AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE BRAZEAU GAS PLANT COMPLEX

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

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HEAD DOCUMENT

Agreement for the Construction, Ownership and Operation of the BRAZEAU GAS PLANT COMPLEX

HEAD DOCUMENT

This Agreement is dated as of the 14th day of November, 2019 among:

TOURMALINE OIL CORP.

AND

TOPAZ ENERGY CORP.

WHEREAS Tourmaline was the original owner of the Facility;

AND WHEREAS Tourmaline sold, assigned, conveyed and transferred an interest in the Facility to Topaz pursuant to the Royalty, Facilities and Revenue Interests Sale Agreement;

AND WHEREAS the Owners desire to enter into an agreement to provide for the ownership and operation of the Facility upon such terms and conditions set forth herein;

The Owners hereby agree as follows:

ARTICLE I - INTERPRETATION

101. Definitions

All capitalized terms used herein shall have the meaning assigned in the Operating Procedure and, in addition, the following words and phrases shall have the following respective meanings, namely:

(a) "Annual Volume Commitment Agreement (Brazeau Facility)" means the Annual Volume Commitment Agreement (Brazeau Facility) dated November 14, 2019 between Tourmaline and Topaz, pursuant to which Tourmaline made an annual volume commitment to Topaz for the delivery of Owner's Substances to the Brazeau Facility.

(b) "Effective Date" means November 14, 2019;

(c) "Owner's Substances" means An Owner's or an Affiliates working interest or royalty share of production from any well that is delivered to the Facility and which meets the specifications set out in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS"; and

(d) "Royalty, Facilities and Revenue Interests Sale Agreement" means the Royalty, Facility Interest and Revenue Interests Sale Agreement dated November 14, 2019 between Tourmaline and Topaz, pursuant to which, inter alia, Tourmaline agreed to assign an interest in the Facility to Topaz.

102. Headings

The headings of the Articles and Clauses of this Agreement have been inserted for convenience of reference only and shall not affect the interpretation hereof.

103. References

Unless otherwise expressly stated the words "hereinbefore", "hereinafter", "hereunder", "herein", and "hereof" in the Head Document refer to the provisions of this Head Document and references to Articles, Clauses, Subclauses or Paragraphs in the Head Document refer to Articles, Clauses, Subclauses or Paragraphs of this Head Document.

104. Conflicts

If any provision contained in this Head Document conflicts with a provision contained in Exhibit "A", the provision in the Head Document shall prevail. If any provision contained in an Appendix conflicts with a provision contained in the Operating Procedure, the provision in the Operating Procedure shall prevail, except when using a defined term in the Appendix titled "ACCOUNTING PROCEDURE", in which case the meaning assigned to that term in the Appendix titled "ACCOUNTING PROCEDURE" shall prevail for the purposes of the Appendix titled "ACCOUNTING PROCEDURE". If there is a conflict between any provision in this Agreement and the Regulations, the Regulations shall govern, except that the allocation of responsibility for losses as provided herein (including, without restricting the generality of the foregoing, Article V of the Operating Procedure) shall govern the relationship of the Owners. If there is a conflict as provided above, the Head Document, the Operating Procedure or the Appendix, as the case may be, shall be modified accordingly to the extent necessary to resolve such conflict and, as so modified, shall continue in full force and effect.

ARTICLE II - EXHIBIT "A"

201. Exhibit "A"

Exhibit "A", being the Operating Procedure and a series of Appendices, which sets forth certain business and technical matters relating to Joint Operations, is attached hereto and forms part of this Agreement. Only the following Appendices, as indicated below, are part of this Agreement:

		FORMS PART OF THIS AGREEMENT AS APPENDIX NO.:
(a)	**"FACILITY PARTICIPATION"** which describes the Facilities which are subject to this Agreement and the ownership each Owner has in such Facility;	I
(b)	**"DESCRIPTION OF FACILITY, MAP AND SCHEMATIC"** which provides the descriptions which are necessary to identify the location of the Facility, the Functional Units and may also include schematic diagrams and maps related to the Facilities;	II
(c)	**"ACCOUNTING PROCEDURE"** which describes the costs and related credits the Operator is allowed to bill the Owners, which, in respect to Joint Operations conducted hereunder, the Operator has incurred on behalf of the Owners and certain other rights, obligations and limitations related to the Joint Account;	III
(d)	**"ORDER OF CAPACITY UTILIZATION"** which describes the manner in which Inlet Substances will be deemed to utilize each Owner's Capacity Ownership;	IV
(e)	**"STRUCTURE AND SHARING OF THE JOINT ACCOUNT "** which describes the structure of the Joint Account and sets forth the basis of sharing costs among the Owners and distributing fees among the Owners;	V
(f)	**"CAPACITY USAGE"** which describes, pursuant to Clause 604, nominal capacities, the priority to use capacity and the fees related to excess capacity usage by Owners and non-Owners;	VI
(g)	**"INSURANCE"** which describes the types, limits, responsibilities for carrying and similar insurance management matters pertaining to the Facilities and Joint Operations;	VII

(h) **"SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS"** VIII
which describes the specifications of Inlet Substances and Facility Products**;**

(i) **"FACILITY PRODUCT ALLOCATION PROCEDURE"**
which, subject to Articles VII and VIII of the Operating Procedure, describes the procedure for allocating Facility Products; IX

(j) **"MEASUREMENT"** X
which, subject to Article VII of the Operating Procedure, describes the procedures and responsibilities for measurement where such procedures and responsibilities are specific to measuring Inlet Substances, components of Inlet Substances and Facility Products within the Faciity, at the Facility Inlet and at the Facility Outlet;

(k) **"INVESTMENT VALUES"** XI
which is a record of Facility Capital Costs borne by the Owners;

(l) **"ENLARGEMENT"**
which describes the terms and conditions by which the Owners agree to have Operator proceed with an Enlargement, including the terms and conditions of Owner's participation; XII

(m) **"DISPUTE RESOLUTION"**
which describes the dispute resolution and arbitration processes to be followed by the Owners; XIII

(n) **"ENVIRONMENTAL MATTERS"**
which sets out the rights of the Owners and the responsibility of Operator to identify, report and react to environmental matters; XIV

(o) **"REQUIRED CAPACITY EXPENDITURE"**
which describes the terms and conditions by which the Owners agree to handle Required Capacity Expenditures, including the terms and conditions of Owners participation and resulting Facility Participation adjustments. XV

202. Amendment of Operating Procedure and Appendices

(a) Subject to Subclause 202(c) hereto, and Subclause 204(h) of the Operating Procedure, the Operating Procedure and the Appendices may only be revised, amended or replaced by the unanimous agreement of the Owners.

(b) An affirmative vote of Owners having a combined Facility Participation of one hundred percent (100%) and conducted in accordance with Clause 204 of the Operating Procedure, excepting thereout Subclause 204(b) therein, shall be deemed to constitute unanimous agreement between all of the Owners and each Owner, whether such Owner voted or was deemed to have voted, shall be bound thereby.

(c) The operation of this Clause shall not restrict the Operator from revising Appendices as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

(d) Operator shall provide each Owner with one copy of any revision, amendment or replacement in a timely manner.

ARTICLE III - PURPOSE OF THIS AGREEMENT AND THE FACILITY

301. Agreement Purpose

The purpose of this Agreement is to document the terms of ownership of the Facility and the allocation of Facility costs, provide terms for the operation of the Facility and set out the basis upon which a share of the Facility Products shall be allocated and distributed to each Person delivering Inlet Substances to the Facility Inlet.

302. Facility Purpose

The purpose of the Facility is to process Inlet Substances to obtain Facility Products to be delivered to the Facility Outlet for commercial sales.

ARTICLE IV - BASIS OF PARTICIPATION

401. Initial Participation

The Owners of the Facility agree that Facility Participation as of the Effective Date are as set out in the Appendix titled “FACILITY PARTICIPATION”.

402. Investment Values

Investment value as of the Effective Date shall be expressed in dollars and calculated by Operator. The investment value for the Facility is as indicated in the Appendix titled “INVESTMENT VALUES”.

403. Future Participation

The basis of participation in an Enlargement of the Facility shall be determined pursuant to Exhibit "A", under the Appendix titled "ENLARGEMENT".

ARTICLE V - COMMITMENT TO DELIVER TO THE FACILITY

501. Commitment to Deliver to the Facility

(a) **Alternate E** immediately below shall apply:

ALTERNATE A. Owner's Substances are hereby dedicated to the Facility.

ALTERNATE B. Owner's Substances produced from the wells listed under the Appendix titled "WELLS" are hereby dedicated to the Facility.

ALTERNATE C. Owner's Substances produced from the ____________ zone in the wells listed under the Appendix titled "WELLS" are hereby dedicated to the Facility.

ALTERNATE D. The Owners agree that there is no commitment to deliver Owner's Substances to the Facility.

ALTERNATE E. The Owners agree that there is no commitment to deliver Owner's Substances to the Facility, other than in connection with the Annual Volume Commitment Agreement (Brazeau Facility).

(b) Subject to the provisions of this Agreement, and unless excused by the Operating Committee or otherwise precluded from delivery under the Regulations, each Owner shall only be committed to deliver or cause to be delivered in accordance with alternate A, B, C or E of Clause 501(a) all of its Owner's Substances, up to **Alternate B** immediately below:

ALTERNATE A. such Owner's share of Capacity,

ALTERNATE B. the overall available surplus Capacity in the Facility, and the Operator shall accept all Owner's Substances if delivered within the specifications as set out in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS".

ARTICLE VI - OPERATIONS AND OPERATORSHIP

601. Initial Operator

The Owners hereby designate Tourmaline as the initial Operator and Tourmaline accepts such designation.

602. Operation of the Facility

The Facility shall be operated according to the terms of this Agreement.

603. Ownership

Each Owner shall own an undivided percentage interest in the Facility equal to its Facility Participation. Operator shall hold such interests in trust for the Owners subject to the provisions of this Agreement.

604. Capacity

(a) Each Owner shall have the right to use its Capacity Ownership. The Capacity and terms and conditions related to the use of Capacity shall be as set forth in the Appendix titled "CAPACITY USAGE".

(b) The Facility is designed for, and is deemed to have, an initial Capacity as shown in the Appendix titled "CAPACITY USAGE" to process Inlet Substances meeting the specifications initially set forth in the Appendix titled "SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS". The foregoing capacity may be redetermined under this Agreement and set forth in the Appendix titled "CAPACITY USAGE".

ARTICLE VII - EFFECTIVE DATE

701. Effective Date

Alternate A immediately below shall apply:

ALTERNATE A. This Agreement shall be effective on the Effective Date.

ALTERNATE B. This Agreement shall be effective on the Effective Date if on or before __________, 200_ Owners having Facility Participations totalling one hundred percent (100%), as set forth in Exhibit "A", under the Appendix titled "FACILITY AND FUNCTIONAL UNIT PARTICIPATION", have executed and delivered to the Operator one (1) counterpart of this Agreement. The Operator shall promptly notify all Owners of the Effective Date. If an Effective Date is not established by the first day of ________, 200_, this Agreement shall become null and void and cease to bind any person having executed same, unless the representatives of those proposed Owners who have then executed and delivered counterparts unanimously agree to extend the time.

ARTICLE VIII - PRIOR COMMITMENTS

801. Prior Commitments

The Owners hereby acknowledge that prior to the execution of this Agreement, Operator may have contracted with various parties for the design, construction and operation of the Facility. Subject to Clause 802, the Owners hereby acknowledge that any commitments, expenditures, covenants, obligations, duties, responsibilities, rights and agreements of Operator made, arising or incurred as a result thereof have been made, incurred or performed by the Operator on behalf of the Owners and the Owners hereby ratify and confirm the same and agree to be responsible for them in accordance with each Owner's Facility Participation, except to the extent that they arise from the Gross Negligence of the Operator.

802. Existing Conditions

Alternate C immediately below shall apply:

ALTERNATE A. Conditions existing prior to and excluded from the operation of Clause 801 which are not the responsibility of the Owners are specifically described herein as follows:

ALTERNATE B. Specific conditions existing prior to and included in the operation of Clause 801 which shall be the responsibility of the Owners are specifically described herein as follows:

ALTERNATE C. None

ARTICLE IX - OPERATING AND ACCOUNTING PROCEDURES

901. Operating Procedure

The Operating Procedure is the Operating Procedure contained in the 1999 PJVA Model Construction, Ownership and Operating Agreement and has been modified to meet the purposes of this Agreement.

902. Accounting Procedure

The Accounting Procedure is the 1996 PASC Accounting Procedure and has not been modified except as specifically noted in the Appendix titled "Accounting Procedure".

903. Prevailing Provisions

In the event that modifications are made to the Accounting Procedure and such modifications are not appropriately noted pursuant to Clauses 901 and 902 then the applicable provisions in the standard Accounting Procedure named in Clauses 901 and 902 are deemed to prevail.

ARTICLE X - NO AMENDMENT EXCEPT IN WRITING

1001. No Amendment Except in Writing

No amendment or variation of the provisions of this Head Document shall be binding upon any Owner unless and until it is evidenced in writing and executed by each of the Owners.

ARTICLE XI - AGREEMENT EXECUTION

1101. Execution in Counterpart

This Agreement may be executed in as many counterparts as are necessary and all executed counterparts shall constitute one Agreement.

The Operator shall promptly supply each Owner with copies of a full set of counterpart execution pages.

IN WITNESS WHEREOF the Owners have executed this Agreement each on the date shown above its execution hereof.

DATE: November 14, 2019

TOURMALINE OIL CORP.

Per: (signed) "*Brian Robinson*"
Brian Robinson
Vice President, Finance and Chief Financial Officer

Address for Service:

3700, 250-6th Ave. S.W.
Calgary, Alberta T2P 3H7

Attn: Brian Robinson
E-Mail: brian.robinson@tourmalineoil.com

DATE: November 14, 2019

TOPAZ ENERGY CORP.

Per: (signed) "*Scott Kirker*"
Scott Kirker
Secretary & General Counsel

Address for Service:

3700, 250-6th Ave. S.W.
Calgary, Alberta T2P 3H7

Attn: Scott Kirker
E-Mail: scott.kirker@tourmalineoil.com

This is the Execution Page of the Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

EXHIBIT "A" to

AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE BRAZEAU GAS PLANT COMPLEX

1999 OPERATING PROCEDURE

Petroleum Joint Venture Association

EXHIBIT "A" to

AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND OPERATION OF THE BRAZEAU GAS PLANT COMPLEX

Elections and Modifications to the 1999 Operating Procedure

(a) The following clauses of the Operating Procedure include the following elections, alternates, options or values:

101(j) Enlargement: one hundred thousand dollars ($100,000)

204 Voting Procedures:

(b) Negative Vote: fifty percent (50%); fifty percent (50%)

(e)(i) General Vote: two (2) or more Owners; sixty-five percent (65%)

(f) Removal of Operator: two (2) or more Owners; ninety percent (90%)

(f)(i) Removal of Operator: fifty percent (50%)

(g) Replacement of Operator: two (2) or more Owners; sixty-five percent (65%)

(h) Amendment of Appendices

The Appendices may be revised, amended or replaced from time to time in the following manner:

(i) Appendices I, II and XI as provided in Clause 202 (c) of the Head Document, Clauses 104 and 105 of Exhibit "A" and Article IX of Exhibit "A" hereof.

(ii) Appendices VII, VIII, IX, X, XII, XIII and XIV at the direction of the Operating Committee by an affirmative vote of two or more Owners having a combined Facility Participation of seventy percent (70%) or more.

(iii) Appendices III, IV, V, VI and XV at the direction of the Operating Committee by unanimous approval of all Owners.

602(b)(iii) Set-off: Alternate B

805 Distribution of Proceeds: **Alternate A**

(Complete one only of the following for the Alternate chosen for 805 above).

A: Two percent (2.0 %)

B: ___________ ($___/$m^3$); ___________ ($___/10^3m^3); ____________ ($___/t)

C: ____________ ($___)

901 Disposal of Interest: Alternate C

902 Unrestricted Disposal:

(d) shall **X** / shall not ___apply

(e) shall ___/ shall not **X** apply

1109 Statute of Limitations

(a) For claims displosed by an audit: two (2) Years
(b) For all other claimes: four (4) Years

(b) If any provision contained in the Operating Procedure conflicts with a provision contained in this Elections and Modifications Form, the provision in the Elections and Modifications Form shall prevail.

