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COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	ORPHAN WELL ASSOCIATION
DEFENDENT	HOUSTON OIL & GAS LTD.
	IN THE MATTER OF THE RECEIVERSHIP OF HOUSTON OIL & GAS LTD.
DOCUMENT	SECOND REPORT OF THE RECEIVER, BDO CANADA LIMITED AUGUST 24, 2020
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**SECOND REPORT OF THE RECEIVER
BDO CANADA LIMITED
AUGUST 24, 2020**

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INTRODUCTION

1. On October 29, 2019, the Orphan Well Association (“**OWA**”) made an application to the Court of Queen’s Bench of Alberta (the “**Court**”) for the appointment of an interim receiver and receiver and manager (the “**Receiver**”) of the current and future assets, undertakings and property of Houston Oil & Gas Ltd. (“**Houston**” or the “**Company**”), pursuant to which the Court granted an Order (the “**Receivership Order**”) appointing Hardie & Kelly Inc. (“**H&K**”) as the Receiver of Houston.
2. On June 30, 2020, pursuant to a merger of H&K with BDO Canada Ltd. (“**BDO**”), Madam Justice K.M. Horner, of this Honourable Court granted an Order substituting H&K with BDO as Receiver, with the effect that references to the Receiver herein shall refer to both H&K and BDO in such capacity.
3. On December 2, 2019, the Receiver filed a report (the “**First Report**”) in advance of its application seeking the Court’s approval of the sale solicitation process (the “**SSP**”) as proposed by the Receiver and the engagement of Sayer Energy Advisors (“**Sayer**”) as its sales advisor to administer the SSP. On December 12, 2020, the Court granted an order approving the SSP and the engagement of Sayer.
4. The purpose of this report (the “**Second Report**”) is to provide the Court with:
 - An update as to the status of the SSP;
 - An overview of the agreements the Receiver has entered into arising from the SSP;
 - The details of a gross overriding royalty agreement between Houston and a related entity and the steps taken by the Receiver in relation thereto;
 - The details of a royalty and/or other contractual interests registered against certain of Houston’s properties in favour of an unregistered and/or defunct entity;

- The details of proposed distributions to be made by the Receiver in respect of one transaction;
 - The details of a sealing order sought in respect of the Receiver’s Confidential Supplement to the Second Report dated August 24, 2020 (the “**Confidential Supplement**”);
 - An updated Statement of Receipts and Disbursements including the accounts rendered by the Receiver and its legal counsel; and
 - The Receiver’s recommendations in respect of the foregoing.
5. Unless otherwise indicated, capitalized terms used herein have the meanings given to them in the Receivership Order, the SSP, and the First Report, as applicable.

TERMS OF REFERENCE

6. In preparing this Second Report, the Receiver has relied upon unaudited financial information, available books and records of the Company, information provided by the Receiver’s legal counsel and discussions with and information provided by Veracity Energy Services Inc. (“**Veracity**”), the Receiver’s operational consultants (collectively referred to as the “**Information**”). The Receiver has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Information.

OVERVIEW OF SALE SOLICITATION PROCESS

7. The Receiver, in conjunction with Sayer, launched the SSP in January 2020. The SSP comprised of a pre-marketing and marketing phase, a non-binding Letter of Intent (“**LOI**”) phase, and a binding formal offer (“**Formal Offer**”) phase.

8. Sayer and the Receiver undertook the following pre-marketing and marketing steps in accordance with the SSP:
- A copy of an initial information brochure (the “**Teaser Letter**”) was prepared by Sayer, along with corresponding maps and summary information for each of Houston’s major areas that were placed on Sayer’s website. Sayer advises that throughout the marketing process, the Teaser Letter was downloaded a total of 307 times which is a high number of downloads for an offering of this nature;
 - Approximately 2,100 parties from a separate Sayer distribution list received an electronic copy of the Teaser Letter by email;
 - An advertisement was placed in the *BOE Report*. Sayer advises that statistics from the BOE Report indicate that the advertisement was viewed a total of 3,241 times;
 - The opportunity was posted on the Receiver’s website;
 - An advertisement was placed in the *Calgary Herald* by the Receiver;
 - 64 parties executed a Confidentiality Agreement (“**CA**”), which Sayer advises is a very high number for a divestiture of this nature;
 - Those parties executing a CA were provided access to an electronic data room established by Sayer; and
 - Sayer, the Receiver and Veracity had discussions with various interested parties in respect of the opportunity throughout the period.
9. February 27, 2020 was established as the date for the submission of non-binding LOI’s (the “**Phase 1 Bid Deadline**”). As of the Phase 1 Bid Deadline, the Receiver and Sayer received 40 LOI’s, which the Receiver and Sayer reviewed and assessed in order to identify which parties would be eligible to continue to participate in the SSP as Phase 2 Qualified Bidders.

10. Among other things, the Receiver and Sayer evaluated the LOI's based on whether there were overlapping offers, the nature of any conditional terms and perceived closing risk.
11. The Receiver has included additional information in respect of the LOI's received by the Phase 1 Bid Deadline in the Confidential Supplement. The Receiver is concerned that the public disclosure of such offers may affect the Receiver's future marketing efforts if disclosed before the conclusion of all SSP activities.
12. The deadline for Phase 2 Qualified Bidders to submit Formal Offers was initially established as March 25, 2020. However, in light of the COVID-19 pandemic (the "**Pandemic**"), the Receiver, in consultation with Sayer, deemed it prudent to formally extend the deadline for Formal Offers to April 7, 2020 (the "**Phase 2 Bid Deadline**"). The Receiver received 12 Formal Offers by the Phase 2 Bid Deadline.
13. Thereafter, the Receiver, Sayer and Veracity diligently worked with the parties who submitted Formal Offers in order to clarify the terms and negotiate definitive Purchase and Sale Agreements ("**PSA's**") and/or Quitclaim, Surrender and Assignment of Interest Agreements ("**QCA's**", and together with the PSA's, the "**Sale Agreements**").
14. The negotiation and finalization process took several months given that:
 - Virtually none of the Formal Offers complied with all of the terms established by the SSP;
 - There were dramatic fluctuations in the global oil and gas industry throughout the SSP; and
 - There were significant business disruption and communication challenges caused by the Pandemic.
15. Based on these and other factors, the Receiver determined that the most commercially reasonable course of action was to defer making an application to Court for approval of any Sale Agreements until a sufficient number of Sale Agreements were finalized, which would warrant the costs associated with a Court application.

16. As described below, the Receiver has now entered into nine Sale Agreements with Phase 2 Qualified Bidders who submitted Formal Offers (the “**Purchasers**”), and as such, considers it appropriate to seek this Court’s approval of the transactions contemplated therein.

PROPOSED TRANSACTIONS

17. The SSP did not result in any *en bloc* offers for Houston’s assets, nor were any offers received for Houston’s entire interests in any particular geographical area (typically referred to as “white-mapped” offers). Accordingly, the Receiver has entered into nine separate Sale Agreements with Purchasers (the “**Proposed Transactions**”), each of which is subject to the approval of this Honourable Court.
18. A high-level summary of the Proposed Transactions, the identity of the Purchasers, and the general nature and location of the respective subject assets, is as follows:
- PSA with Aeneid Exploration Inc. – certain interests in the Carmangay area;
 - PSA with Bonavista Energy Corporation (“**Bonavista**”) – certain interests in the Kaybob/Pine Creek area;
 - PSA with Canamax Energy Ltd. – certain interests in the Retlaw area;
 - PSA with Hillary Oil Corp. – various gross overriding royalties;
 - PSA with Kiwetinohk Resources Corp. (“**KRC**”) – certain interests in the Thorhild-Nestow area;
 - PSA with Nuova Strada Ventures Ltd. – certain interests in the Elmworth, Pine Creek and Suffield areas;
 - QCA with Pieridae Alberta Production Ltd. in respect of certain interests in the Pincher Creek area;
 - PSA with Pro-Find Equipment Inc. – certain tangible assets; and
 - PSA with Sanling Energy Ltd. – certain interests in the Retlaw area.

19. Redacted copies of the Sale Agreements are attached hereto as **Appendices “A” to “I”** and unredacted copies of the Sale Agreements will be provided to the Court in the Confidential Supplement.

RECEIVER’S ANALYSIS OF THE PROPOSED TRANSACTIONS

20. The Receiver has been actively involved with Sayer in reviewing, negotiating and approving the Proposed Transactions. The OWA and Alberta Energy Regulator (“AER”) have also been consulted with by the Receiver, or by the respective Purchasers, where appropriate, in respect of the Sale Agreements.
21. In the circumstances, the Receiver believes that the Proposed Transactions are in the best interest of all stakeholders and recommends approval of same for the following reasons:
- The Proposed Transactions were generated as a result of the SSP, which was approved by this Court pursuant to the SSP Order;
 - Sayer is regarded as a well respected sales advisor in the marketplace and has executed many engagements on behalf of receivers;
 - Houston’s assets were widely advertised by Sayer during the SSP, which Sayer advises received significant interest from potential buyers for an offering of its size;
 - The Receiver and Sayer have undertaken an extensive negotiation process with the Purchasers and the Receiver considers the cash proceeds to be realized from the Proposed Transactions to be the best price available;
 - In addition to cash consideration, the consummation of the Proposed Transactions will result in Purchasers assuming responsibility for the related abandonment and reclamation cost associated with the wells, facilities, and pipelines being purchased, estimated to total approximately \$6.3 million. If the Proposed Transactions are not approved, then this substantial liability will fall to the OWA;

- One of the Proposed Transactions will result in payments being made to various affected stakeholders, including municipalities (for property taxes), royalty holders, and mineral lessors;
- The Proposed Transactions are not subject to any material conditions other than Court approval, vesting free and clear of encumbrances excluding any permitted encumbrances, and a lack of legal barriers to consummation of the transaction, such as the ability to transfer licenses;
- The Receiver understands that the OWA is supportive of the Proposed Transactions;
- The global oil and gas industry continues to be in a dire economic condition, and the Pandemic is ongoing, meaning that the costs and delays associated with any further marketing efforts are highly unlikely to generate any more favourable transactions;
- If the Proposed Transactions are not approved, it is likely that some or all of the assets would ultimately become the responsibility of the OWA, including for the reasons set forth in the Confidential Supplement;
- The Receiver considers that there has been no unfairness arising from the SSP; and
- The Receiver is of the view that the Proposed Transactions were negotiated in good faith and are commercially reasonable in the circumstances.

PIONEER ROYALTY AGREEMENT

22. In the First Report, the Receiver advised that:

- The Receiver had discovered that Houston appeared to have entered into a royalty agreement (the “**Pioneer Royalty Agreement**”) on April 1, 2018, with an apparent related party, Pioneer Oil Well Service Corp. (“**Pioneer**”), whereby Houston agreed to pay Pioneer a 5% gross overriding royalty, with no deductions, on all petroleum substances produced on Houston’s lands from its wells (the “**Pioneer GORR**”);

- A search of the Alberta Corporate Registry system indicated that Mr. Randy Ruggles is the 100% shareholder and sole director of Houston;
 - A search of the Alberta Corporate Registry for Pioneer indicated that the 100% shareholder and sole director of Pioneer is Ms. Esther Ruggles and that Ms. Ruggles' address listed on the Pioneer Corporate Search is the same as Mr. Ruggles' address listed on the Houston Corporate Search;
 - The Pioneer GORR appears to have the effect of granting a 5% royalty on all of Houston's production, such that in most instances it would have an inherent negative effect on an assessment of the value of any of Houston's oil and gas interests; and
 - The Receiver's legal counsel reviewed the Pioneer GORR and was of the view that it is not an interest in land, but instead a contractual interest in production revenues, which was granted for no known apparent consideration.
23. A copy of the Pioneer Royalty Agreement is attached hereto at **Appendix "J"**.
24. In the circumstances, pursuant to Paragraph 3(c) of the Receivership Order (among other things), on December 3, 2019, the Receiver issued a Notice of Disclaimer to Pioneer disclaiming the Royalty Agreement (the "**Disclaimer**"), a copy of which is attached hereto at **Appendix "K"**.
25. As of the date of this Second Report, the Receiver has not received any communication responding or objecting to the Disclaimer from Pioneer, or at all. Thus, the Receiver considers that the Disclaimer has relinquished and terminated the Pioneer GORR.
26. In the course of the SSP, certain of the Purchasers requested that specific relief be obtained from the Court as further assurance that the Pioneer GORR will not encumber the purchased assets. Consequently, certain of the sale approval and vesting orders sought by the Receiver contemplate specific vesting relief in respect of the Pioneer GORR. The Receiver considers such relief to be commercially fair and reasonable in the circumstances and for the benefit of stakeholders as a whole.

INLAND DEVELOPMENT COMPANY LTD.

27. During the course of negotiations with KRC, the Receiver discovered certain royalty registrations in favour of Inland Development Company Ltd. (“**Inland**”), concerning assets contemplated in the proposed transaction with KRC. In particular, the Receiver learned of royalties arising from or in connection with the following agreements:

- a Pooling and Joint Operating Agreement dated January 10, 1977 between Houston and Inland (C00003);
 - a Farmout Agreement dated December 27, 1973 between Houston and Inland (C00005);
 - a Farmout Agreement dated December 24, 1974 among Houston, Inland, Perpetual Operating Trust, Obsidian Energy Ltd. and PrairieSky Royalty Ltd. (C00006);
 - a Royalty Agreement dated December 14, 1999 between Houston, Inland and Freehold Royalties Partnership (C00068);
 - a Joint Operating Agreement dated December 1, 2001 between Houston and Inland (C00087); and
 - a Farmout Agreement dated February 13, 2008 among Houston, Inland, Kaisen Energy Corp. and Paramount Resources Ltd. (C00109);
- (collectively, the “**Inland Agreements**”).

28. The Inland Agreements are voluminous, and, given the limited books and records available to the Receiver, the Receiver does not have confidence that the copies it possesses are complete or accurate, or may be analysed in any meaningful sense. Accordingly, the Receiver has not attached the Inland Agreements to this Second Report.

29. Upon becoming aware of the Inland Agreements, the Receiver obtained a corporate search for Inland from the Alberta Corporate Registry. The search result states that Inland is a Saskatchewan corporation, which had its Alberta extra-provincial registration “cancelled” in February 2017.
30. The Receiver then obtained a corporate search for Inland from the Saskatchewan Corporate Registry. The Saskatchewan corporate search states that Inland is “Inactive (Struck Off)” as of February 2017. Copies of the Inland corporate search reports are attached hereto at **Appendix “L”**.
31. The Receiver also notes that Houston’s available books and records, albeit incomplete, indicate that Inland is indebted to Houston in the amount of approximately \$124,000, suggesting that Inland is not only a struck or defunct entity but also in default of its obligations to Houston.
32. In the circumstances, the PSA with KRC contemplates that the Receiver will seek to vest off any legal or beneficial interest, including any royalty interests, in favour of Inland in respect of the assets proposed to be sold to KRC (the “**Inland Interests**”). Absent such vesting relief, there will be a reduction in the purchase price to be paid by KRC under the KRC PSA, as is more fully detailed in the Confidential Supplement.
33. By letter dated August 4, 2020, the Receiver’s legal counsel gave formal notice to Inland of the Receiver’s intention to vest Inland’s interests off title to Houston’s property, so that Inland could advise if it took any position (the “**Inland Notice**”). Specifically, the Inland Notice was sent to the only three addresses disclosed by the corporate searches for Inland. As of the date of this Second Report, the Receiver has received no response to the Inland Notice. A copy of the Inland Notice is attached hereto as **Appendix “M”**.
34. Accordingly, the Receiver considers it commercially fair and reasonable, and in the interests of stakeholders as a whole, for this Honourable Court to transfer the relevant assets to KRC free and clear of Inland Interests.

PROPOSED DISTRIBUTION TO AFFECTED STAKEHOLDERS

35. The PSA with KRC contemplates that the Receiver will seek Court approval to make a distribution, from sale proceeds, in satisfaction of certain Crown mineral leases, surface leases, municipal taxes and royalties. The Receiver considers such payments to be fair and reasonable as:
- The mineral leases, surface leases and royalties are contractual obligations which should be brought into good standing in order to force an assignment thereof under the *Bankruptcy and Insolvency Act*; and
 - The municipal taxes hold a priority position and should not be vested off in the circumstances.

SEALING ORDER

36. The Receiver is seeking a sealing order for the Confidential Supplement. The Confidential Supplement contains confidential information regarding the interest and bids received during the SSP, the Proposed Transactions and the Sale Agreements, including the purchase prices.
37. This information is commercially sensitive, and if disclosed before the Proposed Transactions close or the SSP is completed, the Receiver's ability to market and sell Houston's property may be significantly prejudiced.
38. As a result, the Receiver respectfully seeks the sealing of the Confidential Supplement until three months after the Receiver's Discharge.

ADMINISTRATIVE STATUS UPDATE

39. As set out in the First Report, Houston ceased active operations in advance of the receivership proceedings. The Receiver has not operated any wells during these proceedings and arranged for Veracity to ensure all wells were safely shut-in.

40. The Receiver and Sayer continue to have discussions and engage in negotiations with several additional interested parties in respect of the SSP. The Receiver may enter into additional Sale Agreements with such parties in the future; however, at this time the Receiver is unable to advise as to whether any further transactions will be consummated.
41. In any case, it is clear that a significant portion of Houston's assets will not be sold and the Receiver anticipates issuing notices of renunciation or disclaimer of Houston's interests in such properties to the applicable interested stakeholders, including the AER and/or OWA, later this year.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

42. Attached as **Appendix "N"** is a copy of the Receiver's Statement of Receipts and Disbursements as at August 24, 2020 (the "**R&D**") indicating the Receiver maintains only approximately \$16,000 in its operational trust account.
43. Pursuant to Paragraph 21 of the Receivership Order, the Receiver has been authorized to borrow up to \$5,000,000, with a charge against Houston's assets. As noted on the R&D, the Receiver has to date borrowed \$415,000 from the OWA by way of the issuance of Receiver Certificates.
44. On the assumption that the Proposed Transactions are approved by the Court and close as anticipated, the Receiver intends to utilize the net proceeds therefrom to satisfy the Receiver's fees and disbursements (and those of its legal counsel and Veracity) pursuant to the Receiver's Charge and then towards the repayment of Receiver Certificates pursuant to the Receiver's Borrowing Charge as provided for pursuant to paragraphs 18 and 21 respectively of the Receivership Order.
45. The Receiver is seeking approval of its fees and disbursements as well as those of its legal counsel, Borden Ladner Gervais ("**BLG**"), specifically:
 - a. The fees and disbursements of the Receiver invoiced through to the period ending February 29, 2020, total \$56,470, plus GST. Unbilled work-in-process since March 1, 2020 totals approximately \$55,000. All charges are for time and services provided at standard rates; and

- b. The fees and disbursements of BLG invoiced through to July 31, 2020, totalling \$99,612.85, plus GST. All charges are for time and services provided at standard rates.
46. A summary of the Receiver's and BLG's invoices rendered to date is attached hereto as **Appendix "O"**. Copies of the invoices rendered by the Receiver and BLG will be made available to the Court at the hearing on September 3, 2020.

RECOMMENDATIONS

47. For the reasons as set out in this Second Report, and in the Confidential Supplement, the Receiver respectfully requests and recommends:
- The approval of the Proposed Transactions;
 - The vesting off of the Pioneer GORR;
 - The vesting off of the Inland Interests relating to the assets to be acquired by KRC;
 - The approval of distributions to certain affected stakeholders;
 - The sealing of the Confidential Supplement until three months after the Receiver's Discharge;
 - The approval of the Receiver's activities as more particularly outlined herein, in the Confidential Supplement, and in the First Report; and
 - The approval of the fees and disbursements incurred to date by the Receiver and its legal counsel.

All of which is respectfully submitted this 24th day of August 2020.

BDO CANADA LIMITED, in its capacity as
Receiver and Manager of **HOUSTON OIL & GAS LTD.**
and not in its personal capacity



Per: _____

Marc Kelly
Senior Vice President

Appendix “A”

PURCHASE AND SALE AGREEMENT

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY
AS COURT APPOINTED RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

- and -

AENEID EXPLORATION INC.

Dated:

Aug 24, 2020

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of August 24, 2020.

BETWEEN:

**BDO CANADA LIMITED in its capacity as
Court appointed receiver and manager ("Receiver") of HOUSTON OIL & GAS LTD.
and not in its personal or corporate capacity**

(the "Vendor")

- and -

AENEID EXPLORATION INC. (the "Purchaser")

WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil & Gas Ltd. ("Houston") pursuant to a court order dated October 29, 2019 (the "Original Receivership Order") granted by the Court of Queen's Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 and BDO Canada Limited was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (together with the Original Receivership Order, the "Receivership Order") (the "Receivership Proceedings"); and
- B. Pursuant to the Receivership Proceedings, Vendor, subject to approval by the Court, has the ability to sell, transfer and assign to Purchaser, all of the right, title and interest of Houston in and to the Assets, and Purchaser has agreed to purchase the Assets from Vendor, on the terms and conditions set forth herein.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) "Abandonment and Reclamation Obligations" means all past, present and future obligations to:
 - (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other Facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and

- (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, including such obligations relating to Wells, Pipelines and Facilities which were abandoned or decommissioned or have reclamation orders prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws;

- (b) “**Affiliate**” means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term “**control**” as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (c) “**Agreement**” means this purchase and sale agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and “**this Agreement**”, “**herein**”, “**hereto**”, “**hereof**” and similar expressions mean and refer to this Agreement;
- (d) “**Applicable Law**” means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) “**Appointment Date**” means October 29, 2019;
- (f) “**Assets**” means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests, but excludes the Excluded Assets;
- (g) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (h) “**Claim**” means any claim, demand, lawsuit, proceeding or arbitration, or any investigation by a Governmental Authority, pertaining to the Assets, in each case whether asserted, threatened, pending or existing;
- (i) “**Closing**” means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by

Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;

- (j) **“Closing Date”** means the later of:
 - (i) three Business Days following the later of: (A) the grant of the Vesting Order; and (B) the expiration, waiver or exercise of all Preferential Purchase Rights; or
 - (ii) or another date agreed upon in writing by the Parties,but in any event, shall be no later than the Outside Date;
- (k) **“Closing Place”** means the office of Vendor or its counsel, or such other place as may be agreed upon in writing by the Parties;
- (l) **“Court”** has the meaning set out in the recitals;
- (m) **“Data Room Information”** means all information provided or made available to Purchaser in hard copy or electronic form in relation to Vendor, Houston and/or the Assets;
- (n) **“Deposit”** has the meaning as defined in Section 2.9;
- (o) **“Effective Date”** means same as the Closing Date
- (p) **“Effective Time”** means 12:01 a.m. on the Effective Date;
- (q) **“Environment”** and **“Environmental”** means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (r) **“Environmental Liabilities”** means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate to the Assets (or any lands pooled or unitized with Lands which may form part of the Assets), or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
 - (i) transportation, storage, use or disposal of toxic or hazardous substances;
 - (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
 - (iii) pollution or contamination of or damage to the Environment,

including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to

property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment;

(s) **“Excluded Assets”** means:

- (i) any item or thing owned by Third Parties and licenced to Houston with restrictions on deliverability or disclosure by Houston that prevent the conveyance of such item or thing to Purchaser;
- (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
- (iii) all receivables and credits of any kind from any Person;
- (iv) legal and title opinions;
- (v) documents, other than Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
- (vi) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
- (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Houston proprietary technology
 - (B) they pertain to seismic data or interpretations thereof;
 - (C) they pertain to any intellectual property owned by a third party;
 - (D) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Houston to an assignee;
 - (E) they comprise Houston’s and Houston tax and financial records, and economic evaluations;
- (viii) Excluded Licences; and
- (ix) any other assets specifically described in Schedule “J”,

but “Excluded Assets” shall not include any property, rights or interests specifically described as Miscellaneous Interests;

(t) **“Excluded Licences”** means the licences listed in Schedule “I”;

(u) **“Facilities”** means Houston’s entire interest in and to all unit facilities under any unit agreement applicable to the Leased Substances and all other field facilities

whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are used for production, gathering, treatment, compression, transportation (including Pipelines), injection, water disposal, measurement, processing, storage, handling or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station, gathering system, production storage facility or warehouse and including those field facilities specifically identified in Schedule "B";

- (v) "**Final Statement of Adjustments**" has the meaning set forth in Section 7.3(a);
- (w) "**Governmental Authority**" means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulator) and any public authority, including any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (x) "**GST**" means the goods and services tax payable pursuant to the GST Legislation;
- (y) "**GST Legislation**" means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (z) "**Lands**" means all lands as set out and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (aa) "**Leased Substances**" means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (bb) "**Licence Transfers**" means, in relation to the Assets, the transfer of any permits, approvals, licences and authorizations (collectively, "**Licences**") granted by any applicable Governmental Authority but subject to the provisions of Sections 8.5 and 8.7 hereof;
- (cc) "**Losses**" means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;
- (dd) "**Miscellaneous Interests**" means, subject to any and all limitations and exclusions provided for in this definition, Houston's entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any and all of the following:

- (i) all contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);
 - (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licences and authorizations pertaining to the Tangibles;
 - (iii) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto;
 - (iv) all records, books, documents, Licences (subject to Section 8.7 hereof), reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles;
 - (v) all proprietary and seismic data; and
 - (vi) the Wells, including the wellbores thereof and any and all casings therein, but specifically excluding the Excluded Assets;
- (ee) **“Outside Date”** means September 30, 2020;
- (ff) **“Party”** means a party to this Agreement;
- (gg) **“Permitted Encumbrances”** means:
- (i) all encumbrances, overriding royalties (excluding the five percent overriding royalty payable by Houston Oil & Gas Ltd to Pioneer Well Service Corp as set out in its governing contract dated April 10, 2018) and other royalties, net profits interests and other burdens identified in the Title Documents or in Schedule “A”;
 - (ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;
 - (iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor’s interest in any of the Title Documents;
 - (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and

oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;

- (vi) and any obligations to Third Parties for any thirteenth month adjustments or for payments due as a result of any audits conducted by operators or Third Parties;
- (vii) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
- (viii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
- (ix) any obligation of Houston to hold any right or interest in and to any of the Assets in trust for Third Parties;
- (x) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
- (xi) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Houston's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;
- (xii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
- (xiii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
- (xiv) agreements respecting the operation of Wells or Facilities by contract field operators;
- (xv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
- (xvi) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets;

- (hh) **“Person”** means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
- (ii) **“Petroleum and Natural Gas Rights”** means Houston’s entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including the interests set out and described in Schedule “A”;
- (jj) **“Petroleum Substances”** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (kk) **“Pipelines”** means the pipelines described in Schedule “B”;
- (ll) **“Preferential Purchase Right”** means any preferential, pre-emptive or first purchase right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the Transaction, as are set out in Schedule “C”;
- (mm) **“Purchase Price”** has the meaning set out in Section 2.2;
- (nn) **“Receiver”** has the meaning set out in the Recitals;
- (oo) **“Regulator”** means the Alberta Energy Regulator;
- (pp) **“Representative”** means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to Vendor includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
- (qq) **“Sales Taxes”** means all transfer, sales, excise, stamp, licence, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other charges of a Governmental Authority (including additions by way of penalties, interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets or the transfer or registration of the Specific Conveyances, but excludes GST, and any income taxes and penalties and interest related thereto;
- (rr) **“Specific Conveyances”** means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (ss) **“Tangibles”** means Houston’s entire right, title, estate and interest in and to;

- (i) any and all tangible depreciable property, equipment and other assets located within or upon the Lands that are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them;
 - (ii) the Pipelines; and
 - (iii) the Facilities;
- (tt) **“Third Party”** means any individual or entity other than Houston, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (uu) **“Title Documents”** means, collectively, any and all certificates of title, leases, reservations, Licences (subject to Section 8.7 hereof), assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands and this definition shall include, where applicable, those documents set out in Schedule “A”;
- (vv) **“Transaction”** means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (ww) **“Vendor”** has the meaning set forth in the recitals;
- (xx) **“Vesting Order”** means an order to be granted by the Court substantially in the form of Schedule “F” which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests legal and beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or Claims, other than Permitted Encumbrances has the meaning set out in the recitals; and
- (yy) **“Wells”** means Houston’s entire interest in and to all wells (including producing, shut-in, suspended, abandoned, capped, injection and disposal wells), located on or within the Lands, or any lands pooled or unitized therewith, whether or not completed, including the wells listed in Schedule “B”.

1.2 Headings

The words "Article", "Section", "subsection" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule "A" -	Lands and Petroleum and Natural Gas Rights
Schedule "B" -	Wells Pipelines Facilities
Schedule "C" -	Preferential Purchase Rights
Schedule "D" -	General Conveyance
Schedule "E" -	Form of Officer's Certificate
Schedule "F" -	Form of Vesting Order
Schedule "G" -	INTENTIONALLY OMITTED
Schedule "H" -	Outstanding AFE's
Schedule "I" -	Excluded Licences
Schedule "J" -	Excluded Assets

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

ARTICLE 2 PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all right, title, estate and interest of Houston (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement and the Vesting Order.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Houston's interest in and to the Assets shall be [REDACTED] (the "**Purchase Price**") plus applicable GST and Sales Taxes, plus or minus (as applicable) the net amount of the adjustments made pursuant to Article 7, satisfied by Purchaser (or Vendor, to the extent applicable) as follows:

- (a) payment of the Deposit paid by Purchaser to the Vendor, to be paid out pursuant to Section 2.9;
- (b) payment in the amount of [REDACTED] adjusted pursuant to Section 7.2(a), payable by Purchaser to Vendor at Closing; and

- (c) any payments between the Parties arising from adjustments set forth in the Final Statement of Adjustments, paid in accordance with Section 7.3(a).

The Parties hereby acknowledge and agree that the Purchase Price set forth in this Section 2.2 accurately reflects and takes into proper account both the positive value of all of the Assets as well as the offsetting reductions in value for the Environmental Liabilities and Abandonment and Reclamation Obligations associated therewith and the absolute release of Vendor of all and any responsibility or liability therefor.

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights (subject to adjustment)	
Surface Rights	
Wells	
Facilities	
Other Tangibles	
Miscellaneous Interests	
Total	



2.4 Assumption of Abandonment and Reclamation Obligations and Environmental Liabilities

In determining the Purchase Price, the Parties have taken into account Purchaser’s assumption of responsibility for the payment of all costs for existing or future Abandonment and Reclamation Obligations and Environmental Liabilities associated with the Assets, as set forth in this Agreement, and the absolute release of Vendor of all and any responsibility or liability therefor.

2.5 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk, legal and beneficial ownership of Houston’s interest in and to the Assets shall pass from Houston to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as Schedule “D”, duly executed by Vendor;
 - (ii) the Officer’s Certificate substantially in the form attached as Schedule “E”, duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;

- (iv) a copy of the Vesting Order;
 - (v) the Specific Conveyances, duly executed by Vendor, to the extent such Specific Conveyances were provided to Vendor no later than one Business Day prior to Closing; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.
- (b) On the Closing Date, Purchaser shall deliver to Vendor:
- (i) the balance owing on the Purchase Price, as adjusted herein plus applicable GST and Sales Taxes;
 - (ii) the General Conveyance in the form attached as Schedule "D", duly executed by Purchaser;
 - (iii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
 - (iv) where required, the Specific Conveyances, duly executed by Purchaser, to the extent prepared on or before the Closing Date by Purchaser;
 - (v) evidence of deposit of cash or letters of credit required to perform all financial obligations referred to in Section 2.12(b) have been deposited in trust with the solicitors for Purchaser; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.6 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. Purchaser shall use reasonable efforts to prepare and provide to Vendor for Vendor's review all Specific Conveyances at Purchaser's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances as soon as reasonably practicable. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall promptly register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.7 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser any paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, to the extent any such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests are available and are in the possession of Vendor.

2.8 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by wire transfer.

2.9 Deposit

The Parties acknowledge that a deposit in the amount of [REDACTED] representing [REDACTED] the Purchase Price, will be delivered by Purchaser to the Vendor, upon execution of this Agreement, and released only in accordance with the provisions of this Section 2.9 (the "Deposit").

The Deposit shall be held by the Vendor in a non-interest bearing account until one of the following events occurs:

- (a) if Closing occurs, the Deposit shall be paid to Vendor at Closing for Vendor's own account absolutely and be applied as partial payment of the Purchase Price;
- (b) if Closing does not occur due to: (i) a failure to fulfill the conditions set forth in Section 3.2; or (ii) a material breach of a material term of this Agreement by Vendor or by failure of Vendor to fulfill the conditions set forth in Section 3.3, the Deposit shall be returned to Purchaser by Vendor for the account of Purchaser absolutely; and
- (c) if Closing does not occur due to any reason other than as addressed by Section 2.9(b) (including but not limited to the failure by Purchaser to comply with its obligations under Section 2.12 or the refusal of the Regulator to approve the transfer of any Assets to Purchaser for any reason), the Deposit shall be forfeited to Vendor for the account of Vendor absolutely.

In the event that this Agreement is terminated as a result of the application of Section 2.9(b) or 2.9(c), each Party shall be released from all obligations under or in connection with this Agreement, other than the provisions with respect to confidentiality (Section 11.12) and the use of personal information (Section 11.15).

2.10 Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor as a result of Closing not occurring and Vendor shall retain the Deposit pursuant to Section 2.9(c) and the Deposit shall constitute liquidated damages to Vendor, and not a penalty of Closing not occurring as described in that subsection.

2.11 Taxes

- (a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:

Vendor

Purchaser

Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.11(a) shall survive the Closing Date indefinitely.

(b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all applicable Sales Taxes. Purchaser shall be solely responsible for the payment of all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority within the required time period and shall file when due all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly advance to Vendor, or if Vendor has already paid same, reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of assessments or receipts, as applicable, showing assessment or payment, as applicable, of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.11(b) shall survive the Closing Date indefinitely. Regulator

- (c) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide Vendor with Purchaser's business associate code for the Regulator.
- (d) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide to the Regulator the documentation required by the Regulator to conduct a pre-transfer liability assessment and Purchaser shall promptly deliver thereafter any amounts (in such form as is acceptable to the Regulator), required by the Regulator as a result of Purchaser's requirements under the applicable Governmental Authority Licensee Liability Management Program in order to facilitate a timely Closing. Purchaser further undertakes to make any additional payments and lodge any security required by the Regulator at and subsequent to the time the Licence Transfers, if any, are effected.
- (e) Purchaser agrees to provide to Vendor, within a reasonable time prior to Closing and no later than five Business Days prior to Closing, confirmation that cash or letters of credit required to perform all financial obligations referred to in the above subsection 2.12(b) in form or substance reasonably acceptable to the Regulator have been deposited in trust with the solicitors for Purchaser together with

irrevocable instruction to pay and deliver such amounts or letters of credit immediately when due as a result of Closing. Purchaser acknowledges that the financial obligations referred to in subsection 2.12(b) are not included as part of the Purchase Price.

ARTICLE 3 CONDITIONS OF CLOSING

3.1 Required Consents

- (a) Before Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transaction. The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Facilities and the Wells.
- (b) Notwithstanding anything to the contrary herein, except for the Vesting Order, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Houston's interest in any Miscellaneous Interests including remedying any deficiencies under any assumed contracts and agreements, at Purchaser's sole cost and expense. Upon providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees, expenses, penalties or levies that are incurred by Vendor in order to effect the assignment of the Assets to Purchaser shall be the sole responsibility of Purchaser, and Purchaser agrees to pay on behalf of Vendor any such reasonable and necessary costs, fees, expenses, penalties or levies on a timely basis.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets, and of Vendor to sell Houston's interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) the Vesting Order being obtained; and
- (b) no stay or appeal or application to vary the Vesting Order shall have been filed with the Court at any time by Vendor or any other Person on or before the Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 3.2 have not been performed, satisfied or waived before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement (other than under Sections 11.12 and 11.15) shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Outside Date, Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.9, 11.12 and 11.15.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) prior to Closing occurring (but subject to Purchaser being in full compliance with Section 2.12), the Regulator shall have provided positive indications of approval of the Licence Transfers by Vendor and Purchaser; and
- (d) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Outside Date, Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.9, 11.12 and 11.15.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the Vesting Order, Vendor has the right to enter into this Agreement and to complete this Transaction; and
- (b) subject to obtaining the Vesting Order, this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor and agrees that Vendor is relying on such representations and warranties for the purposes of entering into this Agreement:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;

- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay:
 - (i) all amounts required to be paid by Purchaser under this Agreement; and (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor (as such term is interpreted by the Regulator);
- (j) Purchaser holds, or is eligible to hold and at Closing will hold a business associate code from the Regulator making it eligible to hold the licences which are the subject of the Licence Transfers, if any, in the province in which they are situated;
- (k) Purchaser has and will have at Closing a sufficient Liability Management Rating required by the Regulator and will have at Closing delivered and lodged any security required by the Regulator in order to comply with the Regulator's Licensee Liability Management Program to facilitate a timely Closing and Purchaser is not aware of any fact or circumstance that could prevent or delay the transfer of any permits or licenses relating to or forming part of the Assets as contemplated in this Agreement;
- (l) Purchaser is in compliance with all the requirements of all Governmental Authorities, including the Regulator;
- (m) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (n) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*.

4.3 Limitation of Representations by Vendor

- (a) Subject to Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Houston's interest in and to the Assets shall be purchased by Purchaser on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:

- (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles and the Wells, including the wellbores thereof and all casing, tubing and packers therein);
 - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data materials, representations, warranties or statements made, direct or indirect, express or implied, or information supplied related to the Assets (whether supplied by Vendor, its representatives or otherwise);
 - (viii) the ownership interest of the Assets;
 - (ix) the suitability of the Assets for any purpose;
 - (x) compliance with Applicable Laws; or
 - (xi) the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Houston's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

**ARTICLE 5
INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES**

5.1 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful.

5.2 Survival of Claim for Representations and Warranties

The representations and warranties in Section 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Vendor. Purchaser's representations and warranties shall survive the Closing Date for a period of 12 months.

**ARTICLE 6
INDEMNITIES**

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing before or after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the Lands, the Tangibles and the Wells (including the wellbores thereof and all casing, tubing and packers therein), that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and

- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations both to Third Parties and as between Vendor and Purchaser (whether such Environmental Liabilities and Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (whether such Environmental Liabilities and all Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time) in respect of the Lands, Wells and Facilities. This assumption of liability and indemnity by Purchaser shall apply without limit and without regard to cause or causes, including the negligence (whether sole, concurrent, gross, active, passive, primary or secondary) or the wilful or wanton misconduct or recklessness of any or all of Vendor, its Representatives and their respective successors and assigns or any other Person or otherwise. Purchaser further acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives, or their respective successors and assigns under the common law or statute pertaining to any Environmental Liabilities and Abandonment and Reclamation Obligations, including the right to name any or all of Vendor, its Representatives, and their respective successors and assigns as a 'third party' to any action commenced by any Person against Purchaser. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor (the "**Indemnitee**") for indemnification pursuant to this Agreement from Purchaser (the "**Indemnitor**") in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within 30 Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to take either or both of the following actions:

- (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated Claims as reasonably requested from it; and
- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party which results in the Indemnitee receiving, in the aggregate, more than the amount of the Third Party Claim, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) in excess of the Third Party Claim to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7

ADJUSTMENTS AND ASSUMPTION OF OBLIGATIONS

7.1 Assumption of Obligations

- (a) Provided Closing has occurred, Purchaser confirms that it has assumed the following obligations of the Vendor or Houston, as applicable, including the payment of any amounts in respect thereof and all applicable interest and penalties, whensoever and howsoever the following obligations arose after the Appointment Date):
 - (i) Property taxes, including any municipal property taxes;

- (ii) Mineral lease royalties and rentals;
- (iii) Surface lease rentals; and
- (iv) Any other obligation related to the Assets or arising from ownership of the Assets which is adjusted for in accordance with this ARTICLE 7.

Purchaser agrees to pay the required amounts either directly to the applicable Person or to the Vendor if the Vendor is required to make the payment, and in such case, the Vendor will thereafter ensure such amounts are paid to the applicable Person.

7.2 Other Costs and Revenues to be Apportioned

- (a) Except as set out in Section 7.1 and subject to Section 7.2(b) and 7.2(c) below, all other costs and expenses relating to the Assets (including maintenance, development, capital and operating costs) and all revenues relating to the Assets (including proceeds from the sale of production, if any, and fees from processing, treating or transporting Petroleum Substances on behalf of Third Parties) shall be apportioned as of the Effective Time between Vendor and Purchaser on an accrual basis in accordance with generally accepted accounting principles, provided that:
 - (i) Advances made by Vendor or Houston in respect of the cost of operations on Lands or the Wells, Pipelines or Facilities including in the Assets which advances have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be transferred to Purchaser at Closing and an adjustment will be made in favour of Vendor equal to the amount of such transferred advance;
 - (ii) Deposits placed with respect to the Assets made by Houston or Vendor relative to the operations on the Lands that have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be returned to Vendor;
 - (iii) Costs and expenses of work done, services provided and goods supplied shall be deemed to accrue for the purposes of this Article when the work is done or the goods or services are provided, regardless of when such costs and expenses become payable;
 - (iv) No adjustment shall be made in respect of Houston's or Vendor's income taxes;
 - (v) Revenues from the sale of Petroleum Substances will be deemed to accrue when the Petroleum Substances are produced; and

- (vi) Petroleum Substances that were produced beyond the wellhead, but not sold as of the Effective Time shall be credited to Vendor and will be deemed to be sold on a first-in-first-out basis.
- (b) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any liability, cost or expense which relates to the period which arose prior to the Date of Appointment and which cost or expense does not constitute a liability of Purchaser.
- (c) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any cost or expense which relates to any reassessment of royalties arising or accruing before or after the Closing Time.

7.3 Adjustments to Account

- (a) An interim accounting of the adjustments pursuant to Section 7.1 shall be made at Closing, based on Vendor's good faith estimate of the costs and expenses paid by Vendor pursuant to Closing and the revenues received by Vendor prior to Closing. Vendor and Purchaser shall cooperate in preparing such interim accounting and Vendor shall provide an interim statement of adjustment setting forth the adjustments to be made at Closing not later than five (5) Business Days prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement.
- (b) A final accounting of the adjustments pursuant to Section 7.1 shall be conducted, if required, within 60 days following the Closing Date (the "**Final Statement of Adjustments**") by Vendor and Purchaser, and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing shall be settled by payment by the Party required to make payment to the other Party hereunder within 15 Business Days of being notified of the determination of the amount owing.
- (c) All adjustments provided for in this Article shall be adjustments to the Purchase Price and shall be allocated to the Petroleum and Natural Gas Rights.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the Receivership Order:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulator with respect to the Licensee Liability Rating Program or any like program.

8.2 Consent of Purchaser

Notwithstanding Section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of \$50,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election

within such period shall be deemed to be Purchaser's election to participate in the Proposal;

- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor's representatives and warranties relating to such Assets.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser's written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;
- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;
- (c) Purchaser shall, in a timely manner, deliver to Vendor all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Purchaser shall respond to such notices in consultation with the Vendor, if received on a timely basis; and
- (d) Purchaser shall, in a timely manner and in consultation with the Vendor, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets.

8.5 Licence Transfers

- (a) Subject to the provisions of Section 8.7 hereof, to the extent applicable, within five Business Days following Closing, Purchaser shall prepare, at its sole cost and expense and, where applicable, electronically submit to the applicable

Governmental Authorities, the Licence Transfers (other than in respect of the Excluded Licences), if any, and Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfers.

- (b) If a Governmental Authority denies a Licence Transfer because of misdescription or other minor deficiencies in the application, Purchaser shall, as soon as practicable, correct the application and amend and re-submit the Licence Transfer application. Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfer.
- (c) If for any reason, a Governmental Authority requires a Party or its nominee to make a deposit or furnish any other form of security to approve or give effect to a Licence Transfer, or undertake any corrective action or remedial work including inspections, tests or engineering assessments, Purchaser shall make such deposit or furnish such other form of security or undertake such corrective or remedial work as may be required, at Purchaser's sole expense. All Licence Transfer processing fees (including any fees required to be paid for expedited service) shall be for Purchaser's account.
- (d) If a Governmental Authority denies any or all Licence Transfers, it will not derogate in any way from Purchaser's obligation to pay the full Purchase Price to Vendor.

8.6 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8 or as a result of Vendor taking or omitting to take any action in accordance with Purchaser's instruction (including any election deemed to be made pursuant to Section 8.3(b)) or concurrence, or otherwise in accordance with this Agreement. Purchaser's indemnity obligations in this Section 8.6(c) shall survive the Closing Date indefinitely.

8.7 Transfer of Operatorship

Insofar as Vendor operates any of the Assets, Purchaser acknowledges that Vendor is not able to transfer operatorship of some or all of such Assets to Purchaser at or after Closing. Should a Third Party take over operatorship of some or all of the Assets whether after receiving change of operatorship notices from Vendor of the sale of its interest, or otherwise, Purchaser acknowledges that such Licences (including without limitation the Excluded Licences) will be transferred to the successor operator at or following Closing and that Purchaser shall not contest any such succession of operatorship or transfer of Licences except as otherwise provided in the applicable operating agreements after Closing and such succession and transfer.

ARTICLE 9 PREFERENTIAL PURCHASE RIGHTS

9.1 Preferential Purchase Rights

- (a) Schedule "C" provides a description of which, if any, of the Assets are subject to Preferential Purchase Rights so far as Vendor is aware.
- (b) Purchaser shall, immediately following execution of this Agreement, provide its good faith estimate of the value of the applicable Asset(s) to Vendor, and such value shall be set forth in the notices.
- (c) Vendor shall, within two Business Days of receipt of the good faith estimates described in Section 9.1(b), serve all notices as are required in conjunction with any Preferential Purchase Rights.
- (d) Purchaser shall be liable to Vendor for, and shall, in addition, save and hold harmless and indemnify Vendor from and against, all Losses that may be brought against, suffered, sustained, paid or incurred by Vendor in connection with or that relate in any way directly or indirectly to the use of Purchaser's allocation of value.
- (e) If a Preferential Purchase Right is exercised, the Assets that are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be subject to this Agreement and the Purchase Price shall be reduced by the amount allocated to such Asset. Purchaser shall nevertheless purchase the Assets that are not subject to exercised Preferential Purchase Rights.

ARTICLE 10 PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

10.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Houston's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of Vendor, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate

Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction. Purchaser shall indemnify and save harmless Vendor from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. Purchaser shall comply fully with all rules, regulations and instructions issued by Vendor regarding Purchaser's actions while upon, entering or leaving such properties. Purchaser's obligations set forth in this Section 10.1 shall survive the Closing Date indefinitely.

10.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

10.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained by Purchaser in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two years from the Closing Date.

ARTICLE 11 GENERAL

11.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

11.2 Receiver

Purchaser acknowledges that Vendor is acting solely in its capacity as the Court-appointed receiver of Houston, and not in its personal capacity. Under no circumstances shall Vendor or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction whether such liability be in contract, tort or otherwise.

11.3 Entire Agreement

Except for the Receivership Order and the Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, except for the Receivership Order and the Vesting Order, the provisions of this Agreement shall prevail. In the event that Closing occurs, except for the Receivership Order and the Vesting Order, this Agreement supersedes all other agreements (other than the Confidentiality Agreement between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

11.4 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of Queen's Bench Court Action: 1901-14615. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

11.5 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Houston's ownership or operation of, or Vendor's interest in the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

11.6 Assignment and Enurement

This Agreement shall not be assigned by Purchaser without the prior written consent of Vendor, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

11.7 Time of Essence

Time is of the essence in this Agreement.

11.8 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor	BDO Canada Limited 110, 5800 2nd Street SW Calgary, Alberta T2H 0H2
--------	---

Attention: Marc Kelly
Fax: 403-640-0591
Email: makelly@bdo.ca

Purchaser Aeneid Exploration Inc
200, 744 4th Avenue SW
Calgary, Alberta.
T2P 3T4
Attention: Haitao Xiao
Fax: _____

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

11.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall

take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. 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.

11.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.12 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that Purchaser shall advise Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Vesting Order; or (iii) as required by Houston's secured creditors, if any or the Orphan Well Association.

11.13 Sealing Order

Vendor may, at its discretion, apply to the Court for a sealing order with respect to a report prepared by Vendor containing the financial and other confidential details of this Transaction (the "**Confidential Report**"), such order sealing Vendor's Confidential Report and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by Vendor, if granted, only the judge presiding over the Receivership Proceedings, Purchaser and their respective Representatives and the secured creditors of Vendor who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to Vendor's Confidential Report and the confidential information contained therein.

11.14 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections 3.2, 3.3 or 3.4, as applicable.

In the event of termination of this Agreement, the Deposit shall be addressed in accordance with Section 2.9.

11.15 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.
- (c) Purchaser's obligations set forth in this Section 11.15 shall survive the Closing Date indefinitely.

(Remainder of page intentionally left blank)

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

AENEID EXPLORATION INC.

Per:



Name: Marc Kelly
Title: Senior Vice President

Per:



Name: Haitao Xiao
Title: Managing Director

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 29 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

Lands and Petroleum and Natural Gas Rights

See attached 29 page Mineral Property Report dated March 31, 2020.

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 24 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

Wells, Facilities and Pipelines

Wells

Well Schedule Final

License #	UWI
0204753	100/06-01-013-22W4/2
0161469	100/16-02-013-22W4/0
0362615	100/03-12-013-22W4/3
0159411	100/06-15-013-22W4/0
0158555	100/10-15-013-22W4/0
0161120	100/12-15-013-22W4/0
0240019	100/13-15-013-22W4/0
0157554	100/14-15-013-22W4/0
0153001	100/08-21-013-22W4/0
0158545	100/03-22-013-22W4/0
0156694	102/04-22-013-22W4/0
0147893	100/08-22-013-22W4/2
0240238	100/09-22-013-22W4/0
0158457	100/10-22-013-22W4/2
0152432	100/12-22-013-22W4/0
0152017	100/14-22-013-22W4/0
0156437	100/15-22-013-22W4/3
0164686	100/02-23-013-22W4/0
0160939	100/03-23-013-22W4/0
0158045	100/04-23-013-22W4/0
0156644	100/05-23-013-22W4/0
0160937	100/06-23-013-22W4/2
0243447	100/07-23-013-22W4/2
0159146	100/12-23-013-22W4/0
0242089	100/06-24-013-22W4/3
0148977	100/02-27-013-22W4/2
0376490	102/04-27-013-22W4/0
0152386	100/06-27-013-22W4/0

0202339	100/07-28-013-22W4/0
0320241	100/09-28-013-22W4/2
0240334	100/11-28-013-22W4/0
0149857	100/16-28-013-22W4/0
0092274	100/06-05-012-21W4/0
0116265	100/08-05-012-21W4/0
0092386	100/06-06-012-21W4/0
0099088	100/16-06-012-21W4/2
0207348	100/04-01-012-22W4/0
0194423	100/08-02-012-22W4/0
0092476	100/08-12-012-22W4/0
0200114	100/12-12-012-22W4/0
0218862	100/05-36-011-22W4/0
0158341	100/10-10-020-22W4/0
0099738	102/09-33-014-13W4/0

Pipelines

<i>License Number</i>	<i>Line Number</i>	<i>From Location</i>	<i>To Location</i>
27906	1	02-23-013-22W4	03-23-013-22W4
27906	2	04-23-013-22W4	03-23-013-22W4
27906	4	03-23-013-22W4	12-23-013-22W4
28328	1	02-23-013-22W4	12-23-013-22W4
28328	4	12-23-013-22W4	15-22-013-22W4
29338	3	16-02-013-22W4	13-01-013-22W4
29338	5	06-01-013-22W4	15-22-013-22W4
29555	2	10-22-013-22W4	15-22-013-22W4
29555	3	15-22-013-22W4	10-22-013-22W4
29555	4	10-22-013-22W4	08-22-013-22W4
29555	5	10-22-013-22W4	10-15-013-22W4
29555	6	10-15-013-22W4	12-15-013-22W4
29555	8	15-22-013-22W4	08-21-013-22W4
29555	9	15-22-013-22W4	06-27-013-22W4
29555	11	12-15-013-22W4	13-15-013-22W4
29561	2	14-22-013-22W4	15-22-013-22W4
29561	4	04-22-013-22W4	15-22-013-22W4
29561	5	03-22-013-22W4	15-22-013-22W4
29561	6	14-15-013-22W4	15-22-013-22W4

29561	7	10-15-013-22W4	15-22-013-22W4
29561	8	06-15-013-22W4	15-22-013-22W4
29561	9	09-22-013-22W4	15-22-013-22W4
32819	1	12-23-013-22W4	15-22-013-22W4
52379	1	16-28-013-22W4	15-22-013-22W4
52379	2	07-28-013-22W4	16-28-013-22W4
22665	1	06-05-012-21W4	08-05-012-21W4
28328	2	16-13-012-22W4	02-23-013-22W4
28634	1	13-11-012-22W4	07-14-012-22W4
28634	3	07-14-012-22W4	16-13-012-22W4
28634	4	06-35-011-22W4	13-11-012-22W4
28634	5	08-02-012-22W4	06-02-012-22W4
30490	1	12-12-012-22W4	07-14-012-22W4
31104	1	04-01-012-22W4	08-02-012-22W4
32500	1	05-36-011-22W4	06-35-011-22W4
48272	1	08-05-012-21W4	08-12-012-22W4
48272	2	06-06-012-21W4	08-05-012-21W4
48272	4	16-06-012-21W4	06-06-012-21W4
48272	7	08-12-012-22W4	12-12-012-22W4
20212	1	02/9-33-14-13 W4	08-33-14-13 W4

Facilities

Facility Schedule Final	
Licence Number	Surface Location
F1239	00/15-22-013-22W4
F41935	00/04-23-013-22W4
F42081	00/09-28-013-22W4
F42948	00/07-28-013-22W4
F27204	00/05-36-011-22W4

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

Preferential Purchase Rights

Nil

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 24 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

THIS GENERAL CONVEYANCE made as of this ____ day of _____, 2020.

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY AS
RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE
CAPACITY**

(collectively, the "Vendor")

- and -

AENEID EXPLORATION INC. (the "Purchaser")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"Purchase Agreement" means that Purchase and Sale Agreement dated _____, 2020 between **BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** and **AENEID EXPLORATION INC.**

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Houston in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS RECEIVER AND
MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR
CORPORATE CAPACITY**

Per:

Name:
Title:

AENEID EXPLORATION INC.

Per:

Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 24, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated [date] between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "Certificate").

I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and remain true and correct in all material respects up to the Effective Time.
2. All obligations of [Vendor] [Purchaser] contained in the Agreement to be performed prior to or at Closing have been timely performed in all material respects.
3. This Certificate is made for and on behalf of the [Vendor] [Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the [Vendor] [Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this ___ day of _____, 2020.

[Name of Vendor/Purchaser]

Per: _____
Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED *August 24*, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

VESTING ORDER

THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 24 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

INTENTIONALLY OMITTED

THE FOLLOWING COMPRISES SCHEDULE "H" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 24 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

OUTSTANDING AFE's

NONE

THE FOLLOWING COMPRISES SCHEDULE "T" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 24 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

EXCLUDED LICENCES

License # 0083760 (UWI 100/08-33-014-13-W4M)

License #0186345 (UWI 102/10-10-020-22-W4M)

THE FOLLOWING COMPRISES SCHEDULE "J" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 24, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND AENEID EXPLORATION INC.

EXCLUDED ASSETS

Royalty Agreement dated April 10, 2018 between Houston Oil & Gas Ltd as Grantor and Pioneer Oil Well Service Corp as Beneficiary

Appendix “B”

PURCHASE AND SALE AGREEMENT

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY
AS COURT APPOINTED RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

(as Vendor)

- and -

BONAVISTA ENERGY CORPORATION

(as Purchaser)

Dated:

August 20, 2020

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of August 20, 2020.

BETWEEN:

BDO CANADA LIMITED, in its capacity as
Court appointed receiver and manager (the “**Receiver**”) of **HOUSTON OIL & GAS LTD.**
and not in its personal or corporate capacity

(the “**Vendor**”)

- and -

BONAVISTA ENERGY CORPORATION, a corporation
incorporated under the laws of the Province of Alberta

(the “**Purchaser**”)

WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil & Gas Ltd. (“**Houston**”) pursuant to a court order dated October 29, 2019 (the “**Original Receivership Order**”) granted by the Court of Queen’s Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 and BDO Canada Limited was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (together with the Original Receivership Order, the “**Receivership Order**”) (the “**Receivership Proceedings**”); and
- B. Pursuant to the Receivership Proceedings, Vendor, subject to approval by the Court, has the ability to sell, transfer and assign to Purchaser, all of the right, title and interest of Houston in and to the Assets, and Purchaser has agreed to purchase the Assets from Vendor, on the terms and conditions set forth herein.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) “**Abandonment and Reclamation Obligations**” means all past, present and future obligations to:
 - (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings,

pipelines, equipment and other Facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and

- (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws;

- (b) “**Affiliate**” means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term “**control**” as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (c) “**Agreement**” means this purchase and sale agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and “**this Agreement**”, “**herein**”, “**hereto**”, “**hereof**” and similar expressions mean and refer to this Agreement;
- (d) “**Applicable Law**” means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) “**Appointment Date**” means October 29, 2019;
- (f) “**Assets**” means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests, but excludes the Excluded Assets;
- (g) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (h) “**Claim**” means any claim, demand, lawsuit, proceeding or arbitration, or any investigation by a Governmental Authority, pertaining to the Assets, in each case whether asserted, threatened, pending or existing;
- (i) “**Closing**” means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by Purchaser to Vendor, and all other items and considerations required to be delivered

on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;

- (j) **“Closing Date”** means the later of:
 - (i) three Business Days following the later of: (A) the grant of the Vesting Order; and (B) the expiration, waiver or exercise of all Preferential Purchase Rights; or
 - (ii) or another date agreed upon in writing by the Parties.
- (k) **“Closing Place”** means the office of Vendor or its counsel, or such other place as may be agreed upon in writing by the Parties;
- (l) **“Court”** has the meaning set out in the recitals;
- (m) **“Data Room Information”** means all information provided or made available to Purchaser in hard copy or electronic form in relation to Vendor, Houston and/or the Assets;
- (n) **“Deposit”** has the meaning as defined in Section 2.8;
- (o) **“Effective Date”** means April 1, 2020;
- (p) **“Effective Time”** means 12:01 a.m. on the Effective Date;
- (q) **“Environment”** and **“Environmental”** means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (r) **“Environmental Liabilities”** means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate to the Assets (or any lands pooled or unitized with Lands which may form part of the Assets), or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
 - (i) transportation, storage, use or disposal of toxic or hazardous substances;
 - (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
 - (iii) pollution or contamination of or damage to the Environment,

including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment;

- (s) **“Excluded Assets”** means:
- (i) any item or thing owned by Third Parties and licenced to Houston with restrictions on deliverability or disclosure by Houston that prevent the conveyance of such item or thing to Purchaser;
 - (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
 - (iii) all receivables and credits of any kind from any Person where such receivables and credits do not pertain to the Assets;
 - (iv) legal and title opinions;
 - (v) documents, other than Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor, which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
 - (vi) records, policies, manuals and other proprietary, confidential business or technical information not used primarily in the operation of the Assets;
 - (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Houston proprietary technology;
 - (B) they pertain to seismic data or interpretations thereof;
 - (C) they pertain to any intellectual property owned by a third party;
 - (D) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Houston to an assignee;
 - (E) they comprise Houston’s and Houston tax and financial records, and economic evaluations; and
 - (viii) any other assets specifically described in Schedule “H”,
- but “Excluded Assets” shall not include any property, rights or interests specifically described as Miscellaneous Interests;
- (t) **“Facilities”** means Houston’s entire interest in and to all unit facilities under any unit agreement applicable to the Leased Substances and all other field facilities whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are used for production, gathering, treatment, compression, transportation (including Pipelines), injection, water disposal, measurement, processing, storage, handling or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station,

gathering system, production storage facility or warehouse specifically identified in Schedule "B";

- (u) **"Final Statement of Adjustments"** has the meaning set forth in Section 7.3(a);
- (v) **"Governmental Authority"** means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulator) and any public authority, including any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (w) **"GST"** means the goods and services tax payable pursuant to the GST Legislation;
- (x) **"GST Legislation"** means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (y) **"Lands"** means the lands set out and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (z) **"Leased Substances"** means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (aa) **"Licence Transfers"** means, in relation to the Assets, the transfer of any permits, approvals, licences and authorizations (collectively, **"Licences"**) granted by any applicable Governmental Authority;
- (bb) **"Losses"** means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;
- (cc) **"Miscellaneous Interests"** means, subject to any and all limitations and exclusions provided for in this definition, Houston's entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any and all of the following:
 - (i) all contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);

- (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licences and authorizations pertaining to the Tangibles;
 - (iii) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto;
 - (iv) all records, books, documents, Licences (subject to Section 8.7 hereof), reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles;
 - (v) all proprietary and seismic data; and
 - (vi) the Wells, including the wellbores thereof and any and all casings therein, but specifically excluding the Excluded Assets;
- (dd) “**Outside Date**” means September 30, 2020, or such other day as may be agreed to in writing by the Parties;
- (ee) “**Party**” means a party to this Agreement;
- (ff) “**Permitted Encumbrances**” means:
- (i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in Schedule “A” and all overriding royalties and other royalties that are interests in land, net profit interest and other interests in land identified in the Title Documents;
 - (ii) the Preferential Purchase Rights or any similar restriction applicable to any of the Assets that are interests in land;
 - (iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor’s interest in any of the Title Documents;
 - (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;

- (vi) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
- (vii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
- (viii) any obligation of Houston to hold any right or interest in and to any of the Assets in trust for Third Parties which are identified in Schedule "A";
- (ix) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
- (x) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Houston's share of the costs and expenses thereof which are not due or delinquent prior to the Vendor obtaining the Vesting Order;
- (xi) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
- (xii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
- (xiii) agreements respecting the operation of Wells or Facilities by contract field operators;
- (xiv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
- (xv) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets,

however, the Permitted Encumbrances do not include taxes on linear property as defined in the *Municipal Government Act* (Alberta) that accrued prior to the Effective Date.

- (gg) "**Person**" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;

- (hh) **“Petroleum and Natural Gas Rights”** means Houston’s entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands) as set out and described in Schedule “A”;
- (ii) **“Petroleum Substances”** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (jj) **“Pipelines”** means the pipelines described in Schedule “B”;
- (kk) **“Preferential Purchase Right”** means any preferential, pre-emptive or first purchase right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the Transaction, as are set out in Schedule “C”;
- (ll) **“Purchase Price”** has the meaning set out in Section 2.2;
- (mm) **“Receiver”** has the meaning set out in the Recitals;
- (nn) **“Regulator”** means the Alberta Energy Regulator;
- (oo) **“Representative”** means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to Vendor includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
- (pp) **“Sales Taxes”** means all transfer, sales, excise, value-added and other like taxes, charges, fees or other charges of a Governmental Authority (including additions by way of penalties, interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets, but excludes GST, and any income taxes and penalties and interest related thereto;
- (qq) **“Specific Conveyances”** means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (rr) **“Tangibles”** means Houston’s entire right, title, estate and interest in and to:
 - (i) any and all tangible depreciable property, equipment and other assets located within or upon the Lands that are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them;
 - (ii) the Pipelines; and

- (iii) the Facilities;
- (ss) **“Third Party”** means any individual or entity other than Houston, Vendor, Receiver and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (tt) **“Title Documents”** means, collectively, any and all certificates of title, leases, reservations, Licences (subject to Section 8.7 hereof), assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands and this definition shall include, where applicable, those documents set out in Schedule “A”;
- (uu) **“Transaction”** means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (vv) **“Vendor”** has the meaning set forth in the recitals;
- (ww) **“Vesting Order”** means an order to be granted by the Court substantially in the form of the Alberta Commercial Practice Template Order and attached hereto as Schedule “F”, which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests legal and beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or Claims, other than Permitted Encumbrances; and
- (xx) **“Wells”** means the wells specifically identified in Schedule “B”.

1.2 Headings

The words “Article”, “Section”, “subsection” and “Schedule” followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule "A" -	Lands and Petroleum and Natural Gas Rights
Schedule "B" -	Wells Pipelines Facilities
Schedule "C" -	Preferential Purchase Rights
Schedule "D" -	General Conveyance
Schedule "E" -	Form of Officer's Certificate
Schedule "F" -	Form of Vesting Order
Schedule "G" -	Outstanding AFE's
Schedule "H" -	Excluded Assets

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title

Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

**ARTICLE 2
PURCHASE AND SALE AND CLOSING**

2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all right, title, estate and interest of Houston (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement and the Vesting Order.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Houston's interest in and to the Assets shall be [REDACTED] "Purchase Price") plus applicable GST and Sales Taxes, plus or minus (as applicable) the net amount of the adjustments made pursuant to Article 7, satisfied by Purchaser (or Vendor, to the extent applicable) as follows:

- (a) payment of the Deposit paid by Purchaser to the Vendor, to be paid out pursuant to Section 2.8;
- (b) payment in the amount [REDACTED] adjusted pursuant to Section 7.2(a), payable by Purchaser to Vendor at Closing; and
- (c) any payments between the Parties arising from adjustments set forth in the Final Statement of Adjustments, paid in accordance with Section 7.3(a).

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights (subject to adjustment)	[REDACTED]
Tangibles	[REDACTED]
Miscellaneous Interests	[REDACTED]
Total	[REDACTED]

2.4 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this

Agreement, possession, risk, legal and beneficial ownership of Houston's interest in and to the Assets shall pass from Houston to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as Schedule "D", duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;
 - (iv) a certified copy of the Vesting Order;
 - (v) the Specific Conveyances, duly executed by Vendor;
 - (vi) the Receiver's Certificate substantially in the form scheduled to the Vesting Order, duly executed by Vendor; and
 - (vii) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.

- (b) On the Closing Date, Purchaser shall deliver to Vendor:
 - (i) The amount determined in accordance with Section 2.2(b) plus applicable GST;
 - (ii) the General Conveyance in the form attached as Schedule "D", duly executed by Purchaser;
 - (iii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
 - (iv) where required, the Specific Conveyances, duly executed by Purchaser;
 - (v) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.5 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. Purchaser shall prepare and provide to Vendor for Vendor's review all Specific Conveyances at Purchaser's sole cost and expense as soon as reasonably practicable prior to Closing. The Parties shall execute such Specific Conveyances as soon as reasonably practicable. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall promptly register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.6 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, but in any event not later than 10 Business Days following Closing, Vendor shall deliver to Purchaser any paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, to the extent any such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests are available and are in the possession of Vendor.

2.7 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by wire transfer.

2.8 Deposit

The Parties acknowledge that a deposit in the amount [REDACTED] representing [REDACTED] the Purchase Price, will be delivered by Purchaser to the Vendor, upon execution of this Agreement, and released only in accordance with the provisions of this Section 2.8 (the "Deposit").

The Deposit shall be held by the Vendor in a non-interest bearing account until one of the following events occurs:

- (a) if Closing occurs, the Deposit shall be paid to Vendor at Closing for Vendor's own account absolutely and be applied as partial payment of the Purchase Price;
- (b) if Closing does not occur due to: (i) a failure to fulfill the conditions set forth in Section 3.2; or (ii) a breach of a material term of this Agreement by Vendor or by failure of Vendor to fulfill the conditions set forth in Section 3.3, the Deposit shall be returned to Purchaser by Vendor for the account of Purchaser absolutely; and
- (c) if Closing does not occur due to any other reason other than as addressed by Section 2.8(b), the Deposit shall be forfeited to Vendor for the account of Vendor absolutely.

In the event that this Agreement is terminated as a result of the application of Section 2.8(b) or 2.8(c), each Party shall be released from all obligations under or in connection with this Agreement, other than the provisions with respect to confidentiality (Section 11.12) and the use of personal information (Section 11.15).

2.9 Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor as a result of Closing not occurring in accordance with Section 2.8(c), in which case Vendor shall retain the Deposit pursuant to Section 2.8(c) and the Deposit shall constitute liquidated damages to Vendor, and not a penalty of Closing not occurring as described in that subsection.

2.10 Taxes

(a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:

Vendor



Purchaser



Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.10(a) shall survive the Closing Date indefinitely.

(b) Sales Taxes

The Parties acknowledge that it is their understanding that no Sales Taxes are payable in respect of the Transaction and, therefore at Closing, no amount will be paid by Purchaser to Vendor, and no amount will be collected by Vendor from Purchaser, on account of Sales Taxes in respect of the Transaction. However, if it is determined that Sales Taxes are payable in respect of the Transaction, Purchaser shall pay such other Sales Taxes promptly after receiving notice or otherwise becoming aware that Sales Taxes are payable in respect of the Transaction and Purchaser shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.10(b) shall survive the Closing Date indefinitely.

**ARTICLE 3
CONDITIONS OF CLOSING**

3.1 Required Consents

- (a) Before Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transaction. The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Facilities and the Wells.
- (b) Notwithstanding anything to the contrary herein, except for the Vesting Order, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Houston's interest in any Miscellaneous Interests including remedying any deficiencies under any

assumed contracts and agreements, at Purchaser's sole cost and expense. The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. Upon providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees and expenses that are incurred by Vendor in order to effect the assignment of miscellaneous surface lease DML 080222 to Purchaser shall be the sole responsibility of Purchaser, and Purchaser agrees to pay on behalf of Vendor any such reasonable and necessary costs, fees and expenses, on a timely basis.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets, and of Vendor to sell Houston's interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) the Vesting Order being obtained; and
- (b) no stay or appeal or application to vary the Vesting Order shall have been filed with the Court at any time by Vendor or any other Person on or before the Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 3.2 have not been performed, satisfied or waived before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement (other than under Sections 11.12 and 11.15) shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Closing Date, Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.8, 11.12 and 11.15.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Closing Date, Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.8, 11.12 and 11.15.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the Vesting Order, Vendor has the right to enter into this Agreement and to complete this Transaction; and
- (b) subject to obtaining the Vesting Order, this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor and agrees that Vendor is relying on such representations and warranties for the purposes of entering into this Agreement:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and requisite authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or

equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;

- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay: (i) all amounts required to be paid by Purchaser under this Agreement; and (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor (as such term is interpreted by the Regulator);
- (j) Purchaser holds, or is eligible to hold and at Closing will hold a business associate code from the Regulator making it eligible to hold the licences which are the subject of the Licence Transfers, if any, in the province in which they are situated;
- (k) Purchaser has and will have at Closing a sufficient Liability Management Rating required by the Regulator and Purchaser is not aware of any fact or circumstance that could prevent or delay the transfer of any permits or licenses relating to or forming part of the Assets as contemplated in this Agreement;
- (l) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (m) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*.

4.3 Limitation of Representations by Vendor

- (a) Except as set forth in Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Houston's interest in and to the Assets shall be purchased by Purchaser on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:
- (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles and the Wells, including the wellbores thereof and all casing, tubing and packers therein);
 - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data materials, representations, warranties or statements made, direct or indirect, express or implied, or information supplied related to the Assets (whether supplied by Vendor, its representatives or otherwise);
 - (viii) the ownership interest of the Assets;
 - (ix) the suitability of the Assets for any purpose;
 - (x) compliance with Applicable Laws; or
 - (xi) the title and interest of Vendor in and to the Assets.

- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Houston's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

ARTICLE 5 INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.1 Vendor's Indemnities for Representations and Warranties

Vendor shall be liable to Purchaser for and shall, in addition, indemnify Purchaser's Representatives from and against, all Losses suffered, sustained, paid or incurred by Purchaser or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.1 been accurate and truthful.

5.2 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful.

5.3 Survival of Claim for Representations and Warranties

The representations and warranties in Section 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Vendor. Purchaser's representations and warranties shall survive the Closing Date for a period of 12 months.

ARTICLE 6 INDEMNITIES

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and

- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing before or after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the Lands, the Tangibles and the Wells (including the wellbores thereof and all casing, tubing and packers therein), that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations both to Third Parties and as between Vendor and Purchaser (whether such Environmental Liabilities and Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (whether such Environmental Liabilities and all Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time) in respect of the Lands, Wells and Facilities. This assumption of liability and indemnity by Purchaser shall apply without limit and without regard to cause or causes, including the negligence (whether sole, concurrent, gross, active, passive, primary or secondary) or the wilful or wanton misconduct or recklessness of any or all of Vendor, its Representatives and their respective successors and assigns or any other Person or otherwise. Purchaser further acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives, or their respective successors and assigns under the common law or statute pertaining to any Environmental Liabilities and Abandonment and Reclamation Obligations, including the right to name any or all of Vendor, its Representatives, and their respective successors and assigns as a 'third party' to any action commenced by any Person against

Purchaser. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor (the "**Indemnitee**") for indemnification pursuant to this Agreement from Purchaser (the "**Indemnitor**") in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within 30 Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to take either or both of the following actions:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Indemnitor to permit

the Indemnitor to pursue such subrogated Claims as reasonably requested from it; and

- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party which results in the Indemnitee receiving, in the aggregate, more than the amount of the Third Party Claim, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) in excess of the Third Party Claim to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7 ADJUSTMENTS AND ASSUMPTION OF OBLIGATIONS

7.1 Assumption of Obligations

- (a) Provided Closing has occurred, Purchaser confirms that it has assumed the following obligations of the Vendor or Houston, as applicable, including the payment of any amounts in respect thereof and all applicable interest and penalties, whensoever and howsoever the following obligations arose (including after the Appointment Date):
 - (i) Property taxes, including any municipal property taxes but specifically excluding taxes on linear property as defined in the *Municipal Government Act* (Alberta);
 - (ii) Mineral lease royalties and rentals; and
 - (iii) Surface lease rentals.

Purchaser agrees to pay the required amounts either directly to the applicable Person or to the Vendor if the Vendor is required to make the payment, and in such case, the Vendor will thereafter ensure such amounts are paid to the applicable Person.

7.2 Other Costs and Revenues to be Apportioned

- (a) Except as set out in Section 7.1 and subject to Section 7.2(b) and 7.2(c) below, all other costs and expenses relating to the Assets (including maintenance, development, capital and operating costs) and all revenues relating to the Assets (including proceeds from the sale of production, if any, and fees from processing, treating or transporting Petroleum Substances on behalf of Third Parties) shall be apportioned as of the Effective Time between Vendor and Purchaser on an accrual basis in accordance with generally accepted accounting principles, provided that:
 - (i) Advances made by Vendor or Houston in respect of the cost of operations on Lands or the Wells, Pipelines or Facilities including in the Assets which advances have not been applied by the operator to the payment of costs prior

to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be transferred to Purchaser at Closing and an adjustment will be made in favour of Vendor equal to the amount of such transferred advance;

- (ii) Deposits placed with respect to the Assets made by Houston or Vendor relative to the operations on the Lands that have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be returned to Vendor;
 - (iii) Costs and expenses of work done, services provided and goods supplied shall be deemed to accrue for the purposes of this Article when the work is done or the goods or services are provided, regardless of when such costs and expenses become payable;
 - (iv) No adjustment shall be made in respect of Houston's or Vendor's income taxes;
 - (v) Revenues from the sale of Petroleum Substances will be deemed to accrue when the Petroleum Substances are produced; and
 - (vi) Petroleum Substances that were produced beyond the wellhead, but not sold as of the Effective Time shall be credited to Vendor and will be deemed to be sold on a first-in-first-out basis.
- (b) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any liability, cost or expense which relates to the period which arose prior to the Date of Appointment and which cost or expense does not constitute a liability of Purchaser.
- (c) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any cost or expense which relates to any reassessment of royalties arising or accruing before or after the Closing Time.

7.3 Adjustments to Account

- (a) An interim accounting of the adjustments pursuant to Section 7.1 shall be made at Closing, based on Vendor's good faith estimate of the costs and expenses paid by Vendor pursuant to Closing and the revenues received by Vendor prior to Closing. Vendor and Purchaser shall cooperate in preparing such interim accounting and Vendor shall provide an interim statement of adjustment setting forth the adjustments to be made at Closing not later than five (5) Business Dates prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement.
- (b) A final accounting of the adjustments pursuant to Section 7.1 shall be conducted, if required, within 60 days following the Closing Date (the "**Final Statement of**

Adjustments”) by Vendor and Purchaser, and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing shall be settled by payment by the Party required to make payment to the other Party hereunder within 15 Business Days of being notified of the determination of the amount owing.

- (c) All adjustments provided for in this Article shall be adjustments to the Purchase Price and shall be allocated to the Petroleum and Natural Gas Rights.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the Receivership Order:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities;
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date; and
- (c) continue to maintain any insurance coverage in respect of the Assets that is in effect as of the date of this Agreement,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulator with respect to the Licensee Liability Rating Program or any like program.

8.2 Consent of Purchaser

Notwithstanding Section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor’s share is in excess of \$25,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to

Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;

- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election within such period shall be deemed to be Purchaser's election to participate in the Proposal;
- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor's representatives and warranties relating to such Assets.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without

Purchaser's written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;

- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;
- (c) Vendor shall, in a timely manner, deliver to Purchaser all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Vendor shall respond to such notices in consultation with the Purchaser, if received on a timely basis; and
- (d) Vendor shall, in a timely manner and in consultation with the Purchaser, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets.

8.5 Licence Transfers

- (a) Subject to the provisions of Section 8.7 hereof, to the extent applicable, immediately following Closing, Purchaser shall prepare, at its sole cost and expense and, where applicable, electronically submit to the applicable Governmental Authorities, the Licence Transfers, if any, and Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfers.
- (b) If a Governmental Authority denies a Licence Transfer because of misdescription or other minor deficiencies in the application, Purchaser shall, as soon as practicable, correct the application and amend and re-submit the Licence Transfer application. Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfer.
- (c) If for any reason, a Governmental Authority requires a Party or its nominee to make a deposit or furnish any other form of security to approve or give effect to a Licence Transfer, or undertake any corrective action or remedial work including inspections, tests or engineering assessments, Purchaser shall make such deposit or furnish such other form of security or undertake such corrective or remedial work as may be required, at Purchaser's sole expense. All Licence Transfer processing fees (including any fees required to be paid for expedited service) shall be for Purchaser's account.

8.6 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or

refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.

- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8 or as a result of Vendor taking or omitting to take any action in accordance with Purchaser's instruction (including any election deemed to be made pursuant to Section 8.3(b)) or concurrence, or otherwise in accordance with this Agreement. Purchaser's indemnity obligations in this Section 8.6(c) shall survive the Closing Date indefinitely.

8.7 Transfer of Operatorship

Insofar as Vendor operates any of the Assets, Purchaser acknowledges that Vendor is not able to transfer operatorship of some or all of such Assets to Purchaser at or after Closing. Should a Third Party take over operatorship of some or all of the Assets whether after receiving change of operatorship notices from Vendor of the sale of its interest, or otherwise, Purchaser acknowledges that such Licences will be transferred to the successor operator at or following Closing and that Purchaser shall not contest any such succession of operatorship or transfer of Licences except as otherwise provided in the applicable operating agreements after Closing and such succession and transfer.

8.8 Vesting Order

- (a) Vendor shall give notice of the application for the Approval and Vesting Order to all interested and affected parties, including but not limited to royalty holders, surface lease holders and holders of any Preferential Purchase Rights in respect of the Assets, and shall file with the Court an Affidavit of Service indicating those parties that have been served with the notice of the application.
- (b) As soon as reasonably practicable after execution of this Agreement, Vendor shall:
 - (i) prepare a draft of the Vesting Order; (ii) deliver a copy of the draft of the Vesting Order to Purchaser; and (iii) give Purchaser a reasonable opportunity to review and comment on same. Upon finalizing the Vesting Order, Vendor shall make commercially reasonable efforts to apply to the Court to obtain the Vesting Order in a timely manner, as permitted by the Court's schedule. Vendor shall give Purchaser reasonable notice of all receivership proceedings of Houston that are materially relevant to the Transaction.

**ARTICLE 9
PREFERENTIAL PURCHASE RIGHTS**

9.1 Preferential Purchase Rights

- (a) Schedule "C" provides a description of which, if any, of the Assets are subject to Preferential Purchase Rights so far as Vendor is aware.
- (b) Purchaser shall, immediately following execution of this Agreement, provide its good faith estimate of the value of the applicable Asset(s) to Vendor, and such value shall be set forth in the notices.
- (c) Vendor shall, within two Business Days of receipt of the good faith estimates described in Section 9.1(b), serve all notices as are required in conjunction with any Preferential Purchase Rights.
- (d) Purchaser shall be liable to Vendor for, and shall, in addition, save and hold harmless and indemnify Vendor from and against, all Losses that may be brought against, suffered, sustained, paid or incurred by Vendor in connection with or that relate in any way directly or indirectly to the use of Purchaser's allocation of value.
- (e) If a Preferential Purchase Right is exercised, the Assets that are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be subject to this Agreement and the Purchase Price shall be reduced by the amount allocated to such Asset. Purchaser shall nevertheless purchase the Assets that are not subject to exercised Preferential Purchase Rights.

**ARTICLE 10
PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS**

10.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Houston's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of Vendor, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction. Purchaser shall indemnify and save harmless Vendor from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. Purchaser shall comply fully with all rules, regulations and instructions issued by Vendor regarding Purchaser's actions while upon, entering or leaving such properties. Purchaser's obligations set forth in this Section 10.1 shall survive the Closing Date indefinitely.

10.2 Access to Information

For a period of two years following Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

10.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained by Purchaser in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two years from the Closing Date.

ARTICLE 11 GENERAL

11.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

11.2 Receiver

Purchaser acknowledges that Receiver is acting solely in its capacity as the Court-appointed receiver of Houston, and not in its personal capacity. Under no circumstances shall Receiver or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction whether such liability be in contract, tort or otherwise.

11.3 Entire Agreement

Except for the Receivership Order and the Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, except for the Receivership Order and the Vesting Order, the provisions of this Agreement shall prevail. In the event that Closing occurs, except for the Receivership Order and the Vesting Order, this Agreement supersedes all other agreements

(other than the Confidentiality Agreement between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

11.4 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of Queen's Bench Court Action: 1901-14615. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

11.5 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Houston's ownership or operation of, or Vendor's interest in the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

11.6 Assignment and Enurement

This Agreement shall not be assigned by Purchaser without the prior written consent of Vendor, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

11.7 Time of Essence

Time is of the essence in this Agreement.

11.8 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor - BDO Canada Limited
110, 5800 2nd Street SW
Calgary, Alberta T2H 0H2

Attention: Marc Kelly

Fax: 403-640-0591
Email: makelly@bdo.ca

Purchaser Bonavista Energy Corporation
 900, 207 – 9th Avenue SW
 Calgary, Alberta T2P 1K3
 Attention: Land Department
 Fax: (403) 538-8573

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

11.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. 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.

11.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.12 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that Purchaser shall advise Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Vesting Order; or (iii) as required by Houston's secured creditors, if any or the Orphan Well Association.

11.13 Sealing Order

Vendor may, at its discretion, apply to the Court for a sealing order with respect to a report prepared by Vendor containing the financial and other confidential details of this Transaction (the "**Confidential Report**"), such order sealing Vendor's Confidential Report and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by Vendor, if granted, only the judge presiding over the Receivership Proceedings, Purchaser and their respective Representatives and the secured creditors of Vendor who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to Vendor's Confidential Report and the confidential information contained therein.

11.14 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections 3.2, 3.3 or 3.4, as applicable.

In the event of termination of this Agreement, the Deposit shall be addressed in accordance with Section 2.8.

11.15 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.
- (c) Purchaser's obligations set forth in this Section 11.15 shall survive the Closing Date indefinitely.

(Remainder of page intentionally left blank)

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

BONAVISTA ENERGY CORPORATION

Per:



Per:

Name: Marc Kelly
Title: Senior Vice President

Name:
Title:

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

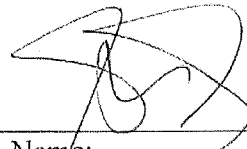
**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

Per:

Name:
Title:

BONAVISTA ENERGY CORPORATION

Per:



Name:
Title: **Scott Shimek**
Vice President, Resource Development



Bruce Jensen
Chief Operating Officer

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND BONA VISTA ENERGY CORPORATION

Lands and Petroleum and Natural Gas Rights

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND BONAVIDA ENERGY CORPORATION

Wells and Facilities

Wells:

UWI	Surface Location	Licence No. Licensee	Vendor WI%
100/06-28-057-19W5/00, 02, 03	100062805719W500	0353289 Bonavista	33.33%
100/09-28-057-19W5/00, 02, 03	100152805719W500	0398101 Bonavista	23.67%
100/10-28-057-19W5/0-2	100122805719W50	0424047 Bonavista	27.68%
100/12-28-057-19W5/0-2	100122805719W500	0377285 Bonavista	23.67%
100/04-29-057-19W5/0	100042805719W500	0423778 Houston	100% (BPO) 81.3953% (APO)
100/06-29-057-19W5/0	100062905719W500	0396954 Houston	100% (BPEN) 81.3953% (APEN)
100/09-29-057-19W5/0-2	100092905719W500	0377284 Houston	81.3953%
100/15-29-057-19W5/0	100152905719W500	0402121 Houston	100% (BPO) 81.3953% (APO)
100/15-36-058-18W5/2	100153605818W500	0354725 Houston	86.58%
100/03-25-058-19W5/0	100032505819W500	0350139 Bonavista	27.75%

Facilities:

License No	Location	Type	Licensee	Vendor – WI%
F41721	12-28-057-19W5	Gas Battery - Multiwell	Bonavista	Facility - 65.782% LP Inlet Sep – 61.495% HP Inlet Sep – 63.84% Dehy/Tanks – 67.598%
F40832	06-28-057-19W5	Gas Battery - Multiwell	Bonavista	33.33%

Pipelines:

License No. – Line Segment	From Location	From Type	To Location	To Type	Licensee	Vendor – WI%
48096-1	06-28-057-19W5	Well	07-28-057-19W5	Pipeline	Bonavista	33.33%
48096-2	07-28-057-19W5	Pipeline	12-28-057-19W5	Pipeline	Bonavista	33.33%
48096-6	15-28-057-19W5	Well	07-28-057-19W5	Pipeline	Bonavista	23.67%
53479-2	12-28-057-19W5	Well	12-28-057-19W5	Pipeline	Bonavista	27.68%
48096-8	04-28-057-19W5	Well	12-28-057-19W5	Pipeline	Houston Oil & Gas Ltd.	100.0%

48096-5	06-29-057-19W5	Well	09-29-057-19W5	Pipeline	Houston Oil & Gas Ltd.	100.0%
48096-3	09-29-057-19W5	Well	12-28-057-19W5	Pipeline	Houston Oil & Gas Ltd.	81.3953%
53715-1	12-28-057-19W5	Compressor station	03-03-058-19W5	Pipeline	Bonavista	67.598%
48102-1	15-36-058-18W5	Well	03-36-058-18W5	Pipeline	Houston Oil & Gas Ltd.	86.58%
47601-1	03-25-058-19W5	Well	06-25-058-19W5	Pipeline	Bonavista	27.75%

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND BONA VISTA ENERGY CORPORATION

Preferential Purchase Rights

FILE	LANDS	RIGHTS	WI%	GROSS ACRES	NET ACRES	ROFR	COMMENTS	OPERATOR	WELLS
C0649A	TWP 57 RGE 19 W5M SEC 29	PNG TO BASE ROCK CREEK EXCL 100/04-29, 100/06-29 AND 100/15-29 WELLS	81.3953%	640	520.92992	YES	1990 CAPL	HOUSTON	9-29 WELL
C0649B		PSU 4-29 ONLY	100% BPP; 81.5953% APP*					HOUSTON	4-29 WELL
C0649C		PSU 6-29 ONLY	100% BPP; 81.5953% APP*					HOUSTON	6-29 WELL
C0649D		PSU 15-29 ONLY	100% BPP; 81.5953% APP*					HOUSTON	15-29 WELL
			*APP 300% SINOPEC 18.6047%						
									30 DAY ROFR NOTICE REQUIRED - SINOPEC 18.6047% WI

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND BONAVIDA ENERGY CORPORATION

THIS GENERAL CONVEYANCE made as of this _____ day of _____, 2020.

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY AS
RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE
CAPACITY**

(collectively, the "Vendor")

- and -

BONAVIDA ENERGY CORPORATION (the "Purchaser")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"Purchase Agreement" means that Purchase and Sale Agreement dated [date] between **BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** and **BONAVIDA ENERGY CORPORATION**.

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Houston in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS RECEIVER AND
MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR
CORPORATE CAPACITY**

Per:

Name:
Title:

**BONAVISTA ENERGY
CORPORATION**

Per:

Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND BONA VISTA ENERGY CORPORATION

[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated [date] between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "Certificate").

I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and remain true and correct in all material respects up to the Effective Time.
2. All obligations of [Vendor] [Purchaser] contained in the Agreement to be performed prior to or at Closing have been timely performed in all material respects.
3. This Certificate is made for and on behalf of the [Vendor] [Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the [Vendor] [Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this ___ day of _____, 2020.

[Name of Vendor/Purchaser]

Per: _____
Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND BONA VISTA ENERGY CORPORATION

VESTING ORDER

THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND BONAVISTA ENERGY CORPORATION

OUTSTANDING AFE's

Nil

THE FOLLOWING COMPRISES SCHEDULE "H" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND BONAVISTA ENERGY CORPORATION

EXCLUDED ASSETS

Nil

Appendix “C”

PURCHASE AND SALE AGREEMENT

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY
AS COURT APPOINTED RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

- and -

CANAMAX ENERGY LTD.

Dated:

August 13, 2020

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of August 13, 2020.

BETWEEN:

BDO CANADA LIMITED in its capacity as
Court appointed receiver and manager (“Receiver”) of **HOUSTON OIL & GAS LTD.**
and not in its personal or corporate capacity

(the “Vendor”)

- and -

CANAMAX ENERGY LTD. (the “Purchaser”)

WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil & Gas Ltd. (“Houston”) pursuant to a court order dated October 29, 2019 (the “**Original Receivership Order**”) granted by the Court of Queen’s Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 and BDO Canada Limited was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (together with the Original Receivership Order, the “**Receivership Order**”) (the “**Receivership Proceedings**”); and
- B. Pursuant to the Receivership Proceedings, Vendor; subject to approval by the Court, has the ability to sell, transfer and assign to Purchaser, all of the right, title and interest of Houston in and to the Assets, and Purchaser has agreed to purchase the Assets from Vendor, on the terms and conditions set forth herein.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) “**Abandonment and Reclamation Obligations**” means all past, present and future obligations to:
 - (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other Facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and

- (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, including such obligations relating to Wells, Pipelines and Facilities which were abandoned or decommissioned or have reclamation orders prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws;

- (b) “**Affiliate**” means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term “**control**” as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (c) “**Agreement**” means this purchase and sale agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and “**this Agreement**”, “**herein**”, “**hereto**”, “**hereof**” and similar expressions mean and refer to this Agreement;
- (d) “**Applicable Law**” means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) “**Appointment Date**” means **October 29, 2019**;
- (f) “**Assets**” means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests, but excludes the Excluded Assets;
- (g) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (h) “**Claim**” means any claim, demand, lawsuit, proceeding or arbitration, or any investigation by a Governmental Authority, pertaining to the Assets, in each case whether asserted, threatened, pending or existing;
- (i) “**Closing**” means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by

Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;

- (j) **“Closing Date”** means the later of:
 - (i) three Business Days following the later of: (A) the grant of the Vesting Order; and (B) the expiration, waiver or exercise of all Preferential Purchase Rights; or
 - (ii) or another date agreed upon in writing by the Parties,but in any event, shall be no later than the Outside Date;
- (k) **“Closing Place”** means the office of Vendor or its counsel, or such other place as may be agreed upon in writing by the Parties;
- (l) **“Court”** has the meaning set out in the recitals;
- (m) **“Data Room Information”** means all information provided or made available to Purchaser in hard copy or electronic form in relation to Vendor, Houston and/or the Assets;
- (n) **“Effective Date”** means the Closing Date or another date mutually agreed upon;
- (o) **“Effective Time”** means 12:01 a.m. on the Effective Date;
- (p) **“Environment”** and **“Environmental”** means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (q) **“Environmental Liabilities”** means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate to the Assets (or any lands pooled or unitized with Lands which may form part of the Assets), or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
 - (i) transportation, storage, use or disposal of toxic or hazardous substances;
 - (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
 - (iii) pollution or contamination of or damage to the Environment,including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment;

(r) **“Excluded Assets”** means:

- (i) any item or thing owned by Third Parties and licenced to Houston with restrictions on deliverability or disclosure by Houston that prevent the conveyance of such item or thing to Purchaser;
- (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
- (iii) all receivables and credits of any kind from any Person;
- (iv) legal and title opinions;
- (v) documents, other than Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
- (vi) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
- (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Houston proprietary technology
 - (B) they pertain to seismic data or interpretations thereof;
 - (C) they pertain to any intellectual property owned by a third party;
 - (D) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Houston to an assignee;
 - (E) they comprise Houston’s and Houston tax and financial records, and economic evaluations;
- (viii) Excluded Licences; and
- (ix) any other assets specifically described in Schedule “J”,

but “Excluded Assets” shall not include any property, rights or interests specifically described as Miscellaneous Interests;

(s) **“Excluded Licences”** means the licences listed in Schedule “H”;

(t) **“Facilities”** means Houston’s entire interest in and to all unit facilities under any unit agreement applicable to the Leased Substances and all other field facilities whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are used for production, gathering, treatment, compression, transportation (including Pipelines), injection, water disposal,

measurement, processing, storage, handling or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station, gathering system, production storage facility or warehouse and including those field facilities specifically identified in Schedule "B";

- (u) **"Governmental Authority"** means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulator) and any public authority, including any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (v) **"GST"** means the goods and services tax payable pursuant to the GST Legislation;
- (w) **"GST Legislation"** means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (x) **"Lands"** means all lands set out and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (y) **"Leased Substances"** means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (z) **"Licence Transfers"** means, in relation to the Assets, the transfer of any permits, approvals, licences and authorizations (collectively, **"Licences"**) granted by any applicable Governmental Authority but subject to the provisions of Sections 8.5 and 8.7 hereof;
- (aa) **"Losses"** means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;
- (bb) **"Miscellaneous Interests"** means, subject to any and all limitations and exclusions provided for in this definition, Houston's entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any and all of the following:
 - (i) all contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);

- (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licences and authorizations pertaining to the Tangibles;
 - (iii) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto;
 - (iv) all records, books, documents, Licences (subject to Section 8.7 hereof), reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles;
 - (v) all proprietary and seismic data; and
 - (vi) the Wells, including the wellbores thereof and any and all casings therein, but specifically excluding the Excluded Assets;
- (cc) **“Outside Date”** means September 30, 2020;
- (dd) **“Party”** means a party to this Agreement;
- (ee) **“Permitted Encumbrances”** means:
- (i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in the Title Documents or in Schedule “A”;
 - (ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;
 - (iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor’s interest in any of the Title Documents;
 - (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;

- (vi) and any obligations to Third Parties for any thirteenth month adjustments or for payments due as a result of any audits conducted by operators or Third Parties;
 - (vii) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
 - (viii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
 - (ix) any obligation of Houston to hold any right or interest in and to any of the Assets in trust for Third Parties;
 - (x) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
 - (xi) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Houston's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;
 - (xii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
 - (xiii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
 - (xiv) agreements respecting the operation of Wells or Facilities by contract field operators;
 - (xv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
 - (xvi) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets;
- (ff) **"Person"** means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;

- (gg) **“Petroleum and Natural Gas Rights”** means Houston’s entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including the interests set out and described in Schedule “A”;
- (hh) **“Petroleum Substances”** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (ii) **“Pipelines”** means the pipelines described in Schedule “B”;
- (jj) **“Preferential Purchase Right”** means any preferential, pre-emptive or first purchase right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the Transaction, as are set out in Schedule “C”;
- (kk) **“Purchase Price”** has the meaning set out in Section 2.2;
- (ll) **“Receiver”** has the meaning set out in the Recitals;
- (mm) **“Regulator”** means the Alberta Energy Regulator;
- (nn) **“Representative”** means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to Vendor includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
- (oo) **“Sales Taxes”** means all transfer, sales, excise, stamp, licence, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other charges of a Governmental Authority (including additions by way of penalties, interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets or the transfer or registration of the Specific Conveyances, but excludes GST, and any income taxes and penalties and interest related thereto;
- (pp) **“Specific Conveyances”** means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (qq) **“Tangibles”** means Houston’s entire right, title, estate and interest in and to:
 - (i) any and all tangible depreciable property, equipment and other assets located within or upon the Lands that are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them;

- (ii) the Pipelines; and
- (iii) the Facilities;
- (rr) “**Third Party**” means any individual or entity other than Houston, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (ss) “**Title Documents**” means, collectively, any and all certificates of title, leases, reservations, Licences (subject to Section 8.7 hereof), assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands and this definition shall include, where applicable, those documents set out in Schedule “A”;
- (tt) “**Transaction**” means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (uu) “**Vendor**” has the meaning set forth in the recitals;
- (vv) “**Vesting Order**” means an order to be granted by the Court substantially in the form of Schedule “F” which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests legal and beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or Claims, other than Permitted Encumbrances has the meaning set out in the recitals; and
- (ww) “**Wells**” means Houston’s entire interest in and to all wells (including producing, shut-in, suspended, abandoned (including wells that have met all reclamation requirements and a reclamation certificate, certificate of recognition, surface release or other document has been issued by the applicable Governmental Authority), capped, injection and disposal wells), located on or within the Lands, or any lands pooled or unitized therewith, whether or not completed, including the wells listed in Schedule “B”;

1.2 Headings

The words “Article”, “Section”, “subsection” and “Schedule” followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule "A" -	Lands and Petroleum and Natural Gas Rights
Schedule "B" -	Wells Pipelines Facilities
Schedule "C" -	Preferential Purchase Rights
Schedule "D" -	General Conveyance
Schedule "E" -	Form of Officer's Certificate
Schedule "F" -	Form of Vesting Order
Schedule "G" -	Outstanding AFE's
Schedule "H" -	Excluded Licences
Schedule "I" -	Excluded Assets

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

ARTICLE 2 PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all right, title, estate and interest of Houston (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement and the Vesting Order.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Houston's interest in and to the Assets shall be **_____ Purchase Price**) plus applicable GST and Sales Taxes.

The Parties hereby acknowledge and agree that the Purchase Price set forth in this Section 2.2 accurately reflects and takes into proper account both the positive value of all of the Assets as well as the offsetting reductions in value for the Environmental Liabilities and Abandonment and Reclamation Obligations associated therewith and the absolute release of Vendor of all and any responsibility or liability therefor.

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights (subject to adjustment)

Surface Rights

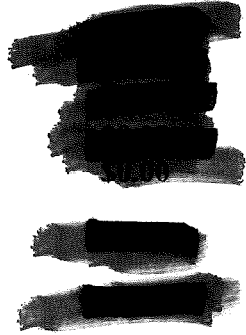
Wells

Facilities

Other Tangibles

Miscellaneous Interests

Total



2.4 Assumption of Abandonment and Reclamation Obligations and Environmental Liabilities

In determining the Purchase Price, the Parties have taken into account Purchaser's assumption of responsibility for the payment of all costs for existing or future Abandonment and Reclamation Obligations and Environmental Liabilities associated with the Assets, as set forth in this Agreement, and the absolute release of Vendor of all and any responsibility or liability therefor.

2.5 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk, legal and beneficial ownership of Houston's interest in and to the Assets shall pass from Houston to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as Schedule "D", duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;
 - (iv) a copy of the Vesting Order;
 - (v) the Specific Conveyances, duly executed by Vendor, to the extent such Specific Conveyances were provided to Vendor no later than five Business Days prior to Closing; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.
- (b) On the Closing Date, Purchaser shall deliver to Vendor:
 - (i) the balance owing on the Purchase Price, as adjusted herein plus applicable GST and Sales Taxes;

- (ii) the General Conveyance in the form attached as Schedule "D", duly executed by Purchaser;
- (iii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
- (iv) where required, the Specific Conveyances, duly executed by Purchaser, to the extent prepared on or before the Closing Date by Purchaser; and
- (v) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.6 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. Purchaser shall use reasonable efforts to prepare and provide to Vendor for Vendor's review all Specific Conveyances at Purchaser's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances as soon as reasonably practicable. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall promptly register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.7 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser any paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, to the extent any such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests are available and are in the possession of Vendor.

2.8 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by wire transfer.

2.9 Taxes

- (a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:

Vendor

[REDACTED]

Purchaser

[REDACTED]

Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.9(a) shall survive the Closing Date indefinitely.

(b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all applicable Sales Taxes. Purchaser shall be solely responsible for the payment of all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority within the required time period and shall file when due all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly advance to Vendor, or if Vendor has already paid same, reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of assessments or receipts, as applicable, showing assessment or payment, as applicable, of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.9(b) shall survive the Closing Date indefinitely.

2.10 Regulator

- (a) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide Vendor with Purchaser's business associate code for the Regulator.
- (b) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide to the Regulator the documentation required by the Regulator to conduct a pre-transfer liability assessment and Purchaser shall promptly deliver thereafter any amounts (in such form as is acceptable to the Regulator), required by the Regulator as a result of Purchaser's requirements under the applicable Governmental Authority Licensee Liability Management Program in order to facilitate a timely Closing. Purchaser further undertakes to make any additional payments and lodge any security required by the Regulator at and subsequent to the time the Licence Transfers, if any, are effected.

**ARTICLE 3
CONDITIONS OF CLOSING**

3.1 Required Consents

- (a) Before Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transaction.

The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Facilities and the Wells.

- (b) Notwithstanding anything to the contrary herein, except for the Vesting Order, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Houston's interest in any Miscellaneous Interests including remedying any deficiencies under any assumed contracts and agreements, at Purchaser's sole cost and expense. Upon providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees, expenses, penalties or levies that are incurred by Vendor in order to effect the assignment of the Assets to Purchaser shall be the sole responsibility of Purchaser, and Purchaser agrees to pay on behalf of Vendor any such reasonable and necessary costs, fees, expenses, penalties or levies on a timely basis.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets, and of Vendor to sell Houston's interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) the Vesting Order being obtained; and
- (b) no stay or appeal or application to vary the Vesting Order shall have been filed with the Court at any time by Vendor or any other Person on or before the Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 3.2 have not been performed, satisfied or waived before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement (other than under Sections 11.12 and 11.15) shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Outside Date, Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 11.12 and 11.15.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects; and
- (c) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Outside Date, Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 11.12 and 11.15.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the Vesting Order, Vendor has the right to enter into this Agreement and to complete this Transaction; and
- (b) subject to obtaining the Vesting Order, this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor and agrees that Vendor is relying on such representations and warranties for the purposes of entering into this Agreement:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay:
 - (i) all amounts required to be paid by Purchaser under this Agreement; and
 - (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor (as such term is interpreted by the Regulator);

- (j) Purchaser holds, or is eligible to hold and at Closing will hold a business associate code from the Regulator making it eligible to hold the licences which are the subject of the Licence Transfers, if any, in the province in which they are situated;
- (k) Purchaser has and will have at Closing a sufficient Liability Management Rating required by the Regulator and will have at Closing delivered and lodged any security required by the Regulator in order to comply with the Regulator's Licensee Liability Management Program to facilitate a timely Closing and Purchaser is not aware of any fact or circumstance that could prevent or delay the transfer of any permits or licenses relating to or forming part of the Assets as contemplated in this Agreement;
- (l) Purchaser is in compliance with all the requirements of all Governmental Authorities, including the Regulator;
- (m) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (n) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*.

4.3 Limitation of Representations by Vendor

- (a) Subject to Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Houston's interest in and to the Assets shall be purchased by Purchaser on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:
 - (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the

- Tangibles and the Wells, including the wellbores thereof and all casing, tubing and packers therein);
- (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data materials, representations, warranties or statements made, direct or indirect, express or implied, or information supplied related to the Assets (whether supplied by Vendor, its representatives or otherwise);
 - (viii) the ownership interest of the Assets;
 - (ix) the suitability of the Assets for any purpose;
 - (x) compliance with Applicable Laws; or
 - (xi) the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Houston's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

ARTICLE 5 INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.1 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful.

5.2 Survival of Claim for Representations and Warranties

The representations and warranties in Section 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Vendor. Purchaser's representations and warranties shall survive the Closing Date for a period of 12 months.

ARTICLE 6 INDEMNITIES

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing before or after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the Lands, the Tangibles and the Wells (including the wellbores thereof and all casing, tubing and packers therein), that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations both to Third Parties and as between Vendor and Purchaser (whether such Environmental Liabilities and Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (whether such Environmental Liabilities and all Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time) in respect of the Lands, Wells and Facilities. This assumption of liability and indemnity by Purchaser shall apply without limit and without regard to cause or

causes, including the negligence (whether sole, concurrent, gross, active, passive, primary or secondary) or the wilful or wanton misconduct or recklessness of any or all of Vendor, its Representatives and their respective successors and assigns or any other Person or otherwise. Purchaser further acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives, or their respective successors and assigns under the common law or statute pertaining to any Environmental Liabilities and Abandonment and Reclamation Obligations, including the right to name any or all of Vendor, its Representatives, and their respective successors and assigns as a 'third party' to any action commenced by any Person against Purchaser. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor (the "**Indemnitee**") for indemnification pursuant to this Agreement from Purchaser (the "**Indemnitor**") in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within 30 Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to take either or both of the following actions:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;

- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated Claims as reasonably requested from it; and
- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party which results in the Indemnitee receiving, in the aggregate, more than the amount of the Third Party Claim, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) in excess of the Third Party Claim to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7 ADJUSTMENTS

7.1 Assumption of Obligations

- (a) Provided Closing has occurred, Purchaser confirms that it has assumed the following obligations of the Vendor or Houston, as applicable, including the payment of any amounts in respect thereof and all applicable interest and penalties, whensoever and howsoever the following obligations arose (including after the Appointment Date):
 - (i) Property taxes, including any municipal property taxes;
 - (ii) Mineral lease royalties and rentals;
 - (iii) Surface lease rentals; and
 - (iv) Any other obligation related to the Assets or arising from ownership of the Assets which is adjusted for in accordance with this Article 7.
- (b) Purchaser agrees to pay the required amounts either directly to the applicable Person or to the Vendor if the Vendor is required to make the payment, and in such case, the Vendor will thereafter ensure such amounts are paid to the applicable Person.

7.2 No Other Adjustments

- (a) Notwithstanding the existence of an Effective Time, there shall be no adjustments to the Purchase Price whatsoever, including without limitation any amounts paid

by or on behalf of Vendor prior to the date hereof to maintain any surface rights, nor for any and all revenues collected or Petroleum Substances produced and transported as of the Effective Time.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the Receivership Order:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulator with respect to the Licensee Liability Rating Program or any like program.

8.2 Consent of Purchaser

Notwithstanding Section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of \$50,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material

obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the “**Proposal**”):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor’s rights with respect to the Proposal on Purchaser’s behalf, provided that Purchaser’s failure to make such election within such period shall be deemed to be Purchaser’s election to participate in the Proposal;
- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser’s election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor’s interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor’s representatives and warranties relating to such Assets.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser’s written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser’s written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor’s estimate of the costs and expenses therewith associated;
- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;

- (c) Purchaser shall, in a timely manner, deliver to Vendor all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Purchaser shall respond to such notices in consultation with the Vendor, if received on a timely basis; and
- (d) Purchaser shall, in a timely manner and in consultation with the Vendor, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets.

8.5 Licence Transfers

- (a) Subject to the provisions of Section 8.7 hereof, to the extent applicable, within five Business Days following Closing, Purchaser shall prepare, at its sole cost and expense and, where applicable, electronically submit to the applicable Governmental Authorities, the Licence Transfers (other than in respect of the Excluded Licences), if any, and Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfers.
- (b) If a Governmental Authority denies a Licence Transfer because of misdescription or other minor deficiencies in the application, Purchaser shall, as soon as practicable, correct the application and amend and re-submit the Licence Transfer application. Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfer.
- (c) If for any reason, a Governmental Authority requires a Party or its nominee to make a deposit or furnish any other form of security to approve or give effect to a Licence Transfer, or undertake any corrective action or remedial work including inspections, tests or engineering assessments, Purchaser shall make such deposit or furnish such other form of security or undertake such corrective or remedial work as may be required, at Purchaser's sole expense. All Licence Transfer processing fees (including any fees required to be paid for expedited service) shall be for Purchaser's account.
- (d) If a Governmental Authority denies any or all Licence Transfers, it will not derogate in any way from Purchaser's obligation to pay the full Purchase Price to Vendor.

8.6 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.

- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8 or as a result of Vendor taking or omitting to take any action in accordance with Purchaser's instruction (including any election deemed to be made pursuant to Section 8.3(b)) or concurrence, or otherwise in accordance with this Agreement. Purchaser's indemnity obligations in this Section 8.6(c) shall survive the Closing Date indefinitely.

8.7 Transfer of Operatorship

Insofar as Vendor operates any of the Assets, Purchaser acknowledges that Vendor is not able to transfer operatorship of some or all of such Assets to Purchaser at or after Closing. Should a Third Party take over operatorship of some or all of the Assets whether after receiving change of operatorship notices from Vendor of the sale of its interest, or otherwise, Purchaser acknowledges that such Licences (including without limitation the Excluded Licences) will be transferred to the successor operator at or following Closing and that Purchaser shall not contest any such succession of operatorship or transfer of Licences except as otherwise provided in the applicable operating agreements after Closing and such succession and transfer.

ARTICLE 9 PREFERENTIAL PURCHASE RIGHTS

9.1 Preferential Purchase Rights

- (a) Schedule "C" provides a description of which, if any, of the Assets are subject to Preferential Purchase Rights so far as Vendor is aware.
- (b) Purchaser shall, immediately following execution of this Agreement, provide its good faith estimate of the value of the applicable Asset(s) to Vendor, and such value shall be set forth in the notices.
- (c) Vendor shall, within two Business Days of receipt of the good faith estimates described in Section 9.1(b), serve all notices as are required in conjunction with any Preferential Purchase Rights.
- (d) Purchaser shall be liable to Vendor for, and shall, in addition, save and hold harmless and indemnify Vendor from and against, all Losses that may be brought against, suffered, sustained, paid or incurred by Vendor in connection with or that relate in any way directly or indirectly to the use of Purchaser's allocation of value.
- (e) If a Preferential Purchase Right is exercised, the Assets that are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be

subject to this Agreement and the Purchase Price shall be reduced by the amount allocated to such Asset. Purchaser shall nevertheless purchase the Assets that are not subject to exercised Preferential Purchase Rights.

ARTICLE 10 PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

10.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Houston's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of Vendor, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction. Purchaser shall indemnify and save harmless Vendor from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. Purchaser shall comply fully with all rules, regulations and instructions issued by Vendor regarding Purchaser's actions while upon, entering or leaving such properties. Purchaser's obligations set forth in this Section 10.1 shall survive the Closing Date indefinitely.

10.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

10.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained by Purchaser in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two years from the Closing Date.

ARTICLE 11 GENERAL

11.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

11.2 Receiver

Purchaser acknowledges that Vendor is acting solely in its capacity as the Court-appointed receiver of Houston, and not in its personal capacity. Under no circumstances shall Vendor or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction whether such liability be in contract, tort or otherwise.

11.3 Entire Agreement

Except for the Receivership Order and the Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, except for the Receivership Order and the Vesting Order, the provisions of this Agreement shall prevail. In the event that Closing occurs, except for the Receivership Order and the Vesting Order, this Agreement supersedes all other agreements (other than the Confidentiality Agreement between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

11.4 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of Queen's Bench Court Action: 1901-14615. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

11.5 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Houston's ownership or operation of, or Vendor's interest in the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

11.6 Assignment and Enurement

This Agreement shall not be assigned by Purchaser without the prior written consent of Vendor, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding

upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

11.7 Time of Essence

Time is of the essence in this Agreement.


11.8 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor - BDO Canada Limited
110, 5800 2nd Street SW
Calgary, Alberta T2H 0H2

Attention: Marc Kelly
Fax: 403-640-0591
Email: makelly@bdo.ca

Purchaser Canamax Energy Ltd.
2500, 333 – 7th Avenue SW
Calgary, Alberta T2P 2Z1

Attention: Jeremy Yee
Fax: n/a
Email: 

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

11.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. 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.

11.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.12 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that Purchaser shall advise Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Vesting Order; or (iii) as required by Houston's secured creditors, if any or the Orphan Well Association.

11.13 Sealing Order

Vendor may, at its discretion, apply to the Court for a sealing order with respect to a report prepared by Vendor containing the financial and other confidential details of this Transaction (the "**Confidential Report**"), such order sealing Vendor's Confidential Report and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by Vendor, if granted, only the judge presiding over the Receivership Proceedings, Purchaser and their respective Representatives and the secured creditors of Vendor who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to Vendor's Confidential Report and the confidential information contained therein.

11.14 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections 3.2, 3.3 or 3.4, as applicable.

11.15 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.
- (c) Purchaser's obligations set forth in this Section 11.15 shall survive the Closing Date indefinitely.

(Remainder of page intentionally left blank)

11.16 Counterpart Execution

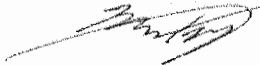
This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

CANAMAX ENERGY LTD.

Per:



Name: Marc Kelly
Title: Senior Vice President

Per:

Name: Jeremy Krukowski, P.Eng
Title: President & COO

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

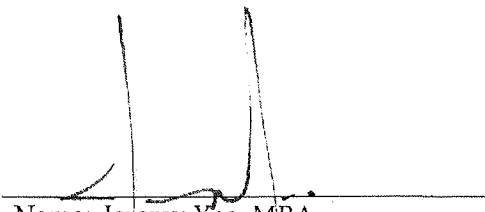
**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

Per:

Name:
Title:

CANAMAX ENERGY LTD.

Per:



Name: Jeremy Yee, MBA
Title: Vice President Land &
Corporate Development

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

Lands and Petroleum and Natural Gas Rights

See attachment Mineral Schedule "A" Report dated January 10, 2020 10:59 am

Specifically Pages 5-10 from the Retlaw Area.

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

Wells

UWI: 100/15-22-014-15W4/00 Lic: 0199291
UWI: 102/06-22-014-15W4/00 Lic: 0157126
UWI: 100/13/22-014-15W4/00 Lic: 0247578

Pipelines

None

Facilities

None

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

Preferential Purchase Rights

None

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

THIS GENERAL CONVEYANCE made as of this 13th day of August, 2020.

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY AS
RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE
CAPACITY**

(collectively, the "**Vendor**")

- and -

CANAMAX ENERGY LTD. (the "**Purchaser**")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"Purchase Agreement" means that Purchase and Sale Agreement dated [date] between **BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** and **CANAMAX ENERGY LTD.**

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Houston in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT IN
ITS PERSONAL OR CORPORATE
CAPACITY**

Per:

Name:

Title:

CANAMAX ENERGY LTD.

Per:

Name:

Title:

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated [date] between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "Certificate").

I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and remain true and correct in all material respects up to the Effective Time.
2. All obligations of [Vendor] [Purchaser] contained in the Agreement to be performed prior to or at Closing have been timely performed in all material respects.
3. This Certificate is made for and on behalf of the [Vendor] [Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the [Vendor] [Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this 13th day of August, 2020.

[Name of Vendor/Purchaser]

Per: _____
Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

VESTING ORDER

THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

OUTSTANDING AFE's

None

THE FOLLOWING COMPRISES SCHEDULE "H" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

EXCLUDED LICENCES

None

THE FOLLOWING COMPRISES SCHEDULE "I" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 13, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND CANAMAX ENERGY LTD.

EXCLUDED ASSETS

None

Appendix “D”

PURCHASE AND SALE AGREEMENT

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY
AS COURT APPOINTED RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

- and -

HILLARY OIL CORP.

Dated:

August 13, 2020

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of August 13, 2020

BETWEEN:

BDO CANADA LIMITED in its capacity as
Court appointed receiver and manager (“Receiver”) of **HOUSTON OIL & GAS LTD.**
and not in its personal or corporate capacity

(the “Vendor”)

- and -

HILLARY OIL CORP. (the “Purchaser”)

WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil & Gas Ltd. (“Houston”) pursuant to a court order dated October 29, 2019 (the “**Original Receivership Order**”) granted by the Court of Queen’s Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 and BDO Canada Limited was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (together with the Original Receivership Order, the “**Receivership Order**”) (the “**Receivership Proceedings**”); and
- B. Pursuant to the Receivership Proceedings, Vendor, subject to approval by the Court, has the ability to sell, transfer and assign to Purchaser, all of the right, title and interest of Houston in and to the Assets, and Purchaser has agreed to purchase the Assets from Vendor, on the terms and conditions set forth herein.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) “**Abandonment and Reclamation Obligations**” means all past, present and future obligations to:
 - (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other Facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and

- (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, including such obligations relating to Wells, Pipelines and Facilities which were abandoned or decommissioned or have reclamation orders prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws;

- (b) “**Affiliate**” means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term “**control**” as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (c) “**Agreement**” means this purchase and sale agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and “**this Agreement**”, “**herein**”, “**hereto**”, “**hereof**” and similar expressions mean and refer to this Agreement;
- (d) “**Applicable Law**” means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) “**Appointment Date**” means October 29, 2019;
- (f) “**Assets**” means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests, but excludes the Excluded Assets;
- (g) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (h) “**Claim**” means any claim, demand, lawsuit, proceeding or arbitration, or any investigation by a Governmental Authority, pertaining to the Assets, in each case whether asserted, threatened, pending or existing;
- (i) “**Closing**” means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by

Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;

- (j) **“Closing Date”** means the later of:
 - (i) three Business Days following the later of: (A) the grant of the Vesting Order; and (B) the expiration, waiver or exercise of all Preferential Purchase Rights; or
 - (ii) or another date agreed upon in writing by the Parties,but in any event, shall be no later than the Outside Date;
- (k) **“Closing Place”** means the office of Vendor or its counsel, or such other place as may be agreed upon in writing by the Parties;
- (l) **“Court”** has the meaning set out in the recitals;
- (m) **“Data Room Information”** means all information provided or made available to Purchaser in hard copy or electronic form in relation to Vendor, Houston and/or the Assets;
- (n) **“Deposit”** has the meaning as defined in Section 2.9;
- (o) **“Effective Date”** means **March 1, 2020**;
- (p) **“Effective Time”** means 12:01 a.m. on the Effective Date;
- (q) **“Environment”** and **“Environmental”** means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (r) **“Environmental Liabilities”** means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate to the Assets (or any lands pooled or unitized with Lands which may form part of the Assets), or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
 - (i) transportation, storage, use or disposal of toxic or hazardous substances;
 - (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
 - (iii) pollution or contamination of or damage to the Environment,including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to

property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment;

(s) **“Excluded Assets”** means:

- (i) any item or thing owned by Third Parties and licenced to Houston with restrictions on deliverability or disclosure by Houston that prevent the conveyance of such item or thing to Purchaser;
- (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
- (iii) all receivables and credits of any kind from any Person;
- (iv) legal and title opinions;
- (v) documents, other than Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
- (vi) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
- (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Houston proprietary technology
 - (B) they pertain to seismic data or interpretations thereof;
 - (C) they pertain to any intellectual property owned by a third party;
 - (D) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Houston to an assignee;
 - (E) they comprise Houston’s and Houston tax and financial records, and economic evaluations;
- (viii) Excluded Licences; and
- (ix) any other assets specifically described in Schedule “J”,

but “Excluded Assets” shall not include any property, rights or interests specifically described as Miscellaneous Interests;

(t) **“Excluded Licences”** means the licences listed in Schedule “I”;

(u) **“Facilities”** means Houston’s entire interest in and to all unit facilities under any unit agreement applicable to the Leased Substances and all other field facilities

whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are used for production, gathering, treatment, compression, transportation (including Pipelines), injection, water disposal, measurement, processing, storage, handling or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station, gathering system, production storage facility or warehouse and including those field facilities specifically identified in Schedule "B";

- (v) "**Final Statement of Adjustments**" has the meaning set forth in Section 7.3(a);
- (w) "**Governmental Authority**" means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulator) and any public authority, including any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (x) "**GST**" means the goods and services tax payable pursuant to the GST Legislation;
- (y) "**GST Legislation**" means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (z) "**Lands**" means all lands within the Whitemap Area, including the lands set out and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (aa) "**Leased Substances**" means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (bb) "**Licence Transfers**" means, in relation to the Assets, the transfer of any permits, approvals, licences and authorizations (collectively, "**Licences**") granted by any applicable Governmental Authority but subject to the provisions of Sections 8.5 and 8.7 hereof;
- (cc) "**Losses**" means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;
- (dd) "**Miscellaneous Interests**" means, subject to any and all limitations and exclusions provided for in this definition, Houston's entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any and all of the following:

- (i) all contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);
 - (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licences and authorizations pertaining to the Tangibles;
 - (iii) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto;
 - (iv) all records, books, documents, Licences (subject to Section 8.7 hereof), reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles;
 - (v) all proprietary and seismic data; and
 - (vi) the Wells, including the wellbores thereof and any and all casings therein, but specifically excluding the Excluded Assets;
- (ee) **“Outside Date”** means September 30, 2020;
- (ff) **“Party”** means a party to this Agreement;
- (gg) **“Permitted Encumbrances”** means:
- (i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in the Title Documents or in Schedule “A”;
 - (ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;
 - (iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor’s interest in any of the Title Documents;
 - (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;

- (vi) and any obligations to Third Parties for any thirteenth month adjustments or for payments due as a result of any audits conducted by operators or Third Parties;
 - (vii) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
 - (viii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
 - (ix) any obligation of Houston to hold any right or interest in and to any of the Assets in trust for Third Parties;
 - (x) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
 - (xi) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Houston's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;
 - (xii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
 - (xiii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
 - (xiv) agreements respecting the operation of Wells or Facilities by contract field operators;
 - (xv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
 - (xvi) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets;
- (hh) "**Person**" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;

- (ii) **“Petroleum and Natural Gas Rights”** means Houston’s entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including the interests set out and described in Schedule “A”;
- (jj) **“Petroleum Substances”** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (kk) **“Pipelines”** means the pipelines described in Schedule “B”;
- (ll) **“Preferential Purchase Right”** means any preferential, pre-emptive or first purchase right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the Transaction, as are set out in Schedule “C”;
- (mm) **“Purchase Price”** has the meaning set out in Section 2.2;
- (nn) **“Receiver”** has the meaning set out in the Recitals;
- (oo) **“Regulator”** means the Alberta Energy Regulator;
- (pp) **“Representative”** means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to Vendor includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
- (qq) **“Sales Taxes”** means all transfer, sales, excise, stamp, licence, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other charges of a Governmental Authority (including additions by way of penalties, interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets or the transfer or registration of the Specific Conveyances, but excludes GST, and any income taxes and penalties and interest related thereto;
- (rr) **“Specific Conveyances”** means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (ss) **“Tangibles”** means Houston’s entire right, title, estate and interest in and to:
 - (i) any and all tangible depreciable property, equipment and other assets located within or upon the Lands that are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them;

- (ii) the Pipelines; and
- (iii) the Facilities;
- (tt) “**Third Party**” means any individual or entity other than Houston, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (uu) “**Title Documents**” means, collectively, any and all certificates of title, leases, reservations, Licences (subject to Section 8.7 hereof), assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands and this definition shall include, where applicable, those documents set out in Schedule “A”;
- (vv) “**Transaction**” means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (ww) “**Vendor**” has the meaning set forth in the recitals;
- (xx) “**Vesting Order**” means an order to be granted by the Court substantially in the form of Schedule “F” which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests legal and beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or Claims, other than Permitted Encumbrances has the meaning set out in the recitals;
- (yy) “**Wells**” means Houston’s entire interest in and to all wells (including producing, shut-in, suspended, abandoned (including wells that have met all reclamation requirements and a reclamation certificate, certificate of recognition, surface release or other document has been issued by the applicable Governmental Authority), capped, injection and disposal wells), located on or within the Lands, or any lands pooled or unitized therewith, whether or not completed, including the wells listed in Schedule “B”; and
- (zz) “**Whitemap Area**” means the area outlined in red on the map attached as Schedule “G”.

1.2 Headings

The words "Article", "Section", "subsection" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule "A" -	Lands and Petroleum and Natural Gas Rights
Schedule "B" -	Wells Pipelines Facilities
Schedule "C" -	Preferential Purchase Rights
Schedule "D" -	General Conveyance
Schedule "E" -	Form of Officer's Certificate
Schedule "F" -	Form of Vesting Order
Schedule "G" -	Whitemap Area
Schedule "H" -	Outstanding AFE's
Schedule "I" -	Excluded Licences
Schedule "J" -	Excluded Assets

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

ARTICLE 2 PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all right, title, estate and interest of Houston (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement and the Vesting Order.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Houston's interest in and to the Assets shall be [REDACTED] "**Purchase Price**") plus applicable GST and Sales Taxes, plus or minus (as applicable) the net amount of the adjustments made pursuant to Article 7, satisfied by Purchaser (or Vendor, to the extent applicable) as follows:

- (a) payment of the Deposit paid by Purchaser to the Vendor, to be paid out pursuant to Section 2.9;
- (b) payment in the amount of [REDACTED] adjusted pursuant to Section 7.2(a), payable by Purchaser to Vendor at Closing; and

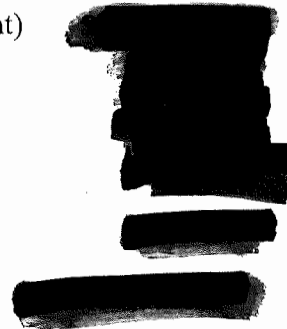
- (c) any payments between the Parties arising from adjustments set forth in the Final Statement of Adjustments, paid in accordance with Section 7.3(a).

The Parties hereby acknowledge and agree that the Purchase Price set forth in this Section 2.2 accurately reflects and takes into proper account both the positive value of all of the Assets as well as the offsetting reductions in value for the Environmental Liabilities and Abandonment and Reclamation Obligations associated therewith and the absolute release of Vendor of all and any responsibility or liability therefor.

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights (subject to adjustment)	
Surface Rights	
Wells	
Facilities	
Other Tangibles	
Miscellaneous Interests	
Total	



2.4 Assumption of Abandonment and Reclamation Obligations and Environmental Liabilities

In determining the Purchase Price, the Parties have taken into account Purchaser's assumption of responsibility for the payment of all costs for existing or future Abandonment and Reclamation Obligations and Environmental Liabilities associated with the Assets, as set forth in this Agreement, and the absolute release of Vendor of all and any responsibility or liability therefor.

2.5 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk, legal and beneficial ownership of Houston's interest in and to the Assets shall pass from Houston to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as Schedule "D", duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;

- (iv) a copy of the Vesting Order;
 - (v) the Specific Conveyances, duly executed by Vendor, to the extent such Specific Conveyances were provided to Vendor no later than one Business Day prior to Closing; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.
- (b) On the Closing Date, Purchaser shall deliver to Vendor:
- (i) the balance owing on the Purchase Price, as adjusted herein plus applicable GST and Sales Taxes;
 - (ii) the General Conveyance in the form attached as Schedule "D", duly executed by Purchaser;
 - (iii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
 - (iv) where required, the Specific Conveyances, duly executed by Purchaser, to the extent prepared on or before the Closing Date by Purchaser;
 - (v) evidence of deposit of cash or letters of credit required to perform all financial obligations referred to in Section 2.12(b) have been deposited in trust with the solicitors for Purchaser; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.6 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. Purchaser shall use reasonable efforts to prepare and provide to Vendor for Vendor's review all Specific Conveyances at Purchaser's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances as soon as reasonably practicable. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall promptly register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.7 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser any paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, to the extent any such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests are available and are in the possession of Vendor.

2.8 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by wire transfer.

2.9 Deposit

The Parties acknowledge that a deposit in the amount [REDACTED] representing [REDACTED] the Purchase Price, will be delivered by Purchaser to the Vendor, upon execution of this Agreement, and released only in accordance with the provisions of this Section 2.9 (the "Deposit").

The Deposit shall be held by the Vendor in a non-interest bearing account until one of the following events occurs:

- (a) if Closing occurs, the Deposit shall be paid to Vendor at Closing for Vendor's own account absolutely and be applied as partial payment of the Purchase Price;
- (b) if Closing does not occur due to: (i) a failure to fulfill the conditions set forth in Section 3.2; or (ii) a material breach of a material term of this Agreement by Vendor or by failure of Vendor to fulfill the conditions set forth in Section 3.3, the Deposit shall be returned to Purchaser by Vendor for the account of Purchaser absolutely; and
- (c) if Closing does not occur due to any reason other than as addressed by Section 2.9(b) (including but not limited to the failure by Purchaser to comply with its obligations under Section 2.12 or the refusal of the Regulator to approve the transfer of any Assets to Purchaser for any reason), the Deposit shall be forfeited to Vendor for the account of Vendor absolutely.

In the event that this Agreement is terminated as a result of the application of Section 2.9(b) or 2.9(c), each Party shall be released from all obligations under or in connection with this Agreement, other than the provisions with respect to confidentiality (Section 11.12) and the use of personal information (Section 11.15).

2.10 Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor as a result of Closing not occurring and Vendor shall retain the Deposit pursuant to Section 2.9(c) and the Deposit shall constitute liquidated damages to Vendor, and not a penalty of Closing not occurring as described in that subsection.

2.11 Taxes

- (a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:

Vendor

Purchaser

Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.11(a) shall survive the Closing Date indefinitely.

(b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all applicable Sales Taxes. Purchaser shall be solely responsible for the payment of all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority within the required time period and shall file when due all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly advance to Vendor, or if Vendor has already paid same, reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of assessments or receipts, as applicable, showing assessment or payment, as applicable, of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.11(b) shall survive the Closing Date indefinitely. Regulator

(c) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide Vendor with Purchaser's business associate code for the Regulator.

(d) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide to the Regulator the documentation required by the Regulator to conduct a pre-transfer liability assessment and Purchaser shall promptly deliver thereafter any amounts (in such form as is acceptable to the Regulator), required by the Regulator as a result of Purchaser's requirements under the applicable Governmental Authority Licensee Liability Management Program in order to facilitate a timely Closing. Purchaser further undertakes to make any additional payments and lodge any security required by the Regulator at and subsequent to the time the Licence Transfers, if any, are effected.

(e) Purchaser agrees to provide to Vendor, within a reasonable time prior to Closing and no later than five Business Days prior to Closing, confirmation that cash or letters of credit required to perform all financial obligations referred to in the above subsection 2.12(b) in form or substance reasonably acceptable to the Regulator have been deposited in trust with the solicitors for Purchaser together with

irrevocable instruction to pay and deliver such amounts or letters of credit immediately when due as a result of Closing. Purchaser acknowledges that the financial obligations referred to in subsection 2.12(b) are not included as part of the Purchase Price.

2.12 Whitemap Area

- (a) The Parties acknowledge that although Vendor has prepared, and Purchaser has reviewed, the Schedules attached hereto, they recognize that there may be unintended omissions or misdescriptions. As such, the Parties acknowledge and agree that it is their intention that, in addition to those Assets included and specified in the Schedules hereto, the Assets shall include Houston's entire interest in and to all Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests (as those terms are defined herein) which fall within the Whitemap Area, any of such additional unscheduled Assets, being the "**Unscheduled Assets**", and that the Purchase Price includes consideration for such Unscheduled Assets.
- (b) To the extent that any Unscheduled Assets are identified by either Party after the Closing Date or to the extent that any Assets are undeliverable by the Vendor or were erroneously included on the Schedules, the Parties shall use all reasonable efforts to replace the affected Schedules attached hereto with corrected Schedules, which corrected Schedules shall be deemed to be the applicable Schedule as of the date hereof, and to take such additional steps as are necessary to specifically convey Houston's interest in such Unscheduled Assets to Purchaser.
- (c) The Parties further acknowledge that all liabilities and obligations associated with the Unscheduled Assets shall likewise be assumed by Purchaser in accordance with the terms hereof applicable to the Assets.

ARTICLE 3 CONDITIONS OF CLOSING

3.1 Required Consents

- (a) Before Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transaction. The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Facilities and the Wells.
- (b) Notwithstanding anything to the contrary herein, except for the Vesting Order, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Houston's interest in any Miscellaneous Interests including remedying any deficiencies under any assumed contracts and agreements, at Purchaser's sole cost and expense. Upon

providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees, expenses, penalties or levies that are incurred by Vendor in order to effect the assignment of the Assets to Purchaser shall be the sole responsibility of Purchaser, and Purchaser agrees to pay on behalf of Vendor any such reasonable and necessary costs, fees, expenses, penalties or levies on a timely basis.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets, and of Vendor to sell Houston's interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) the Vesting Order being obtained; and
- (b) no stay or appeal or application to vary the Vesting Order shall have been filed with the Court at any time by Vendor or any other Person on or before the Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 3.2 have not been performed, satisfied or waived before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement (other than under Sections 11.12 and 11.15) shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Outside Date, Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.9, 11.12 and 11.15.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) prior to Closing occurring (but subject to Purchaser being in full compliance with Section 2.12), the Regulator shall have provided positive indications of approval of the Licence Transfers by Vendor and Purchaser; and
- (d) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Outside Date, Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.9, 11.12 and 11.15.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the Vesting Order, Vendor has the right to enter into this Agreement and to complete this Transaction; and
- (b) subject to obtaining the Vesting Order, this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor and agrees that Vendor is relying on such representations and warranties for the purposes of entering into this Agreement:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;

- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay:
 - (i) all amounts required to be paid by Purchaser under this Agreement; and
 - (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor (as such term is interpreted by the Regulator);
- (j) Purchaser holds, or is eligible to hold and at Closing will hold a business associate code from the Regulator making it eligible to hold the licences which are the subject of the Licence Transfers, if any, in the province in which they are situated;
- (k) Purchaser has and will have at Closing a sufficient Liability Management Rating required by the Regulator and will have at Closing delivered and lodged any security required by the Regulator in order to comply with the Regulator's Licensee Liability Management Program to facilitate a timely Closing and Purchaser is not aware of any fact or circumstance that could prevent or delay the transfer of any

permits or licenses relating to or forming part of the Assets as contemplated in this Agreement;

- (l) Purchaser is in compliance with all the requirements of all Governmental Authorities, including the Regulator;
- (m) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (n) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*.

4.3 Limitation of Representations by Vendor

- (a) Subject to Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Houston's interest in and to the Assets shall be purchased by Purchaser on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:
 - (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles and the Wells, including the wellbores thereof and all casing, tubing and packers therein);
 - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data materials, representations, warranties or statements made, direct or

indirect, express or implied, or information supplied related to the Assets (whether supplied by Vendor, its representatives or otherwise);

- (viii) the ownership interest of the Assets;
 - (ix) the suitability of the Assets for any purpose;
 - (x) compliance with Applicable Laws; or
 - (xi) the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Houston's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

ARTICLE 5 INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.1 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful.

5.2 Survival of Claim for Representations and Warranties

The representations and warranties in Section 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Vendor. Purchaser's representations and warranties shall survive the Closing Date for a period of 12 months.

ARTICLE 6 INDEMNITIES

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and

- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing before or after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the Lands, the Tangibles and the Wells (including the wellbores thereof and all casing, tubing and packers therein), that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations both to Third Parties and as between Vendor and Purchaser (whether such Environmental Liabilities and Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (whether such Environmental Liabilities and all Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time) in respect of the Lands, Wells and Facilities. This assumption of liability and indemnity by Purchaser shall apply without limit and without regard to cause or causes, including the negligence (whether sole, concurrent, gross, active, passive, primary or secondary) or the wilful or wanton misconduct or recklessness of any or all of Vendor, its Representatives and their respective successors and assigns or any other Person or otherwise. Purchaser further acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives, or their respective successors and assigns under the common law or statute pertaining to any Environmental Liabilities and Abandonment and Reclamation Obligations, including the right to name any or all of Vendor, its Representatives, and their respective successors and assigns as a 'third party' to any action commenced by any Person against

Purchaser. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor (the "**Indemnitee**") for indemnification pursuant to this Agreement from Purchaser (the "**Indemnitor**") in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within 30 Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to take either or both of the following actions:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Indemnitor to permit

the Indemnitor to pursue such subrogated Claims as reasonably requested from it; and

- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party which results in the Indemnitee receiving, in the aggregate, more than the amount of the Third Party Claim, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) in excess of the Third Party Claim to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7 ADJUSTMENTS AND ASSUMPTION OF OBLIGATIONS

7.1 Assumption of Obligations

- (a) Provided Closing has occurred, Purchaser confirms that it has assumed the following obligations of the Vendor or Houston, as applicable, including the payment of any amounts in respect thereof and all applicable interest and penalties, whensoever and howsoever the following obligations arose (including after the Appointment Date):
 - (i) Property taxes, including any municipal property taxes;
 - (ii) Mineral lease royalties and rentals;
 - (iii) Surface lease rentals; and
 - (iv) Any other obligation related to the Assets or arising from ownership of the Assets which is adjusted for in accordance with this ARTICLE 7.

Purchaser agrees to pay the required amounts either directly to the applicable Person or to the Vendor if the Vendor is required to make the payment, and in such case, the Vendor will thereafter ensure such amounts are paid to the applicable Person.

7.2 Other Costs and Revenues to be Apportioned

- (a) Except as set out in Section 7.1 and subject to Section 7.2(b) and 7.2(c) below, all other costs and expenses relating to the Assets (including maintenance, development, capital and operating costs) and all revenues relating to the Assets (including proceeds from the sale of production, if any, and fees from processing, treating or transporting Petroleum Substances on behalf of Third Parties) shall be apportioned as of the Effective Time between Vendor and Purchaser on an accrual basis in accordance with generally accepted accounting principles, provided that:
 - (i) Advances made by Vendor or Houston in respect of the cost of operations on Lands or the Wells, Pipelines or Facilities including in the Assets which

advances have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be transferred to Purchaser at Closing and an adjustment will be made in favour of Vendor equal to the amount of such transferred advance;

- (ii) Deposits placed with respect to the Assets made by Houston or Vendor relative to the operations on the Lands that have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be returned to Vendor;
 - (iii) Costs and expenses of work done, services provided and goods supplied shall be deemed to accrue for the purposes of this Article when the work is done or the goods or services are provided, regardless of when such costs and expenses become payable;
 - (iv) No adjustment shall be made in respect of Houston's or Vendor's income taxes;
 - (v) Revenues from the sale of Petroleum Substances will be deemed to accrue when the Petroleum Substances are produced; and
 - (vi) Petroleum Substances that were produced beyond the wellhead, but not sold as of the Effective Time shall be credited to Vendor and will be deemed to be sold on a first-in-first-out basis.
- (b) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any liability, cost or expense which relates to the period which arose prior to the Date of Appointment and which cost or expense does not constitute a liability of Purchaser.
 - (c) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any cost or expense which relates to any reassessment of royalties arising or accruing before or after the Closing Time.

7.3 Adjustments to Account

- (a) An interim accounting of the adjustments pursuant to Section 7.1 shall be made at Closing, based on Vendor's good faith estimate of the costs and expenses paid by Vendor pursuant to Closing and the revenues received by Vendor prior to Closing. Vendor and Purchaser shall cooperate in preparing such interim accounting and Vendor shall provide an interim statement of adjustment setting forth the adjustments to be made at Closing not later than five (5) Business Dates prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement.

- (b) A final accounting of the adjustments pursuant to Section 7.1 shall be conducted, if required, within 60 days following the Closing Date (the “**Final Statement of Adjustments**”) by Vendor and Purchaser, and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing shall be settled by payment by the Party required to make payment to the other Party hereunder within 15 Business Days of being notified of the determination of the amount owing.
- (c) All adjustments provided for in this Article shall be adjustments to the Purchase Price and shall be allocated to the Petroleum and Natural Gas Rights.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the Receivership Order:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulator with respect to the Licensee Liability Rating Program or any like program.

8.2 Consent of Purchaser

Notwithstanding Section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor’s share is in excess of \$50,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;

- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election within such period shall be deemed to be Purchaser's election to participate in the Proposal;
- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor's representatives and warranties relating to such Assets.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser's written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;

- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;
- (c) Purchaser shall, in a timely manner, deliver to Vendor all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Purchaser shall respond to such notices in consultation with the Vendor, if received on a timely basis; and
- (d) Purchaser shall, in a timely manner and in consultation with the Vendor, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets.

8.5 Licence Transfers

- (a) Subject to the provisions of Section 8.7 hereof, to the extent applicable, within five Business Days following Closing, Purchaser shall prepare, at its sole cost and expense and, where applicable, electronically submit to the applicable Governmental Authorities, the Licence Transfers (other than in respect of the Excluded Licences), if any, and Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfers.
- (b) If a Governmental Authority denies a Licence Transfer because of misdescription or other minor deficiencies in the application, Purchaser shall, as soon as practicable, correct the application and amend and re-submit the Licence Transfer application. Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfer.
- (c) If for any reason, a Governmental Authority requires a Party or its nominee to make a deposit or furnish any other form of security to approve or give effect to a Licence Transfer, or undertake any corrective action or remedial work including inspections, tests or engineering assessments, Purchaser shall make such deposit or furnish such other form of security or undertake such corrective or remedial work as may be required, at Purchaser's sole expense. All Licence Transfer processing fees (including any fees required to be paid for expedited service) shall be for Purchaser's account.
- (d) If a Governmental Authority denies any or all Licence Transfers, it will not derogate in any way from Purchaser's obligation to pay the full Purchase Price to Vendor.

8.6 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been

Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.

- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8 or as a result of Vendor taking or omitting to take any action in accordance with Purchaser's instruction (including any election deemed to be made pursuant to Section 8.3(b)) or concurrence, or otherwise in accordance with this Agreement. Purchaser's indemnity obligations in this Section 8.6(c) shall survive the Closing Date indefinitely.

8.7 Transfer of Operatorship

Insofar as Vendor operates any of the Assets, Purchaser acknowledges that Vendor is not able to transfer operatorship of some or all of such Assets to Purchaser at or after Closing. Should a Third Party take over operatorship of some or all of the Assets whether after receiving change of operatorship notices from Vendor of the sale of its interest, or otherwise, Purchaser acknowledges that such Licences (including without limitation the Excluded Licences) will be transferred to the successor operator at or following Closing and that Purchaser shall not contest any such succession of operatorship or transfer of Licences except as otherwise provided in the applicable operating agreements after Closing and such succession and transfer.

ARTICLE 9 PREFERENTIAL PURCHASE RIGHTS

9.1 Preferential Purchase Rights

- (a) Schedule "C" provides a description of which, if any, of the Assets are subject to Preferential Purchase Rights so far as Vendor is aware.
- (b) Purchaser shall, immediately following execution of this Agreement, provide its good faith estimate of the value of the applicable Asset(s) to Vendor, and such value shall be set forth in the notices.
- (c) Vendor shall, within two Business Days of receipt of the good faith estimates described in Section 9.1(b), serve all notices as are required in conjunction with any Preferential Purchase Rights.
- (d) Purchaser shall be liable to Vendor for, and shall, in addition, save and hold harmless and indemnify Vendor from and against, all Losses that may be brought

against, suffered, sustained, paid or incurred by Vendor in connection with or that relate in any way directly or indirectly to the use of Purchaser's allocation of value.

- (e) If a Preferential Purchase Right is exercised, the Assets that are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be subject to this Agreement and the Purchase Price shall be reduced by the amount allocated to such Asset. Purchaser shall nevertheless purchase the Assets that are not subject to exercised Preferential Purchase Rights.

ARTICLE 10 PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

10.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Houston's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of Vendor, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction. Purchaser shall indemnify and save harmless Vendor from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. Purchaser shall comply fully with all rules, regulations and instructions issued by Vendor regarding Purchaser's actions while upon, entering or leaving such properties. Purchaser's obligations set forth in this Section 10.1 shall survive the Closing Date indefinitely.

10.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

10.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained by Purchaser in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two years from the Closing Date.

ARTICLE 11 GENERAL

11.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

11.2 Receiver

Purchaser acknowledges that Vendor is acting solely in its capacity as the Court-appointed receiver of Houston, and not in its personal capacity. Under no circumstances shall Vendor or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction whether such liability be in contract, tort or otherwise.

11.3 Entire Agreement

Except for the Receivership Order and the Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, except for the Receivership Order and the Vesting Order, the provisions of this Agreement shall prevail. In the event that Closing occurs, except for the Receivership Order and the Vesting Order, this Agreement supersedes all other agreements (other than the Confidentiality Agreement between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

11.4 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of Queen's Bench Court Action: 1901-14615. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

11.5 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Houston's ownership or operation of, or Vendor's interest in the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

11.6 Assignment and Enurement

This Agreement shall not be assigned by Purchaser without the prior written consent of Vendor, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

11.7 Time of Essence

Time is of the essence in this Agreement.

11.8 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor	BDO Canada Limited 110, 5800 2nd Street SW Calgary, Alberta T2H 0H2
	Attention: Marc Kelly Fax: 403-640-0591 Email: makelly@bdo.ca
Purchaser	Hillary Oil Corp. 401 15th ST NW Calgary, Alberta T2N 2B1
	Attention: Taylor Merritt Fax: _____

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

11.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. 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.

11.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.12 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that Purchaser shall advise Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Vesting Order; or (iii) as required by Houston's secured creditors, if any or the Orphan Well Association.

11.13 Sealing Order

Vendor may, at its discretion, apply to the Court for a sealing order with respect to a report prepared by Vendor containing the financial and other confidential details of this Transaction (the "**Confidential Report**"), such order sealing Vendor's Confidential Report and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by Vendor, if granted, only the judge presiding over the Receivership Proceedings, Purchaser and their respective Representatives and the secured creditors of Vendor who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to Vendor's Confidential Report and the confidential information contained therein.

11.14 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections 3.2, 3.3 or 3.4, as applicable.

In the event of termination of this Agreement, the Deposit shall be addressed in accordance with Section 2.9.

11.15 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.
- (c) Purchaser's obligations set forth in this Section 11.15 shall survive the Closing Date indefinitely.

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11.16 Counterpart Execution

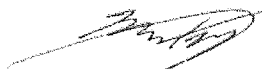
This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

HILLARY OIL CORP.

Per:



Per:

Name: Marc Kelly
Title: Senior Vice President

Name: Taylor Merritt
Title: President

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

HILLARY OIL CORP.

Per:

Name:
Title:

Per:

Taylor Merritt

Name: Taylor Merritt
Title: President

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

Lands and Petroleum and Natural Gas Rights

Title Documents	Lands & Petroleum and Natural Gas Rights	Vendor's Interest
Crown PNG Lease No. 0581120185	Twp. 061, Rge. 5 W6M: N 23, 27 PNG to base Cardium	25% interest in 20% non-convertible GORR on 66.6666% of production Current Operator: Jupiter Resources Inc.
Crown PNG Lease No. 058112E185	Twp. 061, Rge. 5 W6M: 26 PNG to base Cardium	25% interest in 20% non-convertible GORR on 66.6666% of production Current Operator: Harvest Operations Corp.
Crown PNG Lease No. 29572	Twp. 062, Rge. 24 W4M: SE 27, N 27, 34 PNG to base Mannville	75% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: Canadian Natural Resources Limited
Crown PNG Lease No. 29573	Twp. 062, Rge. 24 W4M: SW 27 PNG to base Mannville	50% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: Canadian Natural Resources Limited
Crown PNG Lease No. 0487030067	Twp. 062, Rge. 23 W4M: 3 PNG to base Mannville	60% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: Paramount Resources Ltd.
Crown PNG Lease No. 0486060255	Twp. 059, Rge. 22 W4M: 9 PNG to base Mannville	100% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: Paramount Resources Ltd.

Title Documents	Lands & Petroleum and Natural Gas Rights	Vendor's Interest
Crown PNG Lease No. 0177060013	Twp. 045, Rge. 6 W5M: 15, 16 PNG to base Belly River	20% interest in 15% non-convertible GORR on 100% of production Current Operator: Taqa North Ltd.
Crown PNG Lease No. 0599060353	Twp. 079, Rge. 10 W6M: 25 PNG to base Bluesky-Bullhead	50% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: Longshore Resources Ltd.
Crown PNG Lease No. 0595010316	Twp. 079, Rge. 10 W6M: 26 PNG to base Cretaceous	50% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: Longshore Resources Ltd.
Crown PNG Lease No. 0598010330	Twp. 079, Rge. 10 W6M: 30 PNG below base Baldonnel to base Charlie Lake	100% interest in 5-15% Sliding Scale GORR on 25% of production Current Operator: Return Energy Inc.
Crown PNG Lease No. 0483120143	Twp. 014, Rge. 18 W4M: NE 15 PNG to base Mannville excluding 100/7-15-14-18W4/00 wellbore	37.5% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: SanLing Energy Ltd.
Crown PNG Lease No. 0485040018	Twp. 012, Rge. 14 W4M: N 32 PNG to base Arcs	100% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: SanLing Energy Ltd.
Crown PNG Lease No. 5495040111	Twp. 054, Rge. 10 W5M: 28 PNG to base Nordegg	100% interest in 5% non-convertible GORR on 30% of production Current Operator: Venturion Oil Limited
Crown PNG Lease No. 0579090085	Twp. 054, Rge. 12 W5M: E 25 PNG to base Rock Creek	100% interest in 10% non-convertible GORR on 100% of production Current Operator: Journey Energy Inc.

Title Documents	Lands & Petroleum and Natural Gas Rights	Vendor's Interest
Crown PNG Lease No. 5300030092	Twp. 019, Rge. 19 W4M: SW 10 PNG to base Medicine Hat	50% interest in 5-15% Sliding Scale GORR on 100% of production Current Operator: Canadian Natural Resources Limited
Crown PNG Lease No. 29776	Twp. 015, Rge. 16 W4M: 16, LSD 7,8,11,14 SEC 17, NE 17, S 20, LSD 4 SEC 21 PNG to base Mannville	100% interest in 5% non-convertible GORR on 100% of production Current Operator: Canadian Natural Resources Limited

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

Wells and Facilities

Wells

nil

Pipelines

nil

Facilities

nil

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

Preferential Purchase Rights

nil

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

THIS GENERAL CONVEYANCE made as of this ____ day of _____, 2020.

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY AS
RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE
CAPACITY**

(collectively, the "Vendor")

- and -

HILLARY OIL CORP. (the "Purchaser")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"Purchase Agreement" means that Purchase and Sale Agreement dated _____, 2020 between **BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** and **HILLARY OIL CORP.**

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Houston in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS RECEIVER AND
MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR
CORPORATE CAPACITY**

Per:

Name:
Title:

HILLARY OIL CORP.

Per:

Name: Taylor Merritt
Title: President

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated _____, 2020 between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "Certificate").

I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and remain true and correct in all material respects up to the Effective Time.
2. All obligations of [Vendor] [Purchaser] contained in the Agreement to be performed prior to or at Closing have been timely performed in all material respects.
3. This Certificate is made for and on behalf of the [Vendor] [Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the [Vendor] [Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this ___ day of _____, 2020.

[Name of Vendor/Purchaser]

Per: _____

Name:

Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

VESTING ORDER

THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

WHITEMAP AREA

Nil.

THE FOLLOWING COMPRISES SCHEDULE "H" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

OUTSTANDING AFE's

Nil

THE FOLLOWING COMPRISES SCHEDULE "T" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

EXCLUDED LICENCES

Nil

THE FOLLOWING COMPRISES SCHEDULE "J" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED **AUGUST 13, 2020** BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND HILLARY OIL CORP.

EXCLUDED ASSETS

Nil

Appendix ‘E’

PURCHASE AND SALE AGREEMENT

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY
AS COURT APPOINTED RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

- and -

KIWETINOHK RESOURCES CORP.

Dated:

August 17, 2020

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Part 1 – 100% Owned Assets

Part 2 – Partnered Assets

Schedule "B" - Wells and Partnered Tangibles

Part 1 – Wells

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of August 17, 2020.

BETWEEN:

BDO CANADA LIMITED in its capacity as
Court appointed receiver and manager (“Receiver”) of **HOUSTON OIL & GAS LTD.**
and not in its personal or corporate capacity

(the “Vendor”)

- and -

KIWETINOHK RESOURCES CORP. (the “Purchaser”)

WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil & Gas Ltd. (“Houston”) pursuant to a court order dated October 29, 2019 (the “Original Receivership Order”) granted by the Court of Queen’s Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 and BDO Canada Limited was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (together with the Original Receivership Order, the “Receivership Order”) (the “Receivership Proceedings”); and
- B. Pursuant to the Receivership Proceedings, Vendor,s subject to approval by the Court, has the ability to sell, transfer and assign to Purchaser, all of the right, title and interest of Houston in and to the Assets, and Purchaser has agreed to purchase the Assets from Vendor, on the terms and conditions set forth herein.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) “**100% Owned Assets**” means the 100% Owned Petroleum and Natural Gas Rights and the 100% Owned Leases, but excluding the Excluded Assets;
- (b) “**100% Owned Lands**” means the lands set out and described in Part 1 of Schedule “A”, and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Part 1 of Schedule “A” as to Petroleum Substances and geological formations), but excluding the Excluded Assets;

- (c) **"100% Owned Leases"** means the Crown mineral leases and licences set out and described in Part 1 of Schedule "A", but excluding the Excluded Assets;
- (d) **"100% Owned Petroleum and Natural Gas Rights"** means Houston's entire right, title and interest in and to all rights to and in respect of the Leased Substances and the 100% Owned Leases (but only to the extent that the 100% Owned Leases pertain to the 100% Owned Lands), as are specifically set out and described in Part 1 of Schedule "A", but excluding the Excluded Assets;
- (e) **"Abandonment and Reclamation Obligations"** means all past, present and future obligations to:
 - (i) abandon, shut-down, close, decommission, dismantle or remove the Wells and Partnered Tangibles; and
 - (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Partnered Tangibles and Partnered Lands, and any lands used to gain access thereto, including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any Environmental damage, contamination or other Environmental issues emanating from or relating to the Wells or Partnered Tangibles;all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws, but in all cases excluding the Excluded Liabilities;
- (f) **"Affiliate"** means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term **"control"** as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (g) **"Agreement"** means this purchase and sale agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and **"this Agreement"**, **"herein"**, **"hereto"**, **"hereof"** and similar expressions mean and refer to this Agreement;
- (h) **"Applicable Law"** means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (i) **"Appointment Date"** means October 29, 2019;

- (j) “**Assets**” means the 100% Owned Assets, the Partnered Assets and the Seismic Data;
- (k) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (l) “**Claim**” means any claim, demand, lawsuit, proceeding or arbitration, or any investigation by a Governmental Authority, pertaining to the Assets, in each case whether asserted, threatened, pending or existing;
- (m) “**Closing**” means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;
- (n) “**Closing Date**” means:
 - (i) three Business Days following the grant of the Vesting Order; or
 - (ii) another date agreed upon in writing by the Parties,but in any event, shall be no later than the Outside Date;
- (o) “**Closing Place**” means the office of Vendor or its counsel, or such other place as may be agreed upon in writing by the Parties;
- (p) “**Court**” has the meaning set out in the recitals;
- (q) “**Data Room Information**” means all information provided or made available to Purchaser in hard copy or electronic form in relation to Vendor, Houston and/or the Assets;
- (r) “**Deposit**” has the meaning as defined in Section 2.9;
- (s) “**Effective Date**” means the Closing Date;
- (t) “**Effective Time**” means 12:01 a.m. on the Effective Date;
- (u) “**Environment**” and “**Environmental**” means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (v) “**Environmental Liabilities**” means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate solely to the Partnered Assets, or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:

- (i) transportation, storage, use or disposal of toxic or hazardous substances;
- (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
- (iii) pollution or contamination of or damage to the Environment,

including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment, but in all cases excluding the Excluded Liabilities;

(w) **“Excluded Assets”** means:

- (i) any item or thing owned by Third Parties and licenced to Houston with restrictions on deliverability or disclosure by Houston that prevent the conveyance of such item or thing to Purchaser;
- (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
- (iii) all receivables and credits of any kind from any Person to the extent arising or accruing prior to the Effective Time;
- (iv) legal and title opinions;
- (v) documents, other than the 100% Owned Leases and the Partnered Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
- (vi) records, policies, manuals or other documents that contain proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
- (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Houston proprietary technology;
 - (B) they pertain to seismic data or interpretations thereof, other than the Seismic Data;
 - (C) they pertain to any intellectual property owned by a Third Party;
 - (D) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Houston to an assignee;

- (E) they comprise Houston's corporate level tax and financial records, and economic evaluations;
- (viii) all contract operating agreements associated with the operation or management of the Assets by any Third Parties;
- (ix) all marketing agreements, acreage dedications (provided they are not interests in land), or other sale commitments related to the sale of Leased Substances to Third Parties;
- (x) other than the Wells, any and all wells, wellbores, casing, tubing and packers therein (for certainty: (A) any wells located on the 100% Owned Lands; and (B) any wells located on the Partnered Lands that are not expressly set out and described in Part 1 of Schedule "B" shall, in each case, be Excluded Assets);
- (xi) other than the Partnered Tangibles, any and all facilities, pipelines, risers and other tangible depreciable property, equipment and other assets of every kind or nature located within or upon the: (A) 100% Owned Lands; and (B) Partnered Lands, in each case whether or not used or intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them (for certainty, any facilities, pipelines or other tangible depreciable property, equipment and other assets that are: (1) located on the 100% Owned Lands; or (2) not expressly set forth and described in Part 2 of Schedule "B" shall, in each case, be Excluded Assets);
- (xii) other than the Partnered Surface Rights, all rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Partnered Petroleum and Natural Gas Rights and all contracts and agreements related thereto (for certainty: any (A) rights to enter upon, use, occupy and enjoy the surface of any lands associated with the 100% Owned Lands; and (B) rights to enter upon, use, occupy and enjoy the surface of any lands associated with the Partnered Lands that are not expressly set out and described in Part 2 of Schedule "A" shall, in each case, be Excluded Assets);
- (xiii) Excluded Licences; and
- (xiv) any other assets specifically described in Schedule "H";
- (x) "**Excluded Liabilities**" means all past, present and future liabilities, losses, obligations, costs and expenses of every kind or nature which arise out of, result from or are attributable to or connected with the Excluded Assets (including, without limitation, any: (A) abandonment and reclamation obligations associated with the Excluded Assets; and (B) damage, contamination or pollution to or affecting the Environment that relates solely to the Excluded Assets);

- (y) “**Excluded Licences**” means all permits, approvals, licences and authorizations of every kind or nature granted by any applicable Governmental Authority, other than the Licences;
- (z) “**Final Statement of Adjustments**” has the meaning set forth in Section 7.4(b);
- (aa) “**Governmental Authority**” means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulator) and any public authority, including any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (bb) “**GST**” means the goods and services tax payable pursuant to the GST Legislation;
- (cc) “**GST Legislation**” means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (dd) “**Inland**” means Inland Development Company Ltd.;
- (ee) “**Inland Interests**” means any legal or beneficial interest of Inland, whether interests in land or not, in or related to the 100% Owned Assets and the Partnered Assets, including pursuant to:
 - (i) a Pooling and Joint Operating Agreement dated January 10, 1977 between Houston and Inland (C00003);
 - (ii) a Farmout Agreement dated December 27, 1973 between Houston and Inland (C00005);
 - (iii) a Farmout Agreement dated December 24, 1974 among Houston, Inland, Perpetual Operating Trust, Obsidian Energy Ltd. and PrairieSky Royalty Ltd. (C00006);
 - (iv) a Royalty Agreement dated December 14, 1999 between Houston, Inland and Freehold Royalties Partnership (C00068);
 - (v) a Joint Operating Agreement dated December 1, 2001 between Houston and Inland (C00087); and
 - (vi) a Farmout Agreement dated February 13, 2008 among Houston, Inland, Kaisen Energy Corp and Paramount Resources Ltd (C00109);
- (ff) “**Leased Substances**” means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under: (i) in the case of the 100% Owned Assets, the 100% Owned Leases; or (ii) in the case of the Partnered Assets, the Partnered Title Documents (but only to the extent that the Partnered Title Documents pertain to the Partnered Lands);

- (gg) “**Licence Transfers**” means, in relation to the Partnered Assets, the transfer of any permits, approvals, licences and authorizations (collectively, “**Licences**”) granted by any applicable Governmental Authority in relation to the ownership, use or operation of the Wells and Partnered Tangibles;
- (hh) “**Losses**” means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;
- (ii) “**Outside Date**” means September 30, 2020, or such other date as may be agreed upon between the Parties;
- (jj) “**Partnered Assets**” means the Partnered Petroleum and Natural Gas Rights, the Partnered Miscellaneous Interests and the Partnered Tangibles, but excluding the Excluded Assets;
- (kk) “**Partnered Lands**” means the lands set out and described in Part 2 of Schedule “A”, and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Part 2 of Schedule “A” and in the Partnered Title Documents as to Petroleum Substances and geological formations), but excluding the Excluded Assets;
- (ll) “**Partnered Miscellaneous Interests**” means, subject to any and all limitations and exclusions provided for in this definition, Houston’s entire interest in and to all property, interests and rights pertaining to the Partnered Petroleum and Natural Gas Rights and the Partnered Tangibles (other than the Partnered Petroleum and Natural Gas Rights and the Partnered Tangibles themselves), but only to the extent that such property, interests and rights pertain to the Partnered Petroleum and Natural Gas Rights and Partnered Tangibles, including any and all of the following:
 - (i) all contracts and agreements relating to the Partnered Petroleum and Natural Gas Rights and the Partnered Tangibles, or either of them (including the Partnered Title Documents);
 - (ii) all subsisting rights to carry out operations relating to the Partnered Lands or the Partnered Tangibles and without limitation, all easements and Licences pertaining to the Partnered Tangibles;
 - (iii) the Partnered Surface Rights;
 - (iv) all records, books, documents, Licences (subject to Section 8.7 hereof), reports and data which relate to the Partnered Petroleum and Natural Gas Rights and the Partnered Tangibles; and
 - (v) the Wells, including the wellbores thereof and any and all casings therein,but specifically excluding the Excluded Assets and provided that unless otherwise agreed in writing by the Parties, the Partnered Miscellaneous Interests shall not

include any documents or data to the extent that they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Vendor;

- (mm) **“Partnered Petroleum and Natural Gas Rights”** means Houston’s entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Partnered Title Documents (but only to the extent that the Partnered Title Documents pertain to the Partnered Lands), as are specifically set out and described in Part 2 of Schedule “A”, but excluding the Excluded Assets;
- (nn) **“Partnered Surface Rights”** means, only to the extent set out and described in Part 3 of Schedule “A”, the rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Partnered Petroleum and Natural Gas Rights and all contracts and agreements related thereto, but excluding the Excluded Assets;
- (oo) **“Partnered Tangibles”** means Houston’s entire right, title, estate and interest in and to the pipelines and other tangible depreciable property, equipment and other assets that are specifically set out and described in Part 2 of Schedule “B”, but excluding the Excluded Assets;
- (pp) **“Partnered Title Documents”** means collectively, any and all certificates of title, leases, reservations, Licences (subject to Section 8.7 hereof), assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Partnered Lands and this definition shall include, where applicable, those documents set out in Part 2 of Schedule “A”, but excluding the Excluded Assets;
- (qq) **“Party”** means a party to this Agreement;
- (rr) **“Permitted Encumbrances”** means:
 - (i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in the 100% Owned Leases and the Partnered Title Documents, including those specifically identified in Schedule “A”;
 - (ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;
 - (iii) the terms and conditions of the 100% Owned Leases and Partnered Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the 100%

Owned Lease and Partnered Title Documents in good standing and any royalty or other burden reserved to the grantor thereof;

- (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any 100% Owned Lease or Partnered Title Document or by Applicable Law to terminate any 100% Owned Lease or Partnered Title Document;
- (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;
- (vi) any obligations to Third Parties arising on or after the Effective Time for any thirteenth month adjustments or for payments due as a result of any audits conducted by operators or Third Parties;
- (vii) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the 100% Owned Lands or Partnered Lands, or otherwise affecting recoverability of Petroleum Substances from the 100% Owned Lands or Partnered Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
- (viii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
- (ix) any obligation of Houston to hold any right or interest in and to any of the Assets in trust for Third Parties;
- (x) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
- (xi) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Houston's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;
- (xii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the 100% Owned Lands or Partnered Lands or interests therein, and statutory exceptions to title;

- (xiii) agreements and plans relating to pooling or unitization of any of the 100% Owned Petroleum and Natural Gas Rights or Partnered Petroleum and Natural Gas Rights;
- (xiv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
- (xv) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets as regards the Vendor's share of amounts owing to such Governmental Authority which are not due or delinquent as of the date hereof;

except for, in all cases, any such interests or encumbrances arising in respect of the Pioneer GORR Interest or the Inland Interests;

- (ss) "**Person**" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
- (tt) "**Petroleum Substances**" means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (uu) "**Pioneer GORR Interest**" means the overriding royalty and any related rights and obligations granted pursuant to the Royalty Agreement dated April 10, 2018 between Houston and Pioneer Oil Well Service Corp.;
- (vv) "**Preferential Purchase Right**" means any preferential, pre-emptive or first purchase right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the Transaction, as are set out in Schedule "C";
- (ww) "**Purchase Price**" has the meaning set out in Section 2.2;
- (xx) "**Receiver**" has the meaning set out in the Recitals;
- (yy) "**Regulator**" means the Alberta Energy Regulator;
- (zz) "**Representative**" means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to Vendor includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
- (aaa) "**Sales Taxes**" means all transfer, sales, excise, stamp, licence, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other charges of a Governmental Authority (including additions by way of penalties,

interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets or the transfer or registration of the Specific Conveyances, but excludes GST, and any income taxes and penalties and interest related thereto;

- (bbb) **"Seismic Data"** means all of Houston's right, title and interest in and to the seismic data set out and described in Schedule "I" hereto;
- (ccc) **"Specific Conveyances"** means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (ddd) **"Third Party"** means any individual or entity other than Houston, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (eee) **"Transaction"** means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (fff) **"Vendor"** has the meaning set forth in the recitals;
- (ggg) **"Vesting Order"** means an order to be granted by the Court substantially in the form of Schedule "F" (provided that, such order is not required to contain paragraph 4(b) therein) which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests legal and beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or Claims, other than Permitted Encumbrances; and
- (hhh) **"Wells"** means Houston's entire interest in and those wells specifically set out and described in Part 1 of Schedule "B".

1.2 Headings

The words "Article", "Section", "subsection" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule "A" -	Lands and Petroleum and Natural Gas Rights Part 1 – 100% Owned Assets Part 2 – Partnered Assets
Schedule "B" -	Wells and Partnered Tangibles Part 1 – Wells Part 2 – Partnered Tangibles Part 3 – Partnered Surface Rights
Schedule "C" -	Preferential Purchase Rights
Schedule "D" -	General Conveyance
Schedule "E" -	Form of Officer's Certificate
Schedule "F" -	Form of Vesting Order
Schedule "G" -	Outstanding AFE's
Schedule "H" -	Excluded Assets
Schedule "I" -	Seismic Data

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

ARTICLE 2 PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all right, title, estate and interest of Houston (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement and the Vesting Order.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Houston's interest in and to the Assets shall be [REDACTED] ("Purchase Price") plus applicable GST and Sales Taxes, plus or minus (as applicable) the net amount of the adjustments made pursuant to Article 7, satisfied by Purchaser (or Vendor, to the extent applicable) as follows:

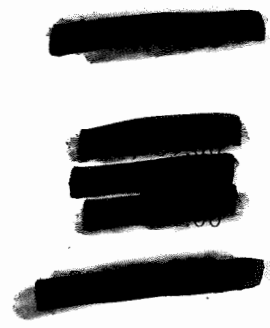
- (a) payment of the Deposit paid by Purchaser to the Vendor, to be paid out pursuant to Section 2.9;
- (b) payment in the amount of [REDACTED] adjusted pursuant to Section 7.1, 7.2 and 7.3, payable by Purchaser to Vendor at Closing; and
- (c) any payments between the Parties arising from adjustments set forth in the Final Statement of Adjustments, paid in accordance with Section 7.4.

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

100% Owned Petroleum and Natural Gas Rights and
Partnered Petroleum and Natural Gas Rights (subject to
adjustment)
Wells and Partnered Tangibles
Seismic Data
Partnered Miscellaneous Interests

Total



2.4 Assumption of Abandonment and Reclamation Obligations and Environmental Liabilities

In determining the Purchase Price, the Parties have taken into account: (a) Purchaser's assumption of responsibility for the payment of all costs for existing or future Abandonment and Reclamation Obligations and Environmental Liabilities, as set forth in this Agreement, and the absolute release of Vendor of all and any responsibility or liability therefor; and (b) Vendor's retention of the Excluded Liabilities. Purchaser acknowledges that, subject to Closing occurring, it shall assume and be solely responsible for its working interest share of any and all future environmental liabilities and abandonment and reclamation obligations associated with operations performed after the Effective Date on or in respect of both the 100% Owned Assets and the Partnered Assets.

2.5 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk, legal and beneficial ownership of Houston's interest in and to the Assets shall pass from Houston to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as Schedule "D", duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;
 - (iv) a copy of the Vesting Order;
 - (v) the Specific Conveyances, duly executed by Vendor, to the extent such Specific Conveyances were provided to Vendor no later than three (3) Business Day prior to Closing; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.

- (b) On the Closing Date, Purchaser shall deliver to Vendor:
 - (i) the balance owing on the Purchase Price, as adjusted herein plus applicable GST and Sales Taxes;
 - (ii) the General Conveyance in the form attached as Schedule "D", duly executed by Purchaser;
 - (iii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
 - (iv) where required, the Specific Conveyances, duly executed by Purchaser, to the extent prepared on or before the Closing Date by Purchaser;
 - (v) evidence of deposit of cash or letters of credit required to perform all financial obligations referred to in Section 2.12(a) have been deposited in trust with the solicitors for Purchaser; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.6 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. Purchaser shall use reasonable efforts to prepare and provide to Vendor for Vendor's review all Specific Conveyances at Purchaser's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances as soon as reasonably practicable. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall promptly register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.7 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser any paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, to the extent any such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests are available and are in the possession of Vendor.

2.8 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by wire transfer.

2.9 Deposit

The Parties acknowledge that a deposit in the amount [REDACTED] representing [REDACTED] of the Purchase Price, will be delivered by Purchaser to the Vendor, upon execution of this Agreement, and released only in accordance with the provisions of this Section 2.9 (the "Deposit"). The Deposit shall be held by the Vendor in a non-interest bearing account until one of the following events occurs:

- (a) if Closing occurs, the Deposit shall be retained by Vendor at Closing for Vendor's own account absolutely and be applied as partial payment of the Purchase Price;
- (b) if Closing does not occur for any reason other than as set forth in Section 2.9(c), the Deposit shall be returned to Purchaser by Vendor for the account of Purchaser absolutely; and
- (c) if Closing does not occur due to a material breach of this Agreement by Purchaser, the Deposit shall be forfeited to Vendor for the account of Vendor absolutely.

In the event that this Agreement is terminated as a result of a circumstance described in Section 2.9(b) or 2.9(c), each Party shall be released from all obligations under or in connection with this Agreement, other than the provisions with respect to confidentiality (Section 11.12) and the use of personal information (Section 11.15).

2.10 Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor as a result of Closing not occurring as a result of a material breach of this Agreement by Purchaser and Vendor shall retain the Deposit pursuant to Section 2.9(c) and the Deposit shall constitute liquidated damages to Vendor, and not a penalty of Closing not occurring as described in that subsection.

2.11 Taxes

- (a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:

Vendor [REDACTED]

Purchaser [REDACTED]

Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.11(a) shall survive the Closing Date indefinitely.

(b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all applicable Sales Taxes. Purchaser shall be solely responsible for the payment of all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority within the required time period and shall file when due all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly advance to Vendor, or if Vendor has already paid same, reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of assessments or receipts, as applicable, showing assessment or payment, as applicable, of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.11(b) shall survive the Closing Date indefinitely.

2.12 Regulator

- (a) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide to the Regulator the documentation required by the Regulator to conduct a pre-transfer liability assessment. Purchaser shall promptly deliver any amounts (in such form as is acceptable to the Regulator), required by the Regulator to be paid by Purchaser as a result of Purchaser's requirements under the applicable Governmental Authority Licensee Liability Management Program in order to facilitate the timely approval of the Licence Transfers by the Regulator. Purchaser further undertakes, following Closing, to make any additional payments and lodge any security required by the Regulator to be paid by Purchaser at and subsequent to the time the Licence Transfers, if any, are effected; and
- (b) provided that the Parties proceed with Closing, Purchaser agrees to provide to Vendor, within a reasonable time prior to Closing and no later than three Business Days prior to Closing, confirmation that cash or letters of credit required to perform all financial obligations referred to in the above Section 2.12(a) in form or substance reasonably acceptable to the Regulator have been deposited in trust with the solicitors for Purchaser together with irrevocable instruction to pay and deliver such amounts or letters of credit immediately when due as a result of Closing. Purchaser acknowledges that the financial obligations referred to in Section 2.12(a) are not included as part of the Purchase Price.

ARTICLE 3 CONDITIONS OF CLOSING

3.1 Required Consents

- (a) Before Closing, each of the Parties shall use commercially reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transaction. The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Wells.
- (b) Notwithstanding anything to the contrary herein, except for the Vesting Order, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Houston's interest in any Partnered Miscellaneous Interests.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets, and of Vendor to sell Houston's interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) the Vesting Order being obtained; and
- (b) no stay or appeal or, application to vary the Vesting Order shall have been filed with the Court at any time by Vendor or any other Person on or before the Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 3.2 have not been performed, satisfied or waived before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement (other than under Sections 11.12 and 11.15) shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Outside Date, Purchaser may terminate this Agreement by written notice to Vendor. If Purchaser terminates this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.9, 11.12 and 11.15.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) prior to Closing occurring (but subject to Purchaser being in full compliance with Section 2.12), the Regulator shall have provided positive indications of approval of the Licence Transfers by Vendor and Purchaser; and
- (d) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Outside Date, Vendor may terminate this Agreement by written notice to Purchaser. If Vendor terminates this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.9, 11.12 and 11.15.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use commercially reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the Vesting Order, Vendor has the right to enter into this Agreement and to complete this Transaction;
- (b) Vendor is not a non-resident of Canada within the *Income Tax Act* (Canada); and

- (c) subject to obtaining the Vesting Order, this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor and agrees that Vendor is relying on such representations and warranties for the purposes of entering into this Agreement:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay:
 - (i) all amounts required to be paid by Purchaser under this Agreement; and
 - (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;

- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor;
- (j) Purchaser holds, or is eligible to hold and at Closing will hold a business associate code from the Regulator making it eligible to hold the licences which are the subject of the Licence Transfers, if any, in the province in which they are situated;
- (k) Purchaser has and will have at Closing a sufficient Liability Management Rating required by the Regulator and will have at Closing delivered and lodged any security required by the Regulator in order to comply with the Regulator's Licensee Liability Management Program to facilitate a timely Closing and Purchaser is not aware of any fact or circumstance that could prevent or delay the License Transfers as contemplated in this Agreement;
- (l) Purchaser is in material compliance with all requirements of all Governmental Authorities, including the Regulator; and
- (m) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada).

4.3 Limitation of Representations by Vendor

- (a) Subject to Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Subject to the Vesting Order, Houston's interest in and to the Assets shall be purchased by Purchaser on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:
 - (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;

- (v) the quality, condition, fitness or merchantability of the Wells, including the wellbores thereof and all casing, tubing and packers therein, and the Partnered Tangibles;
 - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data materials, representations, warranties or statements made, direct or indirect, express or implied, or information supplied related to the Assets (whether supplied by Vendor, its representatives or otherwise);
 - (viii) the ownership interest of the Assets;
 - (ix) the suitability of the Assets for any purpose;
 - (x) compliance with Applicable Laws; or
 - (xi) the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Houston's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

ARTICLE 5 INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.1 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful.

5.2 Survival of Claim for Representations and Warranties

The representations and warranties in Sections 4.1 and 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Purchaser and Vendor, respectively.

Purchaser's representations and warranties shall survive the Closing Date for a period of 12 months.

ARTICLE 6 INDEMNITIES

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis subject always to the retention by Vendor of the Excluded Liabilities. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the 100% Owned Lands, the Partnered Lands, the Partnered Tangibles and the Wells (including the wellbores thereof and all casing, tubing and packers therein), that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, subject to the retention by Vendor of the Excluded Liabilities, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any: (A) Environmental Liabilities or any Abandonment and Reclamation Obligations; and (B) any environmental liabilities or abandonment and reclamation obligations relating to the Assets which occur or accrue on or after the Effective Date. Once Closing has occurred, Purchaser shall be solely responsible for: (A) all Environmental Liabilities and all Abandonment and Reclamation Obligations both to Third Parties and as between Vendor and Purchaser (whether such Environmental Liabilities and Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time); and (B) all environmental liabilities and all abandonment and

reclamation obligations relating to the Assets both to Third Parties and as between Vendor and Purchaser (provided such environmental liabilities and abandonment and reclamation obligations occur or accrue on or after the Effective Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for: (A) all Environmental Liabilities and Abandonment and Reclamation Obligations (whether such Environmental Liabilities and all Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time) in respect of the Partnered Lands, Partnered Tangibles and Wells; and (B) all environmental liabilities and abandonment and reclamation obligations (provided such environmental liabilities and abandonment and reclamation obligations occur or accrue on or after the Effective Time) in respect of the Assets. This assumption of liability and indemnity by Purchaser shall apply without limit and without regard to cause or causes, including the negligence (whether sole, concurrent, gross, active, passive, primary or secondary) or the wilful or wanton misconduct or recklessness of any or all of Vendor, its Representatives and their respective successors and assigns or any other Person or otherwise. Purchaser further acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives, or their respective successors and assigns under the common law or statute pertaining to any environmental liabilities and abandonment and reclamation obligations, in either case, relating to or arising from the Assets, including the right to name any or all of Vendor, its Representatives, and their respective successors and assigns as a 'third party' to any action commenced by any Person against Purchaser. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Excluded Assets and Excluded Liabilities

Notwithstanding anything to the contrary in this Agreement, express or implied, the Parties expressly acknowledge, agree and confirm that Purchaser shall not acquire any legal or beneficial ownership interest in or to any of the Excluded Assets and shall therefore have no responsibility or liability to Vendor, its Representatives or any Third Party whatsoever for any Excluded Liabilities. In particular and for the avoidance of doubt, as a result of the Transaction contemplated hereby, Purchaser is not accepting or assuming any responsibility or liability for any existing damage, contamination or pollution to or affecting the Environment, of whatever kind or nature, resulting from, connected with or attributable to the 100% Owned Assets as of the Closing Date. Notwithstanding the foregoing, Purchaser acknowledges that, subject to Closing occurring, it shall assume and be solely responsible for its working interest share of any and all future environmental liabilities and abandonment and reclamation obligations associated with operations performed after the Effective Date on or in respect of both the 100% Owned Assets and the Partnered Assets.

6.4 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor (the "**Indemnatee**") for indemnification pursuant to this Agreement from Purchaser (the "**Indemnitor**") in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnatee, the Indemnatee shall within 30 Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the

indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;

- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to take either or both of the following actions:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated Claims as reasonably requested from it; and
- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee is subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt, up to the amount paid by the Indemnitor.

ARTICLE 7
ADJUSTMENTS AND ASSUMPTION OF OBLIGATIONS

7.1 Adjustment in respect of the Inland Interests

- (a) If the Vesting Order granted does not include paragraph 4(b) contained in the form thereof relating to the Inland Interests, then: (1) the Purchase Price shall be reduced by [REDACTED] and (2) the portion of the Purchase Price payable by Purchaser at Closing pursuant to Section 2.2(b) shall be reduced by an equivalent amount.
- (b) The Receiver agrees to use commercially reasonable efforts to obtain the Vesting Order, inclusive of paragraph 4(b) therein. However, if the Vesting Order is not granted with the inclusion of paragraph 4(b) therein, the Parties agree to seek an amended Vesting Order with paragraph 4(b) removed therefrom but without prejudice to any subsequent application by the Purchaser to vest off the Inland Interests.

7.2 Other Costs and Revenues to be Apportioned

- (a) Except as set out in Section 7.2(b) and 7.2(c) below, and for greater certainty, excluding any costs and expenses relating to: (A) both linear and non linear municipal taxes; (B) surface lease rentals; (C) Crown lease rentals; and (D) overriding royalties, each of which are dealt with in Section 7.3, the following amounts shall be apportioned as of the Effective Time between Vendor and Purchaser on an accrual basis in accordance with generally accepted accounting principles:
 - (i) advances made by Vendor or Houston in respect of the cost of operations on Lands or the Wells or the Partnered Tangibles including in the Assets which advances have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be transferred to Purchaser at Closing and an adjustment will be made in favour of Vendor equal to the amount of such transferred advance; and
 - (ii) deposits placed with respect to the Assets made by Houston or Vendor relative to the operations on the Lands that have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be returned to Vendor.
- (b) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any liability, cost or expense which relates to the period which arose prior to the date of appointment of Receiver and which cost or expense does not constitute a liability of Purchaser;
- (c) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any cost or

expense which relates to any reassessment of crown royalties arising or accruing before or after the Closing Date.

7.3 Special Adjustments

- (a) The Purchase Price shall be adjusted upward by one half (1/2) of the amount to be distributed by Vendor pursuant to Section 11 of the Vesting Order (the entirety of such amount, the "**Monetary Default Distribution**"). The Parties acknowledge that the Monetary Default Distribution represents the aggregate default amounts associated with the Assets as of the Effective Date, and owed in respect of: (i) all Crown mineral leases; (ii) all surface leases; (iii) the agreed upon default payment amount with respect to both linear and non-linear municipal taxes; and (iv) all overriding royalties.

7.4 Adjustments to Account

- (a) An interim accounting of the adjustments pursuant to Sections 7.1, 7.2 and 7.3 shall be made at Closing, based on Vendor's good faith estimate of the costs and expenses paid by Vendor pursuant to Closing and the revenues received by Vendor prior to Closing. Vendor and Purchaser shall cooperate in preparing such interim accounting and Vendor shall provide an interim statement of adjustment setting forth the adjustments to be made at Closing not later than two (2) Business Days prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement.
- (b) A final accounting of the adjustments pursuant to Sections 7.1, 7.2 and 7.3 shall be conducted, if required, within 30 days following the Closing Date (the "**Final Statement of Adjustments**") by Vendor and Purchaser, and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing shall be settled by payment by the Party required to make payment to the other Party hereunder within 15 Business Days of being notified of the determination of the amount owing.
- (c) All adjustments provided for in this Article shall be adjustments to the Purchase Price and shall be allocated to the 100% Owned Petroleum and Natural Gas Rights and the Partnered Petroleum and Natural Gas Rights.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the Receivership Order:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and

- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulator with respect to the Licensee Liability Rating Program or any like program.

8.2 Consent of Purchaser

Notwithstanding Section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Partnered Assets of which Vendor's share is in excess of \$10,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether

Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election within such period shall be deemed to be Purchaser's election to participate in the Proposal;

- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor's representatives and warranties relating to such Assets.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser's written instructions, provided Vendor has notified Purchaser in advance of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;
- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any other reasonable and documented costs and expenses which it incurs as a direct result of such delivery to Purchaser;
- (c) Purchaser shall, in a timely manner, deliver to Vendor all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Purchaser shall respond to such notices in consultation with the Vendor, if received on a timely basis; and
- (d) Purchaser shall, in a timely manner and in consultation with the Vendor, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets.

8.5 Licence Transfers

- (a) Subject to the provisions of Section 8.7 hereof, to the extent applicable, within two Business Days following Closing, Purchaser shall prepare, at its sole cost and expense and, where applicable, electronically submit to the applicable Governmental Authorities, the Licence Transfers (other than in respect of the Excluded Licences), if any, and Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfers.
- (b) If a Governmental Authority denies a Licence Transfer because of misdescription or other minor deficiencies in the application, Purchaser shall, as soon as practicable, correct the application and amend and re-submit the Licence Transfer application. Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfer.
- (c) If for any reason, a Governmental Authority requires Purchaser to make a deposit or furnish any other form of security to approve or give effect to a Licence Transfer, or undertake any corrective action or remedial work including inspections, tests or engineering assessments, Purchaser shall make such deposit or furnish such other form of security or undertake such corrective or remedial work as may be required, at Purchaser's sole expense. All Licence Transfer processing fees (including any fees required to be paid for expedited service) shall be for Purchaser's account.
- (d) If a Governmental Authority denies any or all Licence Transfers, Vendor shall hold any effected Licences as bare trustee for the benefit of Purchaser until such time as the Licence Transfers, as applicable, have been approved and duly transferred to Purchaser. Any denial of a License Transfer by a Governmental Authority will not derogate in any way from Purchaser's obligation to pay the full Purchase Price to Vendor.

8.6 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8 or as a result of Vendor taking or omitting to take any action in accordance with Purchaser's instruction

(including any election deemed to be made pursuant to Section 8.3(b)) or concurrence, or otherwise in accordance with this Agreement. Purchaser's indemnity obligations in this Section 8.6(c) shall survive the Closing Date indefinitely.

8.7 Transfer of Operatorship

Insofar as Vendor operates any of the Assets, Purchaser acknowledges that Vendor may not be able to transfer operatorship of some or all of such Assets to Purchaser at or after Closing. Should a Third Party take over operatorship of some or all of the Assets whether after receiving change of operatorship notices from Vendor of the sale of its interest, or otherwise, Purchaser acknowledges that such Licences (including without limitation the Excluded Licences) will be transferred to the successor operator at or following Closing and that Purchaser shall not contest any such succession of operatorship or transfer of Licences except as otherwise provided in the applicable operating agreements after Closing and such succession and transfer.

ARTICLE 9 PREFERENTIAL PURCHASE RIGHTS

9.1 Preferential Purchase Rights

- (a) Schedule "C" provides a description of which, if any, of the Assets are subject to Preferential Purchase Rights so far as Vendor is aware.
- (b) Purchaser shall, immediately following execution of this Agreement, provide its good faith estimate of the value of the applicable Asset(s) to Vendor, and such value shall be set forth in the notices.
- (c) Vendor shall, within two Business Days of receipt of the good faith estimates described in Section 9.1(b), serve all notices as are required in conjunction with any Preferential Purchase Rights.
- (d) Purchaser shall be liable to Vendor for, and shall, in addition, save and hold harmless and indemnify Vendor from and against, all Losses that may be brought against, suffered, sustained, paid or incurred by Vendor in connection with or that relate in any way directly or indirectly to the use of Purchaser's allocation of value.
- (e) If a Preferential Purchase Right is exercised, the Assets that are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be subject to this Agreement and the Purchase Price shall be reduced by the amount allocated to such Asset. Purchaser shall nevertheless purchase the Assets that are not subject to exercised Preferential Purchase Rights.
- (f) In the event any Preferential Purchase Right remains outstanding and has not been exercised, waived or lapsed on or prior to Closing, only as it relates to such Preferential Purchase Rights and the Assets affected thereby (the "**Outstanding ROFRs**"), the following procedures shall apply:

- (i) the Parties acknowledge and agree that they shall proceed to Closing without any reduction in the Purchase Price for the Outstanding ROFRs;
- (ii) concurrently with their execution hereof, the Parties will deposit into escrow with Vendor acting as escrow agent that portion of the Purchase Price allocated to the Assets subject to the Outstanding ROFRS (the "**Escrow Assets**") and all closing documentation and Specific Conveyances required for the sale of all Escrow Assets by Vendor;
- (iii) if an Outstanding ROFR is exercised by a Third Party:
 - (A) the funds held in escrow by Vendor in respect of such Escrow Assets will be refunded by Vendor to Purchaser together with the interest earned thereon while held by Vendor; and
 - (B) the closing documentation and Specific Conveyances related to such Escrow Assets held in escrow by Vendor will be of no force or effect and shall be destroyed by Vendor;
- (iv) if after Closing an Outstanding ROFR is extinguished by lapse of time, waiver or otherwise (other than as a result of being exercised):
 - (A) Vendor will promptly release from escrow the funds in respect of such Escrow Assets to itself together with the interest earned thereon while held by it; and
 - (B) Vendor will promptly deliver copies of the closing documentation and Specific Conveyances in relation to such Escrow Assets to Purchaser and itself, such documentation shall be effective and the sale of such Assets to Purchaser pursuant hereto shall have closed.

ARTICLE 10
PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

10.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Houston's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of Vendor and shall use commercially reasonable efforts to obtain and provide access to all such materials which are not in their possession, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction. Purchaser shall indemnify and save harmless Vendor from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. Purchaser shall comply fully with all rules, regulations and instructions issued by Vendor regarding Purchaser's actions

while upon, entering or leaving such properties. Purchaser's obligations set forth in this Section 10.1 shall survive the Closing Date indefinitely.

10.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

10.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained by Purchaser in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of one year from the Closing Date.

ARTICLE 11 GENERAL

11.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

11.2 Receiver

Purchaser acknowledges that Vendor is acting solely in its capacity as the Court-appointed receiver of Houston, and not in its personal capacity. Under no circumstances shall Vendor or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction whether such liability be in contract, tort or otherwise.

11.3 Entire Agreement

Except for the Receivership Order and the Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, except for the Receivership Order and the Vesting

Order, the provisions of this Agreement shall prevail. In the event that Closing occurs, except for the Receivership Order and the Vesting Order, this Agreement supersedes all other agreements (other than the Confidentiality Agreement between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

11.4 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of Queen's Bench Court Action: 1901-14615. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

11.5 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Houston's ownership or operation of, or Vendor's interest in the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

11.6 Assignment and Enurement

This Agreement shall not be assigned by Purchaser without the prior written consent of Vendor, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

11.7 Time of Essence

Time is of the essence in this Agreement.

11.8 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor - BDO Canada Limited
110, 5800 2nd Street SW
Calgary, Alberta T2H 0H2

Attention: Marc Kelly

Fax: 403-640-0591
Email: makelly@bdo.ca

Purchaser Kiwetinohk Resources Corp.
Suite 1900, 250 2nd Street SW
Calgary, AB T2P 0C1

Attention: Sue Kuethe,
Executive VP, Land and Community Engagement

Email: skuethe@kiwetinohk.com

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

11.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. 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.

11.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.12 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that Purchaser shall advise Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Vesting Order; or (iii) as required by Houston's secured creditors, if any or the Orphan Well Association.

11.13 Sealing Order

Vendor shall apply to the Court for a sealing order with respect to a report prepared by Vendor containing the financial and other confidential details of this Transaction (the "**Confidential Report**"), such order sealing Vendor's Confidential Report and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by Vendor, if granted, only the judge presiding over the Receivership Proceedings, Purchaser and their respective Representatives and the secured creditors of Vendor who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to Vendor's Confidential Report and the confidential information contained therein.

11.14 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections 3.2, 3.3 or 3.4, as applicable.

In the event of termination of this Agreement, the Deposit shall be addressed in accordance with Section 2.9.

11.15 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.
- (c) Purchaser's obligations set forth in this Section 11.15 shall survive the Closing Date indefinitely.

(Remainder of page intentionally left blank)

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

KIWETINOHK RESOURCES CORP.

Per:



Name: Marc Kelly
Title: Senior Vice President

Per:

Name:
Title:

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

KIWETINOHK RESOURCES CORP.

Per:

Name:
Title:

Per:



Name: Susan Kuethe
Title: EVP/Land + Community Engagement

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

Lands and Petroleum and Natural Gas Rights

Part 1 – 100% Owned Assets

File	Crown Lease #	Lands and Rights	Working Interest	Encumbrances
M00168	0404030743	058-20 W4M: SEC 35 PNG TO BASE MANNVILLE	100%	CSS
M00001	0403010225	058-22 W4M: SEC 35 PNG TO BASE MANNVILLE	100%	CSS
M00099	0406010194	059-21 W4M: SEC 19 PNG BELOW BASE 2ND WHITE SPECKS TO BASE MANNVILLE	100%	CSS
M00004F	7222	059-21 W4M: SEC 21 PNG TO BASE MANNVILLE EXCL PNG IN COLONY, EXCL PNG IN REX, EXCLUDING NG MANNVILLE	100%	CSS NCGOR 5% ON 75% PROD NCGOR 1% ON 6.25% PROD
M00004H	7222	059-21 W4M: SEC 21 (REX 730-750M) PNG IN COLONY (PNG IN REX) EXCLUDING NG MANNVILLE	100%	CSS NCGOR 1% ON 6.25% PROD
M00004H	7222	059-21 W4M: SEC 21 NG MANNVILLE	100%	CSS NCGOR 5% ON 75% PROD
M00004	7222	059-21 W4M: W 22 PNG TO TOP WABAMUN	100%	CSS
M00004	7222	059-21 W4M: W 22 PNG WABAMUN	100%	CSS
M00007	30916A	059-21 W4M: E 22 PNG TO TOP WABAMUN	100%	CSS NCGOR: OIL SS 1/150 5%-15%,

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

WELLS AND PARTNERED TANGIBLES

Part 1 – Wells

Operated:

Licence	Wells
0135816	100/10-16-059-21W4/00
0393470	102/10-16-059-21W4/00
0270686	100/05-30-059-21W4/00
0064879	100/06-30-059-21W4/00
0154984	100/16-30-059-21W4/00
0164723	100/14-32-059-21W4/00
0110103	100/16-32-059-21W4/00
0123025	100/07-35-059-22W4/00
0399553	100/09-35-059-22W4/00
0055824	100/06-04-060-21W4/00

Non-operated:

Licence	Wells
0317467	100/10-25-058-21W4/00

Part 2 – Partnered Tangibles

All wellheads, pump jacks and surface equipment associated exclusively with the Wells.

Part 3 – Partnered Surface Rights

File	Lands	Agreement Type	Agreement Date
S00187	NE 16-059-21 W4M	Alberta Surface Lease	12-Dec-07
S00144	NE 16-059-21 W4M	Alberta Surface Lease	23-Aug-88
S00163	SW 30-059-21 W4M	Alberta Surface Lease	30-May-02
S00019	SW 30-059-21 W4M	Alberta Surface Lease	2-Aug-77
S00024	NE 30-059-21 W4M	Alberta Surface Lease	2-Dec-92
S00122	NW 32-059-21 W4M	Alberta Surface Lease	31-Jan-94
S00017	NE 32-059-21 W4M	Alberta Surface Lease	22-Oct-84
S00021	SE 35-059-22 W4M	Alberta Surface Lease	14-Mar-86

S00190	NE 35-059-22 W4M	Alberta Surface Lease	18-Jun-08
S00040	SW 04-060-21 W4M	Alberta Surface Lease	6-Nov-75

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

PREFERENTIAL PURCHASE RIGHTS

Vendor File No.	Head Agreement	Lands	Working Interest	ROFR Served to	ROFR Served by
C00005	Farmout dated December 27, 1973 among Gulf Oil Canada Limited, Hertz Industries Ltd., and Inland Development Company Ltd.	T59 R22 W4M: Sec. 35 PNG below Second White Specks to base Mannville	43.75%	Paramount Resources Ltd., on behalf of Kaisen Energy Corp., (successor to Farmee under Farmout Agreement dated February 13, 2008) as to an undivided 37.5% working interest Inland Development Company Ltd., on behalf of Kaisen Energy Corp, (successor to Farmee under Farmout Agreement dated February 13, 2008) as to an undivided 6.25% working interest	Paramount Resources Ltd. on behalf of Houston Oil & Gas Ltd., (successor to Farmee under Farmout Agreement dated February 13, 2008) as to an undivided 37.5% working interest Inland Development Company Ltd., on behalf of Houston Oil & Gas Ltd., (successor to Farmee under Farmout Agreement dated February 13, 2008) as to an undivided 6.25% working interest
C00005	Farmout dated December 27, 1973 among Gulf Oil Canada Limited, Hertz Industries Ltd., and Inland Development Company Ltd.	T59 R22 W4M: Sec. 35 PNG below Second White Specks to base Mannville	12.5%	Paramount Resources Ltd., on behalf of Kaisen Energy Corp., (successor to Farmee under Farmout Agreement dated February 13, 2008) as to an undivided 10.7138% working interest Inland Development Company Ltd., on behalf of Kaisen Energy Corp., (successor to Farmee under Farmout Agreement dated February 13, 2008) as to an undivided 1.7862% working interest	Houston Oil & Gas Ltd.

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

THIS GENERAL CONVEYANCE made as of this ____ day of _____, 2020.

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY AS
RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE
CAPACITY**

(collectively, the "Vendor")

- and -

KIWETINOHK RESOURCES CORP. (the "Purchaser")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"Purchase Agreement" means that Purchase and Sale Agreement dated [date] between **BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** and **KIWETINOHK RESOURCES CORP.**

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Houston in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS RECEIVER AND
MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR
CORPORATE CAPACITY**

Per:

Name:
Title:

KIWETINOHK RESOURCES CORP.

Per:

Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated [date] between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "Certificate").

I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and remain true and correct in all material respects up to the Effective Time.
2. All obligations of [Vendor] [Purchaser] contained in the Agreement to be performed prior to or at Closing have been timely performed in all material respects.
3. This Certificate is made for and on behalf of the [Vendor] [Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the [Vendor] [Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this ___ day of _____, 2020.

[Name of Vendor/Purchaser]

Per: _____
Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

VESTING ORDER

THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

OUTSTANDING AFE's

Nil

THE FOLLOWING COMPRISES SCHEDULE "H" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

EXCLUDED ASSETS

Nothing other than as described in the definition of Excluded Assets.

THE FOLLOWING COMPRISES SCHEDULE "I" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED AUGUST 17, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND KIWETINOHK RESOURCES CORP.

SEISMIC DATA

Proprietary seismic including, but not limited to, cassettes of raw seismic data, compact disks of seismic data, diskettes and paper copies of all seismic data including 2D and 3D data relating to the 100% Owned Lands and the Partnered Lands and bounded in and including the area TWP 58-60 RGE 21-22 W4M as depicted in the attached map.

Appendix ‘F’

PURCHASE AND SALE AGREEMENT

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY
AS COURT APPOINTED RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

- and -

NUOVA STRADA VENTURES LTD.

Dated:

August 21, 2020

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	<i>Pipelines</i>
	<i>Facilities</i>
<i>Schedule "C" -</i>	<i>Preferential Purchase Rights</i>
<i>Schedule "D" -</i>	<i>General Conveyance</i>
<i>Schedule "E" -</i>	<i>Form of Officer's Certificate</i>
<i>Schedule "F" -</i>	<i>Form of Vesting Order</i>
<i>Schedule "G" -</i>	<i>Intentionally Deleted</i>
<i>Schedule "H" -</i>	<i>Outstanding AFE's</i>
<i>Schedule "I" -</i>	<i>Excluded Licences</i>
<i>Schedule "J" -</i>	<i>Excluded Assets</i>

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of _____, 2020.

BETWEEN:

BDO CANADA LIMITED in its capacity as
Court appointed receiver and manager (“**Receiver**”) of **HOUSTON OIL & GAS LTD.**
and not in its personal or corporate capacity

(the “**Vendor**”)

- and -

NUOVA STRADA VENTURES LTD., a limited liability
Company existing under the laws of the Province of Alberta
(herein referred to as the “**Purchaser**”)

WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil & Gas Ltd. (“**Houston**”) pursuant to a court order dated October 29, 2019 (the “**Original Receivership Order**”) granted by the Court of Queen’s Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 and BDO Canada Limited was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (together with the Original Receivership Order, the “**Receivership Order**”) (the “**Receivership Proceedings**”); and
- B. Pursuant to the Receivership Proceedings, Vendor, subject to approval by the Court, has the ability to sell, transfer and assign to Purchaser, all of the right, title and interest of Houston in and to the Assets, and Purchaser has agreed to purchase the Assets from Vendor, on the terms and conditions set forth herein.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the Parties) the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) “**Abandonment and Reclamation Obligations**” means all past, present and future obligations to:
 - (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings,

pipelines, equipment and other Facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and

- (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, including such obligations relating to Wells, Pipelines and Facilities which were abandoned or decommissioned or have reclamation orders prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws;

- (b) “**Affiliate**” means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term “**control**” as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (c) “**Agreement**” means this purchase and sale agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and “**this Agreement**”, “**herein**”, “**hereto**”, “**hereof**” and similar expressions mean and refer to this Agreement;
- (d) “**Applicable Law**” means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) “**Appointment Date**” means October 29, 2019;
- (f) “**Assets**” means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests, but excludes the Excluded Assets;
- (g) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (h) “**Claim**” means any claim, actions, causes of action, demand, lawsuit, proceeding, judgment, awards, decrees, determinations, adjudications, writs, orders,

pronouncements, audits, arbitration, mediation, hearings, investigations, governmental investigation, or actions of every kind, nature or description, in each case, whether asserted, threatened, pending, contingent or existing, and whether based on contract, tort, statute, or other legal or equitable theory of recovery;

- (i) **“Closing”** means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;
- (j) **“Closing Date”** means the later of:
 - (i) three Business Days following the later of: (A) the grant of the Vesting Order; and (B) the expiration, waiver or exercise of all Preferential Purchase Rights; or
 - (ii) or another date agreed upon in writing by the Parties,but in any event, shall be no later than the Outside Date;
- (k) **“Closing Place”** means the office of Vendor or its counsel, or such other place as may be agreed upon in writing by the Parties;
- (l) **“Court”** has the meaning set out in the recitals;
- (m) **“Data Room Information”** means all information provided or made available to Purchaser in hard copy or electronic form in relation to Vendor, Houston and/or the Assets;
- (n) **“Deposit”** has the meaning as defined in Section 2.8;
- (o) **“Effective Date”** means April 1, 2020;
- (p) **“Effective Time”** means 12:01 a.m. on the Effective Date;
- (q) **“Environment”** and **“Environmental”** means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (r) **“Environmental Liabilities”** means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate to the Assets (or any lands pooled or unitized with Lands which may form part of the Assets), or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
 - (i) transportation, storage, use or disposal of toxic or hazardous substances;

- (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
- (iii) pollution or contamination of or damage to the Environment,

including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment;

(s) **“Excluded Assets”** means:

- (i) any item or thing owned by Third Parties and licenced to Houston with restrictions on deliverability or disclosure by Houston that prevent the conveyance of such item or thing to Purchaser;
- (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
- (iii) all receivables and credits of any kind from any Person;
- (iv) legal and title opinions;
- (v) documents, other than Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
- (vi) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
- (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Houston proprietary technology
 - (B) they pertain to seismic data or interpretations thereof;
 - (C) they pertain to any intellectual property owned by a third party;
 - (D) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Houston to an assignee;
 - (E) they comprise Houston’s and Houston tax and financial records, and economic evaluations;
- (viii) Excluded Licences; and
- (ix) any other assets specifically described in Schedule “J”,

but "Excluded Assets" shall not include any property, rights or interests specifically described as Miscellaneous Interests;

- (t) "**Excluded Licences**" means the licences listed in Schedule "I";
- (u) "**Facilities**" means Houston's entire interest in and to all unit facilities under any unit agreement applicable to the Leased Substances and all other field facilities (including all discontinued facilities) whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled or unitized therewith) and that are used for production, gathering, treatment, compression, transportation (including Pipelines), injection, water disposal, measurement, processing, storage, handling or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station, gathering system, production storage facility or warehouse and including those field facilities specifically identified in Schedule "B";
- (v) "**Final Statement of Adjustments**" has the meaning set forth in Section 7.3(a);
- (w) "**General Conveyance**" means the general conveyance in the form attached hereto as Schedule "D".
- (x) "**Governmental Authority**" means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulator) and any public authority, including any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (y) "**GST**" means the goods and services tax payable pursuant to the GST Legislation;
- (z) "**GST Legislation**" means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (aa) "**Lands**" means all lands set out and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (bb) "**Leased Substances**" means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (cc) "**Licence Transfers**" means, in relation to the Assets, the transfer of any permits, approvals, licences and authorizations (collectively, "**Licences**") granted by any applicable Governmental Authority but subject to the provisions of Sections 8.5 and 8.7 hereof;

- (dd) **“Losses”** means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;

- (ee) **“Miscellaneous Interests”** means, subject to any and all limitations and exclusions provided for in this definition, Houston’s entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any and all of the following:
 - (i) all contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);
 - (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licences and authorizations pertaining to the Tangibles;
 - (iii) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto;
 - (iv) all records, books, documents, Licences (subject to Section 8.7 hereof), reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles;
 - (v) all proprietary and Seismic Data; and
 - (vi) the Wells, including the wellbores thereof and any and all casings therein, but specifically excluding the Excluded Assets;

- (ff) **“Outside Date”** means September 30, 2020;

- (gg) **“Party”** means a party to this Agreement;

- (hh) **“Permitted Encumbrances”** means:
 - (i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in the Title Documents or in Schedule “A”;
 - (ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;

- (iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents, only to the extent the same create encumbrances set forth in one of the other subsections of this definition of "Permitted Encumbrances";
- (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
- (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;
- (vi) and any obligations to Third Parties for any thirteenth month adjustments or for payments due as a result of any audits conducted by operators or Third Parties;
- (vii) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
- (viii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
- (ix) any obligation of Houston to hold any right or interest in and to any of the Assets in trust for Third Parties;
- (x) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
- (xi) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Houston's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;
- (xii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;

- (xiii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
 - (xiv) agreements respecting the operation of Wells or Facilities by contract field operators;
 - (xv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
 - (xvi) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets;
- (ii) “**Person**” means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
 - (jj) “**Petroleum and Natural Gas Rights**” means Houston’s entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including the interests set out and described in Schedule “A”;
 - (kk) “**Petroleum Substances**” means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
 - (ll) “**Pipelines**” means the pipelines described in Schedule “B”;
 - (mm) “**Preferential Purchase Right**” means any preferential, pre-emptive or first purchase right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the Transaction, as are set out in Schedule “C”;
 - (nn) “**Purchase Price**” has the meaning set out in Section 2.2;
 - (oo) “**Receiver**” has the meaning set out in the Recitals;
 - (pp) “**Regulator**” means the Alberta Energy Regulator;
 - (qq) “**Representative**” means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to Vendor includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
 - (rr) “**Sales Taxes**” means all transfer, sales, excise, stamp, licence, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other charges of a Governmental Authority (including additions by way of penalties,

interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets or the transfer or registration of the Specific Conveyances, but excludes GST, and any income taxes and penalties and interest related thereto;

- (ss) **“Seismic Data”** means, to the extent there is proprietary seismic data, all Vendor-owned proprietary seismic data applicable to the Lands regardless of the form or medium in which it is displayed, including in all cases the permanent records of basic field data, digital field tapes and stack tapes, microfilm, paper copies, reports, observer's reports, permanent records of the processed field data, shot point maps and filters, and in the case of 3D seismic, all permanent records or bin locations, bin fold, static corrections, surface elevations and other relevant information;
- (tt) **“Specific Conveyances”** means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (uu) **“Tangibles”** means Houston’s entire right, title, estate and interest in and to:
 - (i) any and all tangible depreciable property, equipment and other assets located within or upon the Lands or equipment associated with the Wells, in each case that are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them;
 - (ii) the Pipelines; and
 - (iii) the Facilities;
- (vv) **“Third Party”** means any individual or entity other than Houston, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (ww) **“Title Documents”** means, collectively, any and all certificates of title, leases, reservations, Licences (subject to Section 8.7 hereof), assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands and this definition shall include, where applicable, those documents set out in Schedule “A”;

- (xx) **“Transaction”** means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (yy) **“Vendor”** has the meaning set forth in the recitals;
- (zz) **“Vesting Order”** means an order to be granted by the Court substantially in the form of Schedule “F” which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests legal and beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or Claims, other than Permitted Encumbrances has the meaning set out in the recitals; and
- (aaa) **“Wells”** means Houston’s entire interest in and to all wells (including producing, shut-in, suspended, abandoned (including wells that have met all reclamation requirements and a reclamation certificate, certificate of recognition, surface release or other document has been issued by the applicable Governmental Authority), capped, injection and disposal wells), located on or within the Lands, or any lands pooled or unitized therewith, whether or not completed, including the wells listed in Schedule “B”.

1.2 Headings

The words “Article”, “Section”, “subsection” and “Schedule” followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule “A” -	Lands and Petroleum and Natural Gas Rights
Schedule “B” -	Wells Pipelines Facilities
Schedule “C” -	Preferential Purchase Rights
Schedule “D” -	General Conveyance
Schedule “E” -	Form of Officer’s Certificate

Schedule "F" -	Form of Vesting Order
Schedule "G" -	Intentionally Deleted
Schedule "H" -	Outstanding AFE's
Schedule "I" -	Excluded Licences
Schedule "J" -	Excluded Assets

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

**ARTICLE 2
PURCHASE AND SALE AND CLOSING**

2.1 Purchase and Sale

Vendor, exercising the powers of sale granted pursuant to the powers of sale granted pursuant to the Receivership Order, hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all right, title, estate and interest of Houston (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement and the Vesting Order.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Houston's interest in and to the Assets shall be [REDACTED] the "Purchase Price") plus applicable GST and Sales Taxes, plus or minus (as applicable) the net amount of the adjustments made pursuant to Article 7, satisfied by Purchaser (or Vendor, to the extent applicable) as follows:

- (a) payment of the Deposit paid by Purchaser to the Vendor, to be paid out pursuant to Section 2.8;
- (b) payment of the balance of the Purchase Price, adjusted pursuant to Section 7.2(a), payable by Purchaser to Vendor at Closing; and
- (c) any payments between the Parties arising from adjustments set forth in the Final Statement of Adjustments, paid in accordance with Section 7.3(a).

The Parties hereby acknowledge and agree that the Purchase Price set forth in this Section 2.2 accurately reflects and takes into proper account both the positive value of all of the Assets as well as the offsetting reductions in value for the Environmental Liabilities and Abandonment and Reclamation Obligations associated therewith and the absolute release of Vendor of all and any responsibility or liability therefor.

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights (subject to adjustment)
Tangibles

Miscellaneous Interests

[REDACTED]
[REDACTED]

2.4 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this

Agreement, possession, risk, legal and beneficial ownership of Houston's interest in and to the Assets shall pass from Houston to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as Schedule "D", duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;
 - (iv) a copy of the Vesting Order;
 - (v) the Specific Conveyances, duly executed by Vendor, to the extent such Specific Conveyances were provided to Vendor no later than one Business Day prior to Closing; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.
- (b) On the Closing Date, Purchaser shall deliver to Vendor:
 - (i) the balance owing on the Purchase Price, as adjusted herein plus applicable GST and Sales Taxes;
 - (ii) the General Conveyance in the form attached as Schedule "D", duly executed by Purchaser;
 - (iii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
 - (iv) where required, the Specific Conveyances, duly executed by Purchaser, to the extent prepared on or before the Closing Date by Purchaser; and
 - (v) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.5 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. Purchaser shall use reasonable efforts to prepare and provide to Vendor for Vendor's review all Specific Conveyances at Purchaser's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances as soon as reasonably practicable. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall promptly register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.6 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser any paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, to the extent any such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests are available and are in the possession of Vendor.

2.7 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by wire transfer or by certified cheque.

2.8 Deposit

The Parties acknowledge that a deposit in the amount of [REDACTED], representing approximately [REDACTED] of the Purchase Price, will be delivered by Purchaser to the Vendor, upon execution of this Agreement, and released only in accordance with the provisions of this Section 2.8 (the "Deposit").

The Deposit shall be held by the Vendor in a non-interest bearing account until one of the following events occurs:

- (a) if Closing occurs, the Deposit shall be paid to Vendor at Closing for Vendor's own account absolutely and be applied as partial payment of the Purchase Price;
- (b) if Closing does not occur due to: (i) a failure to fulfill the conditions set forth in Section 3.2; or (ii) a material breach of a material term of this Agreement by Vendor or by failure of Vendor to fulfill the conditions set forth in Section 3.3, the Deposit shall be returned to Purchaser by Vendor for the account of Purchaser absolutely; and
- (c) if Closing does not occur due to any reason other than as addressed by Section 2.8(b) (including but not limited to the failure by Purchaser to comply with its obligations under Section 2.12 or the refusal of the Regulator to approve the transfer of any Assets to Purchaser for any reason), the Deposit shall be forfeited to Vendor for the account of Vendor absolutely.

In the event that this Agreement is terminated as a result of the application of Section 2.8(b) or 2.8(c), each Party shall be released from all obligations under or in connection with this Agreement, other than the provisions with respect to confidentiality (Section 11.12) and the use of personal information (Section 11.15).

2.9 Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor as a result of Closing not occurring and Vendor shall retain the

Deposit pursuant to Section 2.8(c) and the Deposit shall constitute liquidated damages to Vendor, and not a penalty of Closing not occurring as described in that subsection.

2.10 Taxes

(a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:

Vendor

[REDACTED]

Purchaser

[REDACTED]

Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.10(a) shall survive the Closing Date indefinitely.

(b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all applicable Sales Taxes. Purchaser shall be solely responsible for the payment of all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority within the required time period and shall file when due all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.10(b) shall survive the Closing Date indefinitely.

2.11 Regulator

(a) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide Vendor with Purchaser's business associate code for the Regulator.

(b) Purchaser shall promptly deliver thereafter any amounts (in such form as is acceptable to the Regulator), required by the Regulator as a result of Purchaser's requirements under the applicable Governmental Authority Licensee Liability Management Program in order to facilitate a timely Closing. Purchaser further undertakes to make any additional payments and lodge any security required by the Regulator at and subsequent to the time the Licence Transfers, if any, are effected.

ARTICLE 3 CONDITIONS OF CLOSING

3.1 Required Consents

- (a) Before Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transaction. The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Facilities and the Wells.
- (b) Notwithstanding anything to the contrary herein, except for the Vesting Order, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Houston's interest in any Miscellaneous Interests including remedying any deficiencies under any assumed contracts and agreements, at Purchaser's sole cost and expense. Upon providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees, expenses, penalties or levies that are incurred by Vendor in order to effect the assignment of the Assets to Purchaser shall be the sole responsibility of Purchaser, and Purchaser agrees to pay on behalf of Vendor any such reasonable and necessary costs, fees, expenses, penalties or levies on a timely basis.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets, and of Vendor to sell Houston's interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) the Vesting Order being obtained; and
- (b) no stay or appeal or application to vary the Vesting Order shall have been filed with the Court at any time by Vendor or any other Person on or before the Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 3.2 have not been performed, satisfied or waived before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement (other than under Sections 11.12 and 11.15) shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Outside Date, Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.8, 11.12 and 11.15.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) prior to Closing occurring (but subject to Purchaser being in full compliance with Section 2.12), the Regulator shall have provided positive indications of approval of the Licence Transfers by Vendor and Purchaser; and
- (d) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Outside Date, Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.8, 11.12 and 11.15.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the Vesting Order, Vendor has the right to enter into this Agreement and to complete this Transaction; and
- (b) subject to obtaining the Vesting Order, this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor and agrees that Vendor is relying on such representations and warranties for the purposes of entering into this Agreement:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;

- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay:
 - (i) all amounts required to be paid by Purchaser under this Agreement; and
 - (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor (as such term is interpreted by the Regulator);
- (j) Purchaser holds, or is eligible to hold and at Closing will hold a business associate code from the Regulator making it eligible to hold the licences which are the subject of the Licence Transfers, if any, in the province in which they are situated;
- (k) Purchaser has and will have at Closing a sufficient Liability Management Rating required by the Regulator and will have at Closing delivered and lodged any security required by the Regulator in order to comply with the Regulator's Licensee Liability Management Program to facilitate a timely Closing and Purchaser is not aware of any fact or circumstance that could prevent or delay the transfer of any permits or licenses relating to or forming part of the Assets as contemplated in this Agreement;
- (l) Purchaser is in compliance with all the requirements of all Governmental Authorities, including the Regulator;
- (m) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (n) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*.

4.3 Limitation of Representations by Vendor

- (a) Subject to Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Houston's interest in and to the Assets shall be purchased by Purchaser on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:

- (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles and the Wells, including the wellbores thereof and all casing, tubing and packers therein);
 - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data materials, representations, warranties or statements made, direct or indirect, express or implied, or information supplied related to the Assets (whether supplied by Vendor, its representatives or otherwise);
 - (viii) the ownership interest of the Assets;
 - (ix) the suitability of the Assets for any purpose;
 - (x) compliance with Applicable Laws; or
 - (xi) the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Houston's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

**ARTICLE 5
INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES**

5.1 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful.

5.2 Survival of Claim for Representations and Warranties

The representations and warranties in Section 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Vendor. Purchaser's representations and warranties shall survive the Closing Date for a period of 12 months.

**ARTICLE 6
INDEMNITIES**

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing before or after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the Lands, the Tangibles and the Wells (including the wellbores thereof and all casing, tubing and packers therein), that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and

- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations both to Third Parties and as between Vendor and Purchaser (whether such Environmental Liabilities and Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (whether such Environmental Liabilities and all Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time) in respect of the Lands, Wells and Facilities. This assumption of liability and indemnity by Purchaser shall apply without limit and without regard to cause or causes, including the negligence (whether sole, concurrent, gross, active, passive, primary or secondary) or the wilful or wanton misconduct or recklessness of any or all of Vendor, its Representatives and their respective successors and assigns or any other Person or otherwise. Purchaser further acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives, or their respective successors and assigns under the common law or statute pertaining to any Environmental Liabilities and Abandonment and Reclamation Obligations, including the right to name any or all of Vendor, its Representatives, and their respective successors and assigns as a 'third party' to any action commenced by any Person against Purchaser. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor (the "**Indemnitee**") for indemnification pursuant to this Agreement from Purchaser (the "**Indemnitor**") in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within 30 Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to take either or both of the following actions:

- (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated Claims as reasonably requested from it; and
- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party which results in the Indemnitee receiving, in the aggregate, more than the amount of the Third Party Claim, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) in excess of the Third Party Claim to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7

ADJUSTMENTS AND ASSUMPTION OF OBLIGATIONS

7.1 Assumption of Obligations

- (a) Provided Closing has occurred, Purchaser confirms that it has assumed the following obligations of the Vendor or Houston, as applicable, including the payment of any amounts in respect thereof and all applicable interest and penalties, whensoever and howsoever the following obligations arose (including after the Appointment Date):
 - (i) Property taxes, including any municipal property taxes;

- (ii) Mineral lease royalties and rentals;
- (iii) Surface lease rentals; and
- (iv) Any other obligation related to the Assets or arising from ownership of the Assets which is adjusted for in accordance with this ARTICLE 7.

Purchaser agrees to pay the required amounts either directly to the applicable Person or to the Vendor if the Vendor is required to make the payment, and in such case, the Vendor will thereafter ensure such amounts are paid to the applicable Person.

7.2 Other Costs and Revenues to be Apportioned

- (a) Except as set out in Section 7.1 and subject to Section 7.2(b) and 7.2(c) below, all other costs and expenses relating to the Assets (including maintenance, development, capital and operating costs) and all revenues relating to the Assets (including proceeds from the sale of production, if any, and fees from processing, treating or transporting Petroleum Substances on behalf of Third Parties) shall be apportioned as of the Effective Time between Vendor and Purchaser on an accrual basis in accordance with generally accepted accounting principles, provided that:
 - (i) Advances made by Vendor or Houston in respect of the cost of operations on Lands or the Wells, Pipelines or Facilities including in the Assets which advances have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be transferred to Purchaser at Closing and an adjustment will be made in favour of Vendor equal to the amount of such transferred advance;
 - (ii) Deposits placed with respect to the Assets made by Houston or Vendor relative to the operations on the Lands that have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be returned to Vendor;
 - (iii) Costs and expenses of work done, services provided and goods supplied shall be deemed to accrue for the purposes of this Article when the work is done or the goods or services are provided, regardless of when such costs and expenses become payable;
 - (iv) No adjustment shall be made in respect of Houston's or Vendor's income taxes;
 - (v) Revenues from the sale of Petroleum Substances will be deemed to accrue when the Petroleum Substances are produced; and

- (vi) Petroleum Substances that were produced beyond the wellhead, but not sold as of the Effective Time shall be credited to Vendor and will be deemed to be sold on a first-in-first-out basis.
- (b) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any liability, cost or expense which relates to the period which arose prior to the Date of Appointment and which cost or expense does not constitute a liability of Purchaser.
- (c) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any cost or expense which relates to any reassessment of royalties arising or accruing before or after the Closing Time.

7.3 Adjustments to Account

- (a) An interim accounting of the adjustments pursuant to Section 7.1 shall be made at Closing, based on Vendor's good faith estimate of the costs and expenses paid by Vendor pursuant to Closing and the revenues received by Vendor prior to Closing. Vendor and Purchaser shall cooperate in preparing such interim accounting and Vendor shall provide an interim statement of adjustment setting forth the adjustments to be made at Closing not later than five (5) Business Days prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement.
- (b) A final accounting of the adjustments pursuant to Section 7.1 shall be conducted, if required, within 60 days following the Closing Date (the "**Final Statement of Adjustments**") by Vendor and Purchaser, and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing shall be settled by payment by the Party required to make payment to the other Party hereunder within 15 Business Days of being notified of the determination of the amount owing.
- (c) All adjustments provided for in this Article shall be adjustments to the Purchase Price and shall be allocated to the Petroleum and Natural Gas Rights.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the Receivership Order:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulator with respect to the Licensee Liability Rating Program or any like program.

8.2 Consent of Purchaser

Notwithstanding Section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of \$50,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election

within such period shall be deemed to be Purchaser's election to participate in the Proposal;

- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor's representatives and warranties relating to such Assets.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser's written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;
- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;
- (c) Purchaser shall, in a timely manner, deliver to Vendor all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Purchaser shall respond to such notices in consultation with the Vendor, if received on a timely basis; and
- (d) Purchaser shall, in a timely manner and in consultation with the Vendor, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets.

8.5 Licence Transfers

- (a) Subject to the provisions of Section 8.7 hereof, to the extent applicable, within five Business Days following Closing, Purchaser shall prepare, at its sole cost and expense and, where applicable, electronically submit to the applicable

Governmental Authorities, the Licence Transfers (other than in respect of the Excluded Licences), if any, and Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfers.

- (b) If a Governmental Authority denies a Licence Transfer because of misdescription or other minor deficiencies in the application, Purchaser shall, as soon as practicable, correct the application and amend and re-submit the Licence Transfer application. Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfer.
- (c) If for any reason, a Governmental Authority requires a Party or its nominee to make a deposit or furnish any other form of security to approve or give effect to a Licence Transfer, or undertake any corrective action or remedial work including inspections, tests or engineering assessments, Purchaser shall make such deposit or furnish such other form of security or undertake such corrective or remedial work as may be required, at Purchaser's sole expense. All Licence Transfer processing fees (including any fees required to be paid for expedited service) shall be for Purchaser's account.
- (d) If a Governmental Authority denies any or all Licence Transfers, it will not derogate in any way from Purchaser's obligation to pay the full Purchase Price to Vendor.

8.6 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8 or as a result of Vendor taking or omitting to take any action in accordance with Purchaser's instruction (including any election deemed to be made pursuant to Section 8.3(b)) or concurrence, or otherwise in accordance with this Agreement. Purchaser's indemnity obligations in this Section 8.6(c) shall survive the Closing Date indefinitely.

8.7 Transfer of Operatorship

Insofar as Vendor operates any of the Assets, Purchaser acknowledges that Vendor is not able to transfer operatorship of some or all of such Assets to Purchaser at or after Closing. Should a Third Party take over operatorship of some or all of the Assets whether after receiving change of operatorship notices from Vendor of the sale of its interest, or otherwise, Purchaser acknowledges that such Licences (including without limitation the Excluded Licences) will be transferred to the successor operator at or following Closing and that Purchaser shall not contest any such succession of operatorship or transfer of Licences except as otherwise provided in the applicable operating agreements after Closing and such succession and transfer.

ARTICLE 9 PREFERENTIAL PURCHASE RIGHTS

9.1 Preferential Purchase Rights

- (a) Schedule "C" provides a description of which, if any, of the Assets are subject to Preferential Purchase Rights so far as Vendor is aware.
- (b) Purchaser shall, immediately following execution of this Agreement, provide its good faith estimate of the value of the applicable Asset(s) to Vendor, and such value shall be set forth in the notices.
- (c) Vendor shall, within two Business Days of receipt of the good faith estimates described in Section 9.1(b), serve all notices as are required in conjunction with any Preferential Purchase Rights.
- (d) Purchaser shall be liable to Vendor for, and shall, in addition, save and hold harmless and indemnify Vendor from and against, all Losses that may be brought against, suffered, sustained, paid or incurred by Vendor in connection with or that relate in any way directly or indirectly to the use of Purchaser's allocation of value.
- (e) If a Preferential Purchase Right is exercised, the Assets that are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be subject to this Agreement and the Purchase Price shall be reduced by the amount allocated to such Asset. Purchaser shall nevertheless purchase the Assets that are not subject to exercised Preferential Purchase Rights.

ARTICLE 10 PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

10.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Houston's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of Vendor, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate

Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction. Purchaser shall indemnify and save harmless Vendor from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. Purchaser shall comply fully with all rules, regulations and instructions issued by Vendor regarding Purchaser's actions while upon, entering or leaving such properties. Purchaser's obligations set forth in this Section 10.1 shall survive the Closing Date indefinitely.

10.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

10.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained by Purchaser in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two years from the Closing Date.

ARTICLE 11 GENERAL

11.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

11.2 Receiver

Purchaser acknowledges that Vendor is acting solely in its capacity as the Court-appointed receiver of Houston, and not in its personal capacity. Under no circumstances shall Vendor or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction whether such liability be in contract, tort or otherwise.

11.3 Entire Agreement

Except for the Receivership Order and the Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, except for the Receivership Order and the Vesting Order, the provisions of this Agreement shall prevail. In the event that Closing occurs, except for the Receivership Order and the Vesting Order, this Agreement supersedes all other agreements (other than the Confidentiality Agreement between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

11.4 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of Queen's Bench Court Action: 1901-14615. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

11.5 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Houston's ownership or operation of, or Vendor's interest in the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

11.6 Assignment and Enurement

This Agreement shall not be assigned by Purchaser without the prior written consent of Vendor, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

11.7 Time of Essence

Time is of the essence in this Agreement.

11.8 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor	BDO Canada Limited 110, 5800 2nd Street SW Calgary, Alberta T2H 0H2
--------	---

Attention: Marc Kelly

Fax: 403-640-0591

Email: makelly@bdo.ca

Purchaser Nuova Strada Ventures Ltd.
1321 Colgrove Ave NE
Calgary, Alberta T2E 5C3

Attention: Edward G. Mills

Email: diamondwillowed@gmail.com

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by personal delivery or courier to a Party between 8:00 a.m. and 4:00 p.m. (local time in place of receipt) on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered, or email, on the date of transmission if it is a Business Day and the transmission was made prior to 4:00 p.m. (local time in place of receipt), and otherwise on the next Business Day;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

11.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any

other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. 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.

11.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.12 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that Purchaser shall advise Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Vesting Order; or (iii) as required by Houston's secured creditors, if any or the Orphan Well Association.

11.13 Sealing Order

Vendor may, at its discretion, apply to the Court for a sealing order with respect to a report prepared by Vendor containing the financial and other confidential details of this Transaction (the "**Confidential Report**"), such order sealing Vendor's Confidential Report and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by Vendor, if granted, only the judge presiding over the Receivership Proceedings, Purchaser and their respective Representatives and the secured creditors of Vendor who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to Vendor's Confidential Report and the confidential information contained therein.

11.14 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections 3.2, 3.3 or 3.4, as applicable.

In the event of termination of this Agreement, the Deposit shall be addressed in accordance with Section 2.8.

11.15 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.
- (c) Purchaser's obligations set forth in this Section 11.15 shall survive the Closing Date indefinitely.

[Remainder of page intentionally left blank – signature page follows]

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

NUOVA STRADA VENTURES LTD.

Per:



Per:

Name: Marc Kelly
Title: Senior Manager

Name: Edward G. Mills
Title: Chairman

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

Lands and Petroleum and Natural Gas Rights

Mineral Report ID RP-0053

<u>ELMORTH</u>	Mineral File M01419 A M01419 B M01420 A M01420 B M01420 C M01421 A
<u>SUFFIELD</u>	Mineral File M01549 A
<u>PINE CREEK/KAYBOB</u>	Mineral File M01456 A
<u>ROYALTY PROPERTIES</u>	Mineral File M01528 A M00823 A M00824 A M00825 A M00826 A M00827 A

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

WELLS and FACILITIES

Wells

ELMWORTH

License #	UWI	Status	Formation	Licensee	Houston W%
0382545	100/07-31-70-10W6/00	Gas	Fisher	Cenovus	34.375%
0209248	100/16-32-70-10W8/00	Gas	Fisher	Houston	55.500%

SUFFIELD

License #	UWI	Status	Formation	Licensee	Houston W%
0254702	100/04-19-015-06W4/2	Gas	Colorado	Houston	100%

PINE CREEK/KAYLOR

License #	UWI	Status	Formation	Licensee	Houston W%
0418337	100/01-29-058-16W5/0	Gas	Gething	Seneca	50%

ROYALTY WELLS

	UWI	
Enchant	100/09-24-012-16-W4/00	GORR
	100/09-24-012-16-W4/02	GORR
Herronton	100/10-30-022-24-W4/00	GORR
	100/11-32-022-24-W4/00	GORR
	100/01-32-022-24-W4/00	GORR
	100/11-32-022-24-W4/02	GORR
	100/01-32-022-24-W4/02	GORR
	100/01-24-022-25-W4/00	GORR
	100/02-36-022-25-W4/00	GORR
	100/02-36-022-25-W4/02	GORR
	100/06-04-023-24-W4/00	GORR

Pipelines

ELMWORTH

Company	Pipeline License	Segment Number	From Location	To Location	Priority Substance
Houston	31497	1	00/16-32-070-10W6/00	00/13-29-070-10W6/00	Natural Gas
Cenovus	59215	209	00/07-31-070-10W6/00	00/15-30-070-10W6/00	Natural Gas
Cenovus	59215	213	00/15-30-070-10W6/00	00/07-31-070-10W6/00	Natural Gas

SUFFIELD

Company	Pipeline License	Segment Number	From Location	To Location	Priority Substance
Houston	40383	1, 2, 3	00/04-19-015-06W4/00	00/16-22-014-06W4/00	Natural Gas

Facility

SUFFIELD

Licensee	Facility ID	License Number	UWI	Subtype	W%
Houston	ARXIF21937	F28337	00/16-33-014-06W4/00	MULTIWELL GAS BATTERY	100.00%

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

Preferential Purchase Rights

Nil

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

THIS GENERAL CONVEYANCE made as of this ____ day of _____, 2020.

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY AS
RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE
CAPACITY**

(collectively, the "Vendor")

- and -

NUOVA STRADA VENTURES LTD. (the "Purchaser")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"Purchase Agreement" means that Purchase and Sale Agreement dated _____, 2020 between **BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** and **NUOVA STRADA VENTURES LTD.**

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Houston in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

[Remainder of page intentionally left blank – signature page follows]

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS RECEIVER AND
MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR
CORPORATE CAPACITY**

NUOVA STRADA VENTURES LTD.

Per:

Per:

Name:
Title:

Name: Edward G. Mills
Title: Chairman

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated [DATE] between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "Certificate").

I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and remain true and correct in all material respects up to the Effective Time.
2. All obligations of [Vendor] [Purchaser] contained in the Agreement to be performed prior to or at Closing have been timely performed in all material respects.
3. This Certificate is made for and on behalf of the [Vendor] [Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the [Vendor] [Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this ___ day of _____, 2020.

[Name of Vendor/Purchaser]

Per: _____
Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

VESTING ORDER

THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

INTENTIONALLY DELETED

THE FOLLOWING COMPRISES SCHEDULE "H" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

OUTSTANDING AFE's

Nil

THE FOLLOWING COMPRISES SCHEDULE "I" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

EXCLUDED LICENCES

Nil

THE FOLLOWING COMPRISES SCHEDULE "J" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 21, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND NUOVA STRADA VENTURES LTD.

EXCLUDED ASSETS

Nil

Appendix “G”

QUITCLAIM, SURRENDER AND ASSIGNMENT OF INTEREST AGREEMENT

THIS AGREEMENT made as of the 20 day of August, 2020 (the "Effective Date").

BETWEEN:

HOUSTON OIL & GAS LTD. ("Houston" or the "Debtor") by and through its court-appointed receiver and manager **BDO CANADA LIMITED**, (the "Receiver"), solely in its capacity as court-appointed receiver and manager of the assets, properties and undertakings of Houston and not in its personal capacity (the "Grantor")

- and -

PIERIDAE ALBERTA PRODUCTION LTD., a body corporate registered to carry on business in the Province of Alberta and having an office in the City of Calgary, in the Province of Alberta (the "Grantee")

WHEREAS Hardie and Kelly Inc. was appointed as receiver and manager of all of Houston's current and future assets, undertakings and properties and all proceeds thereof pursuant to the terms of a receivership order granted on October 29, 2019, and Receiver was substituted in the place of Hardie and Kelly Inc. pursuant to the terms of an order granted June 30, 2020;

AND WHEREAS the Grantor has agreed to quitclaim, surrender and assign the Assets to the Grantee and the Grantee has agreed to receive the Assets from the Grantor;

NOW THEREFORE the parties agree as follows:

1. DEFINITIONS

"Abandonment and Reclamation Obligations" means all past, present and future obligations to:

- (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other facilities located on the Lands or used or previously used in respect of petroleum substances produced or previously produced from the Lands or lands pooled or unitized therewith; and
- (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, including such obligations relating to Wells, pipelines and facilities which were abandoned or decommissioned or have reclamation orders prior to the date hereof that were located on the Lands or that were located on other lands and used in respect of petroleum substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any

environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all applicable laws;

"Assets" means all of the Debtor's right, title, estate and interest in the Petroleum & Natural Gas Rights, the Miscellaneous Interests and the Tangibles, but does not include the Excluded Assets.

"Excluded Assets" means:

- (i) any item or thing owned by third parties and licenced to Debtor with restrictions on deliverability or disclosure by Debtor that prevent the conveyance of such item or thing to Grantee;
- (ii) advances and deposits for operations payable to governmental authorities or other persons to secure obligations or as prepayment of costs or expenses;
- (iii) all receivables and credits of any kind from any person;
- (iv) legal and title opinions;
- (v) documents, other than Title & Operating Documents, prepared by or on behalf of Grantor in contemplation of litigation and any other documents within the possession of Grantor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
- (vi) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
- (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Debtor proprietary technology
 - (B) they pertain to seismic data or interpretations thereof;
 - (C) they pertain to any intellectual property owned by a third party;
 - (D) they are owned or licensed by third parties with restrictions on their deliverability or disclosure by Debtor to an assignee;
 - (E) they comprise Debtor's tax and financial records, and economic evaluations;

but "Excluded Assets" shall not include any property, rights or interests specifically described as Miscellaneous Interests;

"Lands" means all lands set out and described in Schedule "A", and the petroleum substances within, upon or under such lands;

"Leases" means the leases, subleases, reservations, permits, licenses or other documents of title, including those set forth and described as such in Schedule "A" attached hereto and any renewals or extensions thereof or further leases issued pursuant thereto insofar as they relate to the Lands.

"Miscellaneous Interests" means all of the right, title, interest and estate of the Debtor in and to all property, assets and rights, whether contingent or absolute, legal or beneficial, present or future, vested or not (other than the Petroleum & Natural Gas Rights and the Tangibles), to the extent relating to the Petroleum & Natural Gas Rights, the Tangibles or the Lands, and to which the Debtor is entitled at the Effective Date, including the following property, rights and assets:

- (i) all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Petroleum & Natural Gas Rights, the Tangibles or the Lands, including the Title & Operating Documents and any rights of the Debtor in relation thereto;
- (ii) the surface interests and all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the surface interests, including the Title & Operating Documents and any rights of the Debtor in relation thereto;
- (iii) all engineering and technical information (including all data, reports, findings and archive samples, and all core or liquid samples and cuttings) to the extent relating to the Petroleum & Natural Gas Rights, the Tangibles or the Lands which the Debtor has in its custody or has access, excluding any such information which is subject to confidentiality restrictions;
- (iv) all permits, licenses, approvals, orders and other authorizations, crossing privileges and other subsisting rights to carry out operations on the Lands and any lands upon which the Tangibles or Wells are located, including well and pipeline licenses and other permits, licenses, approvals, orders and other authorizations relating to the Petroleum & Natural Gas Rights, the Tangibles, the Wells or the Lands; and
- (v) the Wells, including the entire wellbores and casings, and all contracts, agreements, books, records, files, maps and documents to the extent that they relate to the Wells, including the Title & Operating Documents and any rights of the Debtor in relation thereto.

"Petroleum & Natural Gas Rights" means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", of the Debtor in and to the Lands and the Leases, subject in all events to the encumbrances, as more particularly set out in Schedule "A".

"Preferential Purchase Right" means any preferential, pre-emptive or first purchase right or agreement that enables any person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or

delivery of this Agreement or the consummation of the quitclaim, as are set out in Schedule "A".

"Title & Operating Documents" means all agreements, contracts, instruments and other documents that govern the ownership, operation or use of the Assets or relate to encumbrances, including (i) the Leases and other agreements and instruments pursuant to which the Petroleum & Natural Gas Rights were issued, granted or created, (ii) permits, licenses, approvals, orders and authorizations, (iii) operating agreements, pooling agreements, unit agreements, production allocation agreements, trust declarations, participation agreements, joint venture agreements, purchase and sale agreements, asset exchange agreements, farm-in agreements, farm-out agreements and royalty agreements, (iv) agreements that create or relate to surface interests, including surface rights documentation and road use agreements, (v) agreements for the construction, ownership and/or operation of the Tangibles and the Wells, (vi) trust declarations and other documents and instruments that evidence the Debtor's interests in the Assets, (vii) trust declarations pursuant to which the Debtor hold interests in the Lands in trust for other persons, (viii) service agreements for the treating, gathering, storage, transportation or processing of petroleum substances or other substances, the injection or subsurface disposal of other substances, the use of well bores of the operation of any Tangibles or Wells by a third party, and (ix) agreements for the sale of petroleum substances that are terminable on 31 days' notice or less without early termination penalty or other cost.

"Tangibles" means collectively, (i) all of the right, title, interest and estate of the Debtor in any facilities related to the Assets; and (ii) all right, title, interest and estate of the Debtor and whether absolute or contingent, legal or beneficial, present or future, vested or not, in and to the tangible depreciable property and assets located within, upon, to the Lands and which are used or are intended to be used to produce, process, gather, treat, measure, or make marketable petroleum substances or in connection with water condensate, injection or removal operations or other *in situ* operations that pertain to the Petroleum & Natural Gas Rights, and including those assets listed in Schedule "A".

"Wells" means all producing, shut in, abandoned, suspended, capped, water source, service, observation, delineation, injection and disposal wells located on the or within the Lands or any lands pooled or unitized therewith, whether or not completed, as set out in Schedule "A" attached hereto together with all well licenses relating thereto.

2. QUITCLAIM, SURRENDER AND ASSIGNMENT

- a) Conditional upon written evidence being provided to the Grantee of the Grantor obtaining an approval and vesting order from the Court of Queen's Bench of Alberta, and upon the expiration, waiver or exercise of all Preferential Purchase Rights, the Grantor hereby quitclaims, surrenders, assigns and sets over unto the Grantee, on an "as is, where is" basis and the Grantee hereby acquires and accepts directly from the Grantor, effective as of the Effective Date, Grantor's interest in and to the Assets.
- b) In consideration of the premises herein contained and the sum of One Dollar (\$1.00) and other valuable consideration, the receipt of which is hereby acknowledged by the Grantor, effective as of the Effective Date,

the Grantor does hereby assign, transfer, convey, remise, release, relinquish and forever quitclaim unto the Grantee, its successors and assigns, all of its right, title, estate and interest, if any, in the Assets.

3. **ASSUMPTION**

- a) The Grantee shall both:
 - (i) assume, be liable for; and, in addition,
 - (ii) indemnify, defend and save the Grantor harmless from and against, any and all costs, expenses, claims, liabilities or obligations of any nature or kind with respect to or pertaining to the Assets (all in place and stead of the Grantor) whether arising or accruing before, on or after the Effective Date.
- b) The Grantee shall both:
 - (i) assume, be liable for; and, in addition,
 - (ii) indemnify, defend and save the Grantor harmless from and against, any and all environmental liabilities and obligations respecting the Assets, including the Abandonment and Reclamation Obligations (whether arising or accruing before, on or after the Effective Date) including, without limitation, any responsibility for environmental clean-up or reclamation and restoration.

4. **PAYMENT FOR COSTS**

- a) Grantee shall pay Grantor [REDACTED] at closing in consideration of the costs borne by the Grantor in association with the quitclaim, surrender and assignment of the Assets.

5. **PREFERENTIAL PURCHASE RIGHTS**

- a) Grantee shall, immediately following execution of this quitclaim, surrender and assignment, provide its good faith estimate of the value of the applicable Asset(s) to Grantor, and such value shall be set forth in the notices.
- b) Grantor shall serve all notices as are required in conjunction with any Preferential Purchase Rights.
- c) Grantee shall be liable to Grantor for, and shall, in addition, save and hold harmless and indemnify Grantor from and against, all losses that may be brought against, suffered, sustained, paid or incurred by Grantor

in connection with or that relate in any way directly or indirectly to the use of Grantee's allocation of value.

- d) If a Preferential Purchase Right is exercised:
- e) i) , the Assets that are subject thereto shall not be acquired to Grantee pursuant hereto but shall be deleted from and cease to be subject to this quitclaim, surrender and assignment;
- f) ii) Grantee shall nevertheless acquire the Assets that are not subject to exercised Preferential Purchase Rights; and
- g) iii) Any proceeds required to be paid by third party pursuant to the exercise Preferential Purchase Right shall be provided to the Grantee within five (5) days of the conveyance of the Assets related to the exercised Preferential Purchase Right to the third party. Should the Assets fail to be conveyed to a third party within one hundred twenty (120) days of the date the Preferential Purchaser Right was exercised then either the proceeds will be provided to the Grantee, or that Assets will be conveyed to the Grantee.

6. CONVEYANCE DOCUMENTS

- a) The Grantee shall bear all costs incurred in preparing conveyance documents (which the Grantee shall have prepared and provided to the Grantor for its review and comment) and of distributing same to the Grantor and to any third parties.
- b) Upon the execution of the quitclaim, surrender and assignment, Grantor shall allow Grantee reasonable access to the Debtor's files in order to prepare the notices of Preferential Purchase Rights and the specific conveyance documents required for the completion of this sale.
- c) Upon approval and vesting order by the Court of Queen's Bench of Alberta for this quitclaim, assignment and surrender, Grantor will immediately allow access to Grantee to arrange for the delivery of the Debtor's files associated with the Miscellaneous Interests and Tangibles.

7. FURTHER ASSURANCES

- a) Grantee shall prepare, at its sole cost and expense and, where applicable, electronically submit to the applicable governmental authorities, the licence transfers, and Grantor or its nominee shall, where applicable, electronically ratify and concur to such licence transfers.
- b) If for any reason, a governmental authority requires Grantee or its nominee to make a deposit or furnish any other form of security to approve or give effect to a licence transfer, or undertake any corrective action or remedial work including inspections, tests or engineering assessments, Grantee shall make such deposit or furnish such other

form of security or undertake such corrective or remedial work as may be required, at Grantee's sole expense. All licence transfer processing fees (including any fees required to be paid for expedited service) shall be for Grantor's account.

- c) The parties shall at all times do such further acts and execute and deliver all further documents as may be reasonably required in order to fully perform and carry out the terms of this Agreement.
- d) Grantee shall promptly deliver any amounts (in such form as is acceptable to the Alberta Energy Regulator ("**Regulator**"), required by the Regulator as a result of Grantee's requirements under the LMR program of the Regulator. Grantee further undertakes to make any additional payments and lodge any security required by the Regulator at and subsequent to the time the licence transfers in respect of the Assets, if any, are affected.
- e) All such documents and assurances executed and delivered pursuant to this Agreement are subordinate to the provisions of this Agreement and the provisions of this Agreement shall govern and prevail in the event of any conflict between the provisions of this Agreement and any such document or assurance.

8. GOVERNING LAW AND SUBORDINATE DOCUMENTS

- a) This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in all respects, be treated as a contract made in the Province of Alberta. The parties hereby attorn to the exclusive jurisdiction of the courts of the Province of Alberta.
- b) The covenants and indemnities set forth in this Agreement shall be deemed to apply to all assignments, conveyances, transfers and other documents conveying the Assets to the Grantee and the covenants and indemnities shall not merge in such assignments, conveyances, transfers and other documents.
- c) This Agreement shall supersede and replace any and all prior agreements between the parties hereto relating to the sale and purchase of the Assets and may be amended only by written instrument signed by all parties hereto.

9. NOTICES

- a) All notices and other communications given in connection with this Agreement shall be in writing and may be given by delivering them or by sending them by facsimile to the parties at the following addresses:

BDO Canada Limited
110, 5800 – 2nd Street SW
Calgary AB
T2H 0H2

Attention: Marc Kelly
Email: makelly@bdo.ca

Pieridae Alberta Production Ltd.
3100, 308 - 4th Avenue S.W.
Calgary, AB
T2P 0H7

Attention: Land Manager
Fax: 403.260.5902

- b) Any notice shall:
- (i) if delivered, be deemed to have been given or made at the time of delivery; or
 - (ii) if sent by facsimile, be deemed to have been given or made on the business day following the day on which it was sent.
- c) Either of the parties hereto may from time to time change its address for service herein by giving written notice to the other party hereto.

10. ENUREMENT

- a) This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

11. COUNTERPART EXECUTION

- a) This Agreement may be executed in counterparts and all executed and delivered counterparts together shall constitute a fully executed agreement. Delivery of an executed signature page to this Agreement by any Party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by any Party.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written

HOUSTON OIL & GAS LTD. by and through its court-appointed receiver and manager **BDO CANADA LIMITED**, solely in its capacity as court-appointed receiver and manager of the assets, properties and undertaking of Houston Oil & Gas Ltd., and not in its personal capacity



Per: _____
Name: Marc Kelly
Title: Senior Vice President

PIERIDAE ALBERTA PRODUCTION LTD.

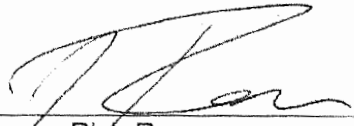
Per: _____
Name: Rich Rowe
Title: Vice President Land

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written

HOUSTON OIL & GAS LTD. by and through its court-appointed receiver and manager **BDO CANADA LIMITED**, solely in its capacity as court-appointed receiver and manager of the assets, properties and undertaking of Houston Oil & Gas Ltd., and not in its personal capacity

PIERIDAE ALBERTA PRODUCTION LTD.

Per: _____
Name:
Title:

Per: 
Name: Rich Rowe
Title: Vice President Land

Schedule "A"

Lands & Leases

See attached

Tangibles

Wells

Pincher Creek Well List

License #	UWI	Status	Formation	Licensee	Houston WI%
0139223	100/06-35-004-30W4/0	Gas	Livingstone	Houston	50%
0206089	100/10-15-005-22W4/0	Abandoned		Houston	50%
0101347	100/06-03-005-30W4/3	Abandoned Zone	Livingstone	Houston	50%
0236511	100/06-08-006-02W5/3	Suspended Gas	Livingstone	Shell	25%

Facilities

Nil

Pipelines

Nil

Appendix “H”

PURCHASE AND SALE AGREEMENT

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY
AS COURT APPOINTED RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

- and -

PRO-FIND EQUIPMENT INC.

Dated:

August 18th, 2020

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of August 18th, 2020.

BETWEEN:

**BDO CANADA LIMITED in its capacity as
Court appointed receiver and manager ("Receiver") of HOUSTON OIL & GAS LTD.
and not in its personal or corporate capacity**

(the "Vendor")

- and -

**PRO-FIND EQUIPMENT INC., a company existing under the
laws of the Province of Alberta (the "Purchaser")**

WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil & Gas Ltd. ("Houston") pursuant to a court order dated October 29, 2019 (the "**Original Receivership Order**") granted by the Court of Queen's Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 and BDO Canada Limited was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (together with the Original Receivership Order, the "**Receivership Order**") (the "**Receivership Proceedings**"); and
- B. Pursuant to the Receivership Proceedings, Vendor, subject to approval by the Court, has the ability to sell, transfer and assign to Purchaser, all of the right, title and interest of Houston in and to the Assets, and Purchaser has agreed to purchase the Assets from Vendor, on the terms and conditions set forth herein.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations to:
 - (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other Facilities located on the Lands or used or

previously used in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and

- (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, including such obligations relating to Wells, Pipelines and Facilities which were abandoned or decommissioned or have reclamation orders prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws;

- (b) "**Affiliate**" means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term "**control**" as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (c) "**Agreement**" means this purchase and sale agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and "**this Agreement**", "**herein**", "**hereto**", "**hereof**" and similar expressions mean and refer to this Agreement;
- (d) "**Applicable Law**" means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) "**Appointment Date**" means October 29, 2019;
- (f) "**Assets**" means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests, but excludes the Excluded Assets;
- (g) "**Business Day**" means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (h) "**Claim**" means any claim, demand, lawsuit, proceeding or arbitration, or any investigation by a Governmental Authority, pertaining to the Assets, in each case whether asserted, threatened, pending or existing;

- (i) **"Closing"** means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;
- (j) **"Closing Date"** means the later of:
 - (i) three Business Days following the later of: (A) the grant of the Vesting Order; and (B) the expiration, waiver or exercise of all Preferential Purchase Rights; or
 - (ii) or another date agreed upon in writing by the Parties,but in any event, shall be no later than the Outside Date;
- (k) **"Closing Place"** means the office of Vendor or its counsel, or such other place as may be agreed upon in writing by the Parties;
- (l) **"Court"** has the meaning set out in the recitals;
- (m) **"Data Room Information"** means all information provided or made available to Purchaser in hard copy or electronic form in relation to Vendor, Houston and/or the Assets;
- (n) **"Deposit"** has the meaning as defined in Section 2.8;
- (o) **"Effective Date"** means **July 1, 2020**;
- (p) **"Effective Time"** means 12:01 a.m. on the Effective Date;
- (q) **"Environment"** and **"Environmental"** means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (r) **"Environmental Liabilities"** means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate to the Assets (or any lands pooled or unitized with Lands which may form part of the Assets), or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
 - (i) transportation, storage, use or disposal of toxic or hazardous substances;
 - (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
 - (iii) pollution or contamination of or damage to the Environment,

including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment;

- (s) **"Excluded Assets"** means:
- (i) any item or thing owned by Third Parties and licenced to Houston with restrictions on deliverability or disclosure by Houston that prevent the conveyance of such item or thing to Purchaser;
 - (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
 - (iii) all receivables and credits of any kind from any Person;
 - (iv) legal and title opinions;
 - (v) documents, other than Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
 - (vi) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
 - (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Houston proprietary technology
 - (B) they pertain to seismic data or interpretations thereof;
 - (C) they pertain to any intellectual property owned by a third party;
 - (D) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Houston to an assignee;
 - (E) they comprise Houston's and Houston tax and financial records, and economic evaluations;
 - (viii) Excluded Licences; and
 - (ix) any other assets specifically described in Schedule "J",
- but "Excluded Assets" shall not include any property, rights or interests specifically described as Miscellaneous Interests;
- (t) **"Excluded Licences"** means the licences listed in Schedule "I";

- (u) **"Facilities"** means Houston's entire interest in and to all unit facilities under any unit agreement applicable to the Leased Substances and all other field facilities whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are used for production, gathering, treatment, compression, transportation (including Pipelines), injection, water disposal, measurement, processing, storage, handling or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station, gathering system, production storage facility or warehouse and including those field facilities specifically identified in Schedule "B";
- (v) **"Governmental Authority"** means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulator) and any public authority, including any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (w) **"GST"** means the goods and services tax payable pursuant to the GST Legislation;
- (x) **"GST Legislation"** means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (y) **"Lands"** means all lands within the Whitemap Area, including the lands set out and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (z) **"Leased Substances"** means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (aa) **"Licence Transfers"** means, in relation to the Assets, the transfer of any permits, approvals, licences and authorizations (collectively, "**Licences**") granted by any applicable Governmental Authority but subject to the provisions of Sections 8.5 and 8.7 hereof;
- (bb) **"Losses"** means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;
- (cc) **"Miscellaneous Interests"** means, subject to any and all limitations and exclusions provided for in this definition, Houston's entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any and all of the following:

- (i) all contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);
 - (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licences and authorizations pertaining to the Tangibles;
 - (iii) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto;
 - (iv) all records, books, documents, Licences (subject to Section 8.7 hereof), reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles;
 - (v) all proprietary and seismic data; and
 - (vi) the Wells, including the wellbores thereof and any and all casings therein, but specifically excluding the Excluded Assets;
- (dd) **"Outside Date"** means September 30, 2020;
- (ee) **"Party"** means a party to this Agreement;
- (ff) **"Permitted Encumbrances"** means:
- (i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in the Title Documents or in Schedule "A";
 - (ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;
 - (iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents;
 - (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;

- (vi) and any obligations to Third Parties for any thirteenth month adjustments or for payments due as a result of any audits conducted by operators or Third Parties;
 - (vii) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
 - (viii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
 - (ix) any obligation of Houston to hold any right or interest in and to any of the Assets in trust for Third Parties;
 - (x) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
 - (xi) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Houston's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;
 - (xii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
 - (xiii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
 - (xiv) agreements respecting the operation of Wells or Facilities by contract field operators;
 - (xv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
 - (xvi) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets;
- (gg) "Person" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;

- (hh) **"Petroleum and Natural Gas Rights"** means Houston's entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including the interests set out and described in Schedule "A";
- (ii) **"Petroleum Substances"** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (jj) **"Pipelines"** means the pipelines described in Schedule "B";
- (kk) **"Preferential Purchase Right"** means any preferential, pre-emptive or first purchase right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the Transaction, as are set out in Schedule "C";
- (ll) **"Purchase Price"** has the meaning set out in Section 2.2;
- (mm) **"Receiver"** has the meaning set out in the Recitals;
- (nn) **"Regulator"** means the Alberta Energy Regulator;
- (oo) **"Representative"** means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to Vendor includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
- (pp) **"Sales Taxes"** means all transfer, sales, excise, stamp, licence, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other charges of a Governmental Authority (including additions by way of penalties, interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets or the transfer or registration of the Specific Conveyances, but excludes GST, and any income taxes and penalties and interest related thereto;
- (qq) **"Specific Conveyances"** means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (rr) **"Tangibles"** means Houston's entire right, title, estate and interest in and to:
 - (i) any and all tangible depreciable property, equipment and other assets located within or upon the Lands that are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them;

- (ii) the Pipelines; and
- (iii) the Facilities;
- (ss) "**Third Party**" means any individual or entity other than Houston, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (tt) "**Title Documents**" means, collectively, any and all certificates of title, leases, reservations, Licences (subject to Section 8.7 hereof), assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands and this definition shall include, where applicable, those documents set out in Schedule "A";
- (uu) "**Transaction**" means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (vv) "**Vendor**" has the meaning set forth in the recitals;
- (ww) "**Vesting Order**" means an order to be granted by the Court substantially in the form of Schedule "F" which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests legal and beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or Claims, other than Permitted Encumbrances has the meaning set out in the recitals;
- (xx) "**Wells**" means Houston's entire interest in and to all wells (including producing, shut-in, suspended, abandoned (including wells that have met all reclamation requirements and a reclamation certificate, certificate of recognition, surface release or other document has been issued by the applicable Governmental Authority), capped, injection and disposal wells), located on or within the Lands, or any lands pooled or unitized therewith, whether or not completed, including the wells listed in Schedule "B"; and
- (yy) "**Whitemap Area**" means the area outlined in red on the map attached as Schedule "G".

1.2 Headings

The words "Article", "Section", "subsection" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule "A" -	Lands and Petroleum and Natural Gas Rights
Schedule "B" -	Wells Pipelines Facilities
Schedule "C" -	Preferential Purchase Rights
Schedule "D" -	General Conveyance
Schedule "E" -	Form of Officer's Certificate
Schedule "F" -	Form of Vesting Order
Schedule "G" -	Whitemap Area
Schedule "H" -	Outstanding AFE's
Schedule "I" -	Excluded Licences
Schedule "J" -	Excluded Assets

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

ARTICLE 2 PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all right, title, estate and interest of Houston (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement and the Vesting Order.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Houston's interest in and to the Assets shall be [REDACTED] the "Purchase Price" plus applicable GST and Sales Taxes, satisfied by Purchaser (or Vendor, to the extent applicable) as follows:

- (a) payment of the Deposit paid by Purchaser to the Vendor, to be paid out pursuant to Section 2.8; and
- (b) payment in the amount of [REDACTED] payable by Purchaser to Vendor at Closing.

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Tangibles

Miscellaneous Interests

Total

2.4 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk, legal and beneficial ownership of Houston's interest in and to the Assets shall pass from Houston to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as Schedule "D", duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;
 - (iv) a copy of the Vesting Order;
 - (v) the Specific Conveyances, duly executed by Vendor, to the extent such Specific Conveyances were provided to Vendor no later than one Business Day prior to Closing; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.
- (b) On the Closing Date, Purchaser shall deliver to Vendor:
 - (i) the balance owing on the Purchase Price, as adjusted herein plus applicable GST and Sales Taxes;
 - (ii) the General Conveyance in the form attached as Schedule "D", duly executed by Purchaser;
 - (iii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
 - (iv) where required, the Specific Conveyances, duly executed by Purchaser, to the extent prepared on or before the Closing Date by Purchaser;
 - (v) evidence of deposit of cash or letters of credit required to perform all financial obligations referred to in Section 2.12(b) have been deposited in trust with the solicitors for Purchaser; and

- (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.5 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. Purchaser shall use reasonable efforts to prepare and provide to Vendor for Vendor's review all Specific Conveyances at Purchaser's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances as soon as reasonably practicable. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall promptly register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.6 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser any paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, to the extent any such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests are available and are in the possession of Vendor.

2.7 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by wire transfer.

2.8 Deposit

The Parties acknowledge that a deposit in the amount [REDACTED] representing [REDACTED] Purchase Price, will be delivered by Purchaser to the Vendor, upon execution of this Agreement, and released only in accordance with the provisions of this Section 2.8 (the "Deposit").

The Deposit shall be held by the Vendor in a non-interest bearing account until one of the following events occurs:

- (a) if Closing occurs, the Deposit shall be paid to Vendor at Closing for Vendor's own account absolutely and be applied as partial payment of the Purchase Price;
- (b) if Closing does not occur due to: (i) a failure to fulfill the conditions set forth in Section 3.2; or (ii) a material breach of a material term of this Agreement by Vendor or by failure of Vendor to fulfill the conditions set forth in Section 3.3, the Deposit shall be returned to Purchaser by Vendor for the account of Purchaser absolutely; and
- (c) if Closing does not occur due to any reason other than as addressed by Section 2.8(b) (including but not limited to the failure by Purchaser to comply with its obligations under Section 2.12 or the refusal of the Regulator to approve the transfer

of any Assets to Purchaser for any reason), the Deposit shall be forfeited to Vendor for the account of Vendor absolutely.

In the event that this Agreement is terminated as a result of the application of Section 2.8(b) or 2.8(c), each Party shall be released from all obligations under or in connection with this Agreement, other than the provisions with respect to confidentiality (Section 11.12) and the use of personal information (Section 11.15).

2.9 Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor as a result of Closing not occurring and Vendor shall retain the Deposit pursuant to Section 2.8(c) and the Deposit shall constitute liquidated damages to Vendor, and not a penalty of Closing not occurring as described in that subsection.

2.10 Taxes

(a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:

Vendor

Purchaser

Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.10(a) shall survive the Closing Date indefinitely.

(b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all applicable Sales Taxes. Purchaser shall be solely responsible for the payment of all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority within the required time period and shall file when due all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly advance to Vendor, or if Vendor has already paid same, reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of assessments or receipts, as applicable, showing assessment or payment, as applicable, of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales

Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.10(b) shall survive the Closing Date indefinitely. Regulator

- (c) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide Vendor with Purchaser's business associate code for the Regulator.
- (d) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide to the Regulator the documentation required by the Regulator to conduct a pre-transfer liability assessment and Purchaser shall promptly deliver thereafter any amounts (in such form as is acceptable to the Regulator), required by the Regulator as a result of Purchaser's requirements under the applicable Governmental Authority Licensee Liability Management Program in order to facilitate a timely Closing. Purchaser further undertakes to make any additional payments and lodge any security required by the Regulator at and subsequent to the time the Licence Transfers, if any, are effected.
- (e) Purchaser agrees to provide to Vendor, within a reasonable time prior to Closing and no later than five Business Days prior to Closing, confirmation that cash or letters of credit required to perform all financial obligations referred to in the above subsection 2.12(b) in form or substance reasonably acceptable to the Regulator have been deposited in trust with the solicitors for Purchaser together with irrevocable instruction to pay and deliver such amounts or letters of credit immediately when due as a result of Closing. Purchaser acknowledges that the financial obligations referred to in subsection 2.12(b) are not included as part of the Purchase Price.

2.11 Whitemap Area

- (a) The Parties acknowledge that although Vendor has prepared, and Purchaser has reviewed, the Schedules attached hereto, they recognize that there may be unintended omissions or misdescriptions. As such, the Parties acknowledge and agree that it is their intention that, in addition to those Assets included and specified in the Schedules hereto, the Assets shall include Houston's entire interest in and to all Petroleum and Natural Gas