, or any ERISA Affiliate.

(ii) Neither the U.S. Borrower, any Subsidiary subject to ERISA nor any ERISA Affiliate sponsors, maintains, or contributes to an "employee welfare benefit plan" (as defined in section 3(1) of ERISA), which provides benefits to former employees of such entities and may not be terminated by the U.S. Borrower, such Subsidiary or such ERISA Affiliate in its sole discretion at any time without any material liability.

(iii) Neither the U.S. Borrower, any Subsidiary nor any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the six-year period preceding the date hereof sponsored, maintained or contributed to, any Plan.

(y) **Foreign Assets Control Regulations, Etc.:** the Borrowers' use of the proceeds of this Credit Facility will not violate the United States Trading with the Enemy Act, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto; and

(z) **Status under Certain Statutes:** no Loan Party is an "investment company" or a company "controlled" by an "investment company", within the meaning of the United States Investment Company Act of 1940.

2.2 Deemed Representations and Warranties

Each request by a Borrower for Accommodations on any Drawdown Date after the Effective Date shall be deemed to be a representation and warranty by such Borrower to the Agent and each Lender that the representations and warranties contained in Section 2.1 (other than those made as of a specific date) are, as of the date of such request, and will be, as of the applicable Drawdown Date, true and correct in all material respects and each request by a Borrower for a Conversion or Rollover shall be deemed to be a representation and warranty by such Borrower to the Agent and each Lender that as of the date of such request and as of the applicable Conversion Date or Rollover Date, there exists no Default or Event of Default.

ARTICLE 3
THE CREDIT FACILITIES

3.1 Establishment of the Facilities

(a) **Availment Options:** From and after the Effective Date and relying on each of the representations and warranties set out in Article 2 and subject to the terms and conditions of this Agreement:

(i) each Syndicated Lender agrees to make Syndicated Accommodations available to the U.S. Borrower up to the amount of its Syndicated Facility Commitment by way of an extendible revolving term credit facility for the purposes set forth in Section 3.4, commencing on the Effective Date and ending on each such Syndicated Lender's Term Maturity Date (collectively, the "**Syndicated Facility**"); and

(ii) the Operating Lender agrees to make Operating Accommodations available to the Canadian Borrower up to the amount of the Operating Facility Commitment by way of an extendible revolving operating term credit facility for the purposes set forth in Section 3.4, commencing on the Effective Date and ending on the Operating Lender's Term Maturity Date (the "**Operating Facility**").

(b) **Maximum Amount:** At no time shall:

(i) the Equivalent Amount in Canadian Dollars of the Syndicated Borrowings exceed the Total Syndicated Facility Commitment; and

(ii) the Equivalent Amount in Canadian Dollars of the Operating Borrowings exceed the Operating Facility Commitment.

3.2 Revolving Feature

During the Revolving Period of each Syndicated Lender, the Syndicated Borrowings of each such Syndicated Lender may, within the limits herein provided, increase and decrease and the U.S. Borrower may borrow, repay and reborrow Cdn. Dollars and/or U.S. Dollars and obtain Syndicated Accommodations until the end of the Revolving Period of such Syndicated Lender. On the Term Out Date of each Syndicated Lender, the Syndicated Facility Commitment of such Syndicated Lender shall be reduced to the Equivalent Amount in Canadian Dollars of all Syndicated Borrowings then outstanding to such Syndicated Lender. Thereafter, the U.S. Borrower may only effect Conversions and Rollovers in respect of its Syndicated Borrowings. During the Term Period of a Syndicated Lender, any Loans or Libor Loans repaid or prepaid under the Syndicated Facility (except upon a Conversion or Rollover) shall effect a permanent reduction of its Syndicated Facility Commitment.

During the Revolving Period of the Operating Lender, the Operating Borrowings may, within the limits herein provided, increase and decrease and the Canadian Borrower may borrow, repay and reborrow Cdn. Dollars and/or U.S. Dollars and obtain Operating Accommodations until the end of the Revolving Period of the Operating Lender. On the Term Out Date of the Operating Lender, the Operating Facility Commitment shall be reduced to the Equivalent Amount in Canadian Dollars of the Operating Borrowings then outstanding. Thereafter, the Canadian Borrower may only effect Conversions and Rollovers in respect of its Operating Borrowings. During the Term Period of the Operating Lender, any Loans, Libor Loans or Bankers' Acceptances repaid or prepaid under the Operating Facility (except upon a Conversion or Rollover) shall effect a permanent reduction of the Operating Facility Commitment.

3.3 Extension of Term Out Date and Revolving Period

(a) **Request for an Extension:** The Borrowers may, from time to time and provided there is no Default which is continuing, request an extension of the Term Out Date of each Lender that is not then a Non-Agreeing Lender (a "**Revolving Lender**") by sending to the Agent and, if applicable, the Operating Lender, a Request for Extension in duplicate not less than sixty (60) days and not more than ninety (90) days prior to the then current Term Out Date and the Agent shall forthwith notify such Revolving Lenders of such request and each such Revolving Lender shall acknowledge receipt of such notification. Each such Revolving Lender shall advise the Agent as to whether it agrees with such request within thirty (30) days of the later of:

(i) being notified of the Borrowers' Request for Extension; and

(ii) having received the Engineering Report required pursuant to Section 3.5;

provided that in the event such Lender does not so advise the Agent within such thirty (30) day period, such Revolving Lender shall be deemed to have advised the Agent that it is not prepared to make an offer to the Borrowers to extend its Term Out Date. Within two (2) Business Days of the Agent receiving from each such Revolving Lender its decision with respect to making an offer to the Borrowers to extend its Term Out Date, the Agent shall, subject to Section 3.3(b), provide the Borrowers with an offer to extend the applicable Term Out Date in accordance with Section 3.3(c) or 3.3(d), as the case may be, and the Borrowers, subject to Section 3.3(f), shall be entitled to accept any such offer at any time up to and including the last Business Day preceding the then current Term Out Date by written notice to the Agent of such acceptance.

(b) **Non-Extension:** If Revolving Lenders holding more than $33^{1}/_{3}$% of the aggregate Commitments of all such Revolving Lenders do not agree or are deemed not to agree to make an offer to the Borrowers to extend the Term Out Date pursuant to the Request for Extension, the Agent shall not provide the Borrowers with an offer to extend the Term Out Date of any of the Revolving Lenders in accordance with Section 3.3(a).

In any such case:

(i) the Term Out Date of all Revolving Lenders shall not be extended; and

(ii) the Term Period shall commence for all Revolving Lenders on such Term Out Date and all such Lenders shall be deemed to be Non-Agreeing Lenders for the purposes hereof.

(c) **Extension for All Lenders:** If all Revolving Lenders agree to make an offer to the Borrowers to extend the Term Out Date pursuant to a Request for Extension and the Borrowers accept such offer in accordance with Section 3.3(a), then the Term Out Date for each such Revolving Lender shall be extended for a period of three hundred sixty-four (364) days from the date of the acceptance by the Borrowers of the offer made to them to extend the Term Out Date by the Agent on behalf of such Revolving Lenders.

(d) **Partial Extension:** If, with respect to a Request for Extension, the provisions of Section 3.3(b) or 3.3(c) are not applicable and there are Non-Agreeing Lenders under Section 3.3(g) (a "**Partial Extension**"), the remaining Syndicated Facility Commitments and Operating Facility Commitment of the Non-Agreeing Lenders shall continue for the Term Period applicable to such Lenders but any undrawn portion of such Commitments shall be cancelled on the Term Out Date applicable to such Lenders in accordance with Section 3.2. Thereafter, any Drawdowns under the Syndicated Facility may only be obtained from the Agreeing Lenders in proportion to their respective Syndicated Facility Commitments and all applicable provisions of this Agreement shall be construed accordingly. Without limiting the foregoing, in the event of any Partial Extension:

(i) the Revolving Period (and the corresponding Term Out Date and Term Maturity Date) under the Syndicated Facility and the Operating Facility will only be extended in respect of the Agreeing Lenders and the Term Out Date and Term Maturity Date for the Non-Agreeing Lenders will remain unchanged;

(ii) the provisions herein relating to the Term Period under the Syndicated Facility and the Operating Facility shall apply separately to the Non-Agreeing Lenders as a group and to each other group of Lenders having a common Term Period (each, a "**Non-Agreeing Lender Group**"); and

(iii) for so long as the Revolving Period under the Syndicated Facility exists concurrently with one or more Term Periods under the Syndicated Facility:

(A) any subsequent Syndicated Accommodations (other than Conversions and Rollovers) pursuant to Section 3.6 shall be allocated *pro rata* among the Agreeing Lenders in accordance with their respective Syndicated Facility Commitments;

(B) any reduction in the Total Syndicated Facility Commitment pursuant to Section 3.5 or 4.4 shall be allocated *pro rata* among the Agreeing Lenders and the Non-Agreeing Lenders in accordance with their respective Syndicated Facility Commitments; and

(C) if the U.S. Borrower makes an optional prepayment under the Syndicated Facility during the Revolving Period other than pursuant to Section 4.4, such prepayment shall be deemed to have been made to the Agreeing Lenders only and shall not be applied in repayment of Borrowings owed to Non-Agreeing Lenders unless the Agent is expressly directed in writing by the U.S. Borrower at the time of payment to allocate such payment *pro rata* among the Agreeing Lenders and the Non-Agreeing Lenders in accordance with their respective Syndicated Facility Commitments.

(e) **Independent Decision:** The Borrowers understand that consideration of any Request for Extension constitutes an independent credit decision which each Revolving Lender retains the absolute and unfettered discretion to make, and that no commitment in this regard is given by any such Lender and that any extension of the Term Out Date may be on such terms and conditions in addition to those set out herein as the Revolving Lenders may stipulate and the Borrowers may agree to.

(f) **Default or Event of Default:** Notwithstanding the foregoing, the Borrowers shall not be entitled to accept any offer made by the Agent on behalf of the Agreeing Lenders to extend the Term Out Date if a Default or Event of Default has occurred and is continuing unless such Default or Event of Default is waived by all of the Agreeing Lenders; provided any such waiver shall be effective only for the purposes of this Section 3.3 and shall not be applicable to any such Lenders which are not Agreeing Lenders.

(g) **Request Refused:** Subject to Section 3.3(b), if a Revolving Lender does not agree to make an offer to extend its Term Out Date (each such Lender being a "**Non-Agreeing Lender**" and any Revolving Lender agreeing to make an offer to extend its Term Out Date being an "**Agreeing Lender**"), each of the Agreeing Lenders shall have the right (but not the obligation) to purchase the Commitment of the Non-Agreeing Lender for a purchase price in an amount equal to the aggregate principal amount owing to such Non-Agreeing Lender, together with accrued and unpaid interest and fees thereof to the date of payment of such amount. Each of the Agreeing Lenders wishing to exercise its rights to purchase the Commitment of a Non-Agreeing Lender (a "**Purchasing Lender**") shall forthwith so notify the Borrowers, the Agent, the Non-Agreeing Lender and each of the other Lenders, if any, and not less than three (3) Business Days prior to the then current Term Out Date the Non-Agreeing Lender shall be obligated to sell its Commitment and such Purchasing Lenders shall thereupon be obligated to purchase that portion of the Commitment of such Non-Agreeing Lender that is the ratio that such Purchasing Lender's Syndicated Facility Commitment bears to the aggregate of the Syndicated Facility Commitments of all Purchasing Lenders or as otherwise agreed to by the Borrowers and the Purchasing Lenders, provided that only one Lender may purchase the Operating Facility Commitment if the Operating Lender is a Non-Agreeing Lender and any such decision shall be made by the Borrowers. Notwithstanding the foregoing and unless otherwise agreed at that time, the Non-Agreeing Lender shall not be obligated to sell to any Purchasing Lender unless:

(i) provision satisfactory to the Non-Agreeing Lender (acting reasonably) has been made for payment of any costs, losses, premiums or expenses incurred by the Non-Agreeing Lender by reason of any liquidation or re-deployment of deposits or other funds in respect of Libor Loans outstanding;

(ii) provision satisfactory to the Non-Agreeing Lender (acting reasonably) has been made for payment at maturity of outstanding Bankers' Acceptances accepted by it; and

(iii) if the Non-Agreeing Lender is the Operating Lender, such purchase shall be subject to the replacement or collateralization satisfactory to the Operating Lender, acting reasonably, of all outstanding Letters of Credit issued by the Operating Lender under the Operating Facility, not less than three (3) Business Days prior to the applicable Term Out Date.

The Non-Agreeing Lenders, the Purchasing Lenders, the Agent, the Borrowers and each of the other Lenders, if any, shall forthwith duly execute and deliver any necessary documentation to give effect to any purchase under this Section 3.3(g). Notwithstanding any such purchase, the Non-Agreeing Lender (or its Affiliate as a Swap Lender, if applicable) shall be entitled to continue to share in the Security in accordance with Section 3.16 for any Lender Swap then outstanding with it.

(h) **Replacement or Repayment:** If a Non-Agreeing Lender's Commitment is not purchased pursuant to Section 3.3(g), the Borrowers may:

(i) arrange for a replacement lender (a "**Replacement Lender**") (which may be one of the Agreeing Lenders) to purchase the Non-Agreeing Lender's Commitment on the same basis and subject to the same requirements and indemnities as specified in Section 3.3(g). Any such Replacement Lender which is not an Agreeing Lender shall require the approval of the Agent, such approval not to be unreasonably withheld, and no later than three (3) Business Days prior to the Term Out Date such Replacement Lender shall have purchased the Non-Agreeing Lender's Commitment by execution of all necessary documentation including, without limitation, execution and delivery of a Lender Transfer Agreement; or

(ii) as long as there exists no Event of Default, repay all Borrowings and other amounts owing under the Loan Documents to, and terminate the Commitment of, the Non-Agreeing Lender on or prior to such Non-Agreeing Lender's Term Out Date and, upon such payment, each such Non-Agreeing Lender shall cease to be a Syndicated Lender hereunder and, if applicable, the Operating Lender, and such Non-Agreeing Lender's Syndicated Facility Commitment and, if applicable, its Operating Facility Commitment, shall be terminated and the Total Commitment reduced accordingly.

(i) **Adjustment of Fees:** If, on the Term Out Date of any Lender, any Borrowings are outstanding to such Lender by way of Letters of Credit or Bankers' Acceptances, then such Lender shall be entitled to receive Letter of Credit Fees and BA Acceptance Fees in respect of such outstanding Letters of Credit and Bankers' Acceptances calculated based upon Letter of Credit Fees and BA Acceptance Fees for the period from the Term Out Date to the expiry date of the Letter of Credit or the maturity date of the Bankers' Acceptance, as the case may be, at the rate set out in the last sentence of the definition of Applicable Margin. After the Term Out Date, the Agent shall calculate the adjusted fees payable by the applicable Borrower to such Lender in respect of such Borrowings and such fees shall be payable not later than ten (10) days after receipt by such Borrower of written notice from the Agent as to such amounts. The notice of the Agent setting forth the additional amounts payable shall be conclusive evidence thereof, absent manifest error.

3.4 Purpose

(a) **Syndicated Facility:** Borrowings under the Syndicated Facility shall only be used by the U.S. Borrower (i) for completion of the Bravo Acquisition; and (ii) for general partnership purposes of the U.S. Borrower, including the acquisition, exploration, development and production of Oil and Gas Properties located in the United States; and

(b) **Operating Facility:** Borrowings under the Operating Facility shall only be used by the Canadian Borrower for general trust purposes of the Canadian Borrower.

For certainty, and notwithstanding any other provision hereof to the contrary, the Borrowers shall not and shall not be entitled to use the Facilities to repay, redeem or purchase for cancellation any Units.

3.5 Borrowing Base

(a) **Borrowing Base**: The Borrowing Base has been determined as at the Effective Date to be Cdn. $100,000,000.

(b) **Engineering Report:** The Borrowers shall furnish to the Agent (for distribution to the Lenders) an Engineering Report:

(i) not later than March 31 (or such other date as may be agreed to by the Majority Lenders) of each year and which Engineering Report shall be dated effective as of a date not earlier than December 31 of the immediately preceding year; and

(ii) if the Lenders have provided notice pursuant to Section 3.5(f) requiring an Engineering Report, within sixty (60) days of such request and effective not earlier than ninety (90) days prior to the date of such Lenders' request for same.

(c) **Oil and Gas Property Information:** At the time of delivery of any Engineering Report, the Borrowers, shall deliver to the Agent an Oil and Gas Ownership Certificate with respect to the Borrowing Base Assets evaluated in any such Engineering Report;

(d) **Annual Redetermination of Borrowing Base:** Upon receipt of an Engineering Report pursuant to Section 3.5(b)(i) and provided the financial statements required to be delivered pursuant to Section 9.1(d) are delivered on a timely basis, all of the Lenders shall, by April 30 of each year and in their sole discretion, make a redetermination of the Borrowing Base.

(e) **Semi-Annual Redetermination of Borrowing Base:** Not later than September 30 of each year, the Borrowers shall provide the Agent (with sufficient copies for each of the Lenders) with engineering data, information and updates, with an effective date of June 30 of such year, prepared by the internal engineering personnel of the Borrowers or at the option of the Borrowers from an independent petroleum engineer or firm acceptable to the Agent, in sufficient detail as reasonably required by the Lenders to allow the Lenders to redetermine the Borrowing Base and covering at least 80% of the Borrowing Base Assets, and all of the Lenders shall make a redetermination of the Borrowing Base in their sole discretion not later than October 31 of such year.

(f) **Other Redeterminations:** The Lenders may redetermine the Borrowing Base at a time other than or in addition to the redeterminations pursuant to Sections 3.5(d) and 3.5(e) not more than once in any 12 month period if such Lenders, acting reasonably, determine that an event or circumstance has occurred in respect of the Loan Parties that would reasonably be expected to have a Material Adverse Effect, and the Borrowers shall provide an updated Engineering Report for the purposes of any such redetermination of the Borrowing Base if, in their sole discretion, such Lenders, acting reasonably, deem such receipt of an updated Engineering Report warranted.

(g) **Redetermination of Borrowing Base by Lenders:** The Lenders shall make each redetermination of the Borrowing Base under this Article 3 in consultation with each other and any such redetermination will require the unanimous consent of all Lenders if the Borrowing Base is being increased, decreased or confirmed at the same amount. At such time each year as the Lenders make any redetermination of the Borrowing Base, the Agent shall promptly advise the Borrowers of the redetermined Borrowing Base and the Borrowing Base so redetermined shall be effective immediately upon notice thereof to the Borrowers and, subject to Section 3.5(i), any resulting adjustment of the Commitment shall occur automatically.

(h) **Sale of Properties or Title Defects:** If:

(i) any Loan Party wishes to effect a sale, disposition (including, without limitation, the grant of a royalty, net profits interest or similar interest) or reconveyance of any Oil and Gas Properties (including without limitation pursuant to a ROFR), excluding any Permitted Disposition, the Borrowers shall provide the Agent with not less than fifteen (15) days prior notice in writing indicating the Oil and Gas Properties being sold or disposed of and seeking the Lenders' consent thereto; or

(ii) the Agent is notified of a Title Defect or the Agent or any Lender otherwise becomes aware of a Title Defect (in each case other than a Minor Title Defect);

the Lenders may thereupon redetermine the Borrowing Base in accordance with this Section 3.5 at the sole cost and expense of the Borrowers with all such Oil and Gas Properties to be sold or disposed of, or which are subject to such a Title Defect, excluded from the Borrowing Base Assets or an appropriate amount, as determined by the Lenders, deducted from the Borrowing Base in the redetermination. If the Lenders are satisfied, in their sole discretion, that the Borrowing Base as so redetermined will not result in any Borrowing Base Shortfall and that there is then no Default or Event of Default outstanding, the Lenders shall provide their consent to such sale of Oil and Gas Properties or, in the case of such a Title Defect, shall exclude such Oil and Gas Properties from the Borrowing Base Assets or deduct an appropriate amount, as determined by the Lenders, from the Borrowing Base until such Title Defect is cured to the satisfaction of the Lenders, acting reasonably. The Borrowing Base as so redetermined shall be in effect from the date of notification by the Agent to the Borrowers of such redetermination until any subsequent redetermination of the Borrowing Base pursuant to this Agreement.

If any Loan Party is in receipt of any proceeds of a disposition of any Oil and Gas Properties pursuant to the exercise of a ROFR which does not constitute a Permitted Disposition, prior to the Lenders having redetermined the Borrowing Base as a result thereof, the Borrowers shall cause the funds received to be paid to the Agent for deposit to a Cash Collateral Account in accordance with Section 10.4, for release to the applicable Borrower at such time as the Lenders have completed such redetermination to the extent there will be no Borrowing Base Shortfall after such release, and otherwise to be applied on account of the indebtedness hereunder to the extent necessary to eliminate any such Borrowing Base Shortfall.

(i) **Reduction of Borrowings:** If at any time the Borrowing Base, upon any redetermination hereunder, is less than the aggregate of the Borrowings (determined in Cdn. Dollars with all Borrowings denominated in U.S. Dollars being converted to the Equivalent Amount of Cdn. Dollars, with such deficiency amount being referred to herein as the "**Borrowing Base Shortfall**"), then any undrawn credit hereunder shall cease to be available to the Borrowers and the Total Commitment (and the Total Syndicated Facility Commitment and the Operating Facility Commitment on a *pro rata* basis unless otherwise agreed to by the Operating Lender) shall be reduced to an amount equal to the Borrowing Base. In addition, the Borrowers shall, within sixty (60) days from their receipt of notice of such Borrowing Base Shortfall in writing from the Agent (the "**BBS Cure Period**"), eliminate the Borrowing Base Shortfall by:

(i) providing the Agent, or causing another Loan Party to provide the Agent, with other security or third party guarantees for the Borrowings in form, substance, amount and in respect of assets satisfactory to all of the Lenders in their sole discretion (provided that any additional oil and gas assets offered as security will be evaluated by all of the Lenders in accordance with their normal oil and gas evaluation parameters); and/or

(ii) by effecting a permanent repayment of Borrowings in excess of the new redetermined Borrowing Base.

During the BBS Cure Period, the Lenders shall not be obligated to make any further Borrowings available under this Agreement (other than Conversions or Rollovers which do not increase the Borrowings and with maturities not exceeding thirty (30) days). If the Borrowing Base Shortfall is not eliminated as required above within the BBS Cure Period, such failure shall be an Event of Default for the purposes of this Agreement. If the Borrowing Base Shortfall is eliminated as required above within the BBS Cure Period, then the undrawn credit hereunder shall again become available on the terms and conditions hereof to the extent of the Total Commitment reduced by any permanent repayments effected in accordance with the provisions of this Section 3.5(i) as aforesaid. All amounts paid to the Lenders pursuant to this Section shall be applied in the manner provided for in Section 7.2.

(j) **No Increase:** No increase in the Borrowing Base shall, unless otherwise agreed to by all of the Lenders in their sole discretion, result in any increase of the Total Commitment.

(k) **Determination Conclusive:** Any redetermination of the Borrowing Base by the Lenders (in accordance with the requirements of the definition of "Borrowing Base" and this Section 3.5) shall be final, binding and conclusive. Without in any manner limiting the discretion of the Lenders in making any redetermination of the Borrowing Base, the Lenders specifically reserve the right to exclude:

(i) properties, assets, undertakings and contractual rights in respect of which, in the reasonable opinion of the Lenders, the Agent does not then hold (and subject only to Permitted Encumbrances) a lawful, valid, binding and enforceable Security Interest as and to the extent provided for herein; and

(ii) properties or assets which, in the reasonable opinion of the Lenders, are subject to a Title Defect (other than a Minor Title Defect) unless and to the extent that the circumstances or events giving rise to such Title Defect are reversed or eliminated to the reasonable satisfaction of the Lenders.

3.6 Borrowings – Syndicated Facility and Operating Facility

(a) **Syndicated Facility:** Subject to the provisions of this Agreement, the U.S. Borrower may borrow, repay and reborrow by way of Syndicated Accommodations from each Syndicated Lender pursuant to the Syndicated Facility up to the amount of such Lender's Syndicated Facility Commitment by:

(i) **Prime Loans:** borrowing Prime Loans from the Syndicated Lenders in minimum aggregate amounts of Cdn. $2,000,000 and in integral multiples of Cdn. $100,000 thereafter, upon at least one (1) Business Day prior written notice;

(ii) **U.S. Base Rate Loans:** borrowing U.S. Base Rate Loans from the Syndicated Lenders in minimum aggregate amounts of U.S. $2,000,000 and in integral multiples of U.S. $100,000 thereafter, upon at least one (1) Business Day prior written notice; and

(iii) **Libor Loans:** borrowing Libor Loans from the Syndicated Lenders in minimum aggregate amounts of U.S. $5,000,000 and in integral multiples of U.S. $100,000 thereafter, upon at least three (3) Business Days prior written notice;

each such notice to be given to the Agent at or prior to 10:00 a.m. (Calgary time) on the last day on which such notice can be given pursuant to this Section 3.6 and to be substantially in the form of Schedule "B". Any such notice may be given by telephone and in such case shall be followed by delivery on the day of such telephone notice of written notice by no later than 2:00 p.m. (Calgary time) on such day substantially in the form of Schedule "B".

(b) **Operating Facility:** Subject to the provisions of this Agreement, the Canadian Borrower may borrow, repay and reborrow by way of Operating Accommodations from the Operating Lender pursuant to the Operating Facility up to the Operating Facility Amount as follows:

(i) **Prime Loans:** borrowing Prime Loans from the Operating Lender in minimum aggregate amounts of Cdn. $1,000,000 and in integral multiples of Cdn. $100,000 thereafter upon at least one (1) Business Day prior written notice;

(ii) **U.S. Base Rate Loans:** borrowing U.S. Base Rate Loans from the Operating Lender in minimum aggregate amounts of U.S. $1,000,000 and in integral multiples of U.S. $100,000 thereafter upon at least one (1) Business Day prior written notice;

(iii) **Bankers' Acceptances:** by way of Bankers' Acceptances to be accepted and purchased by the Operating Lender in minimum amounts of $1,000,000 and whole multiples of $100,000 thereafter, upon at least two (2) Business Days' prior written notice;

(iv) **Libor Loans:** borrowing Libor Loans from the Operating Lender in minimum aggregate amounts of U.S. $1,000,000 and in integral multiples of U.S. $100,000 thereafter, upon at least three (3) Business Days prior written notice; and

(v) **Letters of Credit:** by way of the issuance of Letters of Credit in Canadian Dollars or U.S. Dollars upon at least three (3) Business Days prior written notice.

The Canadian Borrower may also obtain Prime Loans and U.S. Base Rate Loans from the Operating Lender by way of Overdraft in any amount and without notice.

Each Operating Accommodation (other than by way of Overdraft) shall require delivery of a Borrowing Notice to the Operating Lender at or prior to 10:00 a.m. (Calgary time) on the last day on which such notice can be given pursuant to this Section 3.6, substantially in the form of Schedule "B". Any such notice may be given by telephone and in such case shall be followed by delivery on the day of such telephone notice of written notice by no later than 2:00 p.m. (Calgary time) on such day substantially in the form of Schedule "B".

3.7 Selection of Libor Interest Periods

If a Borrower elects to borrow by way of a Libor Loan pursuant to Section 3.6, elects to convert a Borrowing into a Libor Loan pursuant to Section 3.12 or elects to Rollover a Libor Loan pursuant to Section 3.13, such Borrower shall, prior to the beginning of the Libor Interest Period applicable to such Libor Loan, in accordance with the same period of notice required for the initial drawdown of a Libor Loan as set forth in Section 3.6, notify the Agent or the Operating Lender, as applicable, by delivery of a Borrowing Notice, Conversion Notice or Rollover Notice, as the case may be, of the Libor Interest Period (which shall begin and end on a Business Day) applicable to such Libor Loan. If a Borrower fails to give to the Agent a notice as aforesaid prior to the date of maturity of a Libor Loan in accordance with the same period of notice required for the original Borrowing, then the amount of such Libor Loan shall be converted on its maturity to a U.S. Base Rate Loan from the Applicable Lender pursuant to Section 3.12.

3.8 Conditions Applicable to Bankers' Acceptances

(a) **Acceptance of Bankers' Acceptances:** Subject to the terms and conditions of this Agreement, each Applicable Lender hereby agrees to accept its Lender's Proportion of Bankers' Acceptances as requested by any Borrower pursuant to a Borrowing Notice, Conversion Notice or Rollover Notice delivered under Sections 3.6, 3.12 or 3.13. Each such Lender shall purchase such Bankers' Acceptances at the applicable Discount Rate and shall deliver the Discount Proceeds thereof (less any BA Acceptance Fees payable to such Lender in respect thereof) for the account of the applicable Borrower through the Agents' Account for Payment or the Operating Lender's Account for Payments, as applicable. Notwithstanding the foregoing, no Applicable Lender shall be obligated to purchase a Bankers' Acceptance which is not for a Standard Term, unless each Applicable Lender has consented thereto.

(b) **Payment to Borrower**: On the Drawdown Date, Conversion Date or Rollover Date relating to any issue of Bankers' Acceptances:

(i) on any Drawdown Date, each Applicable Lender shall deliver the Discount Proceeds thereof (less any BA Acceptance Fees payable to such Lender in respect thereof) for the account of the applicable Borrower through the Agent at the Agent's Account for

Payments or the Operating Lender at the Operating Lender's Account for Payments, as applicable;

(ii) on any Rollover Date relating to any Rollover of Bankers' Acceptances, a Borrower shall be liable to the Applicable Lenders for the principal amount of maturing Bankers' Acceptances. In order to satisfy the continuing liability of a Borrower to the Applicable Lenders for the principal amount of the maturing Bankers' Acceptances, each Applicable Lender shall receive and retain for its own account the Discount Proceeds from the purchase by such Applicable Lender of such new Bankers' Acceptances and such Borrower shall on the maturity date of the maturing Bankers' Acceptances pay to the Agent or the Operating Lender, as applicable, for the benefit of such Applicable Lender an amount equal to the difference between the principal amount of the maturing Bankers' Acceptances and the Discount Proceeds from the purchase by such Applicable Lender of such new Bankers' Acceptances together with the BA Acceptance Fees to which such Applicable Lender is entitled pursuant to Section 5.4; and

(iii) on any Conversion Date relating to Bankers' Acceptances:

(A) in the case of a Conversion from a Prime Loan, in order to satisfy the continuing liability of a Borrower to the Applicable Lenders for the amount of the converted Borrowing, each Applicable Lender shall receive for its own account the Discount Proceeds from the purchase by such Applicable Lender of such Bankers' Acceptances and such Borrower shall on the Conversion Date pay to the Agent for the benefit of such Applicable Lender the difference between the principal amount of the converted Borrowing and the Discount Proceeds from such Bankers' Acceptances together with the BA Acceptance Fees to which such Applicable Lender is entitled pursuant to Section 5.4;

(B) in the case of a Conversion from a Bankers' Acceptance, in order to satisfy the continuing liability of a Borrower to the Applicable Lenders for an amount equal to the principal amount of such Bankers' Acceptance, the Agent or the Operating Lender, as applicable, shall record the obligation of such Borrower to each Applicable Lender as a Borrowing of the type into which the maturing Bankers' Acceptance has been converted; and

(C) in the case of a Conversion from a Libor Loan or U.S. Base Rate Loan into a Bankers' Acceptance, a Borrower shall be responsible for the payment to each Applicable Lender of (x) the Libor Loan or U.S. Base Rate Loan being converted (and may use the Discount Proceeds from the purchase by such Applicable Lender of such Bankers' Acceptances for the purpose of effecting such payment) and (y) the BA Acceptance Fees to which such Applicable Lender is entitled pursuant to Section 5.4.

(c) **Waiver of Presentment and Other Conditions:** Each Borrower waives presentment for payment and, except to the extent of the negligence or wilful misconduct of a Lender referred to in Section 3.8(g), any other defence to payment of any amounts due to a Lender in respect of a Bankers' Acceptance accepted and, if applicable, purchased by it pursuant to this Agreement which might exist solely by reason of such Bankers' Acceptance being held, at the maturity thereof, by such Lender in its own right and each Borrower agrees not to claim any days of grace if such Lender as holder sues such Borrower on the Bankers' Acceptance for payment of the amount payable by such Borrower thereunder. On the specified maturity date of a Bankers'

Acceptance, or such earlier date as may be required or permitted pursuant to the provisions of this Agreement, a Borrower shall, subject to Section 3.8(f), pay the Operating Lender the full face amount of such Bankers' Acceptance either through payment to the Operating Lender or conversion of such Bankers' Acceptance into a Prime Loan pursuant to Section 3.12.

(d) **Terms of Each Bankers' Acceptance**: Each Bankers' Acceptance shall:

(i) have a maturity date which shall be on a Business Day;

(ii) have a Standard Term (excluding days of grace) or, subject to availability and with the consent of each Applicable Lender, have a term which is not a Standard Term but which does not exceed six (6) months (excluding days of grace);

(iii) be denominated in whole multiples of $100,000;

(iv) have a term which does not extend beyond the Term Maturity Date of the Applicable Lender; and

(v) be in the standard form of each Applicable Lender.

It is the intention of the parties that, pursuant to the *Depository Bills and Notes Act* ("**DBNA**"), all Bankers' Acceptances accepted by the BA Purchasing Lenders under this Agreement shall be issued in the form of a "depository bill" (as defined in the DBNA), deposited with, and made payable to a "clearing house" (as defined in the DBNA) including, without limitation, The Canadian Depository for Securities Limited or its nominee, CDS & Co. ("**CDS**"). The Operating Lender and the Agent and the BA Purchasing Lenders, as applicable, shall, *inter alia*, effect the following and, subject to the approval of the Borrowers, establish and notify the Borrowers and the Applicable Lenders of any additional procedures, consistent with the terms of this Agreement and the quarterly requirements of the DBNA, as are reasonably necessary to accomplish such intention including:

(A) the instruments or drafts held by the Agent or the Operating Lender for the purposes of effecting Bankers' Acceptances will include a notation to the effect that they are issued pursuant to the DBNA;

(B) any reference to authentication of the Bankers' Acceptance will be removed; and

(C) any reference to "bearer" will be removed.

(e) **Power of Attorney - Bankers' Acceptances:** As a condition precedent to each BA Purchasing Lender's obligation to accept and purchase Bankers' Acceptances hereunder and, subject to the DBNA compliance requirements set forth in Section 3.8(d), each Borrower agrees to the Power of Attorney Terms - Bankers' Acceptances set out in Schedule "H" and hereby grants to each BA Purchasing Lender a power of attorney on the terms set out in Schedule "H", provided that if a Borrower revokes such power of attorney, a BA Purchasing Lender shall not be obliged to accept and purchase Bankers' Acceptances unless such Borrower, the Agent and all of the BA Purchasing Lenders have agreed on amendments to this Agreement which the BA Purchasing Lenders may require to again accept and purchase Bankers' Acceptances.

(f) **Failure to Give Notice of Repayment**: If a Borrower fails to give notice to the Operating Lender of the method of repayment of a Bankers' Acceptance prior to the date of maturity of such

Bankers' Acceptance in accordance with the same period of notice required for the original acceptance of such Bankers' Acceptance as set forth in Section 3.6, the face amount of such Bankers' Acceptance shall be converted on its maturity to a Prime Loan from the Operating Lender pursuant to Section 3.12.

(g) **Unlawful Issue or Use:** Each Borrower shall pay on demand to the Operating Lender the face amount of any bankers' acceptance form presented to such BA Purchasing Lender for payment and paid by such Lender that has been unlawfully issued or used or put into circulation fraudulently or without authority, and shall indemnify such BA Purchasing Lender against any loss, cost, damage, expense or claim regardless of by whomsoever made that such BA Purchasing Lender may suffer or incur by reason of any fraudulent, unauthorized or unlawful issue or use of any such bankers' acceptance form, other than as is caused by the negligence or wilful act or omission of such BA Purchasing Lender or any of its officers, employees, agents or representatives failing to use the same standard of care in the custody of such bankers' acceptance forms as it uses in the custody of its own property of a similar nature.

3.9 Letters of Credit

(a) **Aggregate Amount:** The aggregate face amount of Letters of Credit issued and outstanding under the Operating Facility at any one time shall not exceed $5,000,000 or the Equivalent Amount in U.S. Dollars.

(b) **Issuance:** The Canadian Borrower may give the Operating Lender a Borrowing Notice requesting that a Letter of Credit be issued by the Operating Lender in accordance with Section 3.6.

(c) **Documentation:** The Operating Lender shall not have any obligation to issue a Letter of Credit until the Canadian Borrower has executed and delivered to such Lender a duly completed letter of credit application in such Lender's standard form and such ancillary documents, including applications and indemnities, as such Lender generally requires for like transactions and which are consistent with the provisions hereof.

(d) **Expiry:** Each Letter of Credit shall expire not later than one (1) year from the date of its issuance, subject to customary automatic renewal provisions, and in any event not later than the Term Maturity Date of the Operating Lender as at the date of such issuance, and shall be in a form satisfactory to the Operating Lender.

(e) **Payment:** All payments made by the Operating Lender to any Person pursuant to any Letter of Credit shall, unless the Canadian Borrower reimburses the Operating Lender for such payment on or before the date it is made, be deemed as and from the date of such payment to be an advance to the Canadian Borrower of a Prime Loan (for any such payments made in Cdn. Dollars) under the Operating Facility or a U.S. Base Rate Loan (for any such payments made in U.S. Dollars) under the Operating Facility, with the proceeds of such advance being applied against the Canadian Borrower's obligations to reimburse such Lender for payment made under the Letters of Credit, and the provisions hereof relating to such Prime Loans or U.S. Base Rate Loans, as applicable (including interest to be calculated thereon) shall apply thereto. The Operating Lender shall forthwith advise the Canadian Borrower of any demand by the beneficiary of a Letter of Credit for payment by the Operating Lender under such Letter of Credit and of any payment made by it on such Letter of Credit to the beneficiary thereof. In determining whether to pay under a Letter of Credit, the Operating Lender shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

(f) **Renewal:** At or before 10:00 a.m. (Calgary time) at least twenty (20) Business Days prior to the date of expiry of any Letter of Credit, the Canadian Borrower may elect to renew such Letter of Credit by selecting a new expiry date for the Letter of Credit or part thereof being renewed, which shall commence on the expiry date of the Letter of Credit being renewed. Renewal of any such Letter of Credit may only be effected by the Operating Lender extending the expiry date of the existing Letter of Credit and shall be done either by the issuance of a new Letter of Credit containing the new expiry date or by an amendment to the existing one, and, in either case, with or without a reduction in the face amount thereof. Renewal of any Letter of Credit shall not be effected to the extent that such renewal would prevent or interfere with any required payment of principal hereunder. Any issuance to a new beneficiary, any increase in the face amount of the Letter of Credit or any other change in the terms thereof shall be considered to be a new Borrowing and may only be effected by the Canadian Borrower by delivering a Borrowing Notice to the Operating Lender, as applicable. Letter of Credit Fees in respect of any renewed or extended Letter of Credit shall be payable pursuant to Section 5.5 and shall be computed for the period of renewal or extension.

3.10 Notice of Repayment

The Canadian Borrower shall give the Agent or the Operating Lender, as applicable, prior written notice substantially in the form of Schedule "B" of each repayment of Borrowings in accordance with the same period of notice required pursuant to Section 3.6 for the initial drawdown of the basis of Borrowing being repaid. Notwithstanding the foregoing, a Bankers' Acceptance shall only be repaid on its maturity date and a Libor Loan may only be repaid prior to the last day of the Libor Interest Period applicable to such Libor Loan upon payment by the Canadian Borrower of amounts payable in respect thereof pursuant to Section 11.5.

3.11 Pro-Rata Treatment of Borrowings

(a) Subject to Section 3.11(b), each Borrowing under a Facility and each basis of Borrowing shall be made available by each Applicable Lender under such Facility and all repayments and reductions in respect thereof shall be made and applied in a manner so that the Borrowings and each basis of Borrowing outstanding hereunder to each Applicable Lender will, to the extent possible, thereafter be in the same proportion as the Lender's Proportion of such Lender. The Agent is authorized by the U.S. Borrower and each Syndicated Lender to determine, in its sole and unfettered discretion, the amount of Syndicated Borrowings and each basis of Syndicated Borrowing to be made available by each Syndicated Lender and the application of repayments and reductions of Syndicated Borrowings to give effect to the provisions of this Section 3.11(a) and Section 7.2; provided that no Syndicated Lender shall, as a result of any such determination, have Syndicated Borrowings outstanding in an amount which is in excess of the amount of its Syndicated Facility Commitment.

(b) **Further Assurances by Borrower:** To the extent reasonably possible, the U.S. Borrower and each Lender agrees to be bound by and to do all things necessary or appropriate to give effect to the provisions of this Section 3.11.

3.12 Conversion Option

A Borrower may, during the term of this Agreement, convert any basis of Borrowing (other than a Letter of Credit) to another basis of Borrowing (other than a Letter of Credit) upon giving the Agent or the Operating Lender, as applicable, a Conversion Notice in accordance with the period of notice and other requirements set out in Section 3.6 applicable to the basis of Borrowing to which any Borrowing is being converted (other than delivery of a Borrowing Notice), provided that:

(a) **Bankers' Acceptances:** a Bankers' Acceptance may only be converted on its maturity date; and

(b) **Libor Loans:** a Libor Loan may be converted on the last day of the Libor Interest Period applicable to such Libor Loan or on any other day if a Borrower pays all amounts payable in respect thereof pursuant to Section 11.5.

On each Conversion Date, a Borrower shall be required to repay to the Agent or the Operating Lender, as applicable, for the account of the Applicable Lenders the basis of Borrowing which is being converted and, subject to the provisions of this Agreement, the Lenders shall be required to make available to such Borrower the Borrowings into which such basis of Borrowing is being converted; provided that such Borrower shall be entitled to direct the Agent to use the proceeds of all or any part of a new Syndicated Borrowing to repay the Syndicated Borrowing being converted.

3.13 Rollovers

A Borrower may effect a Rollover of all or, subject to the minimum aggregate amount specified in Section 3.6, a part of a Borrowing outstanding by way of a Libor Loan or Bankers' Acceptance upon giving the Agent or the Operating Lender, as applicable, Rollover Notice in accordance with the period of notice and other requirements set out in Section 3.6 applicable to a Borrowing of the same type unless immediately prior to the commencement of any subsequent Libor Interest Period or the term of any subsequent Bankers' Acceptance, a Default (in respect of which the Agent or the Operating Lender, as applicable, has advised the applicable Borrower that no Rollovers will be permitted) or Event of Default shall have occurred and be continuing, in which event such Borrower shall be deemed to have converted, in the case of a Libor Loan, to a U.S. Base Rate Loan pursuant to Section 3.12 or, in the case of a Bankers' Acceptance, to a Prime Loan pursuant to Section 3.12 and such Borrower shall not be entitled to continue such Libor Loan subsequent to the existing Libor Interest Period or, in the case of a Bankers' Acceptance, subsequent to its maturity date. In the event notice of a Rollover of an existing Libor Loan is not given pursuant to this Section 3.13 or notice of a conversion of such existing Libor Loan is not given pursuant to Section 3.12, such Libor Loan shall be converted to a U.S. Base Rate Loan on the last day of the Libor Interest Period applicable to such existing Libor Loan.

3.14 Notices Irrevocable

All notices delivered or deemed to be delivered by a Borrower pursuant to this Article 3 shall be irrevocable and shall oblige the applicable Borrower to take the action contemplated on the date specified therein.

3.15 Takeover Notification

If any Borrower wishes to utilize Borrowings to offer to, or to provide funds to the Trust or any Subsidiary of the Trust to, acquire or offer to acquire directly or indirectly (which shall include an offer to purchase securities, solicitation of an offer to sell securities, an acceptance of an offer to sell securities, whether or not the offer to sell was solicited, or any combination of the foregoing) outstanding securities of any Person (other than: (i) a private company as defined under the *Securities Act* (Alberta); (ii) a corporation whose shares are directly or indirectly held by one Person; or (iii) a Person in respect of which such Borrower has provided, prior to the utilization of any Borrowings, evidence satisfactory to the Majority Lenders of the agreement of the board of directors or like body of such Person approving the acquisition by such Borrower, the Trust or such Subsidiary (which shall be wholly-owned, directly or indirectly by the Trust)) where, as of the date of the offer to acquire, the securities that are subject to the offer to acquire, together with the securities of such Person that are beneficially owned, or over which control or direction is exercised, by any Borrower, the Trust or its Subsidiaries and any Person acting jointly or in concert with any thereof on the date that the offer to acquire is made, constitute in the aggregate five percent (5%) or more of all of the outstanding securities of that class of securities of the Person or are likely to result in a change in the voting control of such Person, if it is a publicly traded corporation, then such Borrower shall require the consent of each Lender, such consent not to be unreasonably withheld or delayed.

3.16 Lender Swaps

(a) **Swaps:** Subject to the terms and conditions hereof (and specifically Section 9.2(i)), each of the Lenders (or an Affiliate of such Lender) may from time to time enter into Swaps with any Loan Party during the term of this Agreement. Prior to engaging in any Lender Swaps, the applicable Loan Party shall enter into an ISDA Master Agreement with the applicable Swap Lender; provided that the applicable Loan Party may enter into Swaps with the applicable Swap Lender pursuant to a short-form ISDA agreement for a period of 60 days following the entering into of the short-form ISDA Agreement pending completion of the ISDA Master Agreement.

(b) **Secured Obligations:** The parties agree that all Swap Indebtedness shall be secured by the Security and all Permitted Swap Indebtedness shall, as to the Security, rank *pari passu* with the Syndicated Borrowings and the Operating Borrowings. All Swap Indebtedness other than Permitted Swap Indebtedness shall, as to the Security, rank junior and be subordinate in every respect to the Syndicated Borrowings, the Operating Borrowings and the Permitted Swap Indebtedness.

(c) **Determination of Permitted Swaps:** The Lender Swaps which constitute Permitted Swaps at any time shall be determined starting with the earliest Lender Swap entered into which is still outstanding on the date such determination is made, and so on chronologically with each subsequent Lender Swap, until the applicable limitations under Section 9.2(i) are exceeded, provided that, notwithstanding the foregoing, a Lender Swap shall be deemed to be a Permitted Swap (and the indebtedness thereunder Permitted Swap Indebtedness) if it is entered into by a Swap Lender without actual notice or knowledge that such Lender Swap is not a Permitted Swap.

3.17 Overdrafts

Each advance by the Operating Lender under the Operating Facility by way of Overdraft in Canadian Dollars shall automatically result in a Prime Loan, and each advance by the Operating Lender under the Operating Facility by way of Overdraft in U.S. Dollars shall automatically result in a U.S. Base Rate Loan. The Canadian Borrower agrees not to effect any Overdraft hereunder which would cause the Operating Borrowings to exceed the Operating Facility Amount, from time to time, and acknowledges that the Operating Lender reserves the right to refuse to honour any Overdraft hereunder which, in the opinion of the Operating Lender, would have the effect of causing the Operating Facility Amount to be so exceeded.

3.18 Fees

Concurrently with the execution and delivery of this Agreement, the Borrowers shall pay to the Agent for and on behalf of the Lenders (in accordance with the Lender's Proportion of the Total Commitment) an upfront fee as agreed between the Borrowers and the Lenders. For greater certainty, the fees provided for in this Section 3.18 are in addition to any other fees payable in connection with the Facilities.

ARTICLE 4
REPAYMENT AND PREPAYMENT

4.1 Reduction of Commitment

On the Term Maturity Date of each Lender, the Borrowers shall repay all Borrowings and all accrued and unpaid interest and fees then outstanding to such Lender and the Commitment of such Lender shall be reduced to zero. The Borrowers shall ensure that Libor Loans, Bankers' Acceptances and Letters of Credit made by or accepted by such Lender mature on or prior to its Term Maturity Date.

4.2 Repayment of Borrowings In Excess of Commitments

If, due to exchange rate fluctuations, Borrowings (determined in Cdn. Dollars with all Borrowings denominated in U.S. Dollars being converted to the Equivalent Amount of Cdn. Dollars) to any Lender are in excess of its Lenders' Proportion of the Total Syndicated Facility Commitment, in the case of a Syndicated Lender, or the Operating Facility Amount, in the case of the Operating Lender:

(a) by more than three percent (3%) on a day other than a Drawdown Date, Conversion Date or Rollover Date, the Borrowers shall within five (5) Business Days (except for the circumstances provided in Section 3.5(i) which shall be governed by the time periods provided therein) repay, provide cash cover to be held by the Agent on behalf of the applicable Lenders in the same manner provided for in Section 10.4 or otherwise reduce a portion of such Borrowings to the extent of the amount of such excess; or

(b) by any amount on a Drawdown Date, Conversion Date or Rollover Date, the Borrowers shall, as part of such Drawdown, Conversion or Rollover reduce or eliminate such excess on such date.

4.3 Breakage Costs

If, on any day on which prepayments are required to be made under Section 4.2, the Borrowings then outstanding include Libor Loans or Bankers' Acceptances in an amount such that the prepayment would require a Borrower to be liable under the funding indemnity contained in Section 11.5 or to pay a Bankers' Acceptance prior to its maturity date, that portion of the prepayment which would otherwise be applied against any such Libor Loan or Bankers' Acceptance may, at the option of such Borrower, be paid to the Agent for deposit into a Cash Collateral Account in accordance with Section 10.4 and be applied against such Libor Loan on the expiration of the Libor Interest Period applicable thereto or to such Bankers' Acceptance on its maturity date. Interest earned on such amounts while on deposit in a Cash Collateral Account shall be paid to the applicable Borrower if no Default or Event of Default has occurred and is continuing after the payment of the amounts required pursuant to Section 4.2.

4.4 Cancellation of Commitment and Prepayment

A Borrower may, without penalty or premium, at any time during the term of this Agreement, upon at least two (2) Business Days' prior written notice to the Agent and the Operating Lender, as applicable, cancel all of the Total Commitment or any portion thereof in minimum amounts of Cdn. $5,000,000 and whole multiples of Cdn. $1,000,000 thereafter; provided that on or prior to the last day of such notice period such Borrower has:

(a) **Application to Facility:** identified in writing, the amount of reduction to be applicable to the Syndicated Facility Commitment and the Operating Facility Commitment;

(b) **Prepaid Borrowings:** prepaid or otherwise reduced Borrowings outstanding to each Lender in an amount equal to the amount by which Borrowings outstanding to such Lender would otherwise be in excess of its Lender's Proportion of the Total Syndicated Facility Commitment or the Operating Facility Commitment, as applicable, immediately after the reduction of the Commitments provided for in such notice; and

(c) **Paid Interest:** paid all accrued interest and other charges and fees in respect of the Borrowings being repaid or reduced as aforesaid.

Any such notice of cancellation is irrevocable and the amount of the Commitment of each Lender so cancelled and reduced may not be reinstated hereunder.

4.5 Early Repayment of Libor Loans, Letters of Credit and Bankers' Acceptances

A Borrower shall not cancel all or any portion of the Commitment of any Lender pursuant to Section 4.4 if the Borrowings required to be repaid to such Lender as a result thereof include Letters of Credit with an expiry date falling subsequent to the date of such cancellation, Libor Loans with a Libor Interest Period falling subsequent to the date of such cancellation or Bankers' Acceptances accepted by such Lender with a maturity date falling subsequent to the date of such cancellation unless, on the date of such cancellation, such Borrower has paid to the Agent at the Agent's Account for Payments or to the Operating Lender at the Operating Lender's Account for Payments, as applicable, for the account of such Lender: (i) in respect of Libor Loans, the amount required to be paid pursuant to Section 11.5, (ii) in respect of Letters of Credit, the undrawn amount thereof, and (iii) in respect of Bankers' Acceptances, such Lender's rateable share of the face amount thereof, in each case to be held in a Cash Collateral Account.

4.6 Evidence of Indebtedness

Each of the Agent and the Operating Lender, as applicable, shall open and maintain accounts and records on the books of the Agent at the Agent's Branch of Account and on the books of the Operating Lender at the Operating Lender's Branch of Account evidencing the Syndicated Borrowings and Operating Borrowings, respectively, and other amounts owing by the Borrowers to the Lenders under this Agreement. The Agent and the Operating Lender, as applicable, shall debit therefrom the amount of such Syndicated Borrowings and Operating Borrowings, respectively, and shall enter therein each payment of principal of and interest on the applicable Borrowings and fees and other amounts payable pursuant to this Agreement and shall record the Bankers' Acceptances purchased by the Lenders and the Letters of Credit issued by the Operating Lender and all other amounts becoming due to the Agent and each Lender under this Agreement. The accounts and records of the Agent and the Operating Lender, as applicable, so kept shall constitute, in the absence of manifest error, *prima facie* evidence of the indebtedness of such Borrower to the Agent, the Operating Lender and each other Lender pursuant to this

Agreement, the date each such Lender made each Borrowing available to a Borrower and the amounts each Borrower has paid from time to time on account of the principal and interest on the Borrowings, fees payable pursuant to this Agreement and other amounts owing hereunder.

ARTICLE 5
PAYMENT OF INTEREST AND FEES

5.1 Interest on Prime Loans

A Borrower shall pay interest in Canadian Dollars on each Prime Loan made by each Lender at the Agent's Account for Payments, in the case of the Syndicated Facility, and at the Operating Lender's Account for Payments, in the case of the Operating Facility, in each case at a rate per three hundred and sixty-five (365) days equal to the Prime Rate plus the Applicable Margin applicable to such Prime Loan. A change in the Prime Rate or the Applicable Margin will simultaneously cause a corresponding change in the interest payable on each Prime Loan. Such interest shall accrue daily based on the Prime Rate and Applicable Margin in effect on each day and is payable monthly in arrears on each Interest Date for the period commencing on and including the immediately prior Interest Date up to but not including the Interest Date on which such interest is to be paid and shall be calculated on a daily basis and on the basis of the actual number of days elapsed in a year of three hundred sixty-five (365) days. The annual rates of interest to which the rates determined in accordance with the foregoing provisions of this Section 5.1 are equivalent are the rates so determined multiplied by the actual number of days in the relevant calendar year and divided by three hundred sixty-five (365).

5.2 Interest on U.S. Base Rate Loans

A Borrower shall pay interest in U.S. Dollars on each U.S. Base Rate Loan made by each Lender at the Agent's Account for Payments, in the case of the Syndicated Facility, and at the Operating Lender's Account for Payments, in the case of the Operating Facility, in each case at a rate per three hundred sixty-five (365) day period equal to the U.S. Base Rate plus the Applicable Margin applicable to such U.S. Base Rate Loan. A change in the U.S. Base Rate or the Applicable Margin will simultaneously cause a corresponding change in the interest payable on each U.S. Base Rate Loan. Such interest shall accrue daily based on the U.S. Base Rate and Applicable Margin in effect on each day and is payable monthly in arrears on each Interest Date for the period commencing on and including the immediately prior Interest Date up to but not including the Interest Date on which such interest is to be paid and shall be calculated on a daily basis and on the basis of the actual number of days elapsed in a year of three hundred sixty-five (365) days. Notwithstanding the foregoing, if on any day during which such U.S. Base Rate Loan is outstanding, the sum of the U.S. Base Rate plus the Applicable Margin applicable to U.S. Base Rate Loans is on such day less than the sum of Libor plus the Applicable Margin applicable to Libor Loans on such day (with Libor being determined, for greater certainty, as of such day and not as of two (2) Business Days prior thereto), then interest for such day on such U.S. Base Rate Loan shall instead be paid at a rate per three hundred sixty-five (365) pay period equal to Libor for a Libor Interest Period of one month plus the Applicable Margin applicable to Libor Loans. The annual rates of interest to which the rates determined in accordance with the foregoing provisions of this Section 5.2 are equivalent are the rates so determined multiplied by the actual number of days in the relevant calendar year and divided by three hundred sixty-five (365).

5.3 Interest on Libor Loans

A Borrower shall pay interest in U.S. Dollars on each Libor Loan made by each Syndicated Lender at the Agent's Account for Payments, in the case of the Syndicated Facility, and at the Operating Lender's Account for Payments, in the case of the Operating Facility, for the period commencing on and including the first day of the Libor Interest Period applicable to such Libor Loan up to but not including the last day of such Libor Interest Period at a rate equal to the sum of Libor plus the Applicable Margin applicable to such Libor Loan and which is in effect on the first day of the Libor Interest Period applicable to such Libor Loan. A change in the Applicable Margin will simultaneously cause a corresponding change in the interest payable on each Libor Loan. Such interest shall accrue daily based on Libor and the Applicable Margin in effect on each day and is payable on each Libor Interest Date applicable to such Libor Interest Period and shall be calculated on a daily basis and on the basis of the actual number of days elapsed in the period for which such interest is payable (including the first day of such period but excluding the date on which such interest is payable) divided by three hundred sixty (360). The annual rates of interest to which the rates determined in accordance with the foregoing provisions of this Section 5.3 are equivalent are the rates so determined multiplied by the actual number of days in the relevant calendar year and divided by three hundred sixty (360).

5.4 Bankers' Acceptance Fees

The Canadian Borrower shall pay acceptance fees in Canadian Dollars at the Operating Lenders Account for Payments forthwith upon the acceptance by the Operating Lender of each Bankers' Acceptance issued by the Canadian Borrower at a rate per three hundred sixty-five (365) day period equal to the BA Acceptance Fee applicable to and in effect on the date of acceptance of such Bankers' Acceptance calculated on the face amount of such Bankers' Acceptance and on the basis of the number of days in the term of such Bankers' Acceptance divided by three hundred sixty-five (365). Acceptance fees payable to the Operating Lender pursuant to this Section 5.4 shall be paid in the manner specified in Section 3.8. All fees payable pursuant to this Section 5.4 on any date in respect of any issuance of Bankers' Acceptances shall be calculated by the Operating Lender and payable by the Canadian Borrower based on the BA Acceptance Fee in effect on such date (and taking into account such issuance), provided that if during the term of any such Bankers' Acceptance a change in the BA Acceptance Fee occurs, the fees paid by the Canadian Borrower in respect of such Bankers' Acceptance shall be adjusted, effective upon the change in the BA Acceptance Fee occurring, to reflect the BA Acceptance Fee for the remaining term (if any) of the Bankers' Acceptance, and the Canadian Borrower, in the case of an increase in the BA Acceptance Fee, shall no later than three (3) Business Days after receipt of a notice from the Operating Lender, make such payments to the Operating Lender's Account for Payments for the account of the Operating Lender as are necessary to reflect such change, and the Operating Lender, in the case of a decrease in the BA Acceptance Fee, shall credit any amount which would otherwise be refundable to the Canadian Borrower against amounts in respect of interest or fees accruing hereunder in relation to the Canadian Borrower. The annual rates of fees to which the rates determined in accordance with the foregoing provisions of this Section 5.4 are equivalent, are the rates so determined multiplied by the actual number of days in a period of one year commencing on the first day of the period for which such interest is payable and divided by three hundred and sixty-five (365).

5.5 Letter of Credit Fees

In consideration of the Operating Lender's commitment to issue Letters of Credit under the Operating Facility, the Canadian Borrower shall pay to the Operating Lender, a fee equal to the Letter of Credit Fee then in effect on the date of payment of such fee, subject to adjustment pursuant to Section 3.3(i). Such Letter of Credit Fees shall be payable quarterly in arrears on the first Business Day of each calendar quarter commencing in the calendar quarter in which the applicable Letter of Credit was issued and shall be calculated based on the number of days during which any such Letter of Credit was outstanding during any such calendar quarter (the "**LC Payment Period**") divided by three hundred sixty-five (365) and shall be paid in the currency in which such Letter of Credit is denominated. Letter of Credit Fees shall be calculated on the basis of the daily maximum undrawn amount of such Letter of Credit outstanding during each LC Payment Period.

If and to the extent that a Letter of Credit is drawn upon prior to the date of expiry thereof, or is terminated and returned to the Operating Lender prior to such date of expiry, or the face amount thereof is reduced prior to such date of expiry (other than through a drawing on such Letter of Credit) or any combination thereof, the Operating Lender shall forthwith after such event credit the Canadian Borrower with such fees as it has paid in respect of any such Letter of Credit for the time remaining in the period for which such fees were originally paid and applicable to the amount of the Letter of Credit on its termination or the amount of the reduction, as the case may be.

5.6 Interest on Overdue Amounts

Notwithstanding any other provision hereof, in the event that any amount due hereunder (including, without limitation, any interest payment) is not paid when due (whether by acceleration or otherwise), each Borrower shall and hereby agrees to pay to the Applicable Lenders interest on such unpaid amount (including, without limitation, interest on interest), if and to the fullest extent permitted by Applicable Law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made before 11:00 a.m. Calgary time), and such interest shall accrue daily, be calculated and compounded on the last Business Day of each calendar month and be payable in the currency of the relevant Borrowing on demand, as well after as before maturity, default and judgment, at a rate per annum that is equal to:

(a) if such amount is payable in Canadian Dollars, the interest rate applicable to Prime Loans outstanding from time to time hereunder whether or not any Prime Loans are then outstanding plus the Applicable Margin plus [REDACTED] percent ([REDACTED]%) per annum; and

(b) if such amount is payable in U.S. Dollars, the interest applicable to U.S. Base Rate Loans outstanding from time to time hereunder whether or not any U.S. Base Rate Loans are then outstanding plus the Applicable Margin plus [REDACTED] percent ([REDACTED]%) per annum.

Each Borrower hereby waives, to the fullest extent it may do so under Applicable Law, any provisions of Applicable Law, including specifically the *Interest Act* (Canada) and the *Judgment Interest Act* (Alberta), which may be inconsistent with this Agreement.

5.7 Agent's Fees

The Borrowers shall pay an agency fee to the Agent (for the Agent's sole account) at the Agent's Account for Payments, in an amount as agreed from time to time between the Agent and the Borrowers, on the Effective Date and on each annual anniversary of the Effective Date and such fees shall, for purposes of this Agreement, be deemed to be an amount payable pursuant to this Agreement.

5.8 Maximum Rate Permitted by Law

No interest or fee to be paid hereunder shall be paid at a rate exceeding the maximum rate permitted by Applicable Law. In the event any such interest or fee exceeds such maximum rate, such interest or fee shall be reduced or refunded, as the case may be, so as to be payable at the highest rate recoverable under Applicable Law.

5.9 Interest Generally

The theory of deemed reinvestment shall not apply to the calculation of interest or payment of fees or other amounts hereunder, notwithstanding anything contained in this Agreement or in any other Loan Document now or hereafter granted to or taken by the Agent or any Lender and all interest and fees payable by a Borrower to a Lender shall accrue from day to day and be computed as described herein in accordance with the "nominal rate" method of interest calculation.

5.10 Standby Fees

During the Revolving Period of each Lender, the Borrowers shall pay standby fees to the Agent on behalf of each Syndicated Lender which is a Revolving Lender and to the Operating Lender for so long as it is a Revolving Lender payable monthly in arrears on the third Business Day following each such month commencing on the third Business Day following the month in which the Effective Date occurs and on the Term Out Date of each such Lender. Each payment of standby fees shall be calculated for the period commencing on and including the Effective Date or the last date on which such standby fees were payable hereunder, as the case may be, up to and including the last day of the month for which such standby fees are to be paid or the Term Out Date applicable to such Lender (whichever is earlier) and shall be in an amount equal to the Applicable Margin in effect on each day during such period of calculation multiplied by the difference, if positive, obtained by subtracting the Syndicated Borrowings or the Operating Borrowings, as applicable, outstanding from such Lender for each day in the period of the calculation, from the amount of such Lender's Commitment in effect on each such day. Such standby fees shall be calculated on a daily basis and on the basis of a 365 day year. For purposes of calculating standby fees payable pursuant to this Section 5.10, the amount of Borrowings outstanding from time to time in U.S. Dollars on each day during the period for which such standby fees are payable shall for the purposes of determining an Equivalent Amount on such day be notionally converted to the Equivalent Amount in Canadian Dollars using the Bank of Canada noon spot rate for converting U.S. Dollars to Canadian Dollars on each such day.

5.11 Interest and Fee Adjustment

In the event of a change in the Applicable Margin as a result of a change in the Debt to Cash Flow Ratio, such change shall become effective on the first day of the month following the day on which the Canadian Borrower delivers a Compliance Certificate in accordance with the requirements hereof evidencing such change in the Debt to Cash Flow Ratio, or, if the Canadian Borrower has not delivered a Compliance Certificate as required by the terms hereof within the time permitted by Section 9.1(f), then such change in the Applicable Margin shall become effective on the latest date permitted hereunder for delivery of such Compliance Certificate and the Applicable Margin shall be based on the highest rate in the tables in the definitions of Applicable Margin for the period from the latest date permitted hereunder for delivery of such Compliance Certificate until the date of delivery thereof.

ARTICLE 6
SECURITY

6.1 Security

(a) To secure the payment and performance of all amounts from time to time owing by the Loan Parties to the Agent, the Lenders and the Swap Lenders (the "**Secured Obligations**"), the Borrowers shall execute and deliver or cause to be executed and delivered to the Agent, the following documents (collectively, the "**Security**"):

(i) the Loan Party Guarantee from each Borrower, the Trust and each Borrowing Base Subsidiary;

(ii) a demand debenture governed by the laws of Alberta in the amount of Cdn. $250,000,000 from each Canadian Loan Party granting a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property of such Loan Party registered in Alberta and all other jurisdictions in which each such Loan Party carries on business;

(iii) a security agreement governed by the laws of Texas from each U.S. Loan Party granting a first priority security interest over all present and after-acquired personal property of such U.S. Loan Party, including a pledge of all Voting Shares held by such U.S. Loan Party and a Uniform Commercial Code Financing Statement describing such personal property as Collateral and listing such U.S. Loan Party, as debtor, and the Agent, as secured party, registered in each such U.S. Loan Party's jurisdiction of organization;

(iv) a securities pledge governed by the laws of Alberta from the Commercial Trust granting a pledge over all Voting Shares of the Partnership and the GP held by the Commercial Trust;

(v) a control agreement governed by the laws of Texas among the Commercial Trust, the Partnership and the Agent respecting the uncertificated interests in the Partnership;

(vi) a Mortgage from the Partnership and each other Loan Party owning Oil and Gas Properties in the United States, granting a first priority deed of trust lien over the Oil and Gas Properties of such Loan Party located in the United States;

(vii) the Subordination Agreement; and

(viii) when requested by the Agent, such documents and instruments providing a fixed Security Interest in accordance with Section 6.4.

6.2 Form of Security

Without limiting the foregoing, the Security will be in such form or forms as will be required by the Agent, acting reasonably, and will be registered in such offices in such jurisdictions in Canada or the United States or any other jurisdiction as the Agent may from time to time reasonably require to protect the Security Interests created thereby, provided that the Agent will not register, except pursuant to Section 6.4, against title to the Oil and Gas Properties located in Canada. Should the Agent determine at any time and from time to time that the form and nature of the then existing Security is deficient in any way or does not fully provide the Agent and the Lenders with the Security Interests and priority to which each is entitled hereunder, the Borrowers will forthwith execute and deliver or cause to be executed and delivered to the Agent, at the Borrowers' expense, such amendments to the Security or provide such new security as the Agent may reasonably request, in a form satisfactory to the Agent, acting reasonably.

6.3 After-Acquired Property

All property acquired by or on behalf of a Borrower or any other Loan Party who has provided a debenture, security agreement or Mortgage to the Agent pursuant to Section 6.1 or otherwise after the date of execution of the Security which forms part of the property of such Borrower or any such Loan Party (hereafter collectively referred to as "**After-Acquired Property**"), will be subject to the Security without any further conveyance, mortgage, pledge, charge, assignment or other act on the part of the Loan Parties. Without limiting the effect of the preceding sentence, the Borrowers will, or will cause the applicable Loan Party to, from time to time execute and deliver and the Agent will register, all at the Borrowers' expense, such instruments supplemental to the Security, in form and substance satisfactory to the Agent, acting reasonably, as may be necessary or desirable to ensure that the Security as amended and supplemented constitutes in favour of the Agent, the Lenders and the Swap Lenders an effective Security Interest to the extent created by the Security over such After-Acquired Property as required hereunder, subject only to Permitted Encumbrances which under Applicable Law rank in priority thereto.

6.4 Undertaking to Grant Fixed Charge Security

If the Lenders, acting reasonably, determine in their sole discretion that there has been a Material Adverse Effect (which for purposes of this Section 6.4 may include the occurrence of a Borrowing Base Shortfall) and the Lenders consider it necessary for their adequate protection, the Borrowers, at the request of the Agent, will forthwith grant or cause to be granted to the Agent for the benefit of the Agent, the Lenders and the Swap Lenders, to the extent not previously provided, a fixed Security Interest (subject only to Permitted Encumbrances which under Applicable Law rank in priority thereto) in such of the applicable Loan Party's property as the Agent, in its sole discretion, determines as security for all then present and future Lender Outstandings of the Borrowers and the other Loan Parties to the Agent, the Lenders and the Swap Lenders. In this connection, the Borrowers will:

(a) provide the Agent with such information as is reasonably required by the Agent to identify the property to be charged pursuant to this Section 6.4;

(b) do all such things as are reasonably required to grant, or cause such Loan Party to grant, in favour of the Agent, the Lenders and the Swap Lenders, a fixed Security Interest (subject only to Permitted Encumbrances which under Applicable Law rank in priority thereto) in respect of such property to be so charged pursuant to this Section 6.4;

(c) provide the Agent with all corporate or partnership resolutions and other action, as reasonably required, for any Loan Party to grant the fixed Security Interest (subject only to Permitted Encumbrances which under Applicable Law rank in priority thereto) in the property identified by the Agent to be so charged;

(d) provide the Agent with such security instruments and other documents which the Agent, acting reasonably, deems are necessary to give full force and effect to the provisions of this Section 6.4;

(e) assist the Agent in the registration or recording of such agreements and instruments in such public registry offices in Canada or any province or territory thereof or in the United States or any state or territory thereof as the Agent, acting reasonably, deems necessary to give full force and effect to the provisions of this Section 6.4; and

(f) pay all costs and expenses incurred by the Agent in connection with the preparation, execution and registration of all agreements, documents and instruments, including any amendments to the Security, made in connection with this Section 6.4.

6.5 Borrowing Base Subsidiary Designation

Save and except for those Borrowing Base Subsidiaries in existence on the Effective Date, no Person shall be a Borrowing Base Subsidiary unless it acquires Borrowing Base Assets or has a direct or indirect ownership interest in a Borrowing Base Subsidiary that owns Borrowing Base Assets or is designated by the Borrowers as a Borrowing Base Subsidiary. The Borrowers may from time to time by notice in writing to the Agent be entitled to designate that:

(a) a Borrowing Base Subsidiary will no longer be a Borrowing Base Subsidiary; or

(b) a wholly-owned (directly or indirectly) Subsidiary of the Trust which is not currently a Borrowing Base Subsidiary be designated as a Borrowing Base Subsidiary;

provided that the Borrowers shall not be entitled to make any such designation if immediately after giving effect to any such designation:

(c) a Default or Event of Default would occur or be continuing;

(d) a Borrowing Base Shortfall would result; or

(e) such Person proposed to become a Borrowing Base Subsidiary has not provided the Security required to be provided pursuant to Section 6.1, together with the other documents required pursuant to Section 6.6, all in form and substance satisfactory to the Agent, acting reasonably.

If the Borrowers request that a Borrowing Base Subsidiary holding any Borrowing Base Assets no longer be designated as a Borrowing Base Subsidiary and the conditions in Sections 6.5(c) and 6.5(d) have been or will be satisfied, all of the Lenders shall, as soon as reasonably practicable, redetermine the Borrowing Base to exclude the Borrowing Base Assets of such Borrowing Base Subsidiary and, provided that such redetermination confirms no Borrowing Base Shortfall and the Agent determines that no Default or Event of Default would result therefrom, the Agent shall confirm in writing the redesignation of such Borrowing Base Subsidiary as a Subsidiary and shall cancel and release the Security of such Subsidiary.

6.6 Loan Guarantees and Subsidiary Security

Upon a Subsidiary becoming a Borrowing Base Subsidiary, by reason of it owning Borrowing Base Assets, by designation pursuant to Section 6.5, or by reason of its direct or indirect ownership interest in a Borrowing Base Subsidiary that owns Borrowing Base Assets, and to secure due repayment and satisfaction of all of the Borrowers' present and future liabilities and obligations in respect of the Facilities and to secure due performance by each Borrower of all of its other present and future obligations hereunder and under the Loan Documents, the Borrowers shall cause any such Subsidiary to execute and deliver (to the extent not already provided):

(a) a joinder agreement to the Loan Party Guarantee,

(b) a floating charge debenture, if such Borrowing Base Subsidiary is a Canadian Loan Party, or a security agreement, if such Borrowing Base Subsidiary is a U.S. Loan Party;

(c) a Mortgage over all Oil and Gas Properties of such Loan Party located in the United States; and

(d) a joinder agreement to the Subordination Agreement;

each substantially in the form as previously provided by other Borrowing Base Subsidiaries, together with certified copies of constating documents and resolutions, a certificate of incumbency, a legal opinion of outside counsel with respect to the Borrowing Base Subsidiary and the Security provided by it and such other documents as the Agent may reasonably require, all in a form substantially similar to those provided by the Borrowers and the other Borrowing Base Subsidiaries on the Effective Date, with such changes as may be approved by the Agent, acting reasonably.

6.7 Security Effective Notwithstanding Date of Advance

The Security Interests constituted by any of the Security or required to be created hereby or thereby shall be effective, and the undertakings as to Security Interests herein or in any Security shall be continuing, whether the monies hereby or thereby secured or any part thereof shall be advanced before or after or at the same time as the creation of any such Security Interest or before or after or upon the date of execution of this Agreement, and shall not be affected by the indebtedness hereunder fluctuating from time to time or the accounts established by the Agent or any Lender ceasing to be in debit balance.

6.8 Extensions, Etc.

The Lenders may directly, or through the Agent or other duly authorized representatives, grant extensions, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with any Loan Party or any other Persons, sureties or securities as the Lenders, in their sole discretion, may see fit, all without prejudice to the liability of any Loan Party under the Loan Documents or the rights of the Lenders under the Loan Documents.

6.9 No Merger

The taking of any Security as provided under this Agreement or any Loan Document shall not operate by way of merger of any of the obligations of any Loan Party or any successor of any Loan Party under any Loan Document, or of any Security Interest, guarantee, contract, promissory note, bill of exchange or security in any other form, whether or not similar to the foregoing, and no judgment recovered by the Agent on behalf of the Lenders shall operate by way of merger or in any way affect the Security provided for in this Agreement, which shall be in addition to and not in substitution for any other security now or hereafter held by the Agent or any Lender or Swap Lender whether for indebtedness hereunder or under any Security. For greater certainty, no judgment recovered by the Agent, any Lender or Swap Lender shall operate by way of merger or in any way affect the obligation of the Borrowers to pay interest at the rates, times and manner as provided in this Agreement.

6.10 Further Assurances – Security

Subject to Section 6.4, the Borrowers shall, forthwith and from time to time on the reasonable request of the Agent, grant and shall cause each other Loan Party to grant to the Agent on behalf of the Lenders and Swap Lenders all such further rights and Security Interests necessary or of advantage to the Agent to permit it to operate the Oil and Gas Properties or to sell the Oil and Gas Properties in a liquidation of assets or as a going concern following the occurrence of an Event of Default. In addition, the Borrowers shall, and shall cause each other Loan Party to forthwith and from time to time on the reasonable request of the Agent, execute and do or cause to be executed and done all assurances and things which in the opinion of the Agent may be necessary or of advantage to give the Agent and the Lenders the Security Interests and the priority intended to be created by the Security.

6.11 Release and Amendment of Security

No Lender shall, during the term of this Agreement, discharge, surrender, amend or otherwise modify any Security without the prior written consent of all of the Lenders, provided that the Agent (i) is authorized by the Lenders to provide postponements of the Security at the reasonable discretion of the Agent with respect to Permitted Encumbrances and (ii) may discharge Security provided hereunder at the discretion of the Agent with respect to Permitted Dispositions and if all the capital stock of a Loan Party is included in such Permitted Disposition, to release and discharge such Loan Party from its obligations under the Loan Party Guarantee and the Security.

The Lenders hereby authorize the Agent, and the Agent hereby agrees, to discharge the Security at the Borrowers' sole cost and expense forthwith after all of the Lender Outstandings have been unconditionally and irrevocably paid or performed in full and the Facilities and all Lender Swaps have been terminated or collateralized to the satisfaction of the Agent and the applicable Swap Lenders.

6.12 Permitted Encumbrances and Permitted Indebtedness

None of:

(a) the fact that any Person is permitted to create or suffer to exist any Permitted Encumbrance or Permitted Indebtedness;

(b) the fact that any representation, warranty or covenant herein may make an exception for the existence of Permitted Encumbrances or Permitted Indebtedness; or

(c) the fact that the Security Interests created pursuant to the Loan Documents are stated to be subject to, or are not required to rank in priority to, Permitted Encumbrances;

shall in any manner, nor in any cause or proceeding, directly or indirectly, be taken to constitute a subordination of any Security Interest created pursuant to the Loan Documents to any Permitted Encumbrance or to any other Security Interest or other obligation whatsoever, or that the indebtedness under the Loan Documents is in any way subordinate or junior in right of payment to any Permitted Indebtedness, it being the intention of the parties that all Security Interests created pursuant to the Loan Documents shall at all times, to the maximum extent permitted by Applicable Law, rank as first priority Security Interests in priority to Permitted Encumbrances and all other Security Interests or other obligations whatsoever and that the indebtedness under the Loan Documents will rank in right of payment at all times at least equally with such Permitted Indebtedness.

6.13 Fixed Charge Reports and Supplements

From time to time upon the request of the Agent, following a request made by the Agent pursuant to Section 6.4, the Borrowers shall provide an updated asset report, in form satisfactory to the Agent (including in digital copy form in read-only format, date-stamped and locked), detailing all Borrowing Base Assets (which shall include legal descriptions, crown lease numbers and issue dates, zone restrictions, names of freehold lessors, each Loan Party's before and after payout working interests and all royalties and burdens), and shall execute and cause any Loan Parties to execute and deliver such additional or supplemental Security Interests as the Agent may require in order to ensure that, subject to Section 6.4, all Borrowing Base Assets held by the Loan Parties are subject to first fixed charge Security Interests in favour of the Agent on behalf of the Lenders subject only to Permitted Encumbrances, and to the extent that schedules are provided for the purposes of such supplemental security interests in digital form the same shall be in read-only format, date-stamped and locked.

ARTICLE 7
PAYMENT AND TAXES

7.1 Time, Place and Currency of Payment

Payments of principal, interest, fees and all other amounts payable by the Borrowers pursuant to this Agreement shall be paid in the currency in which it is due for value at or before 11:00 a.m. (Calgary time) on the day such payment is due. If any such day is not a Business Day, such amount shall be deemed for all purposes of this Agreement to be due on the Business Day next following such day and any such extension of time shall be included in the computation of the payment of any interest or fees payable under this Agreement. All payments in respect of the Syndicated Facility shall be made at the Agent's Account for Payments and all payments made in respect of the Operating Facility shall be made at the Operating Lender's Account for Payments.

7.2 Application of Payments

Except as otherwise agreed to by all of the Lenders in their sole discretion, all payments made by or on behalf of a Borrower pursuant to this Agreement, so long as no Default or Event of Default has occurred and is continuing, shall be applied by the Agent rateably among the Lenders and the Agent in accordance with amounts owed to the Lenders and the Agent in respect of each category of amounts set forth below, each such application to be made in the following order with the balance remaining after application in respect of each category to be applied to the next succeeding category:

(a) **Agents Fees:** firstly, in payment of any amounts due and payable as Agent's fees referred to in Section 5.7;

(b) **Expenses:** secondly, in payment of any amounts due and payable as and by way of recoverable expenses hereunder or under any Loan Document if the Borrowers have failed to pay such expenses when required hereunder or thereunder;

(c) **Standby Fees:** thirdly, in payment of any amounts due and payable as and by way of the standby fees referred to in Section 5.10;

(d) **Interest and Fees:** fourthly, in payment of any amounts due and payable as and by way of interest pursuant to Sections 5.1, 5.2 and 5.3, fees pursuant to Sections 5.4 and 5.5, and interest on overdue amounts pursuant to Section 5.6; and

(e) **Other Amounts (other than Borrowings):** fifthly, in payment of any amounts (other than Borrowings) then due and payable by the Borrowers hereunder or under any Loan Document other than amounts hereinbefore referred to in this Section 7.2;

with the balance to be applied to repay or otherwise reduce Borrowings then due and payable so that the Borrowings outstanding hereunder to each Lender will to the extent possible, be in the same proportion as its Lender's Proportion.

7.3 Taxes

Each Borrower shall make all payments to the Agent on behalf of the Lenders without set-off or counterclaim, free and clear of, and without deduction for or on account of, any Tax. If any Tax is deducted or withheld from any payments, each Borrower shall promptly remit to the Agent on behalf of the Lenders the equivalent of the amounts so deducted or withheld together with the relevant official receipts or other evidence satisfactory to the Agent evidencing payment to the appropriate taxing authority of each such Tax by such Borrower on behalf of the Lenders. Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Agent), at the time or times prescribed by Applicable Law or reasonably requested by the Borrower or the Agent, such properly completed and executed documentation prescribed by Applicable Law as will permit such payments to be made without withholding or at a reduced rate of withholding.

7.4 Account Debit Authorization

Each Borrower authorizes and directs the Agent and the Operating Lender, as applicable, in its discretion, to automatically debit, by mechanical, electronic or manual means, the bank accounts of such Borrower maintained with CIBC (for so long as CIBC is Agent and Operating Lender hereunder) for all amounts payable under the Loan Documents including, without limitation, in respect of principal, interest and fees payable under this Agreement and recoverable expenses due and payable hereunder or under any Loan Document.

ARTICLE 8
CONDITIONS PRECEDENT TO DISBURSEMENT OF THE BORROWINGS

8.1 Effectiveness and Conditions Precedent

This Agreement shall become effective at such time as the following conditions precedent have been satisfied:

(a) **Due Diligence:** the Lenders shall have completed and be satisfied with their legal, business, tax and environmental due diligence relating to the Loan Parties, PEI, the Offering and the Bravo Acquisition, including without limitation the organizational structure of the Trust, the other Loan Parties and PEI, the Engineering Report provided by Ryder Scott Company, L.P. with respect to the Bravo Assets, the pro forma consolidated financial statements and financial forecasts of the Trust giving effect to the Bravo Acquisition, the Material Contracts and the tax opinion provided by PricewaterhouseCoopers to the Lenders and all tax memos relating to the Loan Parties and their organizational structure;

(b) **No Event of Default:** as of such time, there exists no Default or Event of Default, and the Agent has received a certificate from each Borrower certifying the same;

(c) **Representations and Warranties True:** the representations and warranties contained in Article 2 are true and correct as of such time, and the Agent has received a certificate from the each Borrower certifying the same;

(d) **Receipt of Documentation:** the Agent has received, in form and substance satisfactory to the Lenders, the following:

  (i) a duly executed original of this Agreement;

  (ii) duly executed originals of the Security as required pursuant to Section 6.1;

  (iii) a certificate of status, certificate of good standing or similar document in respect of each Borrower and each other Loan Party issued under the laws of each jurisdiction where such Loan Party is registered to carry on business;

  (iv) an officer's certificate of each Loan Party attaching thereto its constating documents and bylaws and other governing documents, any authorizing resolutions, and an incumbency certificate;

  (v) a certified copy of the Bravo Purchase Agreement and each Material Contract (other than the MGM Services Agreement);

(vi) a certificate of the Canadian Borrower certifying:

(A) that the Offering has been completed without any waiver or amendment of any material conditions set forth in the Underwriting Agreement (as defined in the Prospectus) which have not been consented to by the Majority Lenders and all necessary corporate, governmental and third party approvals or waivers required to complete the Offering were obtained and are in full force and effect;

(B) that the Trust has received aggregate gross proceeds from the Offering in a minimum amount of Cdn. $342,000,000;

(C) that the Bravo Acquisition will, concurrently with the initial Drawdown made hereunder, be completed pursuant to the Bravo Purchase Agreement without any waiver or amendment of any material conditions thereof which have not been consented to by the Majority Lenders, all necessary corporate, governmental and third party approvals or waivers required to complete the Bravo Acquisition were obtained and are in full force and effect and no material ROFRs have been exercised with respect to the Bravo Assets;

(D) as to the matters set forth in Sections 8.1(b) and 8.1(c);

(vii) a certificate of the U.S. Borrower certifying as to the matters set forth in Sections 8.1(b) and 8.1(c);

(viii) a copy of all approvals of Governmental Authorities required in connection with the Offering and the Bravo Acquisition including, without limitation, the conditional approval to the listing of the Units issuable pursuant to the Offering on the Toronto Stock Exchange;

(ix) a duly executed Environmental Certificate and Oil and Gas Ownership Certificate;

(x) a release from all secured parties in connection with all Security Interests, other than Permitted Encumbrances, over the Bravo Assets;

(xi) a certificate of insurance in respect of the U.S. Borrower;

(xii) evidence of the registration of the Security as required hereunder (other than the Mortgages delivered pursuant to Section 6.1(a)(vi), which are to be registered post-closing);

(xiii) not less than one (1) Business Day prior to the Effective Date, an executed Borrowing Notice, together with a satisfactory funding indemnity for an amount, which together with the net proceeds of the Offering, is sufficient to complete the Bravo Acquisition in accordance with the funds flow memorandum referenced therein;

(xiv) an opinion of Bennett Jones LLP, Canadian counsel to the Loan Parties, addressed to the Agent and each Lender and Lenders' counsel, in form and substance satisfactory to the Agent;

(xv) an opinion of Thompson & Knight, U.S. counsel to the Loan Parties, addressed to the Agent and each Lender, in form and substance satisfactory to the Agent;

(xvi) an opinion of Burnet, Duckworth & Palmer LLP, counsel to the Lenders, addressed to the Agent and each Lender, in form and substance satisfactory to the Agent;

(xvii) any applicable "know your client" or anti-money laundering information which a Lender may require; and

(xviii) such other documents and documentation which the Agent may reasonably request;

(e) **Material Adverse Effect**: nothing shall have occurred, and the Lenders shall not have become aware of any facts not previously known, which the Lenders determine is reasonably likely to have a Material Adverse Effect on the business, property, assets, liabilities, operations or conditions (financial or otherwise) of the Loan Parties taken as a whole from that set forth in the financial statements for the Trust set forth in the Prospectus, and the Lenders shall have received a certificate of the Canadian Borrower certifying the same; and

(f) **Offering**: concurrent closing of the Offering raising gross proceeds to the Trust of not less than Cdn. $342,000,000;

(g) **Bravo Acquisition:** concurrent closing of the Bravo Acquisition; and

(h) **Fees:** the Borrowers have paid all fees and expenses then due to the Agent and/or the Lenders in respect of this Agreement and the Facilities.

8.2 Conditions Precedent to each Utilization

The obligation of the Applicable Lenders to provide any Accommodation to a Borrower, to accept and purchase any Bankers' Acceptances, or to issue any Letter of Credit, or to allow any Conversion or Rollover, is subject to and conditional upon satisfaction of each of the following conditions precedent:

(a) on each Drawdown Date, Conversion Date or Rollover Date, as applicable, there exists no Default or Event of Default; and

(b) on each Drawdown Date, the representations and warranties referred to in Section 2.2, other than those stated to be made as at a specific date, are true and correct in all material respects with the same effect as if made as of such date.

8.3 Waiver of a Condition Precedent

The terms and conditions of Sections 8.1 and 8.2 are inserted for the sole benefit of the Agent and the Lenders and may be waived by the Majority Lenders in respect of an Advance under the Syndicated Facility, or the Operating Lender in respect of an Advance under the Operating Facility, in whole or in part with or without terms or conditions, in respect of all or any portion of a Borrowing, without affecting the right of the Agent or the Lenders to assert such terms and conditions in whole or in part in respect of any other Borrowing.

ARTICLE 9
COVENANTS

9.1 Positive Covenants

Each Borrower covenants and agrees with each of the Lenders and the Agent as set forth in this Article 9, each such covenant and agreement to remain in full force and effect for the term of this Agreement as provided in Section 14.9 or, in the case of provisions stated to survive termination of this Agreement as described in Section 14.9, until the discharge thereof. The covenants and agreements set forth in this Article 9 are without limitation to any covenants, undertakings or agreements elsewhere contained herein or in any of the other Loan Documents:

(a) **Payment and Performance:** each Borrower shall and shall cause each other Loan Party to duly and punctually pay all indebtedness and liabilities as and when due by it hereunder and perform all other obligations on its part to be performed under the terms of the Loan Documents at the times and places and in the manner provided for therein;

(b) **Maintain Corporate or Other Existence and Status:** except as permitted by Section 9.2(g), each Borrower shall and shall cause each other Loan Party to maintain its corporate, limited liability company, partnership or trust existence, as applicable, in good standing and duly register and qualify and remain duly registered and qualified to do business or own or lease property or assets in each jurisdiction in which the nature of any business transacted by it, or the character of any properties or assets owned or leased by it, requires such registration or qualification, except to the extent such failure to be so registered or qualified would not reasonably be expected to have a Material Adverse Effect;

(c) **Maintenance of and Access to Books and Records:** each Borrower shall and shall cause each other Loan Party to keep proper and adequate records and books of account in which true and complete entries will be made in a manner sufficient to enable the preparation of financial statements in accordance with GAAP, and shall permit, and shall cause each other Loan Party to permit the Agent or its representatives upon reasonable notice and from time to time during normal business hours to enter its premises and to inspect its books of accounts and operations thereof, and shall and shall cause each other Loan Party to afford access to the Agent or its representatives at any time and from time to time upon reasonable notice and during normal business hours and subject to all Applicable Laws, including any related to health, safety and the environment, to inspect the Tangibles and operation of the Oil and Gas Properties and in particular to review documents, books, studies, reports and records relating to the Oil and Gas Properties, the Tangibles and the business of any Loan Party in relation thereto; provided that any representative of the Agent shall agree to be bound by the provisions of Section 13.4 hereof;

(d) **Annual Financial Statements:** the Canadian Borrower shall furnish to the Agent as soon as available and in any event within ninety (90) days after the end of each Fiscal Year a consolidated balance sheet of the Trust as at the close of such Fiscal Year and statements of income and changes in financial position of the Trust for such Fiscal Year, setting forth in comparative form the corresponding figures of the preceding Fiscal Year together with an auditor's report prepared by a national firm of accountants confirming that its examinations of such financial statements were made in accordance with generally accepted auditing standards and, accordingly, included such tests and other procedures as it considered necessary in the circumstances and that such financial statements present fairly in all material respects the financial position of the Trust on a consolidated basis, as of the close of such Fiscal Year and the results of operations and the changes in financial position for the Fiscal Year then ended, in accordance with GAAP (except as otherwise noted therein and consented to by the Majority Lenders, such consent not to be unreasonably withheld), provided, however, that such reports and documents may be provided by a notice to the Agent that the same have been posted on www.SEDAR.com;

(e) **Quarterly Financial Statements:** the Canadian Borrower shall furnish to the Agent as soon as available and in any event within forty-five (45) days after the end of each of the first three (3) Fiscal Quarters of the Trust an unaudited consolidated balance sheet of the Trust as at the end of such Fiscal Quarter and unaudited consolidated statements of income and changes in financial position of the Trust prepared in accordance with GAAP consistently applied, provided, however, that such reports and documents may be provided by a notice to the Agent that the same have been posted on www.SEDAR.com;

(f) **Compliance Certificate:** the Canadian Borrower shall furnish to the Agent, concurrently with the provision of the financial statements pursuant to Section 9.1(d) and 9.1(e), and effective as of the last day of the Fiscal Year or Fiscal Quarter, as applicable, a duly executed and completed Compliance Certificate for such Fiscal Year or Fiscal Quarter, as applicable;

(g) **Production and Operating Reports:** the Canadian Borrower shall furnish to the Agent prior to March 31 of each calendar year (unless requested by the Agent to be furnished monthly, in which case within sixty (60) days after the end of each month), production and operating reports (the same to include information as to volumes produced and sold and the amount received by any Borrower or any Borrowing Base Subsidiary) in respect of the Borrowing Base Assets for the immediately preceding calendar year (or month, if applicable);

(h) **Annual Budget:** the Canadian Borrower shall furnish to the Agent as soon as available and in any event no later than March 31 of each calendar year, a budget for such Fiscal Year detailing therein, *inter alia*, budgeted Cash Flow, budgeted Trust Distributions, the Budgeted Capital Expenditures;

(i) **Updated Organizational Information and Chart:** the Canadian Borrower shall, within 90 days of the end of each Fiscal Year, deliver to the Agent an updated Schedule "K";

(j) **Engineering Reports**: the Canadian Borrower shall furnish to the Agent the Engineering Reports required pursuant to Section 3.5 in accordance with the provisions thereof;

(k) **Notices, Filings and other Information:** The Canadian Borrower shall, on a timely basis, furnish to the Agent (in sufficient copies for each of the Lenders) all prospectuses, material change reports (except those filed on a confidential basis, but only for so long as such confidentiality remains in effect) and material press releases filed by any Loan Party with securities commissions having jurisdiction and other documents distributed by the Trust to its unitholders, provided, however, that such reports and documents may be provided by a notice to the Agent that the same have been posted on www.SEDAR.com. In addition to the foregoing, the Canadian Borrower shall provide to the Agent copies of all such other information relating to the business, affairs, operations and financial condition of PEI or any Loan Party as the Agent may reasonably request;

(l) **Taxes:** the Borrowers shall and shall cause each other Loan Party to file all tax returns which are required to be filed, pay or make provision for payment (in accordance with GAAP) of all Taxes which are due and payable by it, and provide adequate reserves (in accordance with GAAP) for the payment of any Tax imposed upon such Loan Party or its assets, the payment of which is being contested in good faith, and shall provide the Agent upon request with evidence of such payment, in form and substance satisfactory to the Agent, acting reasonably, all except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect;

(m) **Insurance:** the Borrowers shall and shall cause each other Loan Party to maintain in full force and effect such policies of insurance issued by insurers of recognized standing insuring such properties and operations and providing such coverages as would be maintained by Persons engaged in the same or similar business in the localities where such properties and operations are located, and shall, if required, furnish the Agent with certificates or other evidence satisfactory to the Agent demonstrating compliance with the foregoing provisions and, in respect of insurance policies maintained by any of the Loan Parties, the Agent shall be added as a loss payee or additional insured, as its interest may appear. If such insurance is not available on commercially reasonable terms, the Borrowers shall and shall cause each other Loan Party to maintain in full force and effect such policies of insurance as are acceptable to the Agent, acting reasonably.

(n) **Compliance With Laws and Regulations; Maintenance of Permits:** the Borrowers shall and shall cause each other Loan Party and PEI to:

(i) comply with and manage and operate the applicable Loan Party's properties and assets in compliance with all Applicable Laws, rules, regulations and orders of Governmental Authorities, including, without limitation, Environmental Laws;

(ii) observe and conform to all valid requirements, including Governmental Actions, of any Governmental Authority relative to any applicable Loan Party's properties or assets and all covenants, terms and conditions of all agreements upon or under which any of such properties and assets are held;

(iii) keep and maintain in effect and comply with all permits, approvals, licences and authorizations required in connection with the applicable Loan Party's business or operations; and

(iv) store, treat, transport or otherwise handle and dispose of all Hazardous Materials and waste owned, managed or controlled by the applicable Loan Party in compliance with all Environmental Laws;

except to the extent failure to so possess or comply or failure to so observe and conform would not reasonably be expected to have a Material Adverse Effect;

(o) **Material Contracts:** each Borrower shall and shall cause each other Loan Party and PEI to observe and perform all covenants, terms and conditions applicable to it under each Material Contract to which it is a party, except to the extent that any failure to so observe and perform would not reasonably be expected to have a Material Adverse Effect;

(p) **Defence of Title:** if the Security Interests granted in any Loan Document or the title to or the rights of the Agent in or to any Borrowing Base Assets or any part thereof shall be endangered or shall be attacked, directly or indirectly, or if any legal proceedings are instigated against any Loan Party with respect thereto, the Borrowers shall (other than with respect to Minor Title Defects) promptly give written notice thereof to the Agent and the Borrowers shall and shall cause each applicable Loan Party to:

(i) conduct itself diligently to cure any such Title Defect that is discovered or validly claimed;

(ii) take all necessary and proper steps for the defence of title to such properties and the security granted thereunder or under any Security; and

(iii) take such action, including employment of legal counsel, as is reasonably appropriate to the prosecution or defence of litigation with the view to the release or discharge of claim made against the title to any such properties.

(q) **Notice of Certain Events:** the Borrowers shall provide the Agent with prompt written notice of:

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

(ii) any actions, suits, litigation or other proceedings of which the Borrowers have knowledge which are commenced against or adversely affect PEI, any Loan Party or any Loan Party's assets or properties, and which, if adversely determined, would reasonably be expected to have a Material Adverse Effect;

(iii) any claim that has been made by any Person against any Loan Party, PEI, any Operator or any Borrowing Base Asset which, if determined adversely, would reasonably be expected to have a Material Adverse Effect;

(iv) the discovery of any title defect in respect of any Borrowing Base Asset, other than a Minor Title Defect or Permitted Encumbrance;

(v) any demand for payment or notice of default by the Trust or the Trustee in relation to any Trust Indebtedness;

(vi) any breach or non-performance of, or any default under, any Material Contract or any Bravo Acquisition Document which would reasonably be expected to have a Material Adverse Effect;

(vii) any amendment of any Material Contract permitted by the provisions of Section 9.2(k) and such other details as the Agent may reasonably request;

(viii) the unwinding or termination of any Commodity Swap which has been reflected or taken into account in the determination or redetermination of the Borrowing Base;

(ix) any default by a Loan Party under any term or provision of any agreement between itself and any Person which, in respect of any such other agreement, provides for recourse against it of an amount in excess of $5,000,000 and if as a result of such default (and assuming any requirement for notice or lapse of time or other condition precedent has been satisfied) such Person has the right to accelerate any indebtedness in excess of $5,000,000 or if such Person demands payment of any indebtedness in excess of $5,000,000 it owes to such Person as a result thereof;

(x) any other matter, circumstance or event that has had or would reasonably be expected to have a Material Adverse Effect;

(xi) the creation of any Subsidiary that owns any material assets and the ownership thereof;

(xii) a holding of any Borrowing Base Assets by a Loan Party other than the Partnership; and

(xiii) any change of the Fiscal Year end of any Loan Party no later than 30 days after any such change;

(r) **Operational Covenants:** the Borrowers shall and shall cause each applicable Loan Party to, and shall use commercially reasonable efforts to cause each Operator to, carry on and conduct its business and keep, maintain and operate the Oil and Gas Properties and process, transport and sell the production attributable thereto, in accordance with Applicable Law and prudent oil and gas industry practice;

(s) **Compliance Orders:** the Borrowers shall forthwith notify the Agent and shall and shall cause each other Loan Party to make copies available for inspection and review on a confidential basis by representatives of the Agent upon receipt of all written orders, control orders, directions, action requests, claims and complaints from a Governmental Authority:

(i) relating to the defective or unsatisfactory condition of the Oil and Gas Properties including, for greater certainty, the Tangibles, which would reasonably be expected to have a Material Adverse Effect; or

(ii) relating to non-compliance with any Environmental Law which would reasonably be expected to have a Material Adverse Effect.

(iii) The Borrower shall and shall cause each other Loan Party to proceed diligently to resolve (including without limitation, commence and diligently pursue proceedings for judicial or quasi-judicial determination as to the merits of any thereof) any claims, complaints, notices or inquiries relating to compliance with Environmental Law where the failure to resolve the same would reasonably be expected to have a Material Adverse Effect;

(t) **Environmental Audit:** upon the occurrence or discovery of any circumstance, condition or event which, in the reasonable opinion of the Agent, would reasonably be expected to result in any Environmental Liability to any Loan Party which would reasonably be expected to have a Material Adverse Effect and, in any event, after the occurrence of an Event of Default which is continuing, the Agent may arrange for an environmental audit to be conducted by an independent environmental engineer or other environmental consultant, at the expense of the Borrowers. Each Borrower shall and shall cause each other Loan Party to, upon reasonable notice, and so long as any such engineer or consultant agrees to comply with the health and safety standards generally applicable to the property or assets to be audited, provide access to its property and assets in order for such engineer or consultant to conduct such environmental and other inspections as it deems advisable and in that connection to examine the books, records, assets, affairs and business operations of the Loan Parties relating to the circumstances, condition or event and to make inquiries of government offices concerning compliance by the Loan Parties with Environmental Laws, provided any such engineer or consultant shall agree to be bound by the provisions of Section 13.4 hereof.

(u) **Environmental Indemnity:**

(i) each Borrower shall and shall cause each other Loan Party to forthwith on demand fully indemnify, defend and save each Lender, each Swap Lender and the Agent and each of their respective directors, officers, employees and agents, and any of them, (in this Section 9.1(u) any one or more or all of such Persons is referred to as the "**Indemnified Party**") harmless from and against any and all liabilities, losses, claims, damages and expenses (including, without limitation, all reasonable fees of counsel on a solicitor and his own client basis and accountant fees and expenses, court costs and all other out-of-pocket expenses) sustained, paid, incurred or suffered by the Indemnified Party arising in any manner whatsoever out of or as a result of any environmental claims, liabilities or obligations of any and every nature whatsoever relating to or affecting any Loan Party or the Collateral, or the property of others where any Loan Party would be reasonably likely to have any liability in respect thereof under Applicable Law (all or any item or part of the foregoing liabilities, losses, claims, damages and expenses are referred to in this Section 9.1(u) as "**Loss**"). Notwithstanding the generality of the foregoing, the Loan Parties shall not be obliged to indemnify the Indemnified Party to the extent any Loss has been incurred by reason of the gross negligence or wilful misconduct of any Indemnified Party or the actions of an Indemnified Party following foreclosure or any other transfer of title with respect to the Oil and Gas Properties to an Indemnified Party. Each Borrower acknowledges on behalf of itself and each Loan Party that each Lender is entering into the provisions of this Section 9.1(u) on its own behalf and as agent and trustee for its directors, officers, employees and agents;

(ii) if any claim (in this Section 9.1(u) referred to as a "**Claim**") shall be asserted by any Person against the Indemnified Party which may give rise to a Loss, the Indemnified Party shall promptly notify the Borrowers of all particulars of such Claim upon learning of same. The failure to give any such notice, however, shall not affect any Loan Party's liability to indemnify the Indemnified Party unless such failure adversely and materially affects its ability to defend, object to, oppose or contest that Claim;

(A) each Loan Party shall at all times have the right, if no Default or Event of Default has occurred and is continuing, but shall not be required, at its sole expense, to resist, defend and compromise any Claim in the name of the Indemnified Party, by legal counsel reasonably acceptable to the Indemnified Party who will cooperate in such defence on a reasonable basis; provided that the Indemnified Party shall have the right to participate in the defence or compromise of any Claim by other legal counsel of its choosing if the Indemnified Party, acting reasonably, determines it should so participate; provided that subject to Section 9.1(u)(ii)(B) the fees and disbursements of such other counsel shall be paid by the Borrower. The Indemnified Party shall not effect any settlement or compromise of any Claim without the prior written consent of the Borrowers. Notwithstanding anything herein to the contrary, each Borrower on its own behalf must defend or must cause the applicable Loan Party to defend such claim, diligently and reasonably throughout the period while such Claim exists. If any Loan Party exercises its rights under this Section 9.1(u), the Borrowers shall cause such Loan Party not to compromise or otherwise settle a Claim without the consent of the Indemnified Party suffering such Claim, which consent shall not be unreasonably withheld or delayed. The inability of the Loan Parties to pay such Claim in full shall constitute a sufficient reason to withhold such consent; and

(B) the Loan Parties shall not, in connection with any Loss in the same jurisdiction, be liable for the fees and expenses of more than one separate legal firm for the Indemnified Parties unless such representation by the same legal counsel would be inappropriate due to actual or potential differing interests or the employment thereof has been specifically authorized by the Borrowers in writing and such firm or firms shall be designated in writing by the Agent on behalf of each Indemnified Party;

(iii) This environmental indemnification obligation shall be in addition to the indemnifications to be provided by Borrowers pursuant to Article 11 below.

(v) **Properties:** each Borrower shall ensure that the aggregate combined assets of the Loan Parties, (determined on an unconsolidated basis) shall not at any time be less than ninety percent (90%) of the consolidated assets of the Trust;

(w) **Further Assurances:** each Borrower shall do and cause each Loan Party to do all such further acts and things and execute and deliver all such further documents as shall be reasonably required by the Agent in order to ensure the terms and provisions of the Loan Documents are fully performed and carried out; and

(x) **Use of Credit Facility:** Each Borrower shall use the Credit Facility solely for the purposes described in Section 3.4 and no proceeds of any Accommodation will be used for any purpose which violates, or would be inconsistent with, Regulation T, Regulation U or Regulation X.

9.2 Negative Covenants

During the term of this Agreement, each Borrower covenants and agrees with each of the Lenders and the Agent that it shall not, and shall ensure that each other Loan Party shall not, without the prior written consent of the Agent on behalf of the Majority Lenders:

(a) **Conduct of Business:** engage in any material business or make any material investments or enter into any material ventures other than the ownership and related operation of oil and gas properties and assets in the United States and other activities directly related to the foregoing; nor make or enter into any material property acquisitions, investments, joint ventures or partnerships which are not in the ordinary course of, and made for the purpose of, conducting the business of the Loan Parties as described aforesaid;

(b) **Incur Debt:** issue, create, incur, assume, permit or suffer to exist or directly or indirectly be or become in any way liable for or in respect of any Debt, other than Permitted Indebtedness;

(c) **Financial Assistance:** provide any form of Financial Assistance to any Person other than Permitted Financial Assistance;

(d) **Prohibited Disposition:** directly or indirectly sell, assign, transfer, convey, surrender, exchange, lease, sub-lease or otherwise dispose of, including by way of farmout or by way of dedication of P&NG Rights, Tangibles or reserves of Petroleum Substances, any or all of its right, title, estate and interest in or to all or any part of the Collateral, other than Permitted Dispositions or as permitted pursuant to Section 3.5(h);

(e) **Negative Pledge:** create, incur, assume, permit or suffer to exist any Security Interest upon or with respect to any of the Collateral except for Permitted Encumbrances;

(f) **Change in Name or Location**: change its name, trade name or locations of business from those set forth in Schedule "K" without giving the Agent 15 days prior notice thereof;

(g) **Corporate Reorganizations:** enter into or become party to any transaction (each a "**Reorganization Transaction**") of merger, amalgamation, consolidation, winding-up, plan of arrangement, reorganization or reconstruction with any Person or enter into any transaction by way of transfer, liquidation, sale, lease, disposition or otherwise whereby all or substantially all of its undertaking, property or assets would become the property of any other Person (herein called a "**Successor**"), or take any corporate, limited liability company, partnership or trust action in pursuance of any of the foregoing; provided that any Loan Party may do so if such Reorganization Transaction is conducted solely with another Loan Party or Loan Parties and:

(i) the Reorganization Transaction would not reasonably be expected to result in a Material Adverse Effect;

(ii) in the case of a Reorganization Transaction by a Borrowing Base Subsidiary, the Successor will satisfy the requirements of Section 6.1 and will be designated as a Borrowing Base Subsidiary;

(iii) such Reorganization Transaction shall be on such terms and shall be carried out in such manner as to preserve and not to impair any of the rights and powers of the Agent or any Lender hereunder and under any other Loan Documents and not to affect adversely the potential liability of the Agent or any Lender for any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of any Governmental Authority or any authority or agency therein or thereof having power to impose or levy taxes, duties, assessments or charges; and

(iv) no Event of Default or Default shall have occurred and be continuing immediately prior to such Reorganization Transaction or will occur as a result of such Reorganization Transaction;

(h) **Distributions**: make, give effect to or implement any steps or procedures to make any Distributions other than, when there is then no Default, Event of Default or Borrowing Base Shortfall outstanding or would result therefrom:

(i) Distributions between Loan Parties, other as expressly set forth in (ii) below;

(ii) Distributions by the Commercial Trust to the Trust Creditors;

(iii) Distributions by the Trust to the Unitholders;

provided that in the case of each of (ii) and (iii) above:

(A) for the period commencing on the Effective Date and ending on the first anniversary thereof, the aggregate amount of such Distributions thereunder does not exceed the Available Distributable Cash Flow of the Trust from the Effective Date to the date of such Distribution; provided that "**Available Distributable Cash Flow**" for (I) any month ending prior to September 30, 2011 will be based upon the budgeted Available Distributable Cash Flow from the Effective Date to the end of such month as set forth in the *pro forma* financial statements after giving effect to the Bravo Acquisition; and (II) for any month ending on or after September 30, 2011, will be calculated based upon actual Available Distributable Cash Flow from the Effective Date to the applicable month-end; and

(B) at any time after the first anniversary of the Effective Date, the aggregate amount of such Distributions thereunder in the immediately preceding 12 month period does not exceed the Available Distributable Cash Flow for such preceding 12 month period; and

(C) notwithstanding the foregoing, during a Borrowing Base Shortfall (x) the Loan Parties may make Distributions to other Loan Parties, the Commercial Trust may make Distributions to the Trust Creditors and the Trust may make Distributions to the Unitholders, in each case, to the extent required to allow the Trust to pay, and the Trust may pay, one ordinary course distribution to Unitholders if the amount and date of such distribution has been previously publicly announced by the Trust prior to the determination of the Borrowing Base Shortfall, and (y) the Loan Parties may pay Trust Distributions used to pay the ordinary course operating expenses of the Trust;

(i) **Payments to PEI**: make any payments to PEI, including without limitation any fees in consideration for services it provides as Administrator or CT Trustee, other than payments for the reimbursement of costs and expenses reasonably incurred by PEI in carrying out its obligations and duties under, and any other amounts contemplated by, the Administrative Services Agreement and CT Trust Indenture;

(j) **Swaps:** enter into any Swap outside the ordinary course of business or for speculative purposes; provided, without limiting the generality of the foregoing, the following Swaps shall not be permitted:

(i) any Interest Swap if either the term of the Interest Swap exceeds two (2) years or the aggregate amounts hedged under all Interest Swaps at the time the Interest Swap is entered into and after giving effect thereto exceeds seventy percent (70%) of the Canadian Dollar Equivalent Amount of the average Syndicated Borrowings outstanding during the immediately preceding Fiscal Quarter of the Trust;

(ii) any Commodity Swap if either the term of the Commodity Swap exceeds three (3) years or the aggregate amounts hedged under all Commodity Swaps at the time any Commodity Swap is entered into and after giving effect thereto exceeds seventy percent (70%) of the forecasted average daily oil and gas production (net of royalties) of the Borrowers and the Borrowing Base Subsidiaries during the term of such Commodity Swap, as adjusted for acquisitions and divestitures during such Fiscal Quarter in a manner satisfactory to the Agent, acting reasonably;

(iii) any Currency Swap if either the term of the Currency Swap exceeds two (2) years or the aggregate amount hedged under all Currency Swaps at the time any such Currency Swap is entered into exceeds seventy percent (70%) of the budgeted Trust Distributions for the period of the Currency Swap to be entered into, as set forth in the annual budget delivered pursuant to Section 9.1(h); and

(iv) any Swap in respect of which a Security Interest is granted, except for Permitted Encumbrances,

and to the extent the Borrowing Base includes any value for any Swap, such Swap shall not be terminated by the applicable Loan Party without the prior written consent of the Majority Lenders except at its maturity and in accordance with its terms;

(k) **Amend or Terminate Material Contracts:** modify, alter, amend, replace, knowingly waive strict and timely performance of any compliance with (including, without limitation waive any default under) any Material Contract or terminate, cancel or suspend or assign any Material Contract (except in accordance with its terms) or any material term, agreement, provision, item, obligation or covenant contained in any Material Contract, in each case, except to the extent any of the foregoing would not reasonably be expected to have a Material Adverse Effect;

(l) **Partnerships:** add any Person as a partner to a Borrowing Base Subsidiary which is a partnership if such Person is not a Loan Party; nor transfer any Voting Shares, units or other ownership interests in any Borrowing Base Subsidiary which is a partnership if the transferee is not a Loan Party; nor make any changes, amendments or supplements to the partnership agreement relating to such partnership which would reasonably be expected to adversely affect the Lenders in a material manner;

(m) **Insurance Proceeds:** make any application or use of any insurance proceeds (other than proceeds in respect of business interruption insurance) received by it in respect of any single claim or event which are in excess of ten percent (10%) of the Borrowing Base as most recently determined or redetermined, which are not used to repair or replace Tangibles which are the subject of such insurance claim until the Majority Lenders have determined that, as a result of the insured events, a Borrowing Base Shortfall has not resulted or would not result from an application of such proceeds of insurance other than on account of the Borrowings;

(n) **Status under Certain Statutes:** neither Borrower shall, nor shall they permit any Loan Party to, conduct its business in a manner which would require it to be registered as an "investment company" under the United States Investment Company Act of 1940;

(o) **Foreign Assets Control Regulations:** knowingly use the proceeds of the Credit Facility in violation of the United States Trading with the Enemy Act or any of the foreign assets control regulations of the United States Treasury Department (31CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto; or

(p) **ERISA Compliance:** in the case of the U.S. Borrower and any Loan Party subject to ERISA, sponsor, maintain, or contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to sponsor, maintain, or contribute to or assume an obligation to contribute to, (i) any employee welfare benefit plan (as defined in section 3(1) of ERISA), which provides benefits to former employees of such entities and may not be terminated by such entities in their sole discretion at any time without any material liability, or (ii) any Plan.

ARTICLE 10
EVENTS OF DEFAULT

10.1 Events of Default

The occurrence of any one or more of the following events or circumstances constitutes an Event of Default under this Agreement:

(a) **Failure to Pay Principal:** the failure of a Borrower to make any payment of any Borrowings when due hereunder;

(b) **Failure to Pay Interest or Fees:** the failure of a Borrower to make any payment of any interest or fees or any portion thereof when due hereunder and such default shall remain unremedied for a period of two (2) Business Days after written notice from the Agent to the Borrowers that such amount is overdue;

(c) **Covenants:** if there is a breach or failure of due performance or observance by any Loan Party of any covenant or provision of this Agreement or any of the Loan Documents (other than those otherwise dealt with in this Section 10.1), unless such breach or failure is cured to the satisfaction of the Majority Lenders, acting reasonably, within thirty (30) days after written notice thereof by the Agent to the Borrowers;

(d) **Misrepresentations:** if any representation or warranty made or deemed to be made by or on behalf of a Borrower or any other Loan Party in any Loan Document shall prove to have been incorrect in any material respect when made or deemed to be made or repeated hereunder or thereunder; provided that if the matter, defect or deficiency which is the subject matter of the misrepresentation is capable of correction or remedy (and not merely by changing the representation made), then if it is not corrected or remedied to the satisfaction of the Majority Lenders, acting reasonably, within thirty (30) days after written notice thereof by the Agent to the Borrowers, except for a representation and warranty made pursuant to Section 2.1(h) in relation to a Title Defect where the provisions of Section 3.5(h) are applicable thereto and have been complied with;

(e) **Cross Default:** if any Loan Party or the Person primarily liable or jointly and/or severally liable in the case of any contingent or joint and/or several obligation of any Loan Party is in default under any term or provision of or any agreement evidencing or securing Debt between itself and any Person (other than this Agreement or any agreement evidencing Non-Recourse Debt), and such breach or default is in respect of an amount which (taken together with any other such breaches or defaults in respect of Debt and taken together with any accelerated amounts in respect of Debt) is in the aggregate in excess of $10,000,000; and such breach or default is not remedied within any applicable cure period (if any) in such agreement respecting Debt, as applicable;

(f) **Distributions:** if there is a breach or failure of Section 9.2(h) and such event shall not be waived by all of the Lenders within a period of thirty (30) days from the date of such event. For clarity, the determination of the occurrence of such event shall be made not earlier than the date that financial statements are furnished by the Canadian Borrower to the Agent pursuant to Section 9.1(d) or 9.1(e), as applicable, and if such financial statements are not delivered as required thereby, then on the next following day, a breach or failure of Section 9.2(h) shall be deemed to have occurred; provided that if any such outstanding financial statements are thereafter delivered within the foregoing thirty (30) day remedy period and such financial statements demonstrate that no such event has occurred, then such breach or failure of Section 9.2(h) shall be deemed remedied;

(g) **Cease to Carry on Business:** except as permitted by Section 9.2(g), if any Loan Party ceases or threatens to cease to carry on business;

(h) **Voluntary Insolvency:** if any Loan Party shall:

(i) apply for or consent to the appointment of a receiver, trustee or liquidator of itself or of all or a substantial part of its assets;

(ii) make or threaten to make a general assignment for the benefit of creditors; or be unable, or admit in writing its inability or failure, to pay its debts generally as they become due;

(iii) commence any case, proceeding or other action under any existing or future Applicable Law relating to bankruptcy, insolvency, reorganization, winding-up or relief of debtors seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or an arrangement with creditors or taking advantage of any insolvency law or proceeding for the relief of debtors, or file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceeding;

(iv) take corporate or partnership action for the purpose of effecting any of the foregoing; or

(v) commit or threaten to commit an act which, if committed by a corporation, would constitute bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) or Title 11 of the United States Code entitled Bankruptcy, as applicable, or any statute passed in substitution therefor, as amended from time to time;

(i) **Involuntary Insolvency:** if any case, proceeding or other action shall be instituted in any court of competent jurisdiction against any Loan Party seeking in respect of it an adjudication in bankruptcy, reorganization, dissolution, winding-up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or the like of such Loan Party or of all or any substantial part of its assets, or any other like relief in respect of such Loan Party under any bankruptcy or insolvency law and, if such case, proceeding or other action is being contested by such Loan Party in good faith, the same shall continue undismissed or unstayed and in effect for any period of thirty (30) consecutive days; provided that if an order, decree or judgment is granted (whether or not entered or subject to appeal) against a Loan Party thereunder or a trustee, receiver or liquidator is appointed in the interim and such order, decree, judgment or appointment is not stayed or discharged within ten (10) days of it being granted, such grace period shall cease to apply;

(j) **Disposition of Assets:** if any Loan Party shall pass an effective resolution or initiate steps or proceedings for the purpose of authorizing the disposition of all or substantially all of its property, assets and undertakings (except for a disposition in accordance with and as permitted by Section 9.2(d) or 9.2(g));

(k) **Change in Ownership**: if, at any time:

(i) each Borrowing Base Subsidiary is not wholly-owned, directly, by the Trust or another Borrowing Base Subsidiary (unless any such Borrowing Base Subsidiary ceases to exist pursuant to any one or more Reorganization Transactions made subject to and in accordance with Section 9.2(g)); or

(ii) a Change of Control occurs that is not consented to by all of the Lenders;

(l) **Judgments:** if a final judgment or judgments for the payment of money shall be rendered against any Loan Party in an amount in excess of $10,000,000 and the same shall remain undischarged for a period of thirty (30) days during which such judgment or judgments shall not be on appeal or execution thereof shall not be effectively stayed;

(m) **Writs:** if writs, executions, attachments or similar processes are issued or levied against any of the property of any Loan Party, in an aggregate amount which is in excess of $5,000,000 and such writ, execution, attachment or similar process remains undischarged or unreleased for a period of thirty (30) days;

(n) **Encumbrancers:** if encumbrancers or lienors lawfully take possession of any property of any Loan Party having a value in an aggregate amount which is in excess of $5,000,000 and such possession continues for a period of thirty (30) days;

(o) **Invalid Loan Documents:** if any material provision of any Loan Document continues to be invalid or unenforceable in whole or in a material part, or any of the Security Interests in and to any material Collateral constituted by the Security fails to attach thereto or to have the priority intended thereby, and, in either case, the same is not cured to the satisfaction of the Majority Lenders, acting reasonably, within thirty (30) days after notice thereof by the Agent to the Borrowers;

(p) **Other Provision:** if an Event of Default has occurred pursuant to Section 3.5(i);

(q) **Lender Swaps:** if any Loan Party breaches or is in default under any Lender Swap and as a result thereof the Swap Indebtedness of such Loan Party thereunder has been accelerated or deemed to have been accelerated and has not been paid within any applicable cure period;

(r) **Swaps:** if any Loan Party breaches or is in default under any Swap which is not a Lender Swap and as a result thereof the indebtedness of such Loan Party thereunder has been accelerated or deemed to have been accelerated and has not been paid within any applicable cure period and the aggregate amount of all such accelerated amounts under all such Swaps, when taken together with the aggregate amount of any breaches or defaults provided for by Section 10.1(e), is in excess of $10,000,000;

(s) **Qualified Auditor Report**. if the audited financial statements of the Trust that are required to be delivered by the Canadian Borrower pursuant to Section 9.1(d) contain a qualification that is not acceptable to the Majority Lenders, acting reasonably, and within a period of 30 days after the delivery of such financial statements by the Canadian Borrower hereunder either (i) such qualification is not rectified or otherwise dealt with to the satisfaction of the Majority Lenders; or (ii) the Canadian Borrower has not delivered a plan to the Agent as to how the Trust plans to rectify or otherwise deal with such qualification (such plan to include the time frame within which the Trust proposes to rectify or otherwise deal with such qualification) and such plan is not satisfactory to the Majority Lenders, acting reasonably, and following delivery and acceptance of such plan, the Trust fails to diligently pursue the same and rectify or otherwise deal with the qualification in accordance with the plan and within the proposed time frame; or

(t) **Adverse Proceedings**: the occurrence of any action, suit or proceeding against or affecting any Loan Party before any court or before any Governmental Authority which, if successful, could reasonably be expected to have a Material Adverse Effect, unless the action, suit, or proceedings is contested diligently and in good faith and, in circumstances where a lower court or tribunal has rendered a decision adverse to it, any Loan Party is appealing such decision, and has provided a reserve in respect thereof in accordance with GAAP.

10.2 Acceleration

Upon the occurrence of any Event of Default which has not been remedied or waived, the Agent, on behalf of the Lenders and with the approval of the Majority Lenders, shall be entitled to, without limiting or restricting other remedies or rights under contract, at law or in equity, as the Agent and the Majority Lenders may in their sole and unfettered discretion determine:

(a) **Terminate Commitment:** cease to make or continue any Borrowings hereunder, notwithstanding any prior receipt by the Agent of a Borrowing Notice, Conversion Notice or Rollover Notice or any other event and the Agent may, by written notice to the Borrowers, declare the Total Commitment and the right of a Borrower to apply for further Accommodations to be terminated; and

(b) **Acceleration Notice:** by written notice to the Borrowers (an "**Acceleration Notice**"), declare all Borrowings (including the face amount of all Bankers' Acceptances and the undrawn amount of all outstanding Letters of Credit) and other liabilities and indebtedness (whether matured or unmatured) of the Borrowers to the Agent and the Lenders hereunder and under the other Loan Documents to be immediately due and payable (or to be due and payable at such later time as may be stated in such notice) without further demand, presentation, protest or other notice of any kind, all of which are expressly waived by the Borrowers;

provided that upon the occurrence of an Event of Default specified in Section 10.1(h) or 10.1(i) the Commitment shall automatically terminate and all Borrowings (including the face amount of all Bankers' Acceptances and the undrawn amount of all outstanding Letters of Credit) and other indebtedness and liabilities hereunder and under the other Loan Documents shall automatically become due and payable, in each case without any requirement that notice be given to the Borrowers. Immediately upon the occurrence of an Event of Default specified in Section 10.1(h) or 10.1(i) or at the time stated in an Acceleration Notice, the Borrowers shall pay to the Agent on behalf of the Lenders all amounts owing or payable in respect of all Borrowings (including the face amount of all Bankers' Acceptances and the undrawn amount of all outstanding Letters of Credit) and other indebtedness and liabilities hereunder and under the other Loan Documents, failing which all rights and remedies of the Agent and the Lenders under the Loan Documents shall thereupon become enforceable.

10.3 Demands for Repayment

(a) **Lender Demands:** If the Agent, on behalf of the Majority Lenders, delivers an Acceleration Notice, each Swap Lender may, within three (3) Business Days, deliver (to the extent applicable to it) a Swap Demand for Repayment.

(b) **Termination Event:** If a Termination Event has occurred and all the Lender Outstandings are not thereafter due and payable, each Lender and Swap Lender shall, within three (3) Business Days, deliver such Demands for Repayment as may be necessary to ensure that all Lender Outstandings are thereafter due and payable under the Credit Agreements.

(c) **Swap Demand:** If any Swap Lender proposes to deliver a Swap Demand for Repayment, such Lender shall notify the Agent of its determination, and the Agent, within a further five (5) Business Days after receipt of the aforesaid notice, shall notify all Swap Lenders whether the Agent, on behalf of the Majority Lenders, proposes to deliver an Acceleration Notice hereunder. If the Agent does not so advise the Swap Lenders within such five (5) Business Day period it shall be deemed to have advised that the Majority Lenders do not propose to deliver an Acceleration Notice. If the Agent does notify the Swap Lenders that the Majority Lenders propose to deliver an Acceleration Notice, all Demands for Repayment shall be delivered concurrently by the Agent and the Swap Lenders. If the Agent does notify the Swap Lenders that the Majority Lenders do not propose, or the Agent is deemed to have advised that the Majority Lenders do not propose, to deliver an Acceleration Notice, the Swap Lender which delivered the notice to the Agent may at any time within thirty (30) Business Days thereafter deliver the Swap Demand for Repayment. If the Swap Lender delivering any such Demand for Repayment does not receive the amount so demanded on or prior to the time stated in such Swap Demand for

Repayment, such Swap Lender shall so notify the Agent and the Agent and each other Lender and Swap Lender shall forthwith concurrently deliver such Demands for Repayment as may be necessary to ensure that all Lender Outstandings are thereafter due and payable under the Credit Agreements.

(d) **No Sharing:** Any amounts which are lawfully received by any Swap Lender under a Swap prior to the earlier of the delivery by the Agent of an Acceleration Notice or the occurrence of a Termination Event hereunder are not required to be shared pursuant to the provisions of Section 10.7.

(e) **Lender Affiliates:** If a Lender Swap is entered into with an Affiliate of a Lender, that Lender shall cause such Affiliate to deliver all Swap Demands for Repayment as required by this Section 10.3 and such obligations shall survive such Lender (at any time after any such Lender Swap was entered into) ceasing to be a Lender hereunder.

10.4 Cash Collateral Accounts

Upon the occurrence of:

(a) a Termination Event or delivery of an Acceleration Notice;

(b) an event under Section 4.2 where a Borrower elects in accordance with Section 4.3 to make payment to a Cash Collateral Account of the required amount; or

(c) an event under Section 3.5(h) requiring a payment of an amount to a Cash Collateral Account;

the applicable Borrower shall forthwith pay to the Agent, for deposit into a Cash Collateral Account, an amount equal (in the case of (a) or (b) above) to the Lender's maximum potential liability under then outstanding Bankers' Acceptances, Letters of Credit and (unless such Borrower makes payment of the amount required pursuant to Section 11.5) Libor Loans or, in the case of (c) above, the amount required pursuant to Section 3.5(h) (collectively, the "**Escrow Funds**"). The Escrow Funds shall, in the case of (a) above, be held by the Agent for set-off against future indebtedness owing by the applicable Borrower to the Lenders in respect of such Bankers' Acceptances, Letters of Credit and (unless such Borrower makes payment of the amount required pursuant to Section 11.5) Libor Loans, or, in the case of (b) above, be applied as required by Section 4.3, or, in the case of (c) above, be applied as required by Section 3.5(h).

10.5 Remedies on Default

After an Event of Default:

(a) **Majority Lenders Instructions:** if the Majority Lenders provide directions or instructions to the Agent, the Agent, on behalf of all Lenders and Swap Lenders, shall take such actions and commence such proceedings as the Majority Lenders in their sole discretion may determine and may enforce or otherwise realize upon any Security, all without any obligation to marshal any Security Interests and without additional notice, presentation, demand or protest, all of which each Borrower hereby expressly waives (to the extent such rights may be waived under Applicable Law). The rights and remedies of the Agent and the Lenders under the Loan Documents are cumulative and are in addition to and not in substitution for any rights or remedies provided by law. If, from time to time, there are no Lenders other than Swap Lenders, the Majority Lenders for the purposes of this Agreement shall be calculated by revising paragraph (b) of the definition of Majority Lenders to change the references to "Borrowings" to "Lender Outstandings" and deleting the words "under the Syndicated Facility and Operating Facility"; and

(b) **General Remedies:** the rights and remedies of the Agent and each Lender and Swap Lender under the Loan Documents are cumulative and are in addition to and not in substitution for any rights or remedies provided by law. The Agent may, on behalf of all Lenders and Swap Lenders, and shall, if so required by the Majority Lenders, to the extent permitted by Applicable Law, bring suit at law, in equity or otherwise for any available relief or purpose including but not limited to:

(i) **Specific Performance:** the specific performance of any covenant or agreement contained in the Loan Documents;

(ii) **Injunction:** enjoining a violation of any of the terms of the Loan Documents;

(iii) **Assistance:** aiding in the exercise of any power granted by the Loan Documents or by law; or

(iv) **Judgment:** obtaining and recovering judgment for any and all amounts due in respect of the Borrowings or amounts otherwise due hereunder or under the Loan Documents.

10.6 Right of Set-Off

Upon the occurrence and during the continuance of any Event of Default, and in addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, the Agent and each Lender is authorized at any time and from time to time thereafter, without notice to the Borrowers or to any other Person (any such notice being expressly waived by each Borrower), to combine, consolidate or merge all or any of any Borrower's accounts with, and liabilities, to it and to set-off and to appropriate and to apply any and all deposits (general or special, time or demand, provisional or final) and any other indebtedness (other than Swap Indebtedness which is not Permitted Swap Indebtedness) at any time held by or owing by it to or for the credit of or the account of such Borrower against and on account of the Borrowings (including the face amount of all Bankers' Acceptances) and other liabilities and indebtedness of such Borrower to the Agent or such Lender under this Agreement and the other Loan Documents, including, without limitation, all claims of the Agent or any Lender of any nature or description arising out of or connected with this Agreement and the other Loan Documents, irrespective of whether or not the Agent or any Lender has made any demand under this Agreement or any of the other Loan Documents and although such obligations, liabilities or claims of such Borrower or any of them are contingent or unmatured. Notwithstanding the provisions of any Swap, the Lenders and Swap Lenders shall not effect or purport to effect any set-off of Swap Indebtedness that is not Permitted Swap Indebtedness against or on account of any Lender Obligations owed to it.

10.7 Application and Sharing of Payments Following Acceleration

Except as otherwise agreed to by all the Lenders in their sole discretion, all monies and property received by the Lenders (in their capacity as Lenders and, if applicable, Swap Lenders) for application in respect of the Lender Outstandings or any other Swap Indebtedness subsequent to the delivery of an Acceleration Notice or the occurrence of an Event of Default specified in Sections 10.1(h) or 10.1(i) and all monies received as a result of a realization upon the Security shall be applied and distributed to the Lenders (in their capacity as Lenders and, if applicable, Swap Lenders) in the manner set forth below, each such application to be made in the following order with any balance remaining after application in respect of each category to be applied to the next succeeding category:

(a) firstly, in or towards payment of any fees or expenses then due and payable to the Agent hereunder or under any other Loan Document;

(b) secondly, *pro rata* among the Syndicated Lenders and the Operating Lender in respect of amounts due and payable to such Lenders as and by way of recoverable expenses hereunder or under any of the Security;

(c) thirdly, *pro rata* among the Syndicated Lenders and the Operating Lender in respect of amounts due and payable to such Lenders by way of interest pursuant to Sections 5.1, 5.2 and 5.3, acceptance fees pursuant to Section 5.4, Letter of Credit fees pursuant to Section 5.5, interest on overdue amounts pursuant to Section 5.6 and standby fees pursuant to Section 5.10;

(d) fourthly, *pro rata* among the Syndicated Lenders and Operating Lender in respect of any other amount (other than Borrowings) not hereinbefore referred to in this Section 10.7 which are then due and payable to any of them by any Borrower hereunder or under any other Loan Document;

(e) fifthly, *pro rata* among the Syndicated Lenders, the Operating Lender and the Swap Lenders in or towards repayment of the Lender Outstandings; and

(f) sixthly, *pro rata* in or towards repayment to the Swap Lenders of all Swap Indebtedness in excess of the Permitted Swap Indebtedness.

To the extent that a Lender Swap is entered into by an Affiliate of a Lender, that Lender shall cause such Affiliate to comply with the provisions of this Section 10.7 and such obligation shall survive such Lender (at any time after any such Lender Swap was entered into) ceasing to be a Lender hereunder.

10.8 Adjustments

In the event that:

(a) **Contingent Liabilities:** at the Adjustment Time, a portion of the Borrowings is outstanding as Letters of Credit and it is subsequently determined that the applicable Lenders are not required to make payment under any one or more such instruments; or

(b) **Notice Periods:** any of the Lenders are required by Applicable Law to continue to make advances or other amounts available to a Borrower subsequent to the Adjustment Time by reason of a requirement in Applicable Law to give such Borrower a reasonable period of notice prior to terminating such Lender's obligation to make such advances or other amounts available;

then, whenever and so often as that occurs:

(c) **Sharing Adjustment:** the terms "Rateable" and "Rateably" shall, *ipso facto*, as at the Adjustment Time be redetermined by excluding from the determination of the amount of Lender Outstandings any payments not required to be made as a result of the occurrence of an event described in Section 10.8(a) and by including in the determination of the amount of Lender Outstandings any amount required to be made available pursuant to Section 10.8(b); and

(d) **Lender Outstandings:** Lender Outstandings shall be redetermined by excluding from the determination of the amount of Lender Outstandings any payments not required to be made as a result of the occurrence of an event described in Section 10.8(a) and by including in the determination of Lender Outstandings any amount required to be made available pursuant to Section 10.8(b);

and the Lenders shall thereupon make all such payments and adjustments as may be necessary to ensure amounts outstanding to the Lenders are thereafter outstanding in accordance with the provisions of Section 12.11.

10.9 Calculations as at the Adjustment Time

For the purposes of this Agreement, if:

(a) **Swap Demand:** a Swap Demand for Repayment has been delivered; or

(b) **Termination Event:** a Termination Event has occurred under any Credit Agreement evidencing a Swap;

then, for the purposes of calculations to be made at the Adjustment Time, any Termination Amount which is payable by any Loan Party under such Swap in settlement of obligations arising thereunder as a result of the early termination of the Swap shall be deemed to have become payable at the time of delivery of such Swap Demand for Repayment or the time of occurrence of such Termination Event as the case may be, notwithstanding that the amount payable by any Loan Party is to be subsequently calculated and notice thereof given to such Loan Party in accordance with such Swap. For the purposes of the foregoing, the Agent shall make all determinations of the applicable Termination Amounts in accordance with its usual practices, acting reasonably, and for such purposes each Lender shall provide details to the Agent of its own calculations of the applicable Termination Amounts.

10.10 Agent May Perform Covenants

If any Loan Party shall fail to perform any of its obligations under any covenant contained in any of the Loan Documents within the time permitted for the performance of any such covenant or for the cure of any default thereof, the Agent may, on behalf of the Lenders and with the approval of the Majority Lenders and with prior notification to the Borrowers, perform any such covenant capable of being performed by it and, if any such covenant requires the payment or expenditure of money, it may make such payment or expenditure with its own funds on behalf of the Lenders. If the Agent elects to effect such observance or performance, neither the Agent nor any Lender shall be liable for any failure or deficiency in effecting such observance or performance, nor for the payment of any bills, invoices or accounts incurred or rendered in connection therewith, except to the extent the Agent or such Lender is grossly negligent or acts with wilful misconduct. All amounts so paid by any Lender or the Agent hereunder shall be repaid by the Borrowers on demand therefor, and shall bear interest at the rate set forth in Section 5.6 from and including the date paid by the Agent hereunder to but excluding the date such amounts are repaid in full by the Borrowers and shall be secured by the Security.

10.11 Waiver of Default

Any single or partial exercise by any Lender or Swap Lender, the Agent or by the Agent on behalf of any Lender or Swap Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in the Loan Documents shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy to which the Agent or such Lender or Swap Lender may be lawfully entitled for the same default or breach, and any waiver by any Lender or Swap Lender, the Agent or by the Agent on behalf of any Lender or Swap Lender of the strict observance, performance or compliance with any term, covenant, condition or agreement contained in the Loan

Documents, and any indulgence granted thereby, shall be deemed not to be a waiver of any subsequent default. To the extent permitted by Applicable Law, each Borrower hereby waives any rights now or hereafter conferred by statute or otherwise which are inconsistent with the Agent's or a Lender's or Swap Lender's rights or remedies under the Loan Documents.

ARTICLE 11
EXPENSES AND INDEMNITIES

11.1 Reimbursement of Expenses

All statements, reports (including Engineering Reports and environmental reports), certificates, opinions and other documents or information required to be furnished to the Agent or the Lenders by any Loan Party under this Agreement shall be supplied by the Borrowers without cost to the Agent or any Lender. The Borrowers agree to pay promptly to the Agent and the Lenders on demand:

(a) all reasonable out-of-pocket expenses incurred by the Agent or any Lender prior to and after the Effective Date with respect to the Facilities including, without limitation, engineering and other expert or professional costs and fees incurred in relation to the Facilities;

(b) all reasonable legal fees and other reasonable documented out-of-pocket expenses (including syndication expenses) incurred or which may hereafter be incurred from time to time by the Agent or the Lenders in respect of the documentation, preparation, registration, negotiation, execution, administration, periodic review, modification or amendment of the Loan Documents (including any Other Taxes payable in connection with the execution, delivery or enforcement of the Loan Documents); and

(c) all reasonable expenses (including legal fees on a solicitor and his own client basis) which are incurred from time to time by the Agent or the Lenders in respect of the enforcement of the Loan Documents.

All amounts required to be paid by the Borrowers pursuant to this Section 11.1 shall be paid notwithstanding no Borrowings are advanced under the Facilities or secured by the Security.

11.2 Increased Cost

If, after the date hereof, the introduction of, any change in, or the implementation of, any Applicable Law (including any capital adequacy requirement but excluding any taxes on the overall net income of a Lender or upon the overall capital of a Lender), regulation, treaty or official directive now or hereafter in effect (whether or not having the force of law) or any change in the interpretation or application thereof by any court or by any judicial or Governmental Authority charged with the interpretation or administration thereof, or if compliance by any Lender with any request from any central bank or other fiscal, monetary or other authority (whether or not having the force of law) (individually, a "**Circumstance**"):

(a) subjects a Lender to any Tax, changes the basis of taxation of payments due to a Lender or increases any existing Tax, on payments of principal, interest or other amounts payable by any Borrower to a Lender under this Agreement;

(b) imposes, modifies or deems applicable any reserve, special deposit, capital adequacy, regulatory or similar requirement against assets or liabilities held by a Lender, or deposits of or for the account of a Lender, or loans by a Lender, or any other acquisition of funds for loans by a Lender or commitments by a Lender to fund loans or obligations of a Lender in respect of bankers' acceptances accepted by such Lender; or

(c) imposes on a Lender any other condition with respect to this Agreement;

and the result of (a), (b) or (c) is, in the sole determination of such Lender acting reasonably and in good faith, to increase the cost to such Lender or to reduce the income receivable by such Lender in respect of a Borrowing, such Lender (other than the Operating Lender) shall promptly notify the Agent. The Agent or the Operating Lender, as applicable, shall promptly notify the applicable Borrower and the applicable Borrower shall pay to the Agent or the Operating Lender, as applicable, for the benefit of such Lender from time to time that amount which compensates such Lender for such additional cost or reduction in income from time to time (except to the extent such increase in costs or reduction in income is reflected in or recovered by an increase in the Prime Rate) ("**Additional Compensation**") on the next Libor Interest Date in the case of a Libor Loan, on the date of issuance of any Bankers' Acceptances or Letters of Credit or on the next Interest Date in any other case (and each successive Libor Interest Date, date of issuance or Interest Date, if applicable) unless such Lender knew, on the date of execution of this Agreement, of such Circumstance and the likely result thereof. No Borrower shall be obligated to pay any portion of such Additional Compensation accruing under this Section 11.2 for any period prior to the date which is three (3) months prior to the date on which the Agent, on behalf of such Lender or the Operating Lender, as applicable, gives notice to a Borrower that such Additional Compensation is so accruing. A photocopy of the relevant law, regulation, treaty, official directive or regulatory requirement (or, if it is impracticable to provide a photocopy, a written summary of the same) and a certificate by a duly authorized officer of such Lender (prepared in good faith) setting forth the amount of the Additional Compensation and the basis for it must be submitted by the Agent or the Operating Lender, as applicable, to the applicable Borrower and is *prima facie* evidence of the amount of the Additional Compensation. If the Agent notifies such Borrower that Additional Compensation is owed, such Borrower shall pay such Additional Compensation to the Agent for the account of such Lender or to the Operating Lender, as applicable, and such Borrower shall have the right, upon written irrevocable prior notice of at least three (3) Business Days to the Agent or the Operating Lender, as applicable, to make payment in full to the Agent for the account of such Lender or to the Operating Lender, as applicable, in respect of the applicable Borrowing on the date specified in such notice together with accrued but unpaid interest and fees in respect of such Borrowing or to convert such Borrowing into another basis of Borrowing available under this Agreement. Each Lender agrees that it shall not claim Additional Compensation from a Borrower under this Section if it is not generally claiming similar compensation from its other customers in similar circumstances.

11.3 Illegality

If the introduction of or any change in applicable law, regulation, treaty, official directive or regulatory requirement now or hereafter in effect (whether or not having the force of law) or any change in the interpretation or application thereof by any court or by any judicial or governmental authority charged with the interpretation or administration thereof, makes it unlawful or prohibited for a Lender (in its sole opinion acting reasonably and in good faith) to make, fund or maintain the Borrowings or a portion of the Borrowings or to perform its obligations under this Agreement, such Lender may by written notice to a Borrower through the Agent terminate its obligations under this Agreement to make such Borrowings or perform such obligations and such Borrower shall either (i) prepay such Borrowings within fifteen (15) Business Days together with all accrued but unpaid interest and fees as may be applicable to the date of payment, or (ii) convert by notice to the Agent or the Operating Lender, as applicable, such Borrowings forthwith into another basis of Borrowing available under this Agreement.

11.4 Substitute Basis of Borrowing

(a) **Libor Loans**: Notwithstanding anything to the contrary herein contained, if at any time subsequent to any Borrower giving a Borrowing Notice, a Conversion Notice or a Rollover Notice to the Agent or the Operating Lender, as applicable, with regard to any requested Libor Loan:

(i) the Agent, acting reasonably, determines that by reason of circumstances affecting the London Interbank Eurodollar Market, adequate and fair means do not exist for ascertaining the rate of interest with respect to, or deposits are not available in sufficient amounts in the ordinary course of business at the rate determined hereunder to fund, a requested Libor Loan during the ensuing Libor Interest Period selected;

(ii) the Agent acting reasonably, determines that the making or continuing of the requested Libor Loan by the Applicable Lenders has been made impracticable by the occurrence of an event which materially adversely affects the London Interbank Eurodollar Market generally; or

(iii) the Agent is advised by Lenders, acting reasonably, holding at least 25% of the Total Syndicated Facility Commitment by written notice (each, a "**Lender Libor Suspension Notice**"), such notice to be received by the Agent no later than 12:00 noon (Calgary time) on the third Business Day prior to the date of the requested Drawdown, Rollover or Conversion, as applicable, that such Lenders have determined, acting reasonably, that Libor will not or does not represent the effective cost to such Lenders of U.S. Dollar deposits in the London Interbank Eurodollar Market for the relevant Libor Interest Period,

then the Agent shall give notice thereof to the Lenders and such Borrower shall give notice thereof to the Borrower, as soon as possible after such determination or receipt of such Lender Libor Suspension Notice, as applicable, and the applicable Borrower shall, within one (1) Business Day after receipt of such notice and in replacement of the Borrowing Notice, Conversion Notice or Rollover Notice previously given by such Borrower, give the Agent a Borrowing Notice or a Conversion Notice, as applicable, which specifies the Drawdown of any other Accommodation or the Conversion of the relevant Libor Loan on the last day of the applicable Libor Interest Period into any other Accommodation which would not be affected by the notice from the Agent pursuant to this Section 11.4.

In the event a Borrower fails to give, if applicable, a valid replacement Conversion Notice with respect to the maturing Libor Loans which were the subject of a Conversion Notice or Rollover Notice, such maturing Libor Loans shall be converted on the last day of the applicable Libor Interest Period into U.S. Base Rate Loans from the Syndicated Lenders or Operating Lender, as applicable, as if a valid replacement Conversion Notice had been given by such Borrower pursuant to the provisions hereof. In the event a Borrower fails to give, if applicable, a valid replacement Borrowing Notice with respect to a Drawdown originally requested by way of a Libor Loan, then such Borrower shall be deemed to have requested a Drawdown by way of a U.S. Base Rate Loan under the Syndicated Facility or Operating Facility, as applicable, in the amount specified in the original Borrowing Notice and, on the originally requested Drawdown Date, the Syndicated Lenders or the Operating Lender, as applicable, (subject to the other provisions hereof) shall make available the requested amount by way of a U.S. Base Rate Loan.

The Agent or the Operating Lender, as applicable, shall promptly notify the Borrowers if the circumstances giving rise to the Lender Libor Suspension Notice no longer exist.

(b) **Bankers' Acceptances**: If:

(i) the Operating Lender, acting reasonably, makes a determination, which determination shall be conclusive and binding upon the Canadian Borrower, and notifies such Borrower, that there no longer exists an active market for bankers' acceptances accepted by the Applicable Lenders; or

(ii) the Operating Lender determines, acting reasonably (a "**Lender BA Suspension Notice**") that the Operating Lender has determined, acting reasonably, that the Discount Rate will not or does not accurately reflect the cost of funds of such Lender or the discount rate which would be applicable to a sale of Bankers' Acceptances accepted by such Lender in the market;

then:

(iii) the right of the applicable Borrower to request Bankers' Acceptances from the Operating Lender shall be suspended under the Operating Facility until the Operating Lender determines that the circumstances causing such suspension no longer exist, and the Operating Lender so notifies the Agent;

(iv) any outstanding Borrowing Notice requesting an Accommodation under the Operating Facility by way of Bankers' Acceptances shall be deemed to be a Borrowing Notice requesting a Prime Loan in the amount and under the Operating Facility specified in the original Borrowing Notice;

(v) any outstanding Conversion Notice requesting a Conversion of a U.S. Base Rate Loan or a Prime Loan into a Bankers' Acceptance under the Operating Facility shall be deemed to be a Conversion Notice requesting a Conversion of such Loan into a Prime Loan under the Operating Facility; and

(vi) any outstanding Rollover Notice requesting a Rollover of a Bankers' Acceptance under the Operating Facility shall be deemed to be a Conversion Notice requesting a Conversion of such Bankers' Acceptances into a Prime Loan under the Operating Facility.

The Operating Lender, shall promptly notify the Canadian Borrower of any suspension of such Borrower's right to request Bankers' Acceptances and of any termination of any such suspension. A Lender BA Suspension Notice shall be effective upon receipt of the same by the Agent if received prior to 12:00 noon (Calgary time) on a Business Day and if not, then on the next following Business Day, except in connection with a Borrowing Notice, Conversion Notice or Rollover Notice previously received by the Operating Lender, in which case the applicable Lender BA Suspension Notice shall only be effective with respect to such previously received Borrowing Notice, Conversion Notice or Rollover Notice if received by the Operating Lender prior to 12:00 noon (Calgary time) two (2) Business Days prior to the proposed Drawdown Date, Conversion Date or Rollover Date (as applicable) applicable to such previously received Borrowing Notice, Conversion Notice or Rollover Notice, as applicable.

11.5 Funding Indemnity

If, for any reason whatsoever and whether or not required or permitted pursuant to the provisions of this Agreement, a Borrower repays, prepays, converts or cancels a Libor Loan other than on the last day of a Libor Interest Period applicable to such Libor Loan, or fails for any reason to borrow, convert, rollover or otherwise act in accordance with a notice given hereunder pursuant to Schedule "B", Schedule "C" or Schedule "D", such Borrower shall indemnify the Applicable Lender for any loss or expense incurred by such Lender as a direct result thereof including, without limitation, any loss of profit or expenses such Lender incurs by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to maintain the Libor Loan or other Borrowing or any increased interest or other charges payable to lenders of funds borrowed in order to maintain such Libor Loan or other Borrowing together with any other out-of-pocket charges, costs or expenses incurred by such Lender relative thereto. A certificate of such Lender (acting reasonably and prepared in good faith) submitted by such Lender setting out the basis for the determination of the amount necessary to indemnify such Lender shall be *prima facie* evidence thereof.

11.6 General Indemnity

Each Borrower hereby covenants with the Agent and each Lender that it shall at all times hereafter keep the Agent, each Lender, each Swap Lender and every Receiver (each an **"Indemnified Party**") indemnified and held harmless from and against all suits (whether founded or unfounded), actions, proceedings, judgments, demands or claims instituted or made against such Indemnified Party in any way relating to, arising out of or incidental to any of the Loan Documents (including, without limitation, all costs, losses, liabilities, damages and expenses (including all legal fees on a solicitor and his own client basis) incurred by such Indemnified Party in any way relating to, arising out of, or incidental to any default by any Borrower or any other Loan Party under any provision of any of the Loan Documents) except to the extent such losses result from the gross negligence or wilful misconduct of the Indemnified Party. If and for so long as no Default or Event of Default has occurred and is continuing, each Borrower, at its option, shall be entitled to conduct the defence of such suit, action or proceeding with the participation of and taking into account the best interests of the applicable Indemnified Party. If the applicable Indemnified Party shall determine in good faith that the defence of any such suit, action or proceeding is not being conducted in the best interests of such Indemnified Party, such Indemnified Party shall on notice to the Borrowers be entitled to take over the sole conduct of the defence of such suit, action or proceeding and the Borrowers shall not be obligated to indemnify such Indemnified Party in respect of any legal fees and disbursements thereafter incurred in respect of such suit, action or proceeding. This indemnity shall extend to the officers, directors, employees, agents, shareholders and assignees of each Indemnified Party.

11.7 Replacement Lender

If:

(a) a Lender exercises its rights under Section 11.2, Section 11.3 or Section 11.4;

(b) a Borrower is required under Section 7.3 to deduct any withholding Taxes in respect of amounts owing to any Lender;

(c) any Lender withholds its consent to any amendment, consent (including, for certainty, a consent under Section 3.15) or determination requested by a Borrower which requires the approval of the Lenders and as a consequence thereof such amendment, consent or determination cannot be obtained;

(d) any Lender requires the Borrowing Base to be determined at a level which is lower than the level otherwise acceptable to all other Lenders; or

(e) a Lender becomes a Defaulting Lender;

a Borrower may, treating each affected Lender rateably and in the same manner as other Lenders subject to similar circumstances (all such Lenders being the "**Affected Lenders**"):

(i) replace all Affected Lenders by reaching satisfactory arrangements with one or more existing Lenders or new Lenders that are acceptable to the Agent, acting reasonably, for the purchase of all of such Affected Lenders' Commitments as long as:

(A) if the amendment, consent or determination required the consent of the Majority Lenders and the same was not obtained, the consent of all the Lenders which approved such amendment, consent or determination is obtained to the replacement of the Affected Lenders;

(B) such purchasing Lender(s) unconditionally offers in writing (with copy to the Agent) to purchase all of the rights and obligations of the Affected Lender(s) including all outstanding Borrowings owed to such Affected Lender(s);

(C) the obligations of such Borrower owing pursuant to Section 7.3 and Section 11.1 to the Affected Lender(s) are paid in full to the Affected Lender(s) concurrently with such replacement; and

(D) all requirements set forth in Section 13.1 with respect to such assignment are complied with, including entering into of an Lender Transfer Agreement and the payment by the purchasing Lender to the Agent (for the Agent's own account) of the assignment fee contemplated in Section 13.1, unless waived by the Agent; or

(ii) so long as no Default or Event of Default has occurred and is continuing and without regard to Section 4.4, irrevocably cancel all but not part of the Affected Lenders' Commitments if such Borrower has prepaid or otherwise reduced all Borrowings outstanding to such Affected Lenders, and paid all accrued interest and other charges and fees in respect of such Borrowings.

ARTICLE 12
THE AGENT AND THE LENDERS

12.1 Authorization of Agent

Each Lender and Swap Lender irrevocably appoints and authorizes the Agent to exercise such powers, perform such duties, take such actions, make such decisions and determinations and give such consents under the Loan Documents as are required to be exercised, performed, taken, made, given or otherwise carried out by the Agent hereunder or under any other agreement between the Lenders (including, if applicable, Swap Lenders), together with all powers reasonably incidental thereto. As to any matters not expressly required by this Agreement, the other Loan Documents or by any other agreement between the Lenders (including, if applicable, Swap Lenders) to be carried out by the Agent, the Agent is not required to exercise any discretion or take or to refrain from taking any action except upon the written instructions of the Majority Lenders. Notwithstanding anything to the contrary in this Agreement, the Agent shall not be required to exercise any discretion or to take or to refrain from taking any action in any manner which is contrary to the Loan Documents, to any other agreement between the Lenders (including, if applicable, Swap Lenders) or to Applicable Law.

12.2 Responsibility of Agent

The Agent makes no representation or warranty and accepts no responsibility with respect to the due execution, legality, validity, sufficiency, enforceability or priority of any of the Loan Documents nor with respect to the due execution, legality, validity, sufficiency, enforceability, accuracy or authenticity of any documents, papers, materials or other information furnished by any Borrower (or any other Person, including the Agent or any Loan Party) in connection with the Loan Documents, whether provided before or after the date of this Agreement. The Agent shall incur no liability to the Lenders or Swap Lenders under or in respect of the Loan Documents with respect to anything which it may do or refrain from doing in the reasonable exercise of its judgment or which may seem to it to be necessary or desirable in the circumstances, except for its gross negligence or wilful misconduct. The Agent assumes no responsibility for the payment of any of the Borrowings or other amounts outstanding hereunder or under any other Loan Document by any Loan Party.

12.3 Acknowledgment of Lenders

Each Lender and Swap Lender acknowledges to the Agent that it has been, and will continue to be, solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, environmental soundness, affairs, status and nature of the Loan Parties and accordingly each Lender and Swap Lender confirms to the Agent that it has not relied, and will not hereafter rely on the Agent:

(a) **Information:** to check or inquire on its behalf into the adequacy, accuracy or completeness of any information provided by any Loan Party or in connection with the Loan Documents or any Credit Agreement (whether or not such information has been or is hereafter circulated to such Lender or Swap Lender by the Agent);

(b) **Performance:** to inquire as to the performance by any Loan Party of its obligations under the Loan Documents or any Credit Agreement; or

(c) **Credit Review:** to assess or keep under review on its behalf the financial condition, creditworthiness, environmental soundness, affairs, status or nature of any Loan Party.

12.4 Rights and Obligations of Each Lender and Swap Lender

The rights and obligations of each Lender and Swap Lender under this Agreement are several and no Lender shall be obligated to make Borrowings available to any Borrower in excess of the amount of such Lender's Commitment. The failure of a Lender or Swap Lender to perform its obligations under this Agreement shall neither:

(a) **No Liability to Other Lenders or Swap Lenders:** result in any other Lender or Swap Lender incurring any liability whatsoever, provided however that a Lender shall remain liable at all times for the performance of the obligations of its Affiliate that is a Swap Lender; nor

(b) **No Relief from Obligations:** relieve any Loan Party or any other Lender or Swap Lender from its respective obligations under any Loan Document.

Nothing contained herein or in any other Loan Document or Credit Agreement nor any action taken pursuant hereto or thereto shall be deemed to constitute the Lenders or Swap Lenders a partnership, joint venture or any other similar entity.

Each of the Lenders and Swap Lenders hereby acknowledge that, to the extent permitted by Applicable Law, the remedies provided hereunder to the Lenders and Swap Lenders are for their benefit collectively and acting together and not severally, and further acknowledge that its rights hereunder are to be exercised not severally but collectively by the Agent upon the decision of the Majority Lenders regardless of whether an Acceleration Notice has been delivered or an Event of Default under Sections 10.1(h) or 10.1(i) has occurred. Notwithstanding any of the provisions contained herein each of the Lenders and Swap Lenders hereby covenants and agrees that it shall not be entitled to individually take any action with respect to the Loan Documents including, without limitation, taking (including in respect of its Commitment or any indebtedness or liability owed to it) any action contemplated in Sections 10.2 and 10.5, but that any such action shall be taken only by the Agent with the prior written agreement or instructions of the Majority Lenders; provided that notwithstanding the foregoing, if the Agent, having been adequately indemnified against costs and expenses of doing so by the Lenders, shall fail to carry out any such instructions of the Majority Lenders, any Lender may do so on behalf of all Lenders and Swap Lenders and shall, in so doing, be entitled to the benefit of all protection give the Agent hereunder or elsewhere.

12.5 Notice to Lenders and Swap Lenders

Unless otherwise specifically dealt with in this Agreement, in the event the Agent delivers a written notice to a Lender or a Swap Lender requesting advice from such Lender or Swap Lender as to whether it consents or objects to any matter in connection with the Loan Documents, then, except as otherwise expressly provided herein, if such Lender or Swap Lender does not deliver to the Agent its written consent or objection to such matter:

(a) where a time period is specified hereunder for the Agent or the Majority Lenders to provide any response, notice or other communication prior to the end of such period; or

(b) where no such time period is specified hereunder, then within fifteen (15) Business Days of the delivery of such written notice by the Agent to such Lender or Swap Lender;

such Lender or Swap Lender shall be deemed not to have consented thereto.

12.6 Notices between the Lenders or Swap Lenders, the Agent and the Borrower

All notices by the Lenders or Swap Lenders to the Agent shall be through the Agent's Branch of Account and all notices by the Agent to a Lender or Swap Lender shall be through such Lender's or Swap Lender's Branch of Account. All notices or communications between a Borrower and the Lenders or Swap Lenders which are required or contemplated pursuant to the Loan Documents shall be given or made through the Agent at the Agent's Branch of Account.

12.7 Agent's Duty to Deliver Documents Obtained from the Borrower

The Agent shall promptly, and in any event within five (5) Business Days, deliver to each Lender, at its Branch of Account in hard copy or electronic form, such documents, papers, materials and other information as are furnished by a Borrower to the Agent on behalf of such Lender pursuant to this Agreement, and such Borrower shall provide the Agent with sufficient copies of all such information for such purpose.

12.8 Arrangements for Borrowings

The Agent shall promptly give written notice to each Syndicated Lender at its Branch of Account upon receipt by the Agent of any notice given pursuant to Article 3 or Section 4.4. The Agent shall advise each Syndicated Lender of the amount, date and details of each Syndicated Borrowing and of such Syndicated Lender's share in each Syndicated Borrowing. At or before 11:00 a.m. (Calgary time) on each Drawdown Date, Conversion Date or Rollover Date, each Syndicated Lender will make available to the U.S. Borrower its share of Syndicated Borrowings by way of Loans or Libor Loans, as applicable, by forwarding to the Agent the amount of Loans or Libor Loans, as applicable, required to be made available by such Lender.

12.9 Arrangements for Repayment of Borrowings

(a) **Prior to Demand or Acceleration:** Prior to the delivery of an Acceleration Notice or the occurrence of an Event of Default specified in Section 10.1(h) or 10.1(i), upon receipt by the Agent of payments from the U.S. Borrower on account of principal, interest, fees or any other payment made to the Agent on behalf of the Syndicated Lenders, the Agent shall pay over to each Syndicated Lender at its Branch of Account the amount to which it is entitled under this Agreement and shall use its best efforts to make such payment to such Syndicated Lender on the same Business Day on which such payment is received by the Agent. If the Agent does not remit any such payment to a Lender on the same Business Day as such payment is received by the Agent, the Agent shall pay interest thereon to such Lender until the date of payment at a rate determined by the Agent (such rate to be conclusive and binding on such Lender) in accordance with the Agent's usual banking practice in respect of deposits of amounts comparable to the amount of such payment which are received by the Agent at a time similar to the time at which such payment is received by the Agent.

(b) **Subsequent to Acceleration:** Following delivery of an Acceleration Notice or the occurrence of an Event of Default specified in Section 10.1(h) or 10.1(i), the Lenders and Swap Lenders shall share any payments subsequently received in accordance with Section 10.7.

12.10 Repayment by Lenders to Agent

(a) **Where a Borrower Fails to Pay:** Unless the Agent has been notified in writing by a Borrower at least one (1) Business Day prior to the date on which any payment to be made by such Borrower hereunder is due that such Borrower does not intend to remit such payment, the Agent may (but shall not be obligated to), in its discretion, assume that such Borrower has remitted such payment when so due and the Agent may, in its discretion and in reliance upon such assumption, make available to each Syndicated Lender on such payment date an amount equal to the amount of such payment which is due to such Lender pursuant to this Agreement. If such Borrower does not in fact remit such payment to the Agent, the Agent shall promptly notify each Syndicated Lender and each such Lender shall forthwith on demand repay to the Agent the amount of such assumed payment made available to such Lender, together with interest thereon until the date of repayment thereof at a rate determined by the Agent (such rate to be conclusive and binding on such Lender) in accordance with the Agent's usual banking practice for similar advances to financial institutions of like standing to such Lender.

(b) **Where a Lender Fails to Pay:** Unless the Agent has been notified in writing by a Syndicated Lender at least one (1) Business Day prior to a Drawdown Date, Conversion Date or Rollover Date that such Lender does not intend to make available the amount required to be made available by such Lender pursuant to this Agreement on such Drawdown Date, Conversion Date or

Rollover Date, the Agent may, in its discretion, assume that such Lender has remitted funds to the Agent in an amount equal to the amount required to be made available by such Lender pursuant to this Agreement and the Agent may, in its discretion and in reliance upon such assumption, make available to the applicable Borrower on such Drawdown Date, Conversion Date or Rollover Date an amount equal to the amount required to be made available by such Lender pursuant to this Agreement. If a Syndicated Lender does not in fact remit such funds to the Agent and, if the Agent has provided funds to the applicable Borrower on behalf of such Syndicated Lender, the Agent shall promptly notify such Lender and such Lender shall forthwith remit such funds to the Agent, failing which such Borrower shall forthwith on demand repay to the Agent (without prejudice to such Borrower' rights against such Lender) the amount made available by the Agent on behalf of such Lender, in each case together with interest thereon until the date of repayment thereof at a rate determined by the Agent (such rate to be conclusive and binding on such Lender or the Borrower, as the case may be) in accordance with the Agent's usual banking practice for similar advances to financial institutions of like standing to such Lender.

12.11 Adjustments Among Lenders

(a) **Adjustments to Outstanding Borrowings:** Each Syndicated Lender agrees that, subsequent to the Adjustment Time, it will at any time and from time to time upon the request of the Agent as required by any other Syndicated Lender purchase portions of the Syndicated Borrowings and make any other adjustments which may be necessary or appropriate, in order that amounts which remain outstanding under this Agreement to each Syndicated Lender are thereafter outstanding, as adjusted pursuant to this Section 12.11, will be in the same proportion as the Lender's Proportion of the Total Syndicated Facility Commitment. Each Borrower agrees to do all things reasonably necessary or appropriate to give effect to any and all purchases and other adjustments by and between the Syndicated Lenders pursuant to this Section 12.11.

(b) **Application of Payments:** The Lenders and Swap Lenders agree that, after the Adjustment Time, the amount of any repayment made by a Borrower under, and the amount of any proceeds from the exercise of any rights or remedies of the Agent, the Lenders and Swap Lenders under the Loan Documents or any Permitted Swaps will, subject to Section 10.7, be applied in a manner so that to the extent possible the amount of Lender Outstandings of each Lender and Swap Lender which remain outstanding after giving effect to such application will be in the same proportion as its Lender's Proportion of the aggregate Lender Outstandings of all Lenders and Swap Lenders and, after repayment of all Syndicated Borrowings, Operating Borrowings, and Permitted Swap Indebtedness, will be applied on account of any remaining Swap Indebtedness.

(c) **Receipt of Payments other than Borrowings:** Notwithstanding anything contained in this Section 12.11, there shall not be taken into account for the purposes of computing any amount payable to a Lender or Swap Lender pursuant to this Section 12.11, any amount which such Lender or Swap Lender receives as a result of any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of any monies owing by a Loan Party to such Lender or Swap Lender other than on account of Syndicated Borrowings, Operating Borrowings or Swap Indebtedness; provided that, if at any time a Lender or Swap Lender receives any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of monies owing or payable to it by a Loan Party in respect of liabilities of a Loan Party under Syndicated Borrowings, Operating Borrowings or Swap Indebtedness, such payments will be applied in accordance with Section 10.7; provided further that the provisions of this Section 12.11(c) shall not apply to:

(i) a Swap Lender which sets off amounts owing by a Loan Party to such Swap Lender under a Permitted Swap against amounts owing by such Swap Lender (including, for clarity, its Affiliates) to a Loan Party under any Permitted Swap entered into between such parties; or

(ii) a Swap Lender which sets off amounts owing by a Loan Party to such Swap Lender under a Lender Swap (other than a Permitted Swap) against amounts owing by such Swap Lender (including, for clarity, its Affiliates) to a Loan Party under any Lender Swap (other than a Permitted Swap) entered into between such parties.

To the extent that a Lender Swap is entered into by an Affiliate of a Lender, that Lender shall cause such Affiliate to comply with the provisions of this Section 12.11, and such obligation shall survive such Lender (at any time after any such Lender Swap was entered into) ceasing to be a Lender hereunder.

(d) **Further Assurances:** Each Borrower agrees to be bound by and, at the request of the Agent, to do all things necessary or appropriate to give effect to any and all purchases and other adjustments made by and between the Lenders and Swap Lenders pursuant to this Section 12.11 but shall incur no increased indebtedness, in aggregate, by reason thereof.

12.12 Lenders' Consents to Waivers, Amendments, etc.

(a) **Unanimous Consent of Lenders:** Any waiver of or any amendment to a provision of the Loan Documents which relates to:

(i) a change in the types of Borrowings or interest periods relating thereto, a decrease in interest rates, standby fees, the Applicable Margin, or a change in notice periods or the amount of any payments payable by any Borrower to any Lender under this Agreement including any waiver of the time of payment thereof;

(ii) an increase or decrease in the Commitment of any Lender other than as provided for herein;

(iii) any change to or confirmation of the Borrowing Base;

(iv) a change in the definition of "Borrowing Base", "CDOR Rate", "Discount Rate", "Majority Lenders", "Term Maturity Date", "Term Out Date" or "Term Period";

(v) any matter which, pursuant to the Loan Documents, specifically requires the consent or agreement of all of the Lenders, rather than the consent or agreement of "the Lenders" or the "Majority Lenders" or the "Agent";

(vi) the provisions of this Section 12.12;

(vii) an Event of Default under Section 10.1(a), 10.1(b), 10.1(f) or 10.1(p);

(viii) any release or material modification of the Security, except as provided by Section 6.11 or the applicable provisions of the Loan Party Guarantee or the Security;

shall bind the Syndicated Lenders and the Swap Lenders only if such waiver or amendment is agreed to in writing by all of the Syndicated Lenders.

(b) **Majority Consent:** Subject to Section 12.12(a) and Section 12.12(d) and except as otherwise provided in the Loan Documents, any waiver, consent to or any amendment to any provision of the Loan Documents and any action, consent or other determination in connection with the Loan Documents shall bind all of the Syndicated Lenders, Swap Lenders and the Operating Lender if such waiver, amendment, action, consent or other determination is agreed to in writing by the Majority Lenders.

(c) **Agent's Consent:** Any waiver, consent to or any amendment to any provision of the Loan Documents which relates to the rights or obligations of the Agent shall require the agreement of the Agent thereto.

(d) **Operating Lender's Consent:** Any waiver, consent to or any amendment to any provision of the Loan Documents which relates to the rights or obligations of the Operating Lender shall only require the agreement of the Operating Lender thereto.

12.13 Reimbursement of Agent's Expenses or Lender's Costs

Each Lender agrees that it will indemnify the Agent for its Lender's Proportion of the Total Commitment of any and all costs, expenses and disbursements (including, without limitation, those costs and expenses referred to in Section 11.1) which may be incurred or made by the Agent in good faith in connection with the Loan Documents, and agrees that it will, on written demand detailing such costs, expenses and disbursements, reimburse the Agent for any such costs, expenses or disbursements for which the Agent is not promptly reimbursed at any time by the applicable Borrower. The Agent may refrain from exercising any right, power or discretion or taking any action to protect or enforce the rights of any Lender under the Loan Documents until it has been so reimbursed.

Each Swap Lender that is not a Lender agrees that it will indemnify the Agent for any and all costs, expenses and disbursements which may be incurred or made by the Agent in good faith in connection with the enforcement of the Loan Documents or Security on behalf of such Swap Lender and agrees that it will, on written demand detailing such costs, expenses and disbursements, reimburse the Agent for any such costs, expenses or disbursements for which the Agent is not properly reimbursed at any time by the applicable Borrower. The Agent may refrain from exercising any right, power or discretion or taking any action to protect or enforce the rights of any such Swap Lender under the Loan Documents or Security until it has been so reimbursed.

12.14 Reliance by Agent on Notices, etc.

The Agent shall be entitled:

(a) **Reliance on Written Documents:** to rely upon any writing, letter, written notice, certificate, telex, facsimile copy, cable, statement, order or other document believed by the Agent to be genuine and correct and to have been signed, sent or made by the proper Person or Persons; and

(b) **Reliance on Legal Advice:** with respect to legal matters, to act upon advice of legal advisors selected by the Agent concerning all matters pertaining to the Loan Documents and the Agent's duties thereunder;

and the Agent shall assume no responsibility and shall incur no liability to any Borrower or any Lender or Swap Lender by reason of relying on any such document or acting on any such advice.

12.15 Relations with Borrowers

Except for the transactions provided for in this Agreement, each Lender may deal with the Borrowers and any other Loan Party in all transactions and generally do any banking business with or provide any financial services to the Borrowers and any other Loan Party without having any liability to account to the other Lenders therefor. Where any Lender is the Agent, with respect to its Commitment and Lender's Proportion, such Lender shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent.

12.16 Successor Agent

The Agent shall resign if at any time it is no longer a Lender hereunder by reason of an assignment of its rights and obligations under this Agreement and the Loan Documents pursuant to Section 13.1 and, in such event, it shall provide thirty (30) days prior written notice of any such intended assignment to each of the Lenders and the Borrowers. The Agent may resign at any time by giving thirty (30) days prior written notice thereof to each of the Lenders and the Borrowers. Upon any such resignation, the remaining Lenders, or Swap Lenders if there are then no Lenders, (the "**Remaining Lenders**") shall have the right to appoint a successor agent, subject to the approval of the Borrowers provided that no Event of Default has occurred and is continuing, such consent not to be unreasonably withheld. Any successor agent appointed under this Section 12.16 shall be a Lender which has offices in Calgary, Alberta or Toronto, Ontario. If no successor agent shall have been appointed by the Remaining Lenders and shall have accepted such appointment within thirty (30) days after the retiring agent's giving of notice of resignation, then the retiring agent may, on behalf of the Lenders, or Swap Lenders if there are then no Lenders, appoint a successor agent, subject to the approval of the Borrowers provided that no Event of Default has occurred and is continuing, such consent not to be unreasonably withheld. Upon the acceptance of any appointment as Agent by a successor agent, such successor agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring agent as Agent, and the retiring agent shall be discharged from its duties and obligations under this Agreement as Agent. After any retiring agent's resignation or removal hereunder as the Agent, the provisions of this Agreement shall continue in effect for its benefit and for the benefit of the Lenders, or Swap Lenders if there are then no Lenders, in respect of any actions taken or omitted to be taken by the retiring agent while it was acting as the Agent.

12.17 Indemnity of Agent

Each Lender hereby agrees to indemnify the Agent (to the extent not reimbursed by the Borrower) as to its Lender's Proportion of the Total Commitment from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of the Loan Documents or any action taken or omitted by the Agent under or in respect of the Loan Documents; provided that the Lenders shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or wilful misconduct. Without limiting the generality of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its Lender's Proportion of the Total Commitment of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preservation of any rights of the Agent or the Lenders under, or the enforcement of, or legal advice in respect of rights or responsibilities under, the Loan Documents, but only to the extent that the Agent is not reimbursed for such expenses by the Borrowers.

12.18 Sharing of Information

Subject to Section 13.4, each Borrower authorizes the Agent and each Lender and Swap Lender to share among each other and with any successor, assignee, or any potential assignee, any information possessed by it regarding a Loan Party or the Loan Documents. The Agent and each Lender and Swap Lender agree to keep all information provided by the Loan Parties confidential and shall not disclose such information other than as provided for herein and other than to employees and professional advisors in the necessary course of business.

12.19 The Agent and Defaulting Lenders

(a) Each Defaulting Lender shall be required to provide to the Agent cash in an amount, as shall be determined from time to time by the Agent in its discretion, equal to all obligations of such Defaulting Lender to the Agent that are owing or may become owing pursuant to this Agreement, including such Defaulting Lender's obligation to pay its Lender's Proportion of any indemnification, reimbursement or expense reimbursement amounts not paid by the applicable Borrower. Such cash shall be held by the Agent in one or more cash collateral accounts, which accounts shall be in the name of the Agent and shall not be required to be interest bearing. The Agent shall be entitled to apply the foregoing cash in accordance with Section 12.17, in the case of amounts owing to the Agent.

(b) In addition to the indemnity and reimbursement obligations noted in Section 12.17, the Lenders agree to indemnify the Agent (to the extent not reimbursed by the applicable Borrower and without limiting the obligations of a Borrower hereunder) rateably according to their respective Lender's Proportion (and in calculating the Lender's Proportion of a Lender, ignoring the Commitments of Defaulting Lenders) any amount that a Defaulting Lender fails to pay the Agent and which is due and owing to the Agent pursuant to Section 12.17. Each Defaulting Lender agrees to indemnify each other Lender for any amounts paid by such Lender and which would otherwise be payable by the Defaulting Lender.

(c) The Agent shall be entitled to set off any Defaulting Lender's Proportion of all payments received from the applicable Borrower against such Defaulting Lender's obligations to make payments and fund Accommodations required to be made by it and to purchase participations required to be purchased by it in each case under this Agreement and the other Loan Documents. To the extent permitted by law, the Agent shall be entitled to withhold and deposit in one or more non-interest bearing cash collateral accounts in the name of the Agent all amounts (whether principal, interest, fees or otherwise) received by the Agent and due to a Defaulting Lender pursuant to this Agreement, for so long as such Lender is a Defaulting Lender, which amounts shall be used by the Agent:

   (i) first, to reimburse the Agent for any amounts owing to it, in its capacity as Agent, by such Defaulting Lender pursuant to any Loan Document;

   (ii) second, to repay on a *pro rata* basis the incremental portion of any Accommodations made by a Lender pursuant to Section 14.2 in order to fund a shortfall created by a Defaulting Lender and, upon receipt of such repayment, each such Lender shall be deemed to have assigned to the Defaulting Lender such incremental portion of such Accommodations;

   (iii) third, to cash collateralize all other obligations of such Defaulting Lender to the Agent owing pursuant to this Agreement in such amount as shall be determined from time to time by the Agent in its discretion, including such Defaulting Lender's obligation to pay its Lender's Proportion of any indemnification, reimbursement or expense reimbursement amounts not paid by the applicable Borrower; and

(iv) fourth, to fund from time to time the Defaulting Lender's Proportion of Lender Outstandings.

(d) For greater certainty and in addition to the foregoing, neither the Agent nor any of its Affiliates nor any of their respective shareholders, officers, directors, employees, agents or representatives shall be liable to any Lender (including a Defaulting Lender) for any action taken or omitted to be taken by it in connection with amounts payable by any Borrower to a Defaulting Lender and received and deposited by the Agent in a cash collateral account and applied in accordance with the provisions of this Agreement, save and except for the gross negligence or wilful misconduct of the Agent as determined by a final non-appealable judgment of a court of competent jurisdiction.

ARTICLE 13
SUCCESSORS AND ASSIGNS, JUDGMENT CURRENCY AND CONFIDENTIAL INFORMATION

13.1 Successors and Assigns

No Borrower shall assign its rights or obligations hereunder without the prior written consent of all of the Lenders. If an Event of Default has occurred and is continuing, a Syndicated Lender may, at its sole cost and expense, with the prior consent of the Agent (such consent not to be unreasonably withheld) and the Operating Lender may, in each case, without the Borrowers' consent, sell, assign or otherwise transfer in whole or in part and/or grant a syndication or participation in its rights and obligations under this Agreement and the other Loan Documents, and a Lender may do so at any other time with the prior written consent of the Borrowers and, in the case of a sale, assignment or transfer by a Syndicated Lender, the Agent (such consent not to be unreasonably withheld) (a "**Disposition**") and, if assigned in part only, such assignee would acquire a Commitment of at least Cdn. $10,000,000 or, in the case of the Operating Facility Commitment, all of such Commitment; provided however that at and after the time of the Disposition, the Borrowers will not be under any obligation to pay by way of withholding tax or otherwise any greater amount than it would have been obliged to pay if the Lender had not made such Disposition. Each Borrower acknowledges that on any Disposition by a Lender to an assignee in accordance with the foregoing provisions of this Section 13.1 (a "**Permitted Assignee**"), the Permitted Assignee shall, to the fullest extent permitted by Applicable Law and subject to the terms of the Disposition, have the same rights and benefits hereunder and under the other Loan Documents and the same continuing obligations as it would have if it were such Lender hereunder; provided, however that the Agent and such Borrower shall be entitled to continue to deal solely and directly with the assignor Lender in connection with the interests so assigned unless and until such assignee becomes a Lender pursuant to a Lender Transfer Agreement executed by such assignee, the relevant assignor Lender and, if applicable, the Agent. Upon:

(a) such execution of such Lender Transfer Agreement;

(b) delivery of an executed copy thereof to each Borrower and the Agent;

(c) payment by such assignee Lender to such assignor Lender of an amount equal to the purchase price agreed between such assignor Lender and such assignee Lender; and

(d) payment by the assignor Syndicated Lender of a processing and recording fee in the amount of Cdn. $5,000 to the Agent;

such assignor Lender shall be released from its obligations hereunder to the extent of such assignment and such assignee Lender shall for all purposes be a Lender party to this Agreement and shall have all the rights and obligations of a Lender under this Agreement to the same extent as if it were an original party hereto, and no further consent or action by any Borrower, the Lenders or the Agent shall be required. Such Lender Transfer Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such assignee Lender as a Lender and the resulting adjustment of the Commitments arising from the purchase by such assignee Lender of all or a portion of the Loans, Libor Loans, the face amount of Bankers' Acceptances and the Commitment of such assignor Lender.

13.2 Judgment Currency

If for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Agreement it becomes necessary to convert into the currency of such jurisdiction (herein called the "**Judgment Currency**") any amount due hereunder in any currency other than the Judgment Currency, then such conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For such purpose, "rate of exchange" means the spot rate at which the Agent or the Operating Lender, as applicable, on the relevant date at or about 10:00 a.m. (Calgary time), would be prepared to sell a similar amount of such currency in Calgary, Alberta against the Judgment Currency. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of payment of the amount due, each Borrower shall, on the date of payment, pay such additional amounts (if any) as may be necessary to ensure that the amount paid on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of payment is the amount then due under this Agreement in such other currency. Any additional amount due from a Borrower under this Section 13.2 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement.

13.3 Swap Lender

If any Swap Lender (or its Affiliate, if such Swap Lender is not a Lender) for any reason ceases to be a Lender, such Swap Lender shall continue to be bound by and entitled to the benefit of the terms and conditions hereof in such capacity and entitled to the benefit of the Security until such time as it is no longer a party to the Swaps existing with any Loan Party at the time it (or such Affiliate, if applicable) ceased to be a Lender, with the exception of any indemnities of, or in favour of, such Swap Lender hereunder existing at that time and which shall survive such termination.

13.4 Exchange and Confidentiality of Information

Each of the Lenders, the Swap Lenders and the Agent acknowledge the confidential nature of the financial, environmental, operational and other information, reports and data provided and to be provided to them by the Loan Parties pursuant to this Agreement and the other Loan Documents (the "**Information**") and agrees to hold the Information in confidence and shall not discuss or disclose or allow access to, or transfer or transmit the Information to any Person, provided however that:

(a) each of the Lenders and the Agent may disclose all or any part of the Information if, in its reasonable opinion, such disclosure is required by any Applicable Law, to the extent of such requirement, or is required in connection with any actual or threatened judicial, administrative or governmental proceeding, including, without limitation, proceedings initiated under or in respect of this Agreement, provided that in any such circumstance the Lenders and Agent, as soon as reasonably practicable, shall advise the Borrowers of their obligation to disclose such Information in order to enable the Borrowers, if they so choose, to attempt to ensure that any such disclosure is made on a confidential basis;

(b) each of the Lenders and the Agent may disclose all or any part of the Information to any regulatory body to which it is subject, to the extent such disclosure is, in the reasonable opinion of such Lender or Agent, required including without limitation to the Office of the Superintendent of Financial Institutions or similar body;

(c) each of the Lenders and the Agent may disclose Information to each other and to any Permitted Assignees or participants or any actual or prospective counterparty to any securitization, swap or derivative transaction relating to the Loan Parties and the Borrowings and, in each case, to their respective counsel, agents, employees and advisors; provided that in the case of a participant or any counterparty, the participant or counterparty, as applicable, has provided the Agent or the applicable Lender, in the case of a participant, or the Borrowers and the Agent, in the case of a counterparty, with the written agreement referred to in Section 13.4(d) and, in the case of any such counsel, agents, employees and advisors, the Agent or the applicable Lender shall advise such Person of the confidential nature of the Information;

(d) each of the Lenders and the Agent may disclose and discuss the Information with credit officers of any potential Permitted Assignees for the purposes of assignment pursuant to Section 13.1 or any participant for the purposes of a participation or any actual or prospective counterparty for the purposes of any securitization, swap or derivative transaction as described in (c) above; provided that such potential Permitted Assignee or participant or counterparty shall have, for the benefit of the Borrowers, previously provided to the Agent or such Lender, in the case of a participant, or the Borrowers and the Agent, in the case of a counterparty, as the case may be, its written agreement to hold the Information under the same obligations of confidentiality as set forth in this Section 13.4 at all times prior to and, if applicable, after becoming a Permitted Assignee or participant or counterparty;

(e) each of the Lenders and the Agent may disclose all or any part of the Information so as to enable such Lender or the Agent to initiate any lawsuit against any Loan Party or to defend any lawsuit commenced by any Loan Party with respect to or arising from the Loan Documents, the issues of which are directly or indirectly related to the Information, but only to the extent such disclosure is necessary or desirable to the initiation or defence of such lawsuit; and

(f) each of the Lenders and the Agent may disclose Information to any Person with the prior written consent of the Borrowers.

Notwithstanding the foregoing, "Information" shall not include any such information:

(g) which is or becomes readily available to the public (other than by a breach hereof or by a breach of an obligation of confidentiality imposed on a Permitted Assignee or participant or other Person referred to in this Section 13.4) or which has been made readily available to the public by a Loan Party;

(h) which the Agent or any Lender can show was, prior to receipt thereof from a Loan Party, lawfully in the Agent's or such Lender's possession and not then subject to any obligation on its part to or for the benefit of a Loan Party to maintain confidentiality; or

(i) which the Agent or any Lender received from a third party, prior to receipt thereof from a Loan Party, which was not, to the knowledge of the Agent or such Lender after due enquiry, subject to a duty of confidentiality to or for the benefit of a Loan Party at the time the Information was so received.

ARTICLE 14
MISCELLANEOUS

14.1 Severability

Any provision of this Agreement which is or becomes prohibited or unenforceable in any jurisdiction does not invalidate, affect or impair the remaining provisions hereof in such jurisdiction and any such prohibition or unenforceability in any jurisdiction does not invalidate or render unenforceable such provision in any other jurisdiction.

14.2 Defaulting Lenders

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) the standby fees payable pursuant to Section 5.10 shall cease to accrue on the unused portion of the Commitment of such Defaulting Lender;

(ii) a Defaulting Lender shall not be included in determining whether, and the Commitment and the Lender's Proportion of the Lender Outstandings of such Defaulting Lender shall not be included in determining whether, all Lenders or the Majority Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 12.12, provided that any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that (A) materially and adversely affects such Defaulting Lender differently than other affected Lenders, (B) increases the Commitment or extends the Maturity Date of such Defaulting Lender, or (C) relates to the matters set forth in Sections 12.12(a)(i), (ii) (in so far as it relates to the Commitment of a Defaulting Lender), (iv), (vi) and (viii), shall require the consent of such Defaulting Lender; and

(iii) for the avoidance of doubt, each Borrower shall retain and reserve its other rights and remedies respecting each Defaulting Lender.

(b) If the Agent has actual knowledge that a Lender is a Defaulting Lender at the time that the Agent receives (i) a Borrowing Notice or (ii) a Conversion Notice that will result in a currency conversion, then each other Lender shall fund its Lender's Proportion of such affected Accommodation (and, in calculating such Lender's Proportion, the Agent shall ignore the Commitments of each such Defaulting Lender); provided that, for certainty, no Lender shall be obligated by this Section 14.2(b) to make or provide Accommodations in excess of its Commitment. If the Agent acquires actual knowledge that a Lender is a Defaulting Lender at any time after the Agent receives (i) a Borrowing Notice or (ii) a Conversion Notice that will result in a currency conversion, then the Agent shall promptly notify the Borrowers that such Lender is a Defaulting Lender (and such Lender shall be deemed to have consented to such disclosure). Each Defaulting Lender agrees to indemnify each other Lender for any amounts paid by such Lender under this Section 14.2(b) and which would otherwise have been paid by the Defaulting Lender if its Commitment had been included in determining the Lender's Proportion of such affected Accommodations.

(c) If any Lender shall cease to be a Defaulting Lender, then, upon becoming aware of the same, the Agent shall notify the other Lenders and (in accordance with the written direction of the Agent) such Lender (which has ceased to be a Defaulting Lender) shall purchase, and the other Lenders shall on a rateable basis sell and assign to such Lender, portions of such Lender Outstandings equal in total to such Lender's Lender's Proportion thereof without regard to Section 14.2(b).

14.3 Failure to Act

No failure, omission or delay on the part of the Agent, any Lender or any Swap Lender in exercising any right, power or privilege hereunder shall impair such right, power or privilege or operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

14.4 Waivers

No breach of any of the provisions of any of the Loan Documents may be waived or discharged verbally; any such waiver or discharge may only be made by way of an instrument in writing signed by either the Agent on behalf of the Lenders or the Majority Lenders, as applicable, and, if required by the Agent, the Loan Parties, and such waiver or discharge will then be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given. Any such waiver or discharge which affects the rights of the Agent may only be made by way of an instrument in writing signed by the Agent.

14.5 Amendments

No provision of the Loan Documents may be amended verbally and any such amendment may only be made by way of an instrument in writing signed by the Borrowers, the Agent and the Lenders required by Section 12.12.

14.6 Notice

Except as otherwise expressly provided herein, all notices, advices, requests and demands hereunder shall be in writing (including facsimile transmissions) or, if by telephone, immediately confirmed in writing, and shall be given to or made upon the respective parties hereto at the address set forth opposite their names on the signature pages hereto or at such other address as any party shall designate for itself. All notices shall be effective upon actual receipt. In the event of any discrepancy between any telephone notice, advice, request or demand and the written confirmation thereof, the telephone version shall govern with respect to actions taken by the recipient thereof before such recipient has had a reasonable time to act after its receipt of the written confirmation. All notices to the Agent shall be given to the Agent at the Agent's Branch of Account and all notices to the Operating Lender shall be given to the Operating Lender at the Operating Lender's Branch of Account.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including email and Internet or intranet websites) pursuant to procedures approved by the Agent, provided that the foregoing shall not apply to notices to any Lender if such Lender has notified the Agent that it is incapable of receiving notices by electronic communication. The Agent or the Borrowers may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Agent otherwise prescribes:

(a) notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient; and

(b) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient as its email address as described in the foregoing clause (a) of notification that such notice or communication is available and identifying the website address therefor.

14.7 Whole Agreement

This Agreement together with the other Loan Documents constitutes the whole and entire agreement between the parties and cancels and supersedes any prior agreements, undertakings, declarations and representations, written or verbal, in respect of the subject matter of this Agreement and the other Loan Documents.

14.8 Governing Law

The parties agree that this Agreement is conclusively deemed to be made under, and for all purposes to be governed by and construed in accordance with, the laws of the Province of Alberta and of Canada applicable therein. There shall be no application of any conflict of law or other rules which would result in any laws other than internal laws in force in the Province of Alberta applying to this Agreement. The parties hereto do hereby irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta for all matters arising out of or relating to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or by any thereof, without prejudice to the rights of the Agent or any Lender to take proceedings in other jurisdictions.

14.9 Term of Agreement and Survival

This Agreement and all covenants, undertakings, agreements, representations and warranties shall continue and survive until the termination of all Credit Agreements such that thereafter there is not nor can there be any Borrowings, Lender Outstandings or Swap Indebtedness arising under any Loan Document, and with the exception of the indemnities provided in Sections 9.1(u) and 11.6 which shall survive any such termination.

14.10 Time of Essence

Time shall be of the essence of this Agreement.

14.11 Anti-Money Laundering Legislation

(a) Each Borrower acknowledges that, pursuant to the Proc*eeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" Applicable Laws, whether within Canada or elsewhere (collectively, including any guidelines or orders thereunder, "**AML Legislation**"), the Lenders and the Agent may be required to obtain, verify and record information regarding each Borrower, its directors, authorized signing officers, direct or indirect shareholders or unitholders or other Persons in control of each Borrower, and the transactions contemplated hereby. Each Borrower shall promptly: (i) provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or the Agent, or any prospective assignee of a Lender or the Agent, in order to comply with any applicable AML Legislation, whether now or hereafter in existence; and (ii) notify the recipient of any such information of any changes thereto.

(b) If, upon the written request of any Lender, the Agent has ascertained the identity of any Borrower or any other Loan Party or any authorized signatories of a Borrower or any other Loan Party for the purposes of applicable AML Legislation on such Lender's behalf, then the Agent;

(i) shall be deemed to have done so as an agent for such Lender, and this Agreement shall constitute a "written agreement" in such regard between such Lender and the Agent within the meaning of applicable AML Legislation; and

(ii) shall provide to such Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

Notwithstanding the preceding sentence, each of the Lenders agrees that the Agent has no obligation to ascertain the identity of any Borrower or any other Loan Party or any authorized signatories of any Borrower or any other Loan Party, on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from such Borrower or any other Loan Party or any such authorized signatory in doing so.

14.12 Conflict with Other Documents

In the event there is a conflict or inconsistency as to any matter between the provisions hereof and the provisions of any other Loan Document, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency; provided, however, that for the purposes of this Section 14.12 there shall not be considered to be a conflict or inconsistency between any provision hereof and any provision of any other Loan Document merely because such Loan Document does, and this Agreement does not, deal with the particular matter.

14.13 PEI Execution

The parties hereto acknowledge that PEI is entering into this Agreement in its capacity as CT Trustee and the obligations of the Canadian Borrower hereunder shall not be binding upon PEI other than in its capacity as such, nor shall it be binding upon any of the unitholders of the Canadian Borrower, beneficial owner of a unit, or any "**annuitant**" (as defined in the CT Trust Indenture), such that any recourse against the Canadian Borrower, PEI or any "**Beneficiary**" (as defined in the CT Trust Indenture) in any manner in respect of any indebtedness, obligation or liability arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, including without limitation claims based on negligence or otherwise tortious behavior, shall be limited to, and satisfied only out of the Trust Property (as defined in the CT Trust Indenture).

14.14 Counterpart Execution

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed on the date and year first above written.

ADDRESSES FOR NOTICES:

Canadian Borrower:

4100, 350 - 7th Avenue SW
Calgary, Alberta T2P 3N9

Attention: [REDACTED]

Facsimile: [REDACTED]

PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, **PARALLEL ENERGY INC.**

Per: *"Richard N. Miller"*
Name: Richard N. Miller
Title: [REDACTED]

U.S. Borrower:

[REDACTED]

Attention: [REDACTED]

With a copy to:

Parallel Energy Trust
4100, 350 - 7th Avenue SW
Calgary, Alberta T2P 3N9

Attention: [REDACTED]

Facsimile: [REDACTED]

PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, by its General Partner, **PARALLEL ENERGY GP LLC**

Per: *"Richard N. Miller"*
Name: Richard N. Miller
Title: [REDACTED]

Agent:

Agent's Branch of Account
40 Dundas Street West, 5th Floor
Toronto, Ontario M5G 2C2

Attention: [REDACTED]
Facsimile: [REDACTED]

CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

Per: *"Kevin McConnell"*
Name: Kevin McConnell
Title: [REDACTED]

Per: *"Amy Bellomo"*
Name: Amy Bellomo
Title: [REDACTED]

CANADIAN IMPERIAL BANK OF COMMERCE, as Lender and Swap Lender

Per: *"Kevin McConnell"*
Name: Kevin McConnell
Title: [REDACTED]

Per: *"Amy Bellomo"*
Name: Amy Bellomo
Title: [REDACTED]

Lender:

Canadian Imperial Bank of Commerce
855 - 2nd Street S.W., 9th Floor
(East Tower, Bankers Hall)
Calgary, Alberta T2P 2P2

Attention: [REDACTED]
Facsimile: [REDACTED]

Lender:

Royal Bank of Canada
200 Vesey Street
New York, New York 10281-8098

Attention: [REDACTED]

With a copy to:

Attention: [REDACTED]
Facsimile: [REDACTED]

ROYAL BANK OF CANADA, as Lender and Swap Lender

Per: *"Jennifer Lee-You"*
Name:
Title:

Per: ______________________________
Name:
Title:

Lender:

The Bank of Nova Scotia
711 Louisiana Street, Suite 1400
Houston, Texas 77002

Attention: [REDACTED]
Facsimile: [REDACTED]

THE BANK OF NOVA SCOTIA, as Lender and Swap Lender

Per: *"John Frazell"*
Name:
Title:

Schedule "A" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

COMMITMENTS

Lender	**Operating Facility Commitment**	**Syndicated Facility Commitment**
Canadian Imperial Bank of Commerce	[REDACTED]	[REDACTED]
Royal Bank of Canada	[REDACTED]	[REDACTED]
The Bank of Nova Scotia	[REDACTED]	[REDACTED]
TOTAL:	Cdn. $10,000,000	Cdn. $90,000,000

Schedule "B" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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BORROWING / REPAYMENT NOTICE

Date: ________________________

Canadian Imperial Bank of Commerce, as Agent
40 Dundas Street West, 5th Floor
Toronto, Ontario M5G 2C2

Attention: [REDACTED]
Facsimile: [REDACTED]

Dear Sirs:

Re: PARALLEL ENERGY COMMERCIAL TRUST and PARALLEL ENERGY ACQUISITIONS LP

We refer to the Credit Agreement dated April 21, 2011 between Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, and a consortium of lenders with Canadian Imperial Bank of Commerce, as Agent (as the same may be amended, renewed, extended, modified and/or restated from time to time, the "**Credit Agreement**"). Capitalized terms used herein have the same meaning as in the Credit Agreement. The undersigned are officers of **[Parallel Energy Inc., being the trustee of the Canadian Borrower] [Parallel Energy GP LLC, being the general partner of the U.S. Borrower]** and are authorized to make and deliver this notice on behalf of the **[Canadian Borrower][U.S. Borrower]** pursuant to the Credit Agreement.

1. We hereby give notice of **[our request for an Accommodation pursuant to Section 3.6/repayment of a Borrowing pursuant to Section 3.10]** of the Credit Agreement particulars of which are as follows:

   (a) Facility: **[Syndicated/Operating]**

   (b) **[Drawdown/Repayment]** Date: _______

   (c) Amount:

   (d) Nature of **[Accommodation/Borrowing to be repaid]**: _______

   (e) Libor Interest Period (only applicable to Libor loans): _______

   (f) Term (only applicable to Bankers' Acceptances): _______

   (g) Payment Instructions (if any): _______

2. **[For an Accommodation only:]** All of the representations and warranties of the Borrowers deemed to be made by the Borrowers pursuant to Section 2.2 of the Credit Agreement are true and correct in all respects on the date hereof.

3. **[For an Accommodation only:]** There exists no Default or Event of Default on the date hereof.

Yours very truly,

[PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, PARALLEL ENERGY INC.] [PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, by its General Partner, PARALLEL ENERGY GP LLC]

Per: ______________________________

Name:
Title:

Schedule "C" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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ROLLOVER NOTICE

Date: ________________________

Canadian Imperial Bank of Commerce, as Agent
40 Dundas Street West, 5th Floor
Toronto, Ontario M5G 2C2

Attention: [REDACTED]
Facsimile: [REDACTED]

Dear Sirs:

Re: PARALLEL ENERGY COMMERCIAL TRUST and PARALLEL ENERGY ACQUISITIONS LP

We refer to the Credit Agreement dated April 21, 2011 between Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, and a consortium of lenders with Canadian Imperial Bank of Commerce, as Agent (as the same may be amended, renewed, extended, modified and/or restated from time to time, the "**Credit Agreement**"). Capitalized terms used herein have the same meaning as in the Credit Agreement. The undersigned are officers of **[Parallel Energy Inc., being the trustee of the Canadian Borrower] [Parallel Energy GP LLC, being the general partner of the U.S. Borrower]** and are authorized to make and deliver this notice on behalf of the **[Canadian Borrower][U.S. Borrower]** pursuant to the Credit Agreement.

1. This Rollover Notice is delivered to you pursuant to Section 3.13 of the Credit Agreement.

2. We hereby request a Rollover as follows:

   (a) Facility: **[Syndicated/Operating]**

   (b) Rollover Date:

   (c) Amount of Rollover:

   (d) Bankers' Acceptances or Libor Loan: _______

   (e) Libor Interest Period (only applicable to Libor Loans): _______

   (f) Term (only applicable to Bankers' Acceptances): _______

3. There exists no Default or Event of Default on the date hereof.

Yours very truly,

[PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, PARALLEL ENERGY INC.] [PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, by its General Partner, PARALLEL ENERGY GP LLC]

Per: ______________________________________

Name:

Title:

Schedule "D" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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CONVERSION NOTICE

Date: ________________________

Canadian Imperial Bank of Commerce, as Agent
40 Dundas Street West, 5th Floor
Toronto, Ontario M5G 2C2

Attention: [REDACTED]
Facsimile: [REDACTED]

Dear Sirs:

Re: PARALLEL ENERGY COMMERCIAL TRUST and PARALLEL ENERGY ACQUISITIONS LP

We refer to the Credit Agreement dated April 21, 2011 between Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, and a consortium of lenders with Canadian Imperial Bank of Commerce, as Agent (as the same may be amended, renewed, extended, modified and/or restated from time to time, the "**Credit Agreement**"). Capitalized terms used herein have the same meaning as in the Credit Agreement. The undersigned are officers of **[Parallel Energy Inc., being the trustee of the Canadian Borrower] [Parallel Energy GP LLC, being the general partner of the U.S. Borrower]** and are authorized to make and deliver this notice on behalf of the **[Canadian Borrower][U.S. Borrower]** pursuant to the Credit Agreement.

1. This Conversion Notice is delivered to you pursuant to Section 3.12 of the Credit Agreement.

2. We hereby request a Conversion as follows:

   (a) Facility: **[Syndicated/Operating]**

   (b) Conversion Date:

   (c) Type of Borrowing to be Converted from: _______

   (d) Amount of Borrowing to be converted: _______

   (e) Type of Borrowing to be Converted to: _______

   (f) Libor Interest Period (only applicable to portion Converted to or not Converted from a Libor Loan): _______

(g) Term (only applicable to portion Converted to or not Converted from Bankers' Acceptances): _______

3. There exists no Default or Event of Default on the date hereof.

Yours very truly,

[PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, PARALLEL ENERGY INC.] [PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, by its General Partner, PARALLEL ENERGY GP LLC]

Per: ______________________________

Name:
Title:

Schedule "E" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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COMPLIANCE CERTIFICATE

I, _____________________________, of the City of Calgary, in the Province of Alberta, hereby certify as follows:

1. I am the duly appointed **[insert title of senior officer]** of Parallel Energy Inc., being the trustee of Parallel Energy Commercial Trust (the "**Canadian Borrower**");

2. This Certificate applies to the **[Fiscal Year/Fiscal Quarter]** ending ______________________;

3. I am familiar with and have examined the provisions of the Credit Agreement dated April 21, 2011 between Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, and a consortium of lenders with Canadian Imperial Bank of Commerce, as Agent (as the same may be amended, renewed, extended, modified and/or restated from time to time, the "**Credit Agreement**"), and have made such reasonable investigations of corporate records and inquiries of other officers and senior personnel of the Borrowers and their respective agents as I have deemed necessary for purposes of this Certificate;

4. Except where the context otherwise requires, all capitalized terms used herein have the same meaning as in the Credit Agreement;

5. There is no Default outstanding and no event or circumstance has occurred which, with the giving of notice, lapse of time, or both, would constitute an Event of Default.

6. Each of the representations and warranties made in the Credit Agreement were true and correct as at the _____ day of _______________, _____, being the last day of the Fiscal **[Quarter/Year]** of the Trust most recently ended.

7. No Borrowing Base Shortfall exists.

8. The cumulative proceeds received by the Borrowers and the other Loan Parties in respect of sales, conveyances and dispositions of Oil and Gas Properties since the last Borrowing Base determination or redetermination is Cdn. $ ________________.

9. The Swap Indebtedness of the Loan Parties, in the aggregate, as at the last day of the Fiscal **[Quarter/Year]** most recently ended is as follows:

   (a) Currency Swaps - CDN. $____________ and the notional amount swapped thereunder is CDN. $___________;

   (b) Interest Swaps - CDN. $____________ and the notional amount thereof is CDN. $___________ which represents ____% of the Total Commitment; and

(c) Commodity Swaps - CDN. $_____________ and the quantity of Petroleum Substances subject to such Swaps is (______ MMCF or barrels) which represents ______% of the aggregate barrel per day or the equivalent thereof projected production of the Loan Parties;

The foregoing amounts of Swap Indebtedness were calculated by the Canadian Borrower on a Mark-to-Market basis (separately for each Swap Lender and then aggregating amounts so calculated) as at the end of the **[Fiscal Quarter/Year]** most recently ended, and by converting all amounts in U.S. Dollars at such date based on the Bank of Canada noon spot exchange rate on such date;

10. As of the last day of the above referenced **[Fiscal Quarter/Fiscal Year]** the Debt to Cash Flow Ratio was ____________, and attached hereto are the detailed particulars of the manner in which the Debt to Cash Flow Ratio was calculated;

11. This Certificate is given by the undersigned officer in his or her capacity as an officer of the trustee of the Canadian Borrower without any personal liability.

DATED at the City of Calgary, in the Province of Alberta, this _____ day of _____________, 20__.

PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, PARALLEL ENERGY INC.

Per: ______________________________
Name:
Title:

Schedule "F" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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REQUEST FOR EXTENSION

Date:__________________________

Canadian Imperial Bank of Commerce, as Agent
40 Dundas Street West, 5th Floor
Toronto, Ontario M5G 2C2

Attention: [REDACTED]
Facsimile: [REDACTED]

Dear Sirs:

Re: PARALLEL ENERGY COMMERCIAL TRUST and PARALLEL ENERGY ACQUISITIONS LP

We refer to the Credit Agreement dated April 21, 2011 between Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, and a consortium of lenders with Canadian Imperial Bank of Commerce, as Agent (as the same may be amended, renewed, extended, modified and/or restated from time to time, the "**Credit Agreement**"). Capitalized terms used herein have the same meaning as in the Credit Agreement.

In accordance with Section 3.3 of the Credit Agreement, we hereby request that the Lenders each provide an offer to extend its Term Out Date for a period of three hundred sixty-four (364) days, with the Term Out Date being extended from **[•]** to **[•]**, and the Term Maturity Date being extended to **[•]**.

We hereby certify that:

1. except as disclosed to the Agent in writing, the representations and warranties contained in Section 2.1 of the Credit Agreement (subject to Section 2.2 thereof) are and will be true and correct on the date hereof and on the date of extension, as applicable, with the same effect as if such representations and warranties were made on the date hereof; and

2. there exists no Default or Event of Default.

Yours very truly,

PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, PARALLEL ENERGY INC.

Per: ______________________________
Name:
Title:

PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, by its General Partner, PARALLEL ENERGY GP LLC

Per: ______________________________
Name:
Title:

Schedule "G" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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LENDER TRANSFER AGREEMENT

TO: **Canadian Imperial Bank of Commerce, as Agent**

[If applicable] [Canadian Imperial Bank of Commerce], as Operating Lender]

AND TO: **Parallel Energy Commercial Trust and Parallel Energy Acquisitions LP (collectively, the "Borrowers")**

RE: **Credit Agreement dated April 21, 2011 (as amended, amended and restated or replaced from time to time, the "Credit Agreement") between Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, the Lenders and the Agent and each of the financial institutions which have entered into or shall enter into a Lender Transfer Agreement**

Capitalized terms used in this Lender Transfer Agreement without definition shall have the meanings set out in the Credit Agreement.

1. **[name of new lender]** (the "**Assignee**") acknowledges that its proper officers have received and reviewed a copy of the Loan Documents and further acknowledges the provisions of the Loan Documents.

2. The Assignee desires to become a Lender under the Credit Agreement; **[name of selling Lender]** (the "**Assignor**") has agreed to and does hereby sell, assign and transfer to the Assignee an undivided ___% interest in the Total Commitment equal to the Commitment as calculated in paragraph 4 below; and, accordingly, the Assignee has agreed to execute this Lender Transfer Agreement.

3. The Assignee, by its execution and delivery of this Lender Transfer Agreement, agrees that from and after the date hereof it shall be a Lender under the Credit Agreement and agrees to be bound by and to perform all of the terms, conditions and covenants of the Credit Agreement applicable to a Lender including, without limitation, the liability to make available its Lender's Proportion of Borrowings made on or after the date hereof in accordance with its Commitment identified in paragraph 4 of this Lender Transfer Agreement.

4. The Assignee confirms that, after giving effect to the assignment set forth herein, its Syndicated Facility Commitment under the Credit Agreement shall be $__________ **[and its Operating Facility Commitment shall be $_______]**.

5. The Assignee agrees to assume, without recourse to the Assignor, all liabilities and obligations of the Assignor as Lender under the Credit Agreement arising after the date hereof to the extent of the Assignee's Commitment as provided for herein and the Assignor is hereby released and discharged from such obligations and liabilities to the same extent; provided that if any Bankers' Acceptances accepted by the Assignor remain outstanding on such date, such Bankers'

Acceptances shall remain the liability and obligation of the Assignor and **[the Assignor shall be entitled to all of the rights, titles and benefits arising out of the Credit Agreement and the other Loan Documents with respect to such Bankers' Acceptances (including reimbursement rights); and the Assignee shall indemnify the Assignor and hold the Assignor harmless from and against any losses or costs paid or incurred by the Assignor in connection with such Bankers' Acceptances (other than losses or costs which arise out of the negligence or wilful misconduct of the Assignor) to the extent of the Assignee's Commitment provided for herein, and shall be entitled to that percentage (as agreed to between the Assignee and the Assignor) of a proportionate amount of the fees paid in respect of such Bankers' Acceptances based upon the relative proportions of the Syndicated Facility Commitments of the Assignor and Assignee and the number of days remaining in the term of any such Bankers' Acceptances]** or **[the assignment contained herein shall exclude the obligation of the Borrowers to repay or reimburse the Assignor the face amounts of outstanding Bankers' Acceptances which have been accepted by the Assignor prior to the date hereof ("Outstanding BAs") and if an Event of Default occurs prior to the Assignor being repaid or reimbursed in respect of Outstanding BAs, then until such repayment or reimbursement is made, for the purposes of voting under the Credit Agreement the Assignor shall be considered to have a Commitment increased by, and the Commitment of the Assignee shall be considered to be reduced by, the face amount of such Outstanding BAs]**.

6. The Assignee acknowledges and confirms that it has not relied upon, and that the Assignor or the Agent or any of their respective directors, officers, employees or agents have not made, any representation or warranty whatsoever as to the due execution, legality, effectiveness, validity or enforceability of any of the Loan Documents or any other documentation or information delivered by the Assignor or the Agent to the Assignee in connection therewith or for the performance thereof by any party thereto or of the financial condition of the Borrowers or any other Loan Party. All representations, warranties and conditions express or implied by law or otherwise are hereby excluded.

7. The Assignee represents and warrants that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, affairs, status and nature of the Borrowers and any other Loan Party and has not relied and will not hereafter rely on the Assignor or the Agent or any of their respective directors, officers, employees or agents to appraise or keep under review on its behalf the financial condition, creditworthiness, affairs, status or nature of the Borrowers or any other Loan Party.

8. Each of the Assignor and the Assignee represents and warrants to the other, and to the Agent and the Lenders that it has the capacity and power to enter into this Lender Transfer Agreement in accordance with the terms hereof and to perform its obligations arising therefrom, and all actions required to authorize the execution and delivery hereof and the performance of such obligations have been duly taken.

9. This Lender Transfer Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta.

10. Notices shall be given to the Assignee in the manner provided for in the Credit Agreement as follows:

Branch of Account:
[•]
[•]

Attention: **[•]**
Telecopier: **[•]**

11. This Lender Transfer Agreement shall be binding upon the Assignee and its successors and permitted assigns.

12. This Lender Transfer Agreement may be executed in any number of counterparts and by different parties in separate counterparts and by facsimile execution, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document.

DATED this _____ day of __________, _____.

____
[Name of Assignee]

Per: ______________________________
Name:
Title:

The Assignor hereby acknowledges the above Lender Transfer Agreement and agrees that its Commitment is reduced by an amount equal to the Commitment assigned to the undersigned hereby and confirms that its Syndicated Facility Commitment as so reduced is Cdn. $•.

[Name of Assignor]

Per: ______________________________
Name:
Title:

Canadian Imperial Bank of Commerce, as Agent, hereby acknowledges the above Lender Transfer Agreement and consents to the Assignee becoming **[continuing as]** a Lender under the Credit Agreement to the extent of its Commitment as set out in paragraph 4 of the Lender Transfer Agreement.

CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

Per: ______________________________
Name:
Title:

The Borrower hereby acknowledges the above Lender Transfer Agreement and consents to the Assignee becoming **[continuing as]** a Lender under the Credit Agreement to the extent of its Commitment as set out in paragraph 4 of the Lender Transfer Agreement.

PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, PARALLEL ENERGY INC.

Per: ______________________________
Name:
Title:

Per: ______________________________
Name:
Title:

PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, by its General Partner, PARALLEL ENERGY GP LLC

Per: ______________________________
Name:
Title:

Per: ______________________________
Name:
Title:

Schedule "H" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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FORM OF POWER OF ATTORNEY TERMS – BANKERS' ACCEPTANCES

In order to facilitate the acceptance of Bankers' Acceptances pursuant to the terms of the credit agreement dated April 21, 2011 between Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, (collectively, the "**Borrowers**" and each a "**Borrower**"), Canadian Imperial Bank of Commerce, as Agent, and the Lenders named therein (as amended, supplemented and restated from time to time, the "**Credit Agreement**"), the Canadian Borrower hereby appoints the Operating Lender (the "**Bank**"), acting by an authorized signing officer (the "**Attorney**") for the time being of the Bank's Branch of Account, the attorney of such Borrower:

(a) to sign for and on behalf and in the name of such Borrower as drawer, drafts in the Bank's standard form which are "depository bills" under and as defined in the Depository Bills and Notes Act (Canada) (the "**DBNA**") ("**Drafts**") drawn on the Bank payable to a "clearing house" under the DBNA or its nominee for deposit by the Bank with the "clearing house" after acceptance thereof by the Bank; and

(b) to fill in the amount, date and maturity date of such Drafts;

provided that such acts in each case are to be undertaken by the Bank in accordance with instructions given to the Bank by such Borrower as provided in this power of attorney.

Instructions to the Bank relating to the execution, completion, endorsement, discount, purchase and/or delivery by the Bank on behalf of the Canadian Borrower of Drafts which such Borrower wishes to submit to the Bank for acceptance by the Bank shall be communicated by the Agent in writing to the Attorney at the Bank's Branch of Account concurrently with delivery by such Borrower, pursuant to the provisions of: (i) Section 3.6 or 3.8 of the Credit Agreement, a Borrowing Notice by way of Bankers' Acceptances in the form of Schedule "B" to the Credit Agreement; or (ii) Section 3.12 of the Credit Agreement, a Conversion Notice in the form of Schedule "D" to the Credit Agreement. The instructions to the Bank shall specify the following information:

(a) a Canadian Dollar amount, which shall be the aggregate face amount of the Drafts to be accepted by the Bank in respect of a particular Borrowing, Conversion or Rollover; and

(b) a specified period of time, as provided in the Credit Agreement, which shall be the number of months after the date of such Drafts that such Drafts are to be payable, and the dates of issue and maturity of such Drafts.

The communication in writing to the Bank of the instructions referred to above shall constitute (a) the authorization and instruction of the Canadian Borrower to the Bank to complete and endorse Drafts in accordance with such information as set out above and (b) the request of such Borrower to the Bank to accept such Drafts and deposit the same with the "clearing house" against payment as set out in the instructions. The Canadian Borrower acknowledges that the Bank shall not be obligated to accept any such Drafts except in accordance with the provisions of the Credit Agreement.

The Bank shall be and it is hereby authorized to act on behalf of the Canadian Borrower upon and in compliance with instructions communicated to the Bank as provided herein if the Bank reasonably believes them to be genuine.

The Canadian Borrower hereby agrees to indemnify the Bank and its directors, officers, employees, affiliates and agents and to hold it and them harmless from and against any loss, liability, expense or claim of any kind or nature whatsoever incurred by any of them as a result of any action or inaction in any way relating to or arising out of this power of attorney or the acts contemplated hereby including the deposit of any Draft with the "clearing house"; provided that this indemnity shall not apply to any such loss, liability, expense or claim which results from the negligence or wilful misconduct of the Bank or any of its directors, officers, employees, affiliates or agents.

This power of attorney may be revoked at any time upon not less than fifteen (15) Business Days' written notice served in accordance with Section 14.6 of the Credit Agreement upon the Bank at its Branch of Account, provided that: (i) it may be replaced with another power of attorney forthwith on terms satisfactory to the Bank; and (ii) no such revocation shall reduce, limit or otherwise affect the obligations of the Canadian Borrower in respect of any Draft executed, completed, endorsed, discounted and/or delivered in accordance herewith prior to the time at which such revocation becomes effective. This power of attorney may be terminated by the Bank at any time upon not less than fifteen (15) Business Days written notice to the Canadian Borrower in accordance with Section 14.6 of the Credit Agreement. Any revocation or termination of this power of attorney shall not affect the rights of the Bank and the obligations of the Canadian Borrower with respect to the indemnities of such Borrower above stated with respect to all matters arising prior in time to any such revocation or termination.

This power of attorney is in addition to and not in substitution for any agreement to which the Bank and the Borrowers are parties.

This power of attorney shall be governed in all respects by the laws of the Province of Alberta and the laws of Canada applicable therein and the Canadian Borrower and the Bank hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of such jurisdiction in respect of all matters arising out of this power of attorney.

In the event of a conflict between the provisions of this Power of Attorney and the Credit Agreement, the Credit Agreement shall prevail. Capitalized terms used and not defined herein shall have the meanings given to them in the Credit Agreement.

Schedule "I" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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FORM OF ENVIRONMENTAL CERTIFICATE

TO: CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

RE: Credit Agreement dated April 21, 2011 among Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, (collectively, the "**Borrowers**" and each a "**Borrower**"), Canadian Imperial Bank of Commerce, as agent (the "**Agent**"), and the Persons party thereto as lenders from time to time (collectively, the "**Lenders**") (such Credit Agreement, as it may be amended, supplemented, modified or restated from time to time, referred to as the "**Credit Agreement**").

This Environmental Certificate is given pursuant to Section 8.1(d) of the Credit Agreement. Capitalized terms used herein and not otherwise defined herein have the meanings given to them by the Credit Agreement.

Each of the undersigned, **[•]**, being the **[•]** of Parallel Energy Inc., as trustee of the Canadian Borrower, and **[•]**, being the **[•]** of Parallel Energy GP LLC, being the General Partner of the U.S. Borrower respectively, hereby makes the following certifications in such capacity for and on behalf of the applicable Borrower and not in any personal capacity and without assuming any personal liability whatsoever:

1. The following certifications are made to the best of my knowledge after due enquiry. My due enquiry has been limited to discussions and correspondence with responsible officers and staff of the Loan Parties to confirm that the internal environmental reporting and response procedures of the Loan Parties have been followed in all material respects as they relate to the certifications made herein and that the matters herein set forth are true and correct and that matters reported on by such officers and staff are true and correct.

2. The certifications in paragraphs 3 through 8 are qualified as to any breach of or failure to comply with any Environmental Laws, provided that the breach or failure to comply has not had, or would not reasonably be expected to have (whether on an individual or cumulative basis), a Material Adverse Effect.

3. The property of the Loan Parties is owned, leased, managed, controlled or operated, in compliance with Environmental Laws.

4. There are no existing, pending or threatened (by written notice):

   (a) claims, complaints, notices or requests for information received from a Governmental Authority by any of the Loan Parties with respect to any alleged violation of or alleged liability under any Environmental Laws by any of the Loan Parties; or

(b) stop, cleanup or preventative orders, direction or action requests, notice of which has been received from an Governmental Authority by any of the Loan Parties relating to the environment which as a result thereof, requires any work, repair, remediation, cleanup, construction or capital expenditure with respect to any property owned, leased, managed, controlled or operated by any of the Loan Parties where any of the foregoing could reasonably be expected to result in Environmental Liabilities.

5. Except in compliance with Environmental Laws, no contaminant or other hazardous substance has been received, handled, used, stored, treated or shipped at or from, and there has been no discharge or Release of a contaminant or other hazardous substance at, on, from or under any property owned, leased, managed, controlled or operated by any of the Loan Parties where any of the foregoing could reasonably be expected to result in Environmental Liabilities.

6. None of the lands and facilities owned, leased, managed, controlled or operated by any of the Loan Parties have been used as a land fill site or, as a waste disposal site, except in compliance with Environmental Laws.

7. No condition exists at, on or under any of the premises or facilities owned, leased, managed, controlled or operated by any of the Loan Parties, which with the passage of time, or the giving of notice or both, has given rise to or would reasonably be expected to give rise to a violation of or liability under any Environmental Laws.

8. The Loan Parties have obtained and hold all permits, licenses and other authorizations (collectively the "**Permits**") which are required under Environmental Laws and are in material compliance with all terms and conditions of all Permits currently in effect..

THIS CERTIFICATE executed at Calgary, Alberta effective the ___ day of _______________, 20___.

PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, PARALLEL ENERGY INC.

Per: ______________________________________
Name:
Title:

PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, by its General Partner, PARALLEL ENERGY GP LLC

Per: ______________________________________
Name:
Title:

Schedule "J" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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FORM OF OIL AND GAS OWNERSHIP CERTIFICATE

TO: Canadian Imperial Bank of Commerce ("**CIBC**"), as Agent

RE: Credit Agreement (the "**Credit Agreement**") dated April 21, 2011 between Parallel Energy Commercial Trust, as Canadian Borrower, Parallel Energy Acquisitions LP, as U.S. Borrower, (collectively, the "**Borrowers**" and each a "**Borrower**"), and a consortium of lenders with Canadian Imperial Bank of Commerce, as Agent (as the same may be amended, renewed, extended, modified and/or restated from time to time, the "**Credit Agreement**")

This certificate is delivered pursuant to Section 3.5(c) of the Credit Agreement.

Each of the undersigned, **[•]**, being the **[•]** of Parallel Energy Inc., as trustee of the Canadian Borrower and **[•]**, being the **[•]** of Parallel Energy GP LLC, the General Partner of the U.S. Borrower, hereby certifies for and on behalf of the applicable Borrower and each Borrowing Base Subsidiary (collectively, the "**Borrowing Base Parties**") and not in any personal capacity and without assuming any personal liability whatsoever, as follows:

1. I have made or caused to be made due inquiries and review of all documents, correspondence and other material (the "**Title Enquiries**") relating to the hydrocarbons and lands or interests in lands (the "**Lands**") described in **[describe Engineering Reports]** with respect to the Borrowing Base Parties' proved plus probable reserves (collectively, the "**Engineering Reports**").

2. Based upon the Title Enquiries and after giving effect to the Bravo Acquisition, I have no knowledge, information or belief that there exists any provision in any agreement, contract or document pertaining to the Lands which prevents the Borrowing Base Parties, after giving effect to the Bravo Acquisition, from providing a Security Interest over such Lands to the Agent, for its own benefit and on behalf of the Lenders and the Swap Lenders or which would prevent the Agent from enforcing and realizing on such security in the event of a default thereunder other than the requirement to obtain the consent and/or waiver of a ROFR in the event of the sale of such Lands on the realization and enforcement of such security.

3. Based upon the Title Enquiries and after giving effect to the Bravo Acquisition, to the best of my knowledge, information and belief, the Borrowing Base Parties are, effective the date hereof, possessed of and are beneficial owners of the respective working, royalty and other interests set forth in the Engineering Reports with respect to the Lands, subject to any Minor Title Defects which, in the aggregate, would not reasonably be expected to have a Material Adverse Effect and to any Permitted Encumbrances

4. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, there is no default (by the Borrowing Base Parties or for which the Borrowing Base Parties are liable, including, without limitation, by any operation of the Lands) of payment of royalties in

connection with the Lands which have accrued due by reason of production since any royalty payment dates, as prescribed by statute or agreement, immediately preceding the date of this certificate which could reasonably be expected to have a Material Adverse Effect and no Borrowing Base Party nor any Person on behalf of a Borrowing Base Party (including, without limitation, any operator of the Lands) has received notice of default of any obligation imposed on it by any farmout, operating agreement or any other contract or agreement in respect of the Lands which, in any case, could reasonably be expected to have a Material Adverse Effect and, to the best of my knowledge, information and belief, based on the due and reasonable enquiries, there is no default of any such obligation which could reasonably be expected to have a Material Adverse Effect.

5. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, no Borrowing Base Party nor any Person on behalf of a Borrowing Base Party (including, without limitation, any operator of the Lands) has received notice of any claim adverse to a Borrowing Base Party's working, royalty and other interests in the Lands which if successfully asserted could reasonably be expected to have a Material Adverse Effect and there are no Liens or adverse claims, other than the Permitted Encumbrances, which affect the title of any Borrowing Base Party to their respective interests in the Lands which in any way could reasonably be expected to have a Material Adverse Effect.

6. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, there are at present no outstanding unfulfilled obligations being enforced under any lease or contract pertaining to the Lands which could reasonably be expected to have a Material Adverse Effect and any Borrowing Base Party's working, royalty and other interests in the Lands are not subject to any contractual obligations or conditions which are reasonably expected to result in the diminishment or forfeiture of any material working, royalty and other interests, except those, without duplication, which are not prohibited by the Credit Agreement or which are accounted for in the Engineering Reports.

7. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, all of the working, royalty and other interests of the Borrowing Base Parties in respect of petroleum and natural gas rights described in the Engineering Reports are accurately reflected in the Engineering Reports in all material respects.

8. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, all the historical data provided by each Borrowing Base Party to the independent petroleum engineer providing such Engineering Report for use in connection therewith was prepared from information reasonably believed to be complete and accurate in all material respects.

9. To the best of my knowledge, information and belief, based on the due and reasonable enquiries, all data in the possession of or available to each Borrowing Base Party which is material to the preparation of such Engineering Report has been made available to such independent petroleum engineer.

10. Capitalized words and phrases used herein and not otherwise defined herein have the meanings given to them in the Credit Agreement.

THIS CERTIFICATE executed at Calgary, Alberta effective the ___ day of _______________, 20___.

PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, by its trustee, PARALLEL ENERGY INC.

Per: ____
Name:
Title:

PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, by its General Partner, PARALLEL ENERGY GP LLC

Per: ____
Name:
Title:

Schedule "K" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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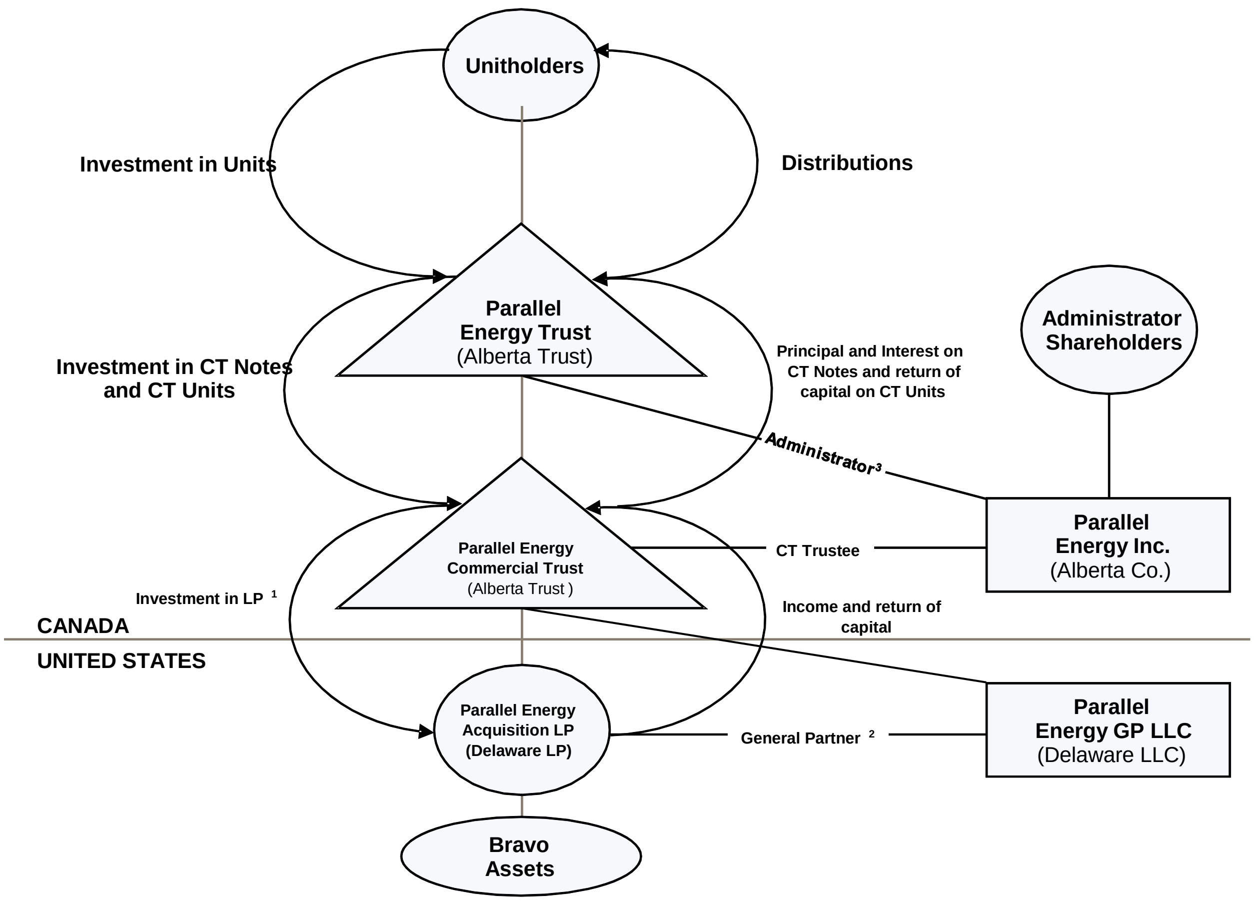
INFORMATION REGARDING LOAN PARTIES

Legal Name	Jurisdiction of Incorporation or Formation	Location of Chief Executive Office	Location of Business and Assets	Ownership
Parallel Energy Trust	Alberta	Alberta	Alberta	Public Trust
Parallel Energy Commercial Trust	Alberta	Alberta	Alberta	100% of trust units owned by Parallel Energy Trust
Parallel Energy Acquisitions LP	Delaware	Texas	Texas	99.999% interest owned by Parallel Energy Commercial Trust, as limited partner, and 0.001% interest owned by Parallel Energy GP LLC, as general partner
Parallel Energy GP LLC	Delaware	Texas	Texas	100% of interests owned by Parallel Energy Commercial Trust

ORGANIZATIONAL CHART OF PARALLEL ENERGY TRUST



Notes:

(1) A 99.999% interest in the Partnership.

(2) A 0.001% interest in the Partnership.

(3) Pursuant to the terms of the Administrative Services Agreement, the Administrator will perform all general and administrative services that are or may be required by the Trust on a simple cost reimbursement basis. Unitholders elect 100% of directors.

Schedule "L" to the Credit Agreement dated April 21, 2011 between PARALLEL ENERGY COMMERCIAL TRUST, as Canadian Borrower, PARALLEL ENERGY ACQUISITIONS LP, as U.S. Borrower, and a consortium of Lenders with CANADIAN IMPERIAL BANK OF COMMERCE, as Agent

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MATERIAL CONTRACTS

1. Trust Indenture
2. CT Indenture
3. Partnership Agreement
4. GP LLC Agreement
5. Administrative Services Agreement
6. CT Note Indenture
7. MGM Services Agreement
8. Voting Agreement
9. Development Agreement
10. Joint Operating Agreement