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

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Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

1999 OPERATING PROCEDURE

ARTICLE I
INTERPRETATION

101. Definitions

All capitalized terms used herein shall have the meaning assigned in the Head Document and the Accounting Procedure, and, in addition, the following words and phrases shall have the following respective meanings, namely:

(a) "Accounting Procedure" means the Appendix titled "ACCOUNTING PROCEDURE";

(b) "Affiliate" means, with respect to any Owner, any other Person which is affiliated with such Owner, and for the purposes hereof:

(i) two Persons will be considered to be affiliated with one another if one (1) of them controls the other, or if both of them are controlled by a common third Person, and

(ii) one (1) Person will be considered to control another Person if it has the power to direct or cause the direction of the management and policies of the other Person, whether directly or indirectly, through one (1) or more intermediaries or otherwise, and whether by virtue of the ownership of shares or other equity interests, the holding of voting rights or contractual rights, or otherwise;

(c) "Agreement" means the Head Document together with the Operating Procedure and the Appendices;

(d) "Appendix" means any of the appendices (as amended) attached to the Operating Procedure, as indicated in Article II of the Head Document;

(e) "Capacity" means the daily volumetric handling capability of the Facility, as set forth initially in the Appendix titled “CAPACITY USAGE” and as may be redetermined under this Agreement;

(f) "Capacity Ownership" means an Owner's share of Capacity equal to its Facility Participation;

(g) "Capital Costs" means all expenditures incurred in connection with the Facility, any Modification or Enlargement and any other expenditures so designated by the Operating Committee;

(h) "Day" means a period commencing at 0800 hours on any calendar day and ending at 0800 hours on the immediately next succeeding calendar day, or at such other time as may hereinafter be set by the Operating Committee;

(i) "Effective Date" has the meaning ascribed to it in the Head Document;

(j) "Enlargement" means an expansion, addition or enhancement to the Facility that increases the Capacity of the Facility and has a total installed cost of one hundred thousand dollars ($100,000) or more, and is required to process, treat or handle, as the case may be, additional volumes of Inlet Substances or the components thereof, in excess of an Owner’s Capacity Ownership in the Facility;

(k) "Exhibit "A"" means this Operating Procedure and the Appendices;

(l) "Facility" means all real and personal property of every nature and kind attached to, forming part of or used in connection with Joint Operations, maintained and held by Operator in accordance with this Agreement and as described under the Appendix titled "DESCRIPTION OF FACILITY, MAP AND SCHEMATIC";

(m) "Facility Inlet" means the point at which Inlet Substances first enter the Facility;

(n) "Facility Outlet" means the point at which Facility Products leave the Facility;

(o) "Facility Participation" means the percentage voting interest of each Owner as set forth opposite such Owner's name under the Appendix titled "FACILITY PARTICIPATION";

(p) "Facility Products" means all substances recovered from the processing or handling of Inlet Substances in the Facility, which are available for delivery from the Facility, excluding such substances as are unavoidably lost, consumed as fuel or flared in Joint Operations;

(q) "Fixed Operating Costs" means those Operating Costs that do not vary with production or throughput volume, such as, but not limited to, property taxes, insurance and surface lease rentals;

(r) "Forecast" means a written statement, initiated by Operator, of the Joint Operations which are anticipated to be conducted during the Forecast Period, together with a written statement of the estimated expenditures to be made in connection with such Joint Operations;

(s) "Forecast Period" means a period of one (1) Year, provided that if this Agreement does not come into effect as of the beginning of a Year, the first such period for the Year in which this Agreement comes into effect shall comprise the portion of such Year remaining after this Agreement comes into effect;

(t) "Gross Negligence" means:

(i) a marked and flagrant departure from the standard of conduct of a reasonable person acting in the circumstances at the time of the alleged misconduct, or

(ii) such wanton and reckless conduct or omissions as constitutes in effect an utter disregard for harmful, foreseeable and avoidable consequences,

provided that Gross Negligence shall not include any act or omission, insofar as it was done or omitted to be done in accordance with the instructions or express concurrence of the Operating Committee;

(u) "Head Document" means the agreement to which this Exhibit "A" is attached;

(v) "Inlet Substances" means Owner's Substances and Outside Substances;

(w) "Joint Account" means the account set up pursuant to Clause 601 showing the charges paid and credits received as a result of Joint Operations and which are to be shared by the Owners in accordance with the terms of this Agreement;

(x) "Joint Operations" means all activities resulting in Capital Costs, Operating Costs and all other activities undertaken in connection with the Facility, where such activities are conducted for the Joint Account under the terms of this Agreement;

(y) "Market Price" means the price at which Facility Products are to be sold pursuant to Article VIII if an Owner does not take its share of Facility Products in kind and separately dispose of the same, which price is not unreasonable having regard to market conditions applicable to similar production in arm's length transactions at the time of such disposition, including, without restricting the generality of the foregoing, such factors as the volumes available, the kind and quality of Facility Products to be sold, the effective date of the sale, the term of the sale agreement, the point of sale of the Facility Products and the type of transportation service available for the delivery of the Facility Products to be sold;

(z) "Modification" means an expansion, addition or enhancement to the Facility that is not an Enlargement;

(aa) "Month" means a calendar month, commencing at the beginning of the first Day thereof and ending at the last Day thereof, or at such other times as may hereafter be set by the Operating Committee;

(bb) "Non-Operator" means an Owner other than Operator;

(cc) "Operating Committee" means the committee composed of the duly authorized representatives of each of the Owners, established pursuant to Article II of the Operating Procedure;

(dd) "Operating Costs" means all costs and expenses, except Capital Costs, incurred in connection with the testing, operation, repair and maintenance of the Facility;

(ee) "Operating Procedure" means Exhibit "A", excluding the Appendices;

(ff) "Operator" means the Owner so designated under the Head Document or such other Owner as subsequently may be designated by the Operating Committee;

(gg) "Outside Substances" means those Inlet Substances which are not Owner's Substances;

(hh) "Owner" means a party to this Agreement;

(ii) "Owner's Substances" has the meaning ascribed to it in the Head Document;

(jj) "Person" means an individual, firm, body corporate, partnership or other legal entity, as the case may be;

(kk) "Regulations" means all statutes, laws, rules, orders and regulations in effect from time to time (including any amendments thereto or replacements thereof) and made by governments or governmental boards or agencies having jurisdiction over the Facility or Joint Operations;

(ll) "Required Capacity Expenditure" means an expenditure that is required by the Operator to maintain the Inlet Substances capacity of the Facility as provided in Table I of the Appendix "CAPACITY USAGE"

(mm) "Surplus Capacity" means that portion of the Capacity which is available from time to time, but which is not being utilized in accordance with the provisions of Appendix IV;

(nn) "Topaz" means Topaz Energy Corp.;

(oo) "Tourmaline" means Tourmaline Oil Corp.;

(pp) "Variable Operating Costs" means those Operating Costs that remain after excluding Fixed Operating Costs and that vary with throughput volume of Inlet Substances; and

(qq) "Year" means a calendar year, commencing at the beginning of the first Day of January and ending at the last Day of December, or at such other times as may hereafter be set by the Operating Committee.

102. References

Unless otherwise expressly stated:

(a) the words "hereinbefore", "hereinafter", "hereunder", "herein", and "hereof" in the Operating Procedure refer to the provisions of this Operating Procedure, and references to Articles, Clauses, Subclauses or Paragraphs in the Operating Procedure refer to Articles, Clauses, Subclauses or Paragraphs of this Operating Procedure;

(b) whenever the singular, masculine or neuter is used in this Agreement, the same shall be construed as meaning plural or feminine or body politic or corporate or vice versa, as the context so requires;

(c) all times referred to in this Agreement are in respect of time for the applicable time zone or legislated method of determining time for the area in which the Facility is located;

(d) all references to "dollars" or "$" in this Agreement shall mean the lawful currency of Canada, and all payments and receipts shall be made and recorded in lawful currency of Canada;

(e) wherever the phrase "within" or "at least" is used with reference to a specific number of Days herein, the Day of receipt of the relevant notice or the Day of the relevant event shall be excluded in determining the applicable time period. However, if the time for doing any act expires on a Saturday, Sunday or statutory holiday in either the Province of Alberta or Canada, the time for doing that act shall be extended to the next normal business Day, except as prescribed in the Accounting Procedure with respect to the payment of billings; and

(f) all conversions between Imperial units and Systems International (metric) units required to be made pursuant to this Agreement shall be conducted utilizing the conversion factors prescribed in the publication entitled "Metric Practice Guide for the Petroleum and Natural Gas Industry and Services, Fifth Edition, 1989", as may be amended or supplemented from time to time.

103. Derivatives

If a term is defined, a derivative of that term shall have a corresponding meaning unless the context otherwise requires.

104. Correction of Appendices

If Operator becomes aware of a mistake or mechanical error in the Operating Procedure or an Appendix, Operator shall prepare a corrected Operating Procedure or Appendix and supply each Owner with a copy thereof.

105. Revision of Exhibit "A"

(a) This Operating Procedure may be revised, amended or replaced by a vote of the Operating Committee in accordance with Clause 202 of the Head Document.

(b) Appendices shall be revised by Operator as provided for under this Agreement, and when required, to accurately reflect routine consequential changes, such as Facility Participations and amalgamations.

106. Effective Time of Exhibit "A"

Except as otherwise expressly provided in this Agreement:

(a) subject to Subclause 106 (b), any revised Operating Procedure or Appendix shall be effective in its revised or amended form as of the time specified by the provision of this Agreement allowing such revision or amendment, or if no such time is specified, such revised or amended Operating Procedure or Appendix shall be effective as of the first Day of the Month next following the date that all required documentation was received by Operator or on such other date or time as directed by the Operating Committee; and

(b) any Appendix which is corrected pursuant to Clause 104, to rectify an error therein, shall, unless otherwise directed by the Operating Committee, be effective in its corrected form as of the date on which the incorrect version of the Appendix would have been effective, and the incorrect version of the Appendix shall be deemed conclusively never to have been effective.

107. Revised Appendices Deemed Correct

Subject to the provision set forth in Subclause 106 (b), each Appendix, and each revised or corrected version thereof, shall for purposes of this Agreement be deemed conclusively to be correct and binding on the Owners from the time at which it becomes effective until the time at which a revised or corrected version thereof becomes effective.

108. Identification of Revised Appendices

Revised and corrected versions of Appendices shall be numbered consecutively, shall indicate the date on which they become effective, shall reference the ballot issued to the Operating Committee for approval, if applicable, and shall indicate whether they are revised or corrected versions of an Appendix, or both.

109. Preparation and Distribution of Revised Appendices

Each time that an Appendix is to be revised or corrected pursuant to this Agreement, Operator shall effect the required revisions or corrections in a timely and diligent manner and shall provide each Owner with one (1) copy of the revised or corrected version of the Appendix.

ARTICLE II
SUPERVISION AND CONTROL OF JOINT OPERATIONS

201. Operating Committee

The Owners shall form an Operating Committee composed of their duly appointed representatives to supervise and control all Joint Operations. As soon as possible after the Effective Date, each Owner shall notify Operator in writing of the names and addresses of its primary representative and one (1) or more alternate representatives. The representative of an Owner shall be deemed to have full power and authority to represent and bind such Owner with respect to all matters within the power of the Operating Committee, and all acts done by such representative in such capacity shall be deemed to be the acts of the Owner appointing such representative. An alternate representative shall have full power to act for an Owner in the absence of the primary representative. An Owner may change any of its representatives from time to time by written notice to Operator. Two (2) or more Owners may appoint the same Person as their representative, who shall in such cases, cast a separate vote for each Owner being represented.

202. Chairman

The representative of the Operator shall be the chairman of the Operating Committee.

203. Powers

The Operating Committee shall, in accordance with the terms of this Agreement, exercise overall supervision and control of and shall determine all matters of importance relating to Joint Operations, except for those matters:

(a) specifically designated in this Agreement to be within the exclusive jurisdiction and control of Operator; or

(b) specifically excluded in this Agreement from the jurisdiction and control of the Operating Committee.

204. Voting Procedure

Subject to Clause 208, the Operating Committee shall determine all matters properly coming before it by vote, in accordance with the following voting procedure:

(a) Voting Interest

For the purpose of determining the number of Owners having voted or deemed to have voted on any matter pursuant to this Article II, Owners who are Affiliates of each other and who vote the same in respect of a matter hereunder shall be deemed to be one (1) Owner only.

Except as may otherwise be provided in this Agreement, each Owner shall have a voting interest equal to its Facility Participation.

Notwithstanding Subclause 204 (c), if an Owner is precluded from voting pursuant to Paragraph 602 (b) (ii), the voting interest of each non-defaulting Owner shall be revised so as to bear the same ratio to the other as do their Facility Participations, so that the voting interests of all non-defaulting Owners equals one hundred percent (100%).

(b) Negative Vote

Notwithstanding Subclause 204 (e) and (h), but subject to Subclauses 204 (f), (g) and (i), no single Owner shall be able to defeat a vote on a matter, unless such Owner's voting interest with respect to such matter is greater than fifty percent (50%), and if a single Owner with a voting interest of fifty percent (50%) or less is the only Owner voting negatively on a matter, such Owner shall be shown to have voted negatively in recording the results of the vote, but such matter shall be conclusively deemed carried in the affirmative.

(c) Deemed Vote

Subject to Subclauses 204 (f), (g) and (i), an Owner who does not vote or abstains from voting on any matter shall be conclusively deemed to have voted in the affirmative on the matter. In recording the result of a vote, such Owner shall be shown as having abstained from voting, been absent from the meeting in which such vote was taken, if applicable, or otherwise having failed to vote on such matter, as the case may be.

(d) Effect of Vote

A determination of a matter by the vote of the Owners in accordance with the provisions of this Agreement shall be binding upon all of the Owners, except as otherwise provided in this Agreement.

(e) General Vote

Except as otherwise provided herein, a matter being voted on by the Operating Committee shall be decided by the affirmative vote of:

(i) Two (2) or more Owners having a combined Facility Participation of sixty-five percent (65%) or more, if such matter materially affects or involves the entire Facility.

(f) Vote for Removal of Operator

Operator may be removed by the affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety percent ((90%) or more of the remaining Facility Participation, after excluding the Facility Participations of Operator and its Affiliates, provided that:

(i) subject to Clause 303 and Subclause 602 (e), Operator may not be removed by a vote of the Operating Committee if Operator and its Affiliates collectively hold Facility Participations totalling fifty percent (50%) or more, and

(ii) the provisions of Subclauses 204 (b) and (c) shall not apply to a vote taken under this Subclause 204 (f).

(g) Vote for Replacement Operator

A successor Operator that consents to assume all the duties and obligations of Operator shall be appointed by an affirmative vote of two (2) or more Owners having a combined Facility Participation of sixty-five percent (65%) or more. In voting on the appointment of a successor Operator, the departing Operator and its Affiliates shall not be entitled to vote to have the departing Operator or any of its Affiliates succeed the departing Operator. In addition:

(i) should more than one (1) potential successor Operator be voted on, the potential successor Operator that receives the greatest combined Facility Participation vote shall be the successor Operator, and the requirement for the specified number of Owners voting in the affirmative and the provisions of Subclauses 204 (b) and (c) shall not apply; and

(ii) should two (2) or more potential successor Operators receive an equal Facility Participation voting percentage, the potential successor Operator holding the largest Facility Participation shall be the successor Operator.

(h) Amendment of Appendices

The Appendices may be revised, amended or replaced from time to time in the following manner:

(i) Appendices I, II and XI as provided in Clause 202 (c) of the Head Document, Clauses 104 and 105 of Exhibit "A" and Article IX of Exhibit "A" hereof.

(ii) Appendices VII, VIII, IX, X, XII, XIII and XIV at the direction of the Operating Committee by an affirmative vote of two or more Owners having a combined Facility Participation of seventy percent (70%) or more.

(iii) Appendices III, IV, V, VI, and XV at the direction of the Operating Committee by unanimous approval of all Owners.

(i) Vote for Termination of Agreement

Subject to the provisions of Article X, this Agreement may be terminated by the affirmative vote of two (2) or more Owners having a combined Facility Participation of ninety percent (90%) or more; provided that the provisions of Subclauses 204 (b) and (c) shall not apply to a vote taken under this Subclause.

(j) Vote by Proxy

An Owner may appoint a proxy to attend any meeting on its behalf. Such proxy appointment shall be by written instrument signed by the Owner, setting forth the extent of the authority granted to the proxy holder. A proxy appointment shall not be effective unless such instrument is deposited with the chairman of the Operating Committee prior to or during the first meeting in respect of which such proxy has been appointed to attend. An Owner who has submitted an instrument appointing a proxy may revoke such instrument at any time prior to the commencement of or during any meeting to which the proxy appointed thereby is to attend, provided that the revocation of an appointment of proxy during a meeting shall not apply to any vote conducted during that meeting prior to the revocation of that appointment. In addition to revocation in any other manner permitted by law, an instrument appointing a proxy shall be deemed to be automatically revoked for a meeting to which the proxy appointment relates, insofar as the Operating Committee representative of the Owner who appointed the proxy attends that meeting.

(k) Vote by Notice

(i) An Owner not represented at a meeting may vote on any matter on the agenda by prior written notice to Operator, indicating the position of such Owner regarding such matter.

(ii) Operator may, without calling a meeting, call for a vote on any matter by submitting such matter, together with reasonable details regarding the same, to each Owner by mail ballot notice. Each Owner shall, by notice to Operator, cast its vote within fifteen (15) Days from the date of deemed receipt of such mail ballot notice by the Owners. Such vote shall be binding, unless, within seven (7) Days after sending such mail ballot notice, Operator calls a meeting or is requested to call a meeting to consider the matter in accordance with Clause 205. Operator shall promptly notify the Owners of the result of such vote after the expiry of such fifteen (15) Day period.

(iii) All mail ballots shall be numbered consecutively. Such numbering shall include the Year in which the mail ballot is issued.

205. <u>Meetings</u>

The following procedures shall apply to meetings of the Operating Committee:

(a) The Operating Committee shall hold meetings whenever called by Operator. Operator may call a meeting at any time and from time to time on its own motion. One (1) or more Owners having Facility Participations totalling five percent (5%) or more shall have the right to request the Operator to call a meeting to deal with specific stated items. Operator shall issue the notice of such meeting within ten (10) Days of receipt of a written request by an Owner, and the meeting shall be held within thirty (30) Days of receipt by Operator of such request.

(b) At least ten (10) Days' notice of each meeting shall be given to each Owner, unless all of the Owners agree in writing or by vote at a meeting, to waive or shorten such notice period. Notice of any meeting shall be accompanied by an agenda together with reasonable details of the matters on the agenda and any motions to be voted on at the meeting. Any Owner shall have the right to require Operator to place an item on the agenda for such meeting, provided such item and reasonable details sufficient to enable the Owners to consider beforehand the nature of such item shall be furnished to the other Owners by such Owner within five (5) Days of the date of deemed receipt of the notice of such meeting. A motion not contained in the agenda or an amendment to be made to a motion which is contained in the agenda shall not be voted on at a meeting unless all of the Owners, whether or not present at such meeting, agree to add or amend such motion.

(c) Motions voted on at a meeting shall be numbered in accordance with Paragraph 204 (k) (iii).

(d) A representative of any Owner attending a meeting of the Operating Committee may be accompanied by a reasonable number of advisors, and the chairman may be accompanied by such additional attendees as are required to record the minutes of the meeting or otherwise assist in the conduct thereof.

(e) All meetings of the Operating Committee shall be held at the office of the Operator or at such other place as the Operating Committee may decide.

206. Minutes

Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each Owner within thirty (30) Days of the date of such meeting. The minutes shall contain the names of all Owners' representatives present at the meeting, indicating their capacity and the Owners that they represent, a description of the matters reviewed, the result of any vote and any dissenting Owner opinion. The minutes for any Operating Committee meeting shall be deemed to be correct as written and distributed, unless an Owner receiving the minutes gives Operator notice of an error or omission regarding such minutes within thirty (30) Days of the date upon which such minutes were sent to the Owners. Upon receiving such a notice:

(a) Operator shall promptly correct and re-issue the minutes if Operator agrees with the claim of an error or omission; or

(b) Operator shall promptly submit the matter to the Operating Committee for resolution by a vote in accordance with Subclause 204 (e) if Operator does not agree with the claim of an error or omission.

Any revised version of the minutes shall be deemed to replace all prior versions of the same and shall be deemed correct as written and distributed, subject to the terms of this Clause, which shall apply to such revised version of the minutes as if they were the original version of the same.

207. Reduction in Owners

Subject to Clause 208, if the number of Owners having a Facility Participation decreases after the Effective Date to a level equal to or less than the minimum number of Owners required to determine a matter under Subclause 204 (e), (f), (g), (h) or (i), the minimum number of Owners required to determine a matter shall always be one less than the number of Owners entitled to vote.

208. Unanimous Approval

If and for so long as there are only two (2) Owners for voting purposes, Subclauses 204(b), (e), (f), (g), (h) and (i) shall not have any effect, and all matters coming before the Operating Committee shall be determined by the unanimous approval of the representatives of the Owners. At any time where unanimous approval cannot be reached in respect of any matter, either Owner may invoke the provisions of the Appendix titled "DISPUTE RESOLUTION", to resolve such matter.

209. Subcommittees

The Operating Committee may from time to time establish subcommittees to deal with defined mandates as provided by the Operating Committee. Any such subcommittee shall not have any powers of supervision or control, but shall only be entitled to report and make recommendations to the Operating Committee.

210. Enlargement

Any Enlargement shall be approved and conducted in accordance with the Appendix titled "ENLARGEMENT".

211. Environmental Matters

The Appendix titled “ENVIRONMENTAL MATTERS” shall only be effective from the first Day of the Month next following execution of this Agreement by one hundred percent (100%) of the Owners, and shall not apply prior to such date.

212. Required Capacity Expenditure

Any Required Capacity Expenditure will be conducted in accordance with the Appendix titled "REQUIRED CAPACITY EXPENDITURE"

ARTICLE III
APPOINTMENT AND REPLACEMENT OF OPERATOR

301. Assumption of Duties of Operator

Operator named in the Head Document, and any succeeding Operator appointed hereunder, shall assume the duties and obligations of Operator hereunder and shall have all the rights of Operator hereunder.

302. Resignation of Operator

Operator may resign as Operator on giving each of the Owners a minimum of ninety (90) Days' notice of its intention to do so, provided that such resignation shall be effective at the end of a Month.

303. Replacement of Operator

Operator shall immediately cease to be Operator in the circumstances described in Subclauses (a) and (b) below and in all circumstances described in this Clause a replacement Operator appointed pursuant to Clause 304, if:

(a) Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership or a receiver/manager or Person filling that role is appointed with respect to its property, seeks debtor relief protection under applicable legislation (including, without restricting the generality of the foregoing, the Bankruptcy and Insolvency Act of Canada and the Companies' Creditors Arrangement Act of Canada) or permits any judgement to be registered against its interest in the Facility or any portion thereof, and without restricting the generality of the foregoing, an Operator shall be deemed insolvent for the purposes of this Clause if it is unable to pay its debts as they fall due in the usual course of business;

(b) subject to Clauses 307 and 402, Operator assigns or attempts to assign its general powers and responsibilities of supervision and management as Operator hereunder, unless such assignment is to an Affiliate of Operator who is also an Owner;

(c) the Operating Committee votes pursuant to Subclause 204 (f) to remove Operator and such motion is carried;

(d) Operator ceases to be an Owner; or

(e) Operator resigns pursuant to this Article.

304. Appointment of Successor Operator

(a) Interim Operator

Upon Operator resigning or otherwise ceasing to be Operator and until a replacement Operator is appointed, the Owner with the largest Facility Participation, excluding the Facility Participation of the departing Operator and any Affiliate of the departing Operator, shall automatically become the interim Operator. The interim Operator shall immediately cease to be interim Operator upon the appointment of a replacement Operator.

(b) Appointment

If an Operator resigns or otherwise ceases to be Operator, a successor Operator shall be appointed by the Operating Committee. An interim Operator is not disqualified from being elected as the successor Operator.

(c) Two Party Agreement

Notwithstanding Subclauses 204 (g), 304 (a) and (b), if there are only two (2) Owners and Operator resigns or otherwise ceases to be Operator, the Owner who was not Operator previously shall automatically become Operator effective the date that the previous Operator ceases to be Operator, unless, in the case of an assignment by Operator of its Facility Participation pursuant to Article IX, that Owner agrees in writing to allow Operator's assignee to become Operator.

(d) Consent

Subject to Subclauses 304 (a) and (c), no Owner shall be appointed as Operator unless it has given its written consent to the appointment.

(e) Re-appointment

No provision of this Article shall be construed to re-appoint as next-succeeding Operator an Operator who has ceased to be Operator or any Affiliate of that former Operator, except with the unanimous consent of the Owners.

(f) Effective Time

Except as otherwise determined by the Operating Committee, the appointment of a successor Operator (including an automatic appointment as Operator pursuant to the terms of this Article), shall be effective immediately upon the previous Operator ceasing to be Operator.

305. Transfer of Property on Change of Operator

At the effective date of the resignation or replacement of an Operator as provided in this Article, Operator being replaced shall immediately deliver to the successor Operator possession and control of:

(a) the Facility;

(b) any and all funds held for the Joint Account;

(c) any and all Inlet Substances and Facility Products, if any, which have not been delivered in kind;

(d) all Material held for the Joint Account;

(e) copies of books of account and records kept for the Joint Account; and

(f) all documents, agreements and other papers relating to property transferred hereunder.

Upon compliance with such obligation, the departing Operator shall be released and discharged from, and the successor Operator shall assume, all duties and obligations of Operator, except those unsatisfied duties and obligations of the departing Operator which had accrued prior to the effective date of the change of Operator, for which the departing Operator shall continue to remain liable. If the departing Operator holds any real or personal property on behalf of the Owners, such property shall continue to be held by the departing Operator in trust for the Owners until title and possession of such property has been transferred to the successor Operator in trust for the Owners.

306. Inventory and Audit of Accounts on Change of Operator

Subject to Clause 307, within ninety (90) Days after the successor Operator commences to act as Operator, the Operating Committee may cause an audit to be made of the books of account and records kept for the Joint Account and may cause an inventory of Controllable Material to be taken. The cost of the audit and inventory shall be for the Joint Account.

307. Assignment of Operatorship

If Operator wishes its assignee to replace it as Operator after having disposed of all or a portion of its Facility Participation to such assignee pursuant to Article IX, such assignee shall have the right to become Operator if it is an Affiliate of Operator or, if it is not an Affiliate of Operator, if the Operating Committee approves that it shall become Operator.

ARTICLE IV
FUNCTIONS AND DUTIES OF OPERATOR

401. Control and Management of Joint Operations

Operator shall consult with the Operating Committee from time to time with respect to decisions to be made for the conduct of Joint Operations, and Operator shall keep the Owners informed in a timely manner with respect to important or significant Joint Operations. Operator is hereby delegated the management of the Facility on behalf of the Owners and shall, subject to the direction of the Operating Committee, conduct or cause to be conducted all Joint Operations diligently, in a good and workmanlike manner, in accordance with good oil field and environmental practice, the Regulations and the terms of this Agreement. In the absence of specific instructions from the Operating Committee, Operator shall conduct or cause to be conducted, all Joint Operations, as would a prudent operator under the same or similar circumstances. Without limiting the generality of any of the foregoing provisions of this Clause, Operator shall conduct and oversee all Joint Operations, and in particular shall:

(a) make and file all reports as required by governmental authorities relating to Joint Operations;

(b) maintain in the Province of Alberta complete and accurate accounts, books, records and documents in relation to the Facility and Joint Operations and provide each Owner with reasonable access thereto;

(c) provide Owners with reports as required and on a frequency and containing the information about Joint Operations as directed by the Operating Committee;

(d) on behalf of the Owners, complete all applications and obtain all licenses and approvals required by Regulations to conduct Joint Operations;

(e) promptly pay and discharge all expenses and taxes (other than income taxes) incurred in connection with Joint Operations and keep the Facility free and clear from all adverse claims and liens occasioned by Joint Operations, except claims or liens created under or pursuant to this Agreement or being contested in good faith;

(f) acquire and maintain all necessary surface rights, Material and services required to conduct Joint Operations and where Operator deems appropriate, use its own equipment and facilities to serve such operations, subject to the Accounting Procedure;

(g) procure and maintain for the Joint Account the insurance set forth in the Appendix titled "INSURANCE" and use reasonable efforts to require contractors and subcontractors to procure and maintain such insurance as Operator deems necessary;

(h) comply with and, where applicable, require its agents, contractors and their subcontractors to comply with Regulations governing Joint Operations;

(i) subject to Clause 402, subcontract such portion of Joint Operations as Operator deems appropriate;

(j) furnish each Owner as soon as practicable with written notice of:

(i) physical damage to the Facility in excess of Operator's expenditure limit as provided in the Accounting Procedure; and

(ii) any environmental, health, safety or other occurrence which is required to be reported under any Regulation and which either requires remediation costs exceeding the single expenditure limit set forth in the Accounting Procedure or could result in a punishable offence under the Regulations;

(k) extend to each Owner, at that Owner's sole risk and expense, the right to examine and inspect the Facility at all reasonable times in the presence of a representative of Operator and after giving Operator reasonable notice, except for portions of the Facility which are proprietary to a licensor to the extent that such licensor expressly prohibits examinations and inspection by such Owner; and

(l) prepare and submit to the Operating Committee for approval the Forecasts provided for in Clause 605;

provided further that, during Initial Construction of the Facility or any Enlargement or Modification, Operator shall also:

(m) carry out or cause the construction of the Facility and any Enlargement or Modification;

(n) contract with such Persons as Operator may deem appropriate for the performance of such work or undertaking, or any portion thereof;

(o) supervise all work related to such construction;

(p) acquire all Material required for such construction and the commencement and continuation of Joint Operations;

(q) supervise and have direct charge of all matters regarding design, construction and installation of the Facility and any Enlargement or Modification; and

(r) provide Owners with reports as required and on a frequency, and containing the information about construction, a Modification or an Enlargement as directed by the Operating Committee;

402. Subcontracting

Provided that Operator is not in default or in the process of being replaced pursuant to Clause 303, Operator may subcontract all or substantially all of its duties and responsibilities to a reliable and competent third party subcontractor or an Affiliate of Operator, with the approval of and on terms approved by the Operating Committee, provided that Operator retains full control and supervision of such subcontractor or Affiliate and that any third party subcontractor is retained on a genuine arm's length basis. It shall be a condition of such subcontracting that the Owners have the right to audit the books and records of the third party subcontractor or Affiliate with respect to its subcontracting activities hereunder on the same terms and conditions as provided under the Accounting Procedure to audit Operator.

403. Operator as an Owner

Operator shall have all of the rights and obligations of an Owner with respect to its Facility Participation.

404. Independent Status of Operator

Operator is an independent contractor in conducting Joint Operations. Operator shall determine the number of employees and contractors respecting its operations, their selection, their hours of labour and their compensation hereunder. All employees and contractors used in its operations hereunder shall be the employees and contractors of Operator.

405. Title

Operator shall hold and maintain title to the Facility and all associated licences and approvals required under the Regulations on behalf of the Owners. Operator shall perform all duties to maintain such licences and approvals in good standing. However, nothing in this Clause shall be construed to require or permit Operator to conduct any Joint

Operations without the approval of the Operating Committee, if such approval is required pursuant to the terms of this Agreement.

ARTICLE V
INDEMNITY AND LIABILITY

501. Limit of Liability

(a) Notwithstanding Clause 404 and the obligation in Clause 401 to conduct Joint Operations diligently, in a good and workmanlike manner in accordance with good oilfield and environmental practice, Operator, its Affiliates, directors, officers, consultants, agents and employees shall not be liable to the other Owners, or any of them, for any loss, expense, injury, death or damage to Owners, whether contractual or tortious, suffered or incurred by the Owners resulting from or in any way attributable to or arising out of any act or omission, whether negligent or otherwise, of Operator or its Affiliates, directors, officers, consultants, agents, contractors or employees in conducting or carrying out Joint Operations, except when and to the extent that such loss, expense, injury, death or damage is a direct result of, or is directly attributable to the Gross Negligence of Operator or its Affiliates, directors, officers, consultants, agents, contractors or employees.

(b) To the extent that the Gross Negligence condition in Subclause (a) of this Clause applies, Operator shall be solely liable for such loss, expense, injury, death or damage and, in addition, shall indemnify and save harmless each other Owner, its Affiliates, directors, officers, consultants, agents and employees from and against the same and also from and against all actions, causes of action, suits, claims and demands by any Person in respect of such loss, expense, injury, death or damage, and any costs and expenses relating thereto. However, in no event shall the responsibility of Operator prescribed by this Clause 501 extend to losses suffered by the Owners respecting the loss of profits or other consequential or indirect losses, including, without restricting the generality of the foregoing, loss or delay of production.

502. Indemnification of Operator

Except as otherwise provided in Clause 501, the Owners indemnify and save harmless Operator, its Affiliates, directors, officers, consultants, agents and employees from and against any and all actions, causes of action, suits, claims, demands, costs, losses and expenses resulting from loss, expense, injury, death or damage respecting any Person (including the Owners), which may be brought against or incurred or suffered by Operator, its Affiliates, directors, officers, consultants, agents or employees or which Operator, its Affiliates, directors, officers, consultants, agents or employees may sustain, pay or incur by reason of, or which may be attributable to or arise out of, any act or omission of Operator or its Affiliates, directors, officers, consultants, agents, contractors or employees in conducting Joint Operations.

503. Burden of Responsibility

Except where Operator is to be held solely liable pursuant to the terms of Clause 501, all liabilities and indemnities arising from Joint Operations shall be for the Joint Account and shall be borne by the Owners in the proportions of their respective Facility Participations.

504. Continuation of Legal Responsibilities

Notwithstanding the assignment by an Owner of all or a portion of its Facility Participation, such Owner shall, as regards the other Owners and notwithstanding the terms of such assignment, remain liable for its proportionate share of any liabilities and indemnities which arose in respect of the Facility or under this Agreement, prior to the date that such Owner's assignee becomes an Owner with respect to the assigned interest pursuant to Article IX.

505. Environmental Responsibilities

Any Person who becomes an Owner shall be responsible for its proportionate share of environmental liabilities arising in relation to Joint Operations (and the associated indemnities, if any) whether they accrued before or after such Person became an Owner, provided that the Operating Committee may, in its discretion, apply Clause 504 to the accrued environmental liabilities applicable to the Facility Participation assigned by an Owner.

ARTICLE VI
ACCOUNTING MEASURES

601. Joint Account

Operator shall set up a Joint Account and administer it as set forth in the Accounting Procedure. All proper costs and expenses incurred by Operator in connection with Joint Operations shall be in accordance with the Accounting Procedure, or as otherwise permitted hereunder. Such costs and expenses shall be allocated to the Owners in accordance with the Appendix titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT."

602. Operator's Lien and Remedies

(a) Effective from the Effective Date, Operator shall have a lien and charge, which is first and prior to any other lien, charge, mortgage or other security interest, with respect to the Facility Participations of each Owner and such Owner's share of Facility Products, to secure payment of such Owner's proportionate share of the costs and expenses incurred by Operator for the Joint Account.

(b) If an Owner fails to pay or advance any of the costs or expenses incurred for the Joint Account which are to be paid or advanced by it within the time period prescribed by the Accounting Procedure, Operator may, without limiting Operator's other rights as contained in this Agreement or otherwise held at law or in equity:

(i) charge such Owner compound interest, as computed Monthly, with respect to such unpaid amount from the Day such payment is due until the Day it is paid, at the rate of two percent (2%) per annum higher than the rate designated as the prevailing prime rate for Canadian commercial loans by the principal Canadian chartered bank used by Operator, regardless of whether Operator has notified such Owner in advance of its intention to charge interest with respect to such unpaid amount;

(ii) withhold from such Owner any further information and privileges with respect to Joint Operations, including the right to vote pursuant to provisions of Article II, which information and privileges shall be conveyed or restored, as the case may be, to such Owner upon such default being fully rectified;

(iii) set-off against the amount unpaid by such defaulting Owner, any sums due or accruing to such Owner from Operator in accordance with **ALTERNATE B**, immediately below:

ALTERNATE A. pursuant to this Agreement;

ALTERNATE B. pursuant to this Agreement and from any other agreement between Operator and such Owner, whether executed before or after the Effective Date;

(iv) maintain an action or actions for such unpaid amounts and interest thereon on a continuing basis as such amounts are payable, but not paid by such defaulting Owner, as if the obligation to pay such amounts and the interest thereon were liquidated demands due and payable on the relevant date such amounts were due to be paid, without any right or resort of such Owner to set-off or counter-claim; and

(v) treat the default as an immediate and automatic assignment to Operator of the proceeds of the sale of such Owner's share of Facility Products. Service of a copy of this Agreement upon a purchaser of such Owner's share of Facility Products, together with written notice from Operator, shall constitute a written irrevocable direction by such defaulting Owner to any such purchaser to pay to Operator the proceeds from any such sale up to the amount owed to Operator by such defaulting Owner hereunder (including any accrued interest with respect thereto), and such purchaser is authorized by such defaulting Owner to rely upon the statement of Operator as to the amount so owed to it by such Owner.

However, Operator may not exercise the rights granted in Paragraphs (iii) - (v) of this Subclause with respect to such default until at least thirty (30) Days following the issuance of a notice to such Owner specifying such default and requiring the same to be remedied.

(c) The obligation to pay interest at the rate specified in Subclause (b) of this Clause with respect to a default is to apply until such default is rectified and shall not merge into a judgement for principal and interest, or either of them. The Owners waive the application of any Regulations to the contrary, insofar as such waiver is permitted or not prohibited by the Regulations.

(d) Books and records kept by the Operator for the Joint Account shall constitute proof of the existence of any financial default hereunder, subject, however, to the rights of inspection and audit provided for elsewhere in this Agreement.

(e) If Operator is the Owner which defaults in paying its share of any cost or expense incurred for the Joint Account, the other Owners may, subject to Subclause 304 (c), appoint an Owner pending the appointment of a successor Operator pursuant to Subclause 204 (g), to exercise any of the rights and remedies otherwise available to Operator pursuant to this Agreement in order to rectify such default.

603. Reimbursement of Operator

If Operator has not received full payment of an Owner's share of the costs and expenses of Joint Operations within three (3) Months following the date the payment was due, each other Owner, upon being billed therefor by Operator, shall contribute a fraction of the unpaid amount, excluding interest thereon, which fraction shall have:

(a) as its numerator, the applicable Facility Participation of such Owner; and

(b) as its denominator, the aggregate applicable Facility Participations of all Owners except the defaulting Owner.

Thereupon, each such contributor shall be proportionately subrogated to Operator's rights pursuant to Clause 602 and to the interest thereafter payable thereunder on the unrecovered portion of its contribution.

604. Commingling of Funds

Operator may commingle with its own funds the moneys which it receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that moneys of a Non-Operator have been commingled with Operator's funds, the moneys of a Non-Operator advanced or paid to Operator, whether for the conduct of Joint Operations or as proceeds from the sale of Facility Products, shall be deemed to be trust moneys and, subject to Clause 602, shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Operator, other than in its capacity as the Non-Operator's trustee.

605. Forecasts

(a) As soon as practicable after the execution hereof, Operator shall submit to the Operating Committee for approval a Forecast for the Forecast Period. In each subsequent Year, Operator shall submit a Forecast for the Forecast Period to the Operating Committee for approval, on or before the end of the current Year. If the Operating Committee does not approve a Forecast, or any portion thereof, such Forecast or the portion thereof not approved, shall be revised by Operator in accordance with the instructions of the Operating Committee. A copy of each revised Forecast shall be promptly furnished to each Owner.

(b) Each Forecast shall include a detailed and specific description of expenditures therein, identifying Operating Costs and Capital Costs separately, and providing an estimate of Owner's Substances and Outside Substances to be handled by the Facility. Any single Operating Cost in excess of the single expenditure limit set forth in the Accounting Procedure for which the Operator requests approval through approval of the Forecast should be clearly and separately identified. Each Forecast shall also provide for comparison, a summary of the Forecast and a projection of expected final expenditures for the current Year.

(c) Approval of a Forecast shall constitute approval of all expenditures in accordance with this Agreement, except single Capital Cost expenditures in excess of the single expenditure limit set forth in the Accounting Procedure. If directed by the Operating Committee, separate approval for projects, categorized as Operating Costs, that have an estimated cost in excess of Operator's single expenditure limit set forth in the Accounting Procedure, shall be required.

ARTICLE VII
MEASUREMENT

701. Accuracy

(a) The metering facilities described under the Appendix titled "MEASUREMENT", shall be tested at reasonable intervals by Operator. If any question arises as to the accuracy of measurement, any meter shall be tested by Operator upon demand of an Owner and if found to be correct, or to be in error by not more than two percent (2%) with respect to gas measurement, or one and one-half percent (1.5%) with respect to equilibrium liquid product measurement or one-half of one percent (0.5%) with respect to liquid measurement (hereinafter called the "relevant percentage"), the expense of such testing shall be borne by the Owner demanding the test. The expense shall be for the Joint Account if a meter is found to be in error by more than the relevant percentage. An Owner, at its sole cost and risk, may witness any test.

(b) If, upon any test, the measuring equipment is found to be in error by not more than the relevant percentage, the previous readings of such equipment shall be considered correct in computing the volumes being metered, but such equipment shall be adjusted properly as soon as practicable to record accurately.

(c) If, upon any test, the measuring equipment is found to be inaccurate by more than the relevant percentage, any previous reading of such equipment shall, subject to applicable legal limitation periods, be corrected to zero (0) error for any period which is known definitely or agreed upon by the Operating Committee; however, if the period is not known definitely or agreed upon by the Operating Committee, such correction shall be for a period covering the last half of the time elapsed since the date of the last test.

(d) If the measuring equipment is out of service or requires repair, so that the volume being measured is not correctly indicated by the reading thereof, the volume attributable to the period shall be estimated and agreed upon on the basis of the best data available, using the most appropriate of the following methods:

(i) by using the readings from any other measuring equipment, if installed and accurately registering; or

(ii) by correcting the error if the percentage of error is ascertainable by calibrations, test or mathematical calculation; or

(iii) by estimating on the basis of actual volumes measured during the preceding periods under similar conditions when the meter was registering accurately.

(e) Operator shall preserve and make available for inspection by the Owners all original test and sample data, charts and other similar records for a period of at least seven (7) Years after the end of the Year to which they relate, or such further period required by the Operating Committee or the Regulations, as well as any records to which an audit query relates until all such queries are resolved.

702. Unit of Volume and Weight

The standards of measurements shall be governed by the following:

(a) the unit volume of gas for purposes of measurement shall be one thousand cubic metres (10^3m^3) of gas at a temperature of fifteen degrees Celsius (15°C) and an absolute pressure of one hundred one point three two five kilopascals (101.325 kPa);

(b) the unit of volume of liquids for purposes of measurement shall be one cubic metre (1 m^3) as defined in the Weights and Measures Act (Canada), as amended; and

(c) the unit of weight of solids for purposes of measurement shall be one tonne (1 t) being one thousand kilograms (1000 kg).

703. Determination of Volumes

(a) For purposes of measurement and meter calibration the atmospheric pressure at the point of measurement hereunder shall be assumed to be constant at the pressure stated in the Appendix titled "MEASUREMENT" irrespective of the actual elevation or location of any of the meters above sea level or variations in the atmospheric pressure from time to time.

(b) Volumes of gas measured by orifice meters shall be computed in accordance with the methods prescribed in the publication entitled "Orifice Metering of Natural Gas, Standard 2530, American National Standards Institute/American Petroleum Institute", including the Appendix thereto as updated in 1985, and as amended. Volumes of gas shall be suitably corrected for deviation from Boyle's Law in accordance with the Regulations.

(c) Volumes of liquids shall be computed taking into consideration the compressibility and specific gravity, if applicable, and volumes so measured shall be corrected to fifteen degrees Celsius (15°C).

704. Change of Measurement Methodology

Notwithstanding any provisions of this Agreement to the contrary, if in order to comply with, or by reason of, the Regulations, the basis or method of measurement hereunder must change, all charges incurred by Operator relating to changing the basis or method of measurement shall be charged to the Joint Account. Operator may change the basis or method of measurement in any manner approved by the Regulations, but if not required to do so, the charges incurred by Operator may be charged to the Joint Account only with the approval of the Operating Committee.

ARTICLE VIII
PRODUCTION AND FACILITY PRODUCTS

801. Owner's Share of Facility Products

Each Owner shall own the Facility Products that are attributable to Inlet Substances delivered to the Facility by or on behalf of such Owner. Allocation of Facility Products will be in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE".

802. Losses in Handling, Flaring and Operation of the Facility

Each Owner owning Inlet Substances shall bear a share of any volumes of those Inlet Substances and Facility Products that are lost as a result of rupture, release, flaring or handling in the Facility during each Month in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE". Notwithstanding that Appendix, if Operator is able to identify the ownership of those lost volumes, those losses shall be borne by the Owners in proportion to their ownership of those volumes.

803. Fuel Gas Usage

Operator shall be entitled to use a portion of the Inlet Substances for fuel in Joint Operations. Fuel gas usage shall be allocated to each Owner in accordance with the Appendix titled "FACILITY PRODUCT ALLOCATION PROCEDURE".

804. Disposition of Facility Products

(a) Each Owner shall separately take in kind or dispose of its share of Facility Products at its own cost. To the extent that an Owner (hereinafter in this Article called "non-taking Owner") fails to take or otherwise adequately dispose of its share of Facility Products, then so long as such failure continues, Operator in its sole discretion, as agent and for the account and at the expense and risk of the non-taking Owner, may sell or purchase at Market Price or store all or any portion of the non-taking Owner's share of Facility Products in any reasonable manner Operator sees fit, subject to the provisions of this Clause.

Each Owner shall provide Operator with such information respecting such Owner's arrangements for the disposition of its share of Facility Products as Operator may reasonably require to fulfil its obligations hereunder. If an Owner fails to provide such information, or if any of the disposition arrangements specified are inadequately provided for or are otherwise unworkable or impracticable, Operator shall forthwith so notify such Owner, who shall be deemed to be a non-taking Owner.

(b) The authority of Operator to enter into contracts for the sale of the non-taking Owner's share of Facility Products shall be restricted to contracts that are only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, provided that in no event shall the term thereof exceed one (1) Month, unless such term may be terminated without penalty on no more than one (1) Month's notice, or unless the non-taking Owner has otherwise agreed in writing. Such authority shall be revocable, subject to the terms of any existing contracts for the sale of the non-taking Owner's share of Facility Products and the terms hereof, at the will of the non-taking Owner.

When Operator has so contracted, the non-taking Owner may take its share of Facility Products in kind upon the expiration of the current sales contract, if the non-taking Owner provides written notice to Operator of its intention to resume taking in kind at least thirty (30) Days in advance of the expiration of that arrangement. However, any such revocation shall only be effective so long as such Owner continues to take in kind and separately dispose of its share of Facility Products.

Notwithstanding the foregoing, if due to Regulations or shipping restrictions, arrangements to sell, store or otherwise dispose of Facility Products must be made prior to the date that the same are actually produced, then at the request of the Operator each Owner shall make such arrangements at its own cost prior to the date of production and shall give Operator notice of the same prior to the commencement of the actual Month of production. If any Owner fails to make such arrangements and give such notice, such Owner shall be deemed to have failed to take in kind or dispose of its share of Facility Products to be allocated to it at the actual time and place of production, and Operator shall be entitled to exercise its rights as aforesaid with respect to the non-taking Owner's share of Facility Products as of the date that the non-taking Owner was required to give notice as outlined above.

Insofar as Operator disposes of all or a portion of a non-taking Owner's share of Facility Products pursuant to this Subclause, Operator shall advise the non-taking Owner of the manner pursuant to which it has disposed of such Facility Products and other relevant information pertaining to the disposition within one (1) Month of the commencement of that disposition.

805. Distribution of Proceeds

Subject to the provisions of Clause 804, and unless otherwise agreed to by Operator, if Operator disposes of another Owner's share of Facility Products pursuant to Clause 804, Operator shall forthwith pay to that Owner the proceeds of such sale, less any costs associated with such sale and any other moneys payable with respect to the Facility to Operator by that Owner. Such costs shall, unless otherwise agreed to by Operator, include an administration fee to cover Operator's cost of arranging for and carrying out the sale of a non-taking Owner's share of Facility Products not taken in kind and disposed of by that Owner, as described by **ALTERNATE A**, immediately below:

ALTERNATE A. Two percent (2.0%) of the gross proceeds of the sale of Facility Products;

ALTERNATE B. _______ dollars per cubic metre ($___/$m^3$) in the case of petroleum;

_______$____ dollars per one thousand cubic metres ($___/$10^3m^3$) in the case of natural gas;

________________________ dollars per cubic metre ($___/$m^3$) in the case of natural gas liquids and substances other than petroleum and natural gas (but not including sulphur);

________________________ dollars per tonne ($___/t) in the case of sulphur;

ALTERNATE C. A flat fee of _______________________ dollars ($___) per Month.

Operator shall include with such payment a statement showing the manner in which the amount was calculated. If Operator does not pay such amount on or before the 25th day of the calendar month next following the calendar month in which those funds were received, the interest provisions of Subclause 602 (b) shall apply with respect to such outstanding amounts.

806. Audit by Non-Taking Owner

To the extent only that Operator sells all or a portion of the share of Facility Products of a non-taking Owner, the audit provisions of the Accounting Procedure shall, with the necessary changes, apply with respect to such sale between Operator and the non-taking Owner on whose behalf such Facility Products were sold, provided that Operator shall not be required to provide the auditors with access to any of Operator's proprietary marketing information and that the non-taking Owner shall bear all costs of such audit.

807. Operator to be Indemnified

If an Owner does not take in kind and separately dispose of its share of Facility Products and Operator disposes of such Facility Products on behalf of the non-taking Owner pursuant to this Article, the non-taking Owner shall indemnify Operator with respect to any injury, loss or damage which Operator may suffer with respect to such sale by virtue of defects in the non-taking Owner's title to such Facility Products.

808. Indemnification for Royalties and Other Payments

Each Owner shall pay or be responsible for the payment of and shall indemnify the other Owners against liability for any and all royalties, overriding royalties, production payments, taxes and any and all other payments chargeable against its share of Facility Products.

809. Warranty by Owners

Each Owner warrants that it has the right to produce its portion of the Inlet Substances and dispose of its portion of the Facility Products and agrees to indemnify and save harmless the other Owners from all actions, causes of actions, claims and demands that may be made by any Person who has or claims to have an interest in such Inlet Substances or Facility Products.

ARTICLE IX
DISPOSAL OF FACILITY INTEREST

901. Disposal of an Interest in the Facility

Except as provided in this Article IX, no Owner shall sell, transfer, assign, mortgage or otherwise dispose of all or part of its interest in the Facility. An Owner who intends to dispose of all or a part of its interest in the Facility (in this Article called "the Disposing Owner") shall comply with the provisions of **ALTERNATE C** immediately below:

ALTERNATE A. The Disposing Owner shall be under no obligation to obtain the consent of the other Owners or to provide the other Owners with a right to acquire that Disposing Owner's interest in the Facility.

ALTERNATE B. The Disposing Owner shall obtain the consent of the other Owners, and shall provide them with information regarding the disposition, including the description of the Facility Participation proposed to be disposed and the identity of the proposed assignee. Such consent shall not be unreasonably withheld, and it shall be reasonable for an Owner to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on its Facility Participation or Joint Operations, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Agreement, provided that an Owner which withholds its consent shall include in its notice its reasons for withholding consent. However, an Owner shall be deemed to have consented to the disposition to the proposed assignee, unless, within twenty (20) Days, the Owner advises the other Owners, by notice, that it is not prepared to consent to such disposition.

ALTERNATE C.

(a) The Disposing Owner shall, by notice, advise each other Owner (in this Article called an "Offeree") of its intention to make the disposition, including in such notice a description of the Facility Participation proposed to be disposed, the identity of the proposed assignee, the price or other consideration for which the Disposing Owner is prepared to make such disposition, the proposed effective date and closing date of the transaction and any other information respecting the transaction which the Disposing Owner reasonably believes would be material to the exercise of the Offerees' rights hereunder (such notice in this Article called "the Disposition Notice").

(b) If the consideration described in the Disposition Notice cannot be matched in kind and the Disposition Notice does not include the Disposing Owner's bona fide estimate of the value, in cash, of such consideration, an Offeree may, within seven (7) Days of the receipt by the Offerees of the Disposition Notice, request the Disposing Owner to provide such estimate to the Offerees, whereupon the Disposing Owner shall provide such estimate in a timely manner and the election period provided herein to the Offerees shall be suspended until such estimate is received by the Offerees.

(c) If there is a dispute as to the reasonableness of an estimate of the cash value of the consideration described in the Disposition Notice or provided pursuant to Subclause (b), as the case may be, the matter shall be referred directly to arbitration under the Appendix titled "DISPUTE RESOLUTION" within seven (7) Days of the receipt of such estimate. The Disposing Owner and the applicable Offeree shall thereupon diligently attempt to complete such arbitration in a timely manner. The equivalent cash consideration determined in such arbitration shall thereupon be deemed to be the sale price for the Facility Participation described in the Disposition Notice.

(d) Within the later of i) thirty (30) Days from the receipt of the Disposition Notice, as modified by any suspension pursuant to Subclause (b) of this Alternate C; or ii), if Subclause (c) of this Alternate C is applicable, fifteen (15) Days from receipt of notice of the arbitrated value determined pursuant to the preceding Subclause, an Offeree may give notice to the Disposing Owner that it elects to purchase the Facility Participation described in the Disposition Notice for the applicable price (in this Article called a "Notice of Acceptance"). A Notice of Acceptance shall create a binding contractual obligation upon the Disposing Owner to sell, and upon an Offeree giving a Notice of Acceptance to purchase, for the applicable price, all of the Facility Participation included in such Disposition Notice on the terms and conditions set forth in the Disposition Notice. However, if more than one Offeree gives a Notice of Acceptance, each such Offeree shall purchase the Facility Participation to which such Notice of Acceptance pertains in the proportion its Facility Participation bears to the total Facility Participation of all such Offerees.

(e) If the Facility Participation described in the Disposition Notice is not disposed of to one or more of the Offerees pursuant to the preceding Subclause, the disposition to the proposed assignee shall be subject to the consent of the Offerees. Such consent shall not be unreasonably withheld, and it shall be reasonable for an Offeree to withhold its consent to the disposition if it reasonably believes that the disposition would be likely to have a material adverse effect on its Facility Participation or Joint Operations, including, without limiting the generality of all or any part of the foregoing, a reasonable belief that the proposed assignee does not have the financial capability to meet prospective obligations arising out of this Agreement, provided that an Owner which withholds its consent shall include its reasons for withholding consent in its notice. However, an Offeree shall be deemed to have consented to the disposition to the proposed assignee, unless, within the time period prescribed in Subclause (d), the Offeree advises the other Owners, by notice, that it is not prepared to consent to such disposition.

(f) If the Facility Participation described in the Disposition Notice is not disposed of to one or more of the Offerees pursuant to Subclause (d) of this Alternate C, the Disposing Owner may, subject to obtaining the consents prescribed by the preceding Subclause, dispose of such Facility Participation at any time within one hundred and fifty (150) Days from the issuance of such Disposition Notice, provided that such disposition is not on terms that are more favourable to such proposed assignee than those offered in the Disposition Notice.

(g) Following a disposition herein or one hundred and fifty (150) Days following the issuance of a Disposition Notice from which a disposition did not result, as the case may be, the provisions of this Clause 901 shall once again apply to the Facility Participation described in the Disposition Notice.

902. <u>Unrestricted Disposals</u>

Notwithstanding anything contained in this Article IX, an Owner may transfer all or a portion of its interest in the Facility without providing prior notice or the option to acquire such interest to the other Owners in the following instances, namely:

(a) a disposition to an Affiliate of the Owner, or in consequence of a merger or amalgamation of the Owner with another corporation or pursuant to an assignment, sale or disposition made by an Owner of its entire Facility Participation to a corporation in return for shares in that corporation or to a registered partnership in return for an interest in that partnership;

(b) if a portion of an Owner's interest in the Facility is disposed of as a result of the conversion of a gross overriding royalty interest or other interest to a working interest in a well pursuant to an agreement in existence as of the Effective Date, and the production from such well is required to be delivered to the Facility;

(c) a disposition made by an Owner of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in the province or territory where the Facility is situated, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the net hectares held by such Owner in that province or territory;

(d) Subclause (d) shall apply:

a disposition made by an Owner of all, or substantially all, or of an undivided interest in all or substantially all, of its petroleum and natural gas rights in wells producing to the Facility, and for the purposes of this Subclause, "substantially all" means a percentage of ninety percent (90%) or more of the working interest held by such Owner in such wells; and

(e) Subclause (e) shall not apply:

a disposition made by an Owner of a portion of its petroleum and natural gas rights in wells producing to the Facility, where such disposition is accompanied by the disposition of a proportionate part or share of the Facility.

However, an Owner making such a disposition pursuant to Subclause (a), (b), (c), (d) or (e) of this Clause shall advise the Operator of such disposition in a timely manner, and shall comply with the provisions of Clause 905.

If the transfer is to an Affiliate, the Owner shall execute and deliver to Operator a continuing guarantee of all obligations to be assumed by the Affiliate under this Agreement. Such guarantee shall also provide that the guarantor waives notice of any extensions, modifications or amendments to this Agreement and agrees to be bound thereby; that no such extensions, modifications or amendments will release the guarantor; and that the guarantor will not be released by any waiver of any obligation of the Affiliate by the indulgence or concession granted to it.

903. Financing

Notwithstanding anything contained in this Article IX, an Owner may mortgage its interest in the Facility; provided that any such mortgage shall expressly provide that the mortgagee shall hold the interest subject to all the terms and provisions of this Agreement, and shall also provide that upon any realization of the security, the party acquiring the interest in the Facility shall be required to assume all obligations of the mortgagor under this Agreement, including the obligations imposed under Clause 905; and

904. Admission of New Owners Through Enlargement

No Person shall become an Owner through an Enlargement except with the approval of the Operating Committee and upon such terms and conditions as may be imposed by the Operating Committee, which shall include the condition that any Person becoming an Owner shall execute and deliver to Operator one (1) counterpart of this Agreement.

905. Disposal of Interest Documentation

(a) Every disposition of an interest in the Facility shall be made subject to this Agreement and shall not be binding on the other Owners until the first Day of the Month next following the date:

(i) the Person acquiring the interest, if not already an Owner, has executed and delivered to Operator one (1) counterpart of this Agreement; and

(ii) a copy of the instrument, executed by both the disposing Owner and its assignee, evidencing such change in ownership has been delivered to Operator.

Once such disposition becomes effective, the assignor shall thereupon be relieved from all obligations that thereafter accrue hereunder with respect to the assigned interest, subject to Clauses 504, 505, 902 and 1001.

(b) Subject to Clause 307, the assignment of any interest in the Facility by an Owner while acting in the capacity of Operator shall not confer upon the Person acquiring such interest the position of Operator.

906. Change of Name

An Owner whose name is changed by due legal process shall notify and supply evidence of the change to Operator as soon as possible.

ARTICLE X
TERM AND TERMINATION

1001. Term

This Agreement shall remain in full force and effect from the Effective Date so long as all or any portion of the Facility is held pursuant to this Agreement and so long thereafter as may be necessary to decommission, abandon, dispose of and reclaim the Facility, in accordance with the Regulations, and final settlement of accounts has been made among the Owners, provided that those provisions related to audit, liability, indemnity, disposal and salvage of Material and enforcement of default shall survive for six (6) Years thereafter or such later time as may be prescribed by the Regulations.

1002. Termination

Subject to the provisions of Clause 1001, this Agreement shall terminate upon a vote of the Operating Committee in accordance with Subclause 204 (i).

1003. Salvage or Disposition

If required by the Regulations or directed by the Operating Committee to salvage the Facility or portion thereof as the case may be, Operator shall, for the Joint Account:

(a) salvage as much of the Facility or portion thereof, as the case may be, as can economically and reasonably be salvaged or otherwise dispose of the same in the manner determined by the Operating Committee; and

(b) clean up and restore the site of the Facility or portion thereof, as the case may be, in accordance with the Regulations and to the satisfaction of any governmental body having jurisdiction with regard thereto and to the reasonable satisfaction of the owner or occupier of the land upon which the Facility is located.

1004. Proceeds and Costs

The proceeds and costs of salvaging, decommissioning, abandonment, reclamation or disposing of any portion of the Facility, incurred pursuant to Clause 1003, shall be shared and borne by the Owners of the Facility, based on each Owner's respective Facility Participation.

ARTICLE XI
GENERAL PROVISIONS

1101. Enurement

Subject to the provisions of Clause 905, this Agreement shall enure to the benefit of, and be binding upon, the respective heirs, executors, administrators, successors and permitted assigns of the Owners.

1102. No Partnership

Nothing herein contained shall be read or construed as creating a partnership, or as imposing upon any Owner any partnership duty, obligation or liability of any kind, it being the express intention of the Owners that the respective rights, obligations and liabilities of each of the Owners under this Agreement and in respect of the subject matter hereof generally, shall be several, and not joint or joint and several.

1103. Force Majeure

(a) For the purposes of this Clause, "force majeure" means an occurrence beyond the reasonable control of the Owner claiming suspension of an obligation hereunder, which has not been caused by such Owner's negligence and which such Owner was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockage, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials, or government restraint, action, delay or inaction.

(b) If any Owner is prevented by force majeure from fulfilling any obligations hereunder, the obligations of that Owner, insofar as its obligations are affected by the force majeure, shall be suspended while the force majeure continues to prevent the performance of such obligation and for that time thereafter as that Owner may reasonably require to commence to fulfil such obligation. An Owner prevented from fulfilling any obligation by the force majeure shall promptly give the other Owners notice of the force majeure and the affected obligations, including reasonably full particulars in respect thereof.

(c) The Owner claiming suspension of an obligation as aforesaid shall promptly remedy the cause and effect of the applicable force majeure, insofar as it is reasonably able so to do, and such Owner shall promptly give the other Owners notice when the force majeure ceases to prevent the performance of the applicable obligation. However, the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of such Owner, notwithstanding Subclause (a), and that Owner shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly the force majeure thereby constituted.

(c) Notwithstanding anything contained in this Clause, lack of finances shall not be considered a force majeure, nor shall any force majeure suspend any obligation for the payment of money hereunder.

1104. Notices

All notices and other communications to be given in connection with this Agreement shall be in writing and shall be sufficiently given:

(a) if delivered by hand or by courier to an Owner at its address for service, such delivery shall be deemed received by the Owner when actually delivered, if such delivery is during Owner's normal business hours, on any Day other than a Saturday, a Sunday or statutory holiday. If such notice or other communication is not delivered during the Owner's normal business hours, such notice or other communication shall be deemed to have been received by Owner on the Day next following the date of delivery, other than a Saturday, Sunday or statutory holiday;

(b) except during any period of actual or impending postal disruption, if sent by first class mail, or by airmail if sent from outside Canada or the United States, postage prepaid, to an Owner at its address for service, such mailing shall be deemed received by the Owner on the fourth Day following the date of mailing (Saturdays, Sundays and statutory holidays excepted). However, if postal service is interrupted or operating with unusual or imminent delay, such notice or other communication shall not be sent by such means during such interruption or period of delay; and

(c) to an Owner which has provided a direct e-mail adress as part of its address for service, if sent by e-mail to the Owner's designated e-mail address, such transmission shall be deemed received by the Owner when actually received, if such transmission is during Owner's normal business hours on any Day other than a Saturday, Sunday or a statutory holiday. If such notice or other communication is not received during the Owner's normal business hours, such notice or other communication shall be deemed to have been received by Owner on the Day next following the date of transmission, other than a Saturday, Sunday or a statutory holiday.

For the purposes of this Clause 1104, the address for service for each Owner initially shall be the address set forth below its signature on the execution page of the Head Document. Operator may change its address for service by giving written notice thereof to each of the other Owners, and any other Owner may change its address for service by giving written notice thereof to Operator.

1105. Suits

An Owner who is sued on an alleged cause of action arising out of Joint Operations shall forthwith notify every other Owner.

1106. Compliance with Laws and Regulations

In exercising their respective rights and discharging their respective obligations under this Agreement, the Owners shall comply in all material respects with all Regulations.

1107. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein, and each of the Owners submits to the jurisdiction of the courts of the Province of Alberta for the interpretation and enforcement hereof.

1108. Waiver

No waiver by any Owner of any breach (whether actual or anticipated) of any of the covenants, provisions or conditions herein contained shall take effect or be binding upon that Owner unless the same is expressed in writing under the authority of that Owner. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

1109. Statute of Limitations

The two-year time period for seeking a remedial order under section (3)(1)(a) of the Limitations Act, R.S.A. 2000 c. L-12, including any amendments thereto or replacements thereof, for any claim (as defined in the Act) arising in connection with this Agreement is extended to:

(a) for claims disclosed by an audit, two (2) years after the time this agreement permitted that audit to be performed; or

(b) for all other claims, four (4) years

1110. Further Assurances

Each Owner shall from time to time and at all times do all such further acts and execute and deliver all further documents as may be reasonably required in order to perform and carry out the terms of this Agreement.

1111. Partitioning

No Owner shall resort to any action for partition, or sale in lieu of partition, of any real property comprised in the Facility, or any portion thereof.

1112. United States Taxes

If for the purposes of the United States Internal Revenue Code of 1986, as amended ("the Code"), this Agreement or the relationship established thereby constitutes a partnership as defined in Section 761 (a) of the Code, each Owner who is entitled under such Section to elect, hereby elects to have such partnership excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Code, or such portion thereof as the Secretary of the Treasury of the United States, or his delegate, permits to be so excluded. Operator is authorized to execute such election on behalf of the applicable Owners and to file the election with the proper United States government office or agency. Operator is further authorized and directed to execute and file such additional and further evidence of such election as may be required, all at the expense solely of those Owners subject to the Code. However, if Operator is not subject to the Code with respect to the Facility, the obligations of Operator under this Clause shall be fulfilled by the Owner who is subject to the Code with respect to the Facility and who, among those Owners subject to the Code, holds the greatest Facility Participation.

1113. Confidentiality

Each Owner entitled to information obtained hereunder or pursuant to this Agreement may use such information for its sole benefit. However, the Owners shall take such measures with respect to Joint Operations and internal security as are appropriate in the circumstances to keep confidential from third Persons all such information, except information which the Owners have expressly agreed among themselves to release and information disclosed by an Owner:

(a) when and to the extent required by the Regulations and securities laws applicable to such Owner, provided that such Owner shall invoke any confidentiality protection permitted by such Regulations and securities laws;

(b) to an Affiliate, provided that such Owner shall be deemed to have required such Affiliate to maintain the confidential status of the disclosed information in accordance with this Clause 1113, that such Affiliate shall be deemed to have accepted such obligation and that such Owner shall be liable for any loss suffered by the other Owners, or any of them, because of the failure of such Affiliate to maintain such information confidential;

(c) to a third Person to which such Owner is seeking to assign all or a portion of its interest hereunder, provided that a binding covenant is obtained from such third Person prior to disclosure which provides, inter alia, that none of such information shall be disclosed by it to any other third Person; and

(d) to the technical, financial or other professional consultants of such Owner which require such information to provide their services to such Owner or to a bank or other financial institution from which such Owner is attempting to obtain financing, provided that a binding covenant is obtained from such consultant or financier, as the case may be, prior to such disclosure, which provides, inter alia, that none of such information shall be disclosed by it to any other third Person or used for any purposes other than advising such Owner or providing financing to such Owner, as the case may be.

However, the confidentiality obligation in this Clause shall not extend to information to the extent it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

Notwithstanding the foregoing provisions of this Clause, any Owner which otherwise ceases to be bound by the provisions of the Agreement shall nevertheless remain bound by the provisions of this Clause with respect to information obtained hereunder or pursuant to this Agreement until and to the extent that such information is in the public domain.

1114. General Business Conduct

Except as otherwise provided herein, none of the Owners nor any of their Affiliates, directors, officers, consultants, agents or employees shall give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with this Agreement.

1115. Supersedes Previous Agreements

Unless otherwise provided in the Head Document, this Agreement supersedes all other previous agreements, documents, writings and verbal understandings among the Owners relating to the Facility, and expresses all of the terms and conditions agreed upon by the Owners with respect to the Facility.

1116. Time of the Essence

Time is of the essence in this Agreement.

1117. No Implied Covenants

The Owners have expressed herein their entire understanding and agreement concerning the subject matter of this Agreement. No implied covenant, condition or term shall be read into this Agreement, nor shall any prior oral or written understanding entered into modify or compromise any of the terms and conditions herein.

1118. Waiver of Relief

The Owners acknowledge that any default, forfeiture or assignment provisions contained in this Operating Procedure are reasonable and equitable. Each Owner waives any and all rights which it may have at law, in equity or by the Regulations, against default, forfeiture or penalty if such provisions are invoked.

APPENDIX I of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

FACILITY PARTICIPATION

101. Facility Participation

The Owners and their respective Facility Participations are as follows:

Owners	Facility Participation
Tourmaline Oil Corp.	55.00%
Topaz Energy Corp.	45.00%
Total	100.00%

102. Basis for Determination

The Facility Participation of each Owner has been determined pursuant to the Royalty, Facilities and Revenue Interests Sale Agreement.

APPENDIX II of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

<u>DESCRIPTION OF FACILITY AND FUNCTIONAL UNITS, MAP AND SCHEMATIC</u>

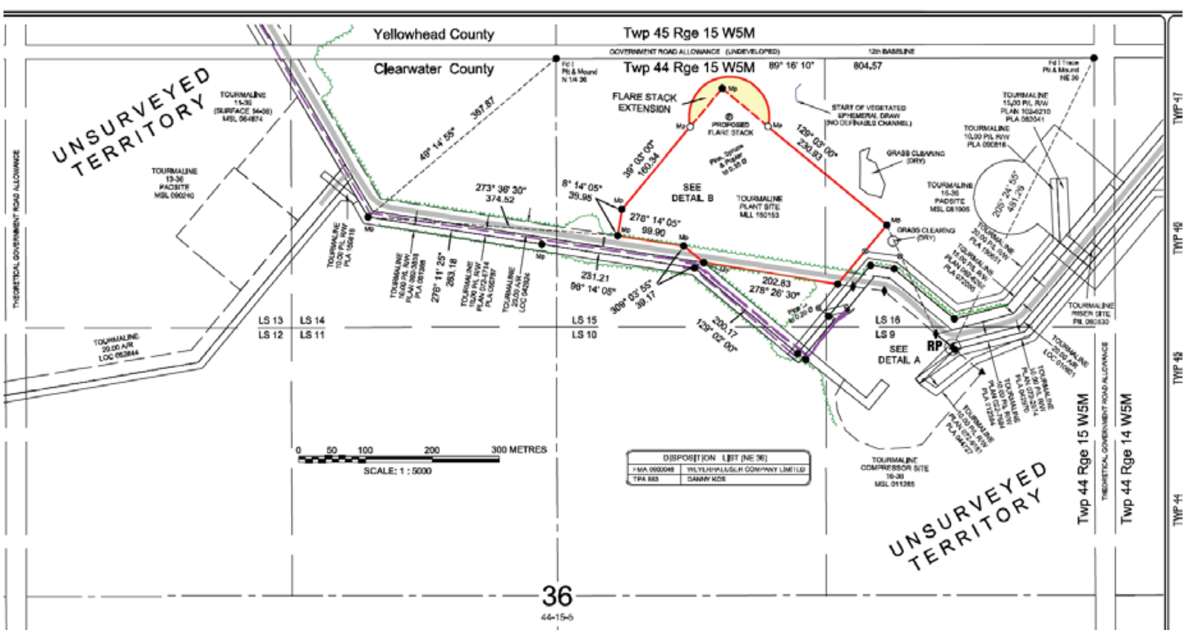
101. <u>Facility Description</u>

(a) Function

The Facility shall provide for the processing of Inlet Substances and the delivery of Facility Products to a Facility Outlet.

(b) Facility Location

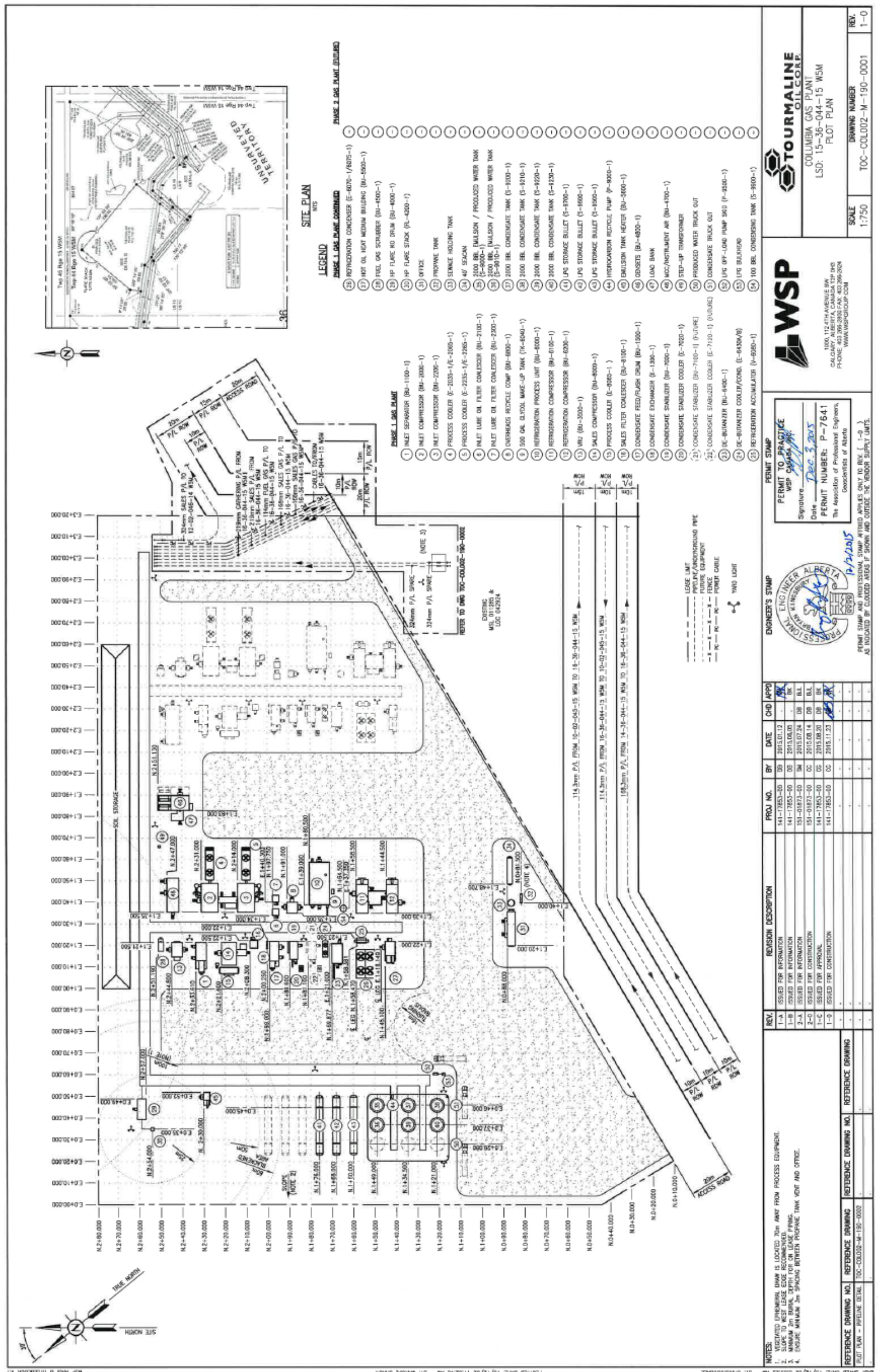
The Facility is primarily located in LSD 15&16, Section 36, Township 044, Range 15 West of the Fifth Meridian.



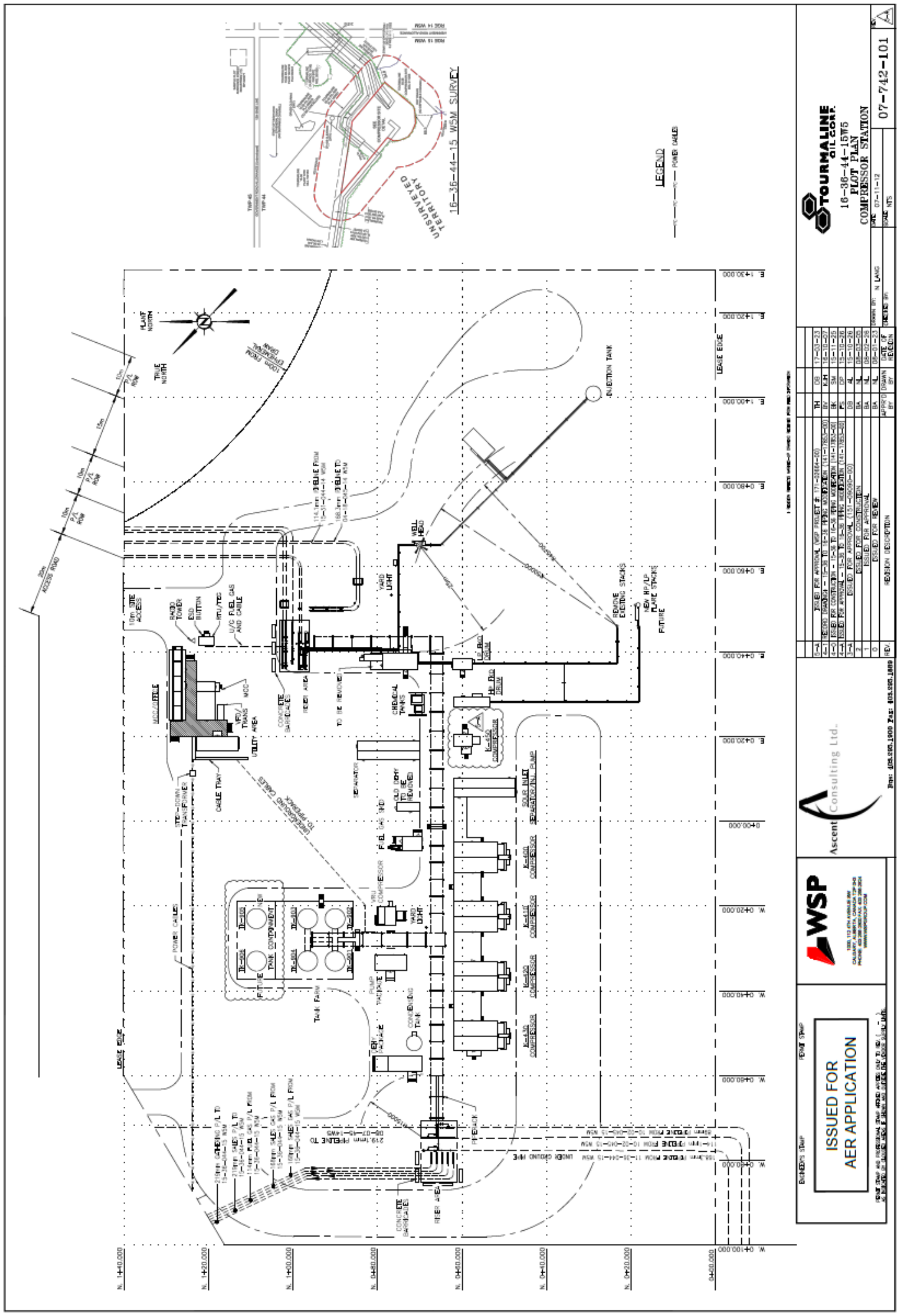
102. <u>Facility Description</u>

The plot plans for each of the 15-36-044-15W5 and 16-36-044-15W5 sites are included below.

FACILITY MAP 15-36-044-15W5



FACILITY MAP 16-36-044-15W5



APPENDIX III of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

ACCOUNTING PROCEDURE

101. Accounting Procedure Chosen

(a) **Alternate** **[redacted]** immediately below shall apply as a schedule to this Appendix:

ALTERNATE A. The Accounting Procedure is the 1996 Petroleum Accountants Society of Canada's Accounting Procedure and has been modified only as shown in Clause 102 (b) hereof. The elections chosen and values inserted are described in Clause 102 (a) hereof.

ALTERNATE B. The Accounting Procedure is unique to this Agreement and is attached hereto as Schedule A.

102. Rates, Elections and Modifications to the 1996 PASC Accounting Procedure

The following clauses of the Accounting Procedure are modified to include the indicated election, alternate, option or value:

105. Operating Fund: [**redacted**]

110. Approvals: **[redacted]**

112. Expenditure Limitations: **[redacted]**

202. Employee Benefits: **[redacted]**

213. Camp and Housing: **[redacted]**

216. Warehouse Handling: **[redacted]**

221. Allocation Options: **[redacted]**

302. Overhead Rates:
(a) ______ percent (_____%)
OR
(1) ______ percent (_____%) ; ______________ dollars ($______)
(2) ______ percent (_____%) ; ______________ dollars ($______)
(3) ______ percent (_____%)

(b) ______ percent (_____%)
OR
(1) ______ percent (_____%) ; ______________ dollars ($______)
(2) ______ percent (_____%) ; ______________ dollars ($______)
(3) ______ percent (_____%)

(c) ______ percent (_____%)
OR
(1) **[redacted]** percent (**[redacted]** %) ; **[redacted]** dollars ($**[redacted]**)
(2) **[redacted]** percent (**[redacted]** %) ; **[redacted]** dollars ($**[redacted]**)
(3) **[redacted]** percent (**[redacted]** %) of the Cost exceeding the sum of (1) and (2)

(d) ______ percent (_____%)
OR
(1) **[redacted]** percent (**[redacted]** %) ; **[redacted]** dollars ($**[redacted]**)
(2) **[redacted]** percent (**[redacted]** %) ; **[redacted]** dollars ($**[redacted]**)
(3) **[redacted]** percent (**[redacted]** %) of the Cost exceeding the sum of (1) and (2)

(e) (1) **[redacted]** percent (**[redacted]** %)
(2) ______ dollars ($______)
(3)_______dollars($______)

______ shall ______ shall not

406. Dispositions: **[redacted]** dollars ($**[redacted])**

The Accounting Procedure is modified as follows:

The following clause contained in the Accounting Procedure is deleted and replaced as follows:

Clause 201(a)(6) - Salaries and wages of the Operator's employees engaged in Production Engineering who are either temporarily or permanently assigned to and directly employed off-site in direct support of Joint Operations.

The following clauses are amended as follows:

Clause 207(d) - replace "warehouse" with "Warehouse".

Clause 406 - replace "affiliates" with "Affiliates".

Clause 501(b) - replace "warehouse" with "Warehouse".

The clauses contained in the Accounting Procedure are amended as follows:

APPENDIX IV of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

ORDER OF CAPACITY UTILIZATION

101. Order of Capacity Utilization

Owner's Substances and Outside Substances shall be deemed to utilize each Owner's Capacity Ownership in the following manner:

During the term of the Annual Volume Commitment Agreement (Brazeau Facility):

i. First, 100% of Owner's Substances delivered by Tourmaline shall utlize Topaz's Ownership Capacity to a maximum of 17.5 mmcf/day (or 493.04 E3m3/day), and which shall be deemed to be utilizing Topaz's Surplus Capacity for the purposes of Clause 102 of the Appendix to Exhibit "A" titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT" and Clause 102 of the Appendix to Exhibit "A" titled "CAPACITY USAGE".

ii. Second, Outside Substances shall utilize each Owner's Capacity Ownership in proportion to their Capacity Ownership, subject to Clause 102 and which shall be deemed to be utilizing Owner's Surplus Capacity for the purposes of Clause 102 of the Appendix to Exhibit "A" titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT" and Clause 103 of the Appendix to Exhibit "A" titled "CAPACITY USAGE".

iii. Third, 45% of Owner's Substances delivered by Tourmaline exceeding 17.5 mmcf/day (or 493.04 E3m3/day) shall utlize Topaz's Ownership Capacity, up to, but not to exceed Topaz's available Capacity Ownership, and which shall be deemed to be utilizing Topaz's Surplus Capacity for the purposes of Clause 102 of the Appendix to Exhibit "A" titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT" and Clause 102 of the Appendix to Exhibit "A" titled "CAPACITY USAGE".

iv. Fourth, 55% of Owner's Substances delivered by Tourmaline exceeding 17.5 mmcf/day (or 493.04 E3m3/day) and 100% of Owner's Substances delivered by Tourmaline in excess of Topaz's Capacity Ownership, shall utlize Tourmaline's Ownership Capacity, up to, but not to exceed the available Capacity Ownership to which Tourmaline is entitled.

Following the expiry of the Annual Volume Commitment Agreement (Brazeau Facility):

i. First, Outside Substances shall utilize each Owner's Capacity Ownership in proportion to their Capacity Ownership, subject to Clause 102 and which shall be deemed to be utilitizing Owner's Surplus Capacity for the purposes of Clause 102 of the Appendix to Exhibit "A" titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT" and Clause 103 of the Appendix to Exhibit "A" titled "CAPACITY USAGE".

ii. Second, 45% of Owner's Substances delivered by Tourmaline shall utlize Topaz's Ownership Capacity, up to, but not to exceed Topaz's available Capacity Ownership, and which shall be deemed to be utilizing Topaz's Surplus Capacity for the purposes of Clause 102 of the Appendix to Exhibit “A” titled “STRUCTURE AND SHARING OF THE JOINT ACCOUNT” and Clause 102 of the Appendix to Exhibit "A" titled "CAPACITY USAGE"; and

iii. Third, 55% of Owner’s Substances delivered by Tourmaline and 100% of Owner's Substances delivered by Tourmaline in excess of Topaz's Capacity Ownership, shall utlize Tourmaline's Ownership Capacity, up to, but not to exceed the available Capacity Ownership to which Tourmaline is entitled.

102. Order of Capacity Utilization for Outside Substances Exceeding One Owner’s Capacity Ownership

In the event that an Owner's Capacity Ownership is full, any remaining Outside Substances delivered to the Facility shall be deemed to utilize the other Owner's Capacity to the extent capacity is available.

103. Outside Substances Average Fee

When the condition in Clause 102 occurs, the Operator will calculate the average fee charged to non-Owners delivering Outside Substances by taking the sum of all of the fee revenue directly attributable to Outside Substances within the Month and dividing by the sum of all Outside Substances deliverd to the Facility within the Month. The average price calculated pursuant to this Subclause 103 shall be used to determine the allocation of fee income to be distributed between the Owners pursuant to Appendix V “STRUCTURE AND SHARING OF THE JOINT ACCOUNT” of Exhibit “A” attached hereto.

APPENDIX V of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

<u>STRUCTURE AND SHARING OF THE JOINT ACCOUNT</u>

101. <u>Structure of the Joint Account</u>

The Joint Account for the Facility and all statements furnished to the Owners shall be divided into Capital Costs and Operating Costs.

102. <u>Sharing of the Joint Account Amongst Owners</u>

(a) The Owners shall reimburse Operator each Month for Capital Costs and Operating Costs as follows:

i. Capital Costs: in proportion to each Owner’s Facility Participation.
ii. Fixed Operating Costs: in proportion to each Owner’s Facility Participation.
iii. Variable Operating Costs: in proportion to each Owner’s Facility Participation.

(b) Operator shall distribute fee income from Outside Substances, as may be charged from time to time pursuant to Clause 103 of the Appendix to Exhibit “A” titled “CAPACITY USAGE” to Owners Monthly on an interim basis in proportion to their Facility Participation and such distribution shall be subject to an annual adjustment pursuant to subclause (d) hereof.

(c) Operator shall distribute the Surplus Capacity usage charges, as may be charged from time to time pursuant to Clause 102 of the Appendix to Exhibit “A” titled “CAPACITY USAGE”, to the Owners Monthly on an interim basis in proportion to their Facility Participation and such distribution shall be subject to an annual adjustment pursuant to subclause (d) hereof.

(d) Operator shall, within one-hundred and eighty (180) Days of the end of the preceding Year adjust the distribution of the costs, Outside Substances fee income and Surplus Capacity usage charges made pursuant to Subclauses (a), (b) and (c) hereof to reflect actual costs and actual fee income.

APPENDIX VI of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

CAPACITY USAGE

101. Determination of Capacity

The Capacity shall be redetermined by Operator, for the approval of the Operating Committee pursuant to Subclause 204 (e) of the Operating Procedure, at reasonable intervals to take into consideration prevailing operating conditions. If the sum of all Owners' and non-Owners' average daily throughput for any given Month exceeds the Capacity of the Facility, then Operator shall deem the actual throughput to be the Capacity for all Accounting purposes for that Month and shall refer the matter to the Operating Committee for decision as to whether or not Appendix V, Table I Capacity should be revised.

102. Owner Surplus Capacity Usage

(a) Determination of utilized Surplus Capacity:

(i) Operator shall determine each Owner's throughput through the Facility on a Monthly basis;

(ii) Operator shall determine each Owner's Surplus Capacity or utilized Surplus Capacity in the Facility for the period specified in Paragraph (i) of this Subclause 102 (a) by taking the difference between each Owner's average daily throughput and that Owner's Capacity Ownership in the Facility;

(iii) Operator shall prorate the total utilized Surplus Capacity in the Facility to those Owners with Surplus Capacity in the proportion that their respective Surplus Capacities bear to the total Surplus Capacity in the Facility;

(iv) If more than one Owner desires to utilize Surplus Capacity, such Surplus Capacity shall be prorated among the Owners desiring to utilize it for the processing of Owner’s Substances, in the proportion that each Owner’s Facility Participation bears to the total Facility Participation of all Owners desiring to utilize such Surplus Capacity in the Facility. If under the foregoing prorationing, an Owner is eligible to utilize more of the Surplus Capacity than such Owner desires to utilize, that Owner shall be allocated only its desired share of Surplus Capacity, which share of Surplus Capacity shall be subtracted from the total Surplus Capacity available. The remaining Surplus Capacity shall be prorated in the above manner to the other Owners until all of the Surplus Capacity is fully utilized.

(b) Calculation of utilized Surplus Capacity charge:

During the term of the Annual Volume Commitment Agreement (Brazeau Facility):

i. 100% of Owner's Substances delivered by Tourmaline that is deemed to utlize Topaz's Surplus Capacity to a maximum of 17.5 mmcf/day (or 493.04 E3m3/day), shall pay a utilized Surplus Capacity charge equal to $24.85 /E3m3 ($0.70/mcf);

ii. 45% of Owner's Substances delivered by Tourmaline exceeding 17.5 mmcf/day (or 493.04 E3m3/day) that is deemed to utlize Topaz's Surplus Capacity, up to, but not to exceed Topaz's available Capacity Ownership shall pay a utilized Surplus Capacity charge equal to $**[redacted]**/E3m3 ($**[redacted]**/mcf); and

Following the term of the Annual Volume Commitment Agreement (Musreau Facility):

i. 45% of Owner's Substances delivered by Tourmaline that is deemed to utlize Topaz's Surplus Capacity, up to, but not to exceed Topaz's available Capacity Ownership shall pay a utilized Surplus Capacity charge equal to $**[redacted]**/E3m3 ($**[redacted]**/mcf); and

103. Outside Substances Capacity Usage

Capacity may be allocated by the Operator to non-Owners. All requests received from non-Owners who wish to utilize Capacity for handling or processing of Outside Substances shall be referred to the Operator. Operator shall seek approval of the Operating Committee prior to committing the Facility Capacity to be used by a non-Owner.

Operator shall charge each non-Owner utilizing Capacity a Capacity usage fee as approved by the Operating Committee.

104. Distribution of Surplus Capacity and Non-Owner Capacity Usage Charges

Distributions of charges made pursuant to Clauses 102 and 103 hereof shall be performed by Operator as provided in the Appendix titled "STRUCTURE AND SHARING OF THE JOINT ACCOUNT".

105. Order of Cutbacks

(a) If the Facility cannot handle all Inlet Substances that Owners and non-Owners wish to deliver to the Facility on any Day, the Inlet Substances shall be cut back in the following order:

During the term of the Annual Volume Commitment Agreement (Brazeau Facility):

(i) Outside Substances being handled on an interruptible basis; followed by

(ii) Owner's Substances delivered by Tourmaline in excess of 17.5 mmcf/day (or 493.04 E3m3/day); followed by

(iii) Outside Substances being handled on a firm service basis, in the proportion that the sum of all Outside Substances behing handled on a firm service basis bears to the total available Capacity of the Facility; followed by

(iv) Owner's Substances delivered by Tourmaline up to 17.5 mmcf/day (or 493.04 E3m3/day), which shall be deemed to be handled on a firm service basis for the account of Topaz, together with other Owner's Substances being handled on a firm service basis, in the proportion that the sum of Owner's Substances behing handled on a firm service basis bears to the total available Capacity of the Facility.

Following the term of the Annual Volume Commitment Agreement (Brazeau Facility):

(i) Outside Substances being handled on an interruptible basis; followed by

(ii) Owner's Substances being handled on an interruptible basis; followed by

(iii) Outside Substances being handled on a firm service basis, in the proportion that the sum of all Outside Substances being handled on a firm service basis bears to the total available Capacity of the Facility; followed by

(iv) Owner's Substances being handled on a firm service basis, in the proportion that the sum of Owner's Substances behing handled on a firm service basis bears to the total available Capacity of the Facility.

(b) For the purposes of cutbacks, Outside Substances produced from a well jointly owned by an Owner and a non-Owner in an unavoidably commingled stream and delivered to the Facility shall be deemed to be Owner's volumes, provided that such Outside Substances are within that Owner's Capacity Ownership. Outside Substances exceeding an Owner's Capacity Ownership shall not be deemed to be Owner's Substances. All Outside Substances shall be subject to Outside Substances Capacity usage fees as described herein.

(c) Intermittent cutbacks during a Day that may be necessary pursuant to this Clause shall be made at the Operator's discretion exercised reasonably, and applying the principles described in Subclause (a) hereof to the extent possible.

(d) Any Owner wishing to enter into a firm service agreement with a third party in respect of Outside Substances to be delivered to the Facility shall, prior to entering into such firm service agreement, obtain the consent of the other Owner, such consent not to be unreasonably withheld.

TABLE I
CAPACITY

Design Capacity as of the Effective Date

Sweet Gas Processing Facility

Inlet Pressure: 600 kPa
Sales Pressure: 5,516 kPa
Inlet Substances: 1,972.0 E3m3/d
Condensate Handling: 350.0 m3/d

APPENDIX VII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

INSURANCE

101. Insurance

(a) Without in any way limiting the obligations or liabilities of Operator, Operator shall also comply with the provisions of **ALTERNATE A** immediately below:

ALTERNATE A.

(b) Operator shall, prior to the commencement of Joint Operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the Joint Account and benefit of the Owners and their respective Affiliates, directors, officers, consultants, agents and employees, the insurance hereinafter set forth and any other insurance which is specifically required to comply with the Regulations. The insurance required pursuant to this Subclause shall, subject to Subclause 101 (d), be as follows:

(i) Automobile Liability Insurance covering all motor vehicles or snowcraft and all terrain vehicles, owned and/or leased, operated or licensed by Operator and used in Joint Operations, with an inclusive bodily injury, death and property damage limit of two million dollars ($2,000,000) per accident;

(ii) Commercial General Liability Insurance with an inclusive bodily injury, death, and property damage limit of two million dollars ($2,000,000) per occurrence, and, without restricting the generality of the provisions of this Paragraph, such coverage shall include, but not be limited to, Employer's Liability, Employer's Contingent Liability, Contractual Liability, Contractor's Protective Liability, Products and Completed Operations Liability, and, such policy shall _____ /shall not _X_ include Pollution Liability;

(iii) If aircraft are used, Aircraft Liability Insurance covering all aircraft, owned, leased, operated or licensed by Operator and used in Joint Operations, with an inclusive bodily injury, death and property damage limit of five million dollars ($5,000,000) per occurrence;

(iv) If required, Builder's Risk Course of Construction Insurance in an amount not less than the full value of any work being performed in respect of the Initial Construction or any Enlargement, which shall cover all risks of physical loss or damage to the Facility or the work being performed in respect thereto, including all machinery, materials and supplies at the site of such work, in transit thereto and intended to become a part of the finished work, or on site awaiting erection or installation, testing or final acceptance by Operator; and

(v) If required, Wrap-up General Liability Insurance for a combined single limit of ____________ dollars ($_________) for each occurrence or accident, including property damage, bodily injury (including death at any time resulting therefrom) and personal injuries sustained by any Person because of bodily injury or destruction of property (including loss of use or occupancy); and contractual liability and employer's liability. Such coverage shall extend to include contractors and subcontractors as additional insureds, in connection with the work. The policy should provide for coverage during the term of Initial Construction or any Enlargement, including twelve (12) Months completed operations liability.

ALTERNATE B.

(b) Operator shall, prior to the commencement of Joint Operations, hold or cause to be held with a reputable insurance company or companies, and thereafter maintain or cause to be maintained for the Joint Account and benefit of the Owners and their respective Affiliates, directors, officers, consultants, agents and employees:

(i) Insurance that is specifically required to comply with the Regulations.

(ii) Shall ____/shall not ____ provide Builder's Risk Course of Construction Insurance in an amount not less than the full value of any work being performed in respect of the Initial Construction or any Enlargement, which shall cover all risks of physical loss or damage to the Facility or the work being performed in respect thereto, including all machinery, materials and supplies at the site of such work, in transit thereto and intended to become a part of the finished work, or on site awaiting erection or installation, testing or final acceptance by Operator; and

(iii) Shall ____/shall not ____ provide Wrap-up General Liability Insurance for a combined single limit of ____________ dollars ($_________) for each occurrence or accident, including property damage, bodily injury (including death at any time resulting therefrom) and personal injuries sustained by any Person because of bodily injury or destruction of property (including loss of use or occupancy); and contractual liability and employer's liability. Such coverage shall extend to include contractors and subcontractors, as additional insureds, in connection with the work. The policy should provide for coverage during the term of Initial Construction or any Enlargement, including twelve (12) Months' completed operations liability.

The following conditions shall be applicable to the ALTERNATE which is specified:

(c) It is the intention of the Owners that, except as provided in Subclause 101 (b) of this Appendix and in Article V of the Operating Procedure, the cost of any accident, loss or any claim of or liability to third parties or to each other for bodily injury, death or property damage arising out of any Joint Operation shall be borne individually by the Owners in proportion to their respective Facility Participation.

(d) Operator shall provide information regarding deductibles specified for each accident or occurrence in any insurance policy maintained for the Joint Account to any Owner who requests in writing such information. Operator shall maintain deductibles in accordance with its internal policy unless otherwise directed by the Operating Committee.

(e) (i) If the policies which Operator is required to obtain or maintain for the Joint Account are, in Operator's reasonable opinion, unavailable or available only at an unreasonable cost, then Operator shall promptly notify the Owners, in order that the Operating Committee may redetermine the policies which shall be held for the Joint Account. Subject to the provisions of this Clause, policies obtained for the Joint Account pursuant to this Clause may contain terms, conditions or exclusions affecting or limiting the risks covered thereby or the circumstances under which the insurer may be required to indemnify or compensate the Owners thereunder, provided that such terms, conditions or exclusions are, in Operator's reasonable opinion, the best available from the marketplace on reasonable terms and ordinary or appropriate. However, Operator shall obtain the prior approval of the Operating Committee with respect to any such change which is made after the relevant policy or policy renewal has been acquired for the Joint Account.

(ii) Except as provided in subparagraph (i), failure by the Operator to maintain the insurance required to be maintained for the Joint Account shall be deemed to be Gross Negligence.

(f) If Operator makes any payments with respect to any losses, damages, claims or liabilities arising out of Joint Operations which are covered by insurance policies maintained for the Joint Account hereunder with the approval of the insurers thereof or if Operator makes any payments authorized hereunder with respect to any other losses, damages, claims or liabilities arising out of such operations, such payments shall be a charge for the Joint Account. However, Operator shall diligently attempt to process its claims under such policies with respect to such losses, damages, claims or liabilities, and shall promptly credit the Joint Account the amount it ultimately recovers under such policies. Insofar as such charge is one which is not to be borne for the Joint Account pursuant to Article V of the Operating Procedure, Operator shall adjust the Joint Account accordingly at such time as it is determined that the charge is not to be borne for the Joint Account.

(g) Operator shall use reasonable efforts to ensure that each insurance policy maintained for the Joint Account pursuant to this Clause includes:

(i) a provision that coverage is primary to any other coverage carried by the Owners (other than coverage maintained by an Owner to reduce its exposure to a deductible);

(ii) a provision that such policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy; and

(iii) a provision that the insurer shall provide Operator with sixty (60) Days' written notice of cancellation of such policy.

(h) Each Owner shall be responsible for insuring its own interest in the Facility with respect to physical damage to property, loss of income, Operator's Extra Expense, Seepage, Pollution, Contamination and Clean-up costs relating to the well(s) and any insurance other than that referred to in the ALTERNATE specified in Subclause 101 (a) of this Appendix. Each Owner shall ensure that each policy maintained by it for its own account hereunder shall contain a waiver of all rights, by subrogation or otherwise, against the other Owners and their respective Affiliates, directors, officers, consultants, agents, contractors and employees.

(i) Operator shall provide each Owner with notice of damages or losses incurred hereunder as soon as practicable after the damage or loss has been discovered. Operator shall provide the Owners with such assistance and materials as is required to substantiate such damages or losses for the purposes of the Owners' insurance coverage.

(j) Operator shall, with respect to Joint Operations, use every reasonable effort to have its contractors and sub-contractors:

(i) comply with all Regulations applicable to workers employed by them; and

(ii) carry such insurance in such amounts as Operator deems necessary, provided that such insurance policies shall either include waivers of all rights, by subrogation or otherwise, against the Owners and their respective Affiliates, directors, officers, consultants, agents, contractors and employees, or include the Owners as insureds under such policies.

APPENDIX VIII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

SPECIFICATIONS OF INLET SUBSTANCES AND FACILITY PRODUCTS

101. Inlet Substances Specification

All Producer Inlet Substances delivered to the Facility Inlet shall meet the following specifications:

DESCRIPTION	SPECIFICATIONS
Gas	· Hydrocarbon Gas production will be free of deleterious substances · Hydrocarbon Gas production will be free of sand, completion fluids (drilling mud, acid, frac sand, etc.), waxes, asphaltenes, crude oil, Sx, or other objectionable substances in such quantities as may, in the Operator's sole discretion, be injurious to the facilities
Water Content	· Hydrocarbon Gas production will be free of water in the liquid phase at the pressure and temperature existing at the custody transfer point.
Hydrocarbon Liquids	· Hydrocarbon Liquid production will be free of water in the liquid phase at the pressure and temperature existing at the custody transfer point. · Hydrocarbon Liquid production will be free of deleterious substances as per associated hydrocarbon Gas specification.
Hydrogen Sulfide	· Hydrogen Sulfide (H2S) content of the Hydrocarbon Gas and Liquid Production will not contain more than twenty three (23) milligrams of H2S per cubic meter of Gas.
Total Sulphur	· Total Sulphur content of the Hydrocarbon Gas and Liquid Production will not contain more than one-hundred and fifteen (115) milligrams of total sulphur per cubic meter.
Carbon Dioxide	· Hydrocarbon Gas and Liquid Production will not contain more than two (2) percent by volume of Carbon Dioxide.
Oxygen	· Hydrocarbon Gas and Liquid Production will not exceed more than zero point four (0.4) percent by volume of oxygen.
Temperature	· Hydrocarbon Gas and Liquid Production will maintain an operating temperature regime greater than zero (0) degrees Celsius and less than thirty-five (35) degrees Celsius

All Producer Inlet Substances delivered to the Facility shall not exceed 600 kPa at the Facility Inlet, and Operator will operate Facility such that inlet pressure to the Facility does not exceed 600 kPa.

102. Acceptance of Inlet Substances

Inlet Substances delivered to the Facility Inlet which are not in strict compliance with Clause 101 of this Appendix:

(a) may be accepted into the Facility provided that the off-specification is, in Operator's opinion, not injurious to the Facility and not at risk of contaminating other Inlet Substances or Facility Products associated with the Facility; and

(b) shall be refused acceptance into the Facility immediately upon detection by Operator of the off-specification condition if Operator is of the opinion that off-specification Inlet Substances are likely to be injurious to the Facility or a contaminant to other Inlet Substances, or Facility Products. Immediate refusal shall nonetheless require Operator to shut-in the inlet stream affected by the off-specification Inlet Substances in a manner which will minimize flaring and losses. The Operator shall immediately notify the Owners of the affected Inlet Substances that the inlet stream has been shut-in.

An Owner may request that the acceptance or refusal of off-specification Inlet Substances be referred to the Operating Committee for a decision.

103. Facility Products Specification

Facility Products available to the Owners at the outlet of the Facility shall be of the specifications to store, inject, sell or otherwise dispose of the relevant product. Operator shall, on a best efforts basis, follow good engineering practice to modify or enlarge the Facility to meet Facility Products specifications. Operator shall or if approved by the Operating Committee take special measures to maintain Facility Product specifications but does not warrant that Facility Products will always meet specifications.

APPENDIX IX of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

FACILITY PRODUCT ALLOCATION PROCEDURE

1. The allocation is performed on a component volume basis. Components are HE, N2, H2, CO2, H2S, C1, C2, C3, IC4, NC4, IC5, NC5, C6, C7+

2. Well or battery gas deliveries to the Facility are derived by deducteing lease flare and fuel volumes.

3. Where a Facility inlet has distinct measurment (each an "Inlet"), each Inlet's recombined gas and condensate gas equivalent volume is prorated to each Producer's source Raw Gas deliveries on a component volume basis, to derive an "adjusted gathered gas volume" for each Producer source. Component volumes are derived using the recombination analysis for each Producer source.

4. Calculation of recombined component gas volumes to liquid equivalent volume will be completed using conversion factors from most recent GPA 2145 tables. The conversion factor for the grouped component C7+ will be determined using volumetric and physical properties (relative density and molecular weight) for the C7+ component in the Producer's Raw Gas and liquid analysis.

5. Plant Products and dispositions (plant condensate, flare, acid gas, sulphur, NGL Mix, plant fuel, return fuel and sales gas) are converted to component volumes and then allocated to each Producer source on a component volume basis. The order of allocation for each product being in the same order that the products were created in the Facility process. Once a product is allocated, a delined balance is calculated which forms the basis for the subsequent product allocation.

6. During each accounting period Producer shall be allocated the following Plant Products: (a) as NGL Mix, Producer's proportionate share of (i) the amount of C3 contained in the Producer gas delivered to the Facility, (ii) the amount of C4 contained in the Producer Gas delivered to the Facility, and (iii) the amount of C5+ unavoidably included in the NGL Mix as a result of processing at the facility, and (b) an amount of Condensate based on the C5+ included in the Producer Gas delivered to the Facility less any C5+ unavoidably included in the NGL mix.

7. Total Facility NGL volumes to be split to component volumes in m3 using composition of the NGL in liquid volume fraction. Each individual component in the NGL to be prorated to each producer's theoretical liquid volume on a component by component basis. The theoretical liquid volume for each producer is derived from its declined gas component volumes which has been converted to liquid equivalent volumes using conversion factors from the most recent GPA 2145.

8. Return fuel volumes (E3m3) and GJ's are added onto the actual (TCPL/Enbridge/Alliance) volumes (E3m3) and GJ's to derive total available Specification Gas on a component basis.

9. Total available Specification Gas volume is then allocated on a component volume basis to each Producer sources' declined gas ("theoretical residue gas in E3m3"), which has been previously declined for its share of plant fuel, dilution gas, segregated condensate, flare and NGL Mix.

10. Measured or prorated return fuel in E3m3 is reported at a producer level and subtracted from the allocated "Total Available Sales Gas" at a component level to derive the "Net Pipeline Sales Gas".

11. GJ Allocation:

Producer level "theoretical residue gas in E3m3" is multiplied by the heating value for each component (from the most recent GPA 2145) to derive each entities' "theoretical residue gas in GJs".

Total return fuel gas for the Facility in E3m3 is multiplied by the heating value for each component (from the most recent GPA 2145) to derive the return fuel GJs.

Total available Specification Gas (pipeline plus return fuel) in GJs in allocated to each Producer based upon its derived "theoretical residue gas in GJs".

Producer level measured or prorated return fuel in E3m3 is multiplied by the heating value for each component (from the most recent GPA 2145) and subtracted from the entity level "Total Available Specification Gas in GJs" to derive "Net Pipeline Sales Gas in GJs".

APPENDIX X of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

MEASUREMENT

101. Measurement Equipment

(a) All Inlet Substances or, as the context so requires in this Article, Facility Products shall be measured at the Facility Inlet or the Facility Outlet, as the case may be, by suitable meters or gauges of standard make, furnished, installed, operated and maintained by Operator for the Joint Account.

(b) Effluent from each well producing Inlet Substances (hereinafter called “Well Effluent”) shall be metered. Well Effluent metering (hereinafter called “Well Effluent Meters”) and sampling equipment shall be installed by the applicable well owner at its sole cost, risk and expense. Well Effluent Meters and sampling equipment shall be of a standard make and shall be installed in a manner and at a location as approved by the Operator of the Facility.

The correct volume of Inlet Substances shall be prorated by Operator to each well or stream upstream of the discharge meter at the compressor in proportion that the volume of Well Effluent measured by each Well Effluent Meter bears to the total volume of Well Effluent measured by all Well Effluent Meters. Operator shall make arrangement with all Owners of Well Effluent Meters to provide accurate measurement data when required to settle measurement differences which may arise pursuant to this Subclause. Any dispute as to the proration by Operator of Inlet Substances shall be handled through the mechanisms in accordance with the Appendix titled “DISPUTE RESOLUTION”.

(c) Where during any Month the volume of Facility Products measured by the discharge meter at any compressor delivering to the Facility inlet is different from the volume measured at the respective Facility inlet meter, the volume as measured at the Facility inlet meter shall be assumed to be correct unless it is proven by test that the Facility inlet meters are incorrect.

102. Atmospheric Pressure

The atmospheric pressure at the point of measurement shall be assumed to be a constant one hundred one point three tow five (101.325) kilopascals irrespective of the actual elevation or location of the meters above sea level or variations in the atmospheric pressure from time to time.

APPENDIX XI of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

INVESTMENT VALUES

101. Initial Investments

[**Initial investment values redacted**]

APPENDIX XII of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

ENLARGEMENT

101. Notice and Elections

Any Owner wishing to enlarge the Facility shall give notice to the Operator stating the purpose of the proposed Enlargement and such other information as the Operator may reasonably require. Pursuant to Clause 102 of this Appendix, the Operator shall prepare and submit an Enlargement proposal to the Operating Committee for approval which, subject to each Owner's rights under Clause 103 of this Appendix, shall consider its compatibility with the existing Facility. The Operating Committee shall also approve a methodology to allocate the cost of previous capital investment in common facilities which the Enlargement significantly utilizes. Common facilities include, but are not limited to, steam facilities, power facilities, office facilities, warehouse facilities or roads.

Upon approval by the Operating Committee, the Operator shall issue a notice to each Owner and each Owner wishing to participate in the Enlargement (the "Participating Owner") shall give the Operator written advice, within thirty (30) Days of receipt of notice, of its capacity nomination in the Enlargement. No Owner shall be obligated to participate in an Enlargement.

The Participating Owners and the Operator shall promptly consult to determine the design and construction of the Enlargement, which shall be approved by unanimous consent of the Participating Owners. If the original scope of the Enlargement, as defined in the Enlargement proposal, is revised, then a new Enlargement proposal shall be issued to the Operating Committee. When the final design of the Enlargement has been approved, the Operator, on behalf of the Participating Owners, shall proceed with the construction thereof at the sole cost, risk and expense of the Participating Owners in proportion to each Participating Owner's capacity nomination. The Operator shall carry out the construction with as little interference as possible in the operation of the Facilities. Should it be necessary to shut-down the Facilities in order to tie-in the Enlargement, the time of shut-down and subsequent start-up shall be determined by the Operator who shall give notice to all Owners. The cost shall be limited to the direct cost of shut-down and subsequent start-up and shall be borne by the Participating Owners.

102. Information in the Enlargement Proposal

The Enlargement proposal shall specifically identify the purpose of the Enlargement, the proposed process, capacity estimates, location of facilities, construction timing, description of how the Enlargement will be integrated with the existing Facilities and an estimate of capital and operating costs. The Enlargement proposal shall also include a methodology to allocate the cost of previous capital investment in common facilities which the Enlargement significantly utilizes.

103. Adjustment of Facility and Functional Unit Participation, Capacity and Capacity Ownership

(a) Notwithstanding other provisions in this Agreement, an Owner that does not participate in an Enlargement (a "Non-Participating Owner") that will result in a new Functional Unit shall be entitled to the same Capacity in existing Functional Units that it would have otherwise been entitled to had the Enlargement not proceeded.

(b) Notwithstanding other provisions in this Agreement, a Non-Participating Owner in an Enlargement that will become part of an existing Functional Unit shall be entitled to the

Capacity in the enlarged Functional Unit it would have otherwise been entitled to, had the Enlargement not proceeded.

(c) Upon completion of the Enlargement, in the case of an Enlargement to an existing Functional Unit, the Functional Unit Participation shall be redetermined based on the total of each Owner's capacity in the Enlargement and such Owner's Capacity in the Functional Unit prior to the Enlargement.

(d) Equalization of investments in the enlarged Functional Unit and in the common facilities as described in Clause 101 of this Appendix, shall be conducted by the Operator in the manner approved by the Operating Committee.

104. Capacity of Enlarged Facility

(a) Notwithstanding other provisions in this Agreement, the new Capacity for an enlarged Functional Unit shall reflect Capacity contributed through previous capital expenditures in the Functional Unit and Capacity contributed through capital expenditure in the Enlargement. Should there be any doubt as to the change in actual Capacity resulting from the Enlargement, a Capacity test shall be conducted if:

(i) approved by the Operating Committee, in which case the costs of the Capacity test shall be borne by all Owners in accordance with their Functional Unit Participation;

(ii) requested by the Non-Participating Owners, in which case, if not approved by the Operating Committee, the costs of the Capacity test shall be borne by the Non-Participating Owners; or

(iii) requested by the Participating Owners, in which case, if not approved by the Operating Committee, the costs of the Capacity test shall be borne by the Participating Owners.

(b) If a Capacity test is conducted, subject to Subclause 104 (a) of this Appendix, the actual Capacity of the Enlargement, as approved by the Operating Committee, shall be retroactive to the earlier of the first Day of the Month following;

(i) the date of approval by the Operating Committee to conduct the Capacity test; or

(ii) the date of request to conduct the Capacity test.

(c) Table I Capacity in Appendix IV shall be revised by the Operator to reflect the Capacities resulting from the Enlargement.

105. Participating Owners' Rights

The provisions of the Operating Procedure relating to the rights, duties, liabilities and obligations of the Operator and the Owners shall apply with such modifications as the context may require among the Participating Owners with respect to the construction and start-up of the Enlargement.

106. Non-Participating Owners' Rights

The Non-Participating Owners shall not bear any portion of the Capital Costs of an Enlargement. If a new Functional Unit is added as part of the Enlargement, the Operator shall review the Appendix which covers the structure and sharing of the Joint Account to determine if a revision is required. If a revision is required, the Operator shall propose a revision to the Operating Committee.

107. Liability during Construction of Enlargement

The Participating Owners in an Enlargement shall indemnify the Non-Participating Owners against all direct costs and liabilities associated with construction and start-up of the Enlargement and agree to be liable for any damage caused to the existing Facility as a result of construction and start-up of the Enlargement. The Participating Owners shall not be responsible for loss of profits or production of the Non-Participating Owners due to a shut-down of the Facilities to tie-in the Enlargement.

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DISPUTE RESOLUTION

101. Definitions

In this Appendix, in addition to all terms herein before defined, the following words and phrases shall have the following meaning namely:

> "Dispute" means any dispute or controversy amongst any of the Owners and/or any of the Owner(s) and Operator concerning any matter arising out of this Agreement; except that any matter which is within the powers of the Operating Committee and which has been voted on by the Owners pursuant to Article II of the Operating Procedure shall be deemed to be a matter not in dispute.

102. Disputes Initially Referred To Senior Management then Mediation

The Owners will attempt to resolve any Dispute through consultation and negotiation in good faith. If those attempts fail, each of the Parties shall immediately thereafter refer the dispute to the senior executive of that Party responsible for the relationship with the other Parties, who shall enter into good faith discussions with the senior executive appointed by the other Parties to attempt to resolve the dispute. If the senior executives of the Parties are unable to resolve the dispute within thirty (30) days of the matter being referred to them, an Owner may, by notice to the other Owners at any time following the thirty (30) day period of those negotiations, request the other Owners to attempt to resolve that Dispute through mediation, including with that notice sufficient detail to enable the other Owners to understand the issues that remain in dispute. The Owners will attempt to agree on the selection of a mediator within ten (10) Days of receipt of that notice, unless an Owner gives notice to the other Owners within that period that it is not prepared to proceed with mediation respecting that Dispute. If the Owners are proceeding with a mediation and are unable to select a mediator within that period, any Owner may deliver a written request to the Canadian Foundation for Dispute Resolution to select, within two (2) business Days of the receipt of that request, a mediator qualified by education and experience to resolve that Dispute, and the Owners agree that the person so selected will be the mediator for the Dispute. Unless otherwise unanimously agreed, the Owners will commence a mediation within twenty (20) Days of the selection of the mediator. The mediation will continue until the Dispute is resolved, or an Owner serves notice to the other Owners that it wishes to terminate the mediation, or the mediator makes a written determination that the Dispute cannot be resolved through mediation, or sixty (60) Days pass after the receipt of the original notice, whichever occurs first. All Owners which participate in or are affected by the mediation will each bear their own costs associated with a mediation, but will share the common costs of a mediation based on their Facility Participation, including, without limitation, the cost of the mediator.

103. Arbitration Proceedings

Unless a Dispute has otherwise been resolved, any Dispute described in **Alternate A** below shall be submitted to binding **X** / non-binding____ arbitration in accordance with the provisions of this section:

ALTERNATE A. Any Dispute which the Agreement specifically provides to be resolved by arbitration; or

ALTERNATE B. Any Dispute.

Any such arbitration and any other arbitration the Owners agree to conduct hereunder will be conducted under the Commercial Arbitration Rules of The Canadian Foundation for Dispute Resolution.

104. Location of and Representation at Mediation and Arbitration

The place for mediation and arbitration shall be Calgary, Alberta. Any Owner may have another Owner, provided that other Owner agrees to same in writing, represent its interests in the Dispute resolution.

105. Interim Relief

All limitation periods respecting the commencement of an action will be stayed during the period that the Owners are attempting to resolve a Dispute under Clauses 102 and 103 of this Appendix. An Owner may, at any time it believes is necessary to protect its interest, seek interim or provisional relief, in the form of a temporary restraining order, preliminary injunction or other interim equitable relief concerning a Dispute under this Agreement, notwithstanding anything to the contrary in this Appendix.

APPENDIX XIV of EXHIBIT "A" to

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ENVIRONMENTAL MATTERS

This Environmental Matters Appendix shall become effective pursuant to the provisions of Clause 211 of the Operating Procedure. Any decisions to be made by the Operating Committee pursuant to this Appendix XIV shall be made in accordance with Subclause 204 (e) of the Operating Procedure.

Audit Provisions

101. The initial environmental audit may be conducted at any time following the effective date of this Appendix, but no later than one year following the effective date of this Appendix, in accordance with Clause 103 hereof.

102. Subsequent environmental audits shall be conducted at a maximum five (5) year intervals in accordance with Clause 103 herein unless otherwise determined by the Operating Committee.

103. An environmental audit relating to the Joint Operations hereunder shall be conducted by:

(i) a competent internal or third party environmental auditor chosen by the Operator and approved by the Operating Committee. Prior to execution of the audit the Operating Committee shall approve the "Terms of Reference" that define the type of environmental audit to be done and the standards to be included in the assessment and that include, but are not necessarily limited to, the scope of work, the name(s) of the firm or representative who will conduct the work, the schedule and the estimated cost, including rates of remuneration and expenses. The costs of such audit shall be borne by all Owners at their Facility Participations. Deficiencies disclosed by such audit shall be dealt with by the Operator in accordance with Clause 104 hereof;

(ii) a competent internal or third party environmental auditor chosen by an Owner or Owners, who shall give reasonable written notice to Operator and the other Owners of the intention to conduct an environmental audit, which Owner or Owners shall bear the total cost and risk thereof. Deficiencies identified by such audit and disclosed to the Operator and other Owners shall be dealt with by the Operator in accordance with Clause 104 hereof; or

(iii) both.

104. The Operator shall expedite consideration of the findings of the environmental audit referred to in Clause 103 hereof and within eighteen(18) weeks of receipt of the environmental audit report, shall present for approval of the Operating Committee a plan for resolution or remediation of any identified deficiencies. A deficiency that is a violation of the Regulations shall be remedied as quickly as possible. Within six (6) Months of the completion date of deficiency remediation specified in the Operator's plan, Operator will provide the Owners with a detailed report on such remediation. If the deficiencies have not been corrected adequately or in a timely manner, the Operating Committee may authorize any other Owner or Owners to complete such deficiency remediation at the expense of the Joint Account and such Owner or Owners shall be subrogated to the Operator's rights pursuant to Article VI of the Operating Procedure.

105. Environmental audit reports and communications relative to environmental issues as referenced in Clause 103 shall not be disclosed to any party who is not an Owner without the express consent of all the Owners, unless required by the Regulations or court order.

106. Each environmental audit shall be conducted so as to cause a minimum of inconvenience to Operator. If two (2) or more Owners desire to conduct audits, such Owners shall make every reasonable effort to conduct joint or simultaneous audits.

APPENDIX XV of EXHIBIT "A" to

Agreement for the Construction, Ownership and Operation of the Brazeau Gas Plant Complex

REQUIRED CAPACITY EXPENDITURE

101. Notice and Elections

If Operator determines that a Required Capacity Expenditure is required, Operator shall provide each Owner with notice of such Required Capacity Expenditure, together with reasonable supporting detail. The Voting Procedure set forth in 204 will apply to the Required Capacity Expenditure and the resulting Owner vote will operate as follows;

(i) Owner Affirmative Vote:

a. Where all Owners Vote Affirmative, each Owner will contribute to the Required Capacity Expenditure in proportion to their Facility Participation;

b. Where one or more Owners Vote Negative or Abstain, the Owners that voted Affirmative will contribute to the Required Capacity Expenditure in proportion to their Facility Participation, plus their proportionate share of the Negative or Abstain Owners proportion of Facility Participation as calculated pursuant to Clause 102, and in such case, the Facility Participation of such Owners voting Affirmative will increase as described in Clause 103;

(ii) Owner Negative or Abstain Vote:

a. The Facility Participation of an Owner that votes Negative or Abstains will decrease as described in Clause 103;

102. Determination of Proportionate Share of Negative or Abstain Owners

(i) The Facility Participation of Owners voting Negative or Abstain with respect to the Required Capacity Expenditure shall be determined in accordance with the following formula:

$$PS = A \times B \times (C/D)$$

where:

PS= Proportionate share of Required Capacity Expenditure

A = Total Facility Participation of Owners Voting Negative or Abstain (percentage)

B = Required Capacity Expenditure amount

C = Owner Facility Participation

D = Total Facility Participation of Owners Voting Affirmative

103. Equalization of Facility Participation Due to Capacity Expenditure

(a) The new Facility Participation of an Owner voting Affirmative shall be determined in accordance with the following formula:

$$NFP = CFP + \{([A \times B \times (CFP/D)]/IV) \times 100\}$$

where:

NFP =	New Facility Participation (percentage)
CFP =	Current Facility Participation (percentage)
A =	Total Facility Participation of Owners Voting Negative or Abstain (percentage)
B =	Required Capacity Expenditure amount
D =	Total Facility Participation of Owners Voting Affirmative
IV =	Investment Value of the Facility as per the Appendix "INVESTMENT VALUES"

(b) The new Facility Participation of an Owner voting Negative or Abstain shall be determined in accordance with the following formula:

$$NFP = CFP - \{([CFP \times B]/IV) \times 100\}$$

where:

NFP =	New Facility Participation (percentage)
CFP =	Current Facility Participation (percentage)
B =	Required Capacity Expenditure amount
IV =	Investment Value of the Facility as per the Appendix "INVESTMENT VALUES"

104. Investment Value of Facility after Required Capital Expenditure

The Investment Value of the Facility as per the Appendix "INVESTMENT VALUES" will remain unchanged following a Required Capital Expenditure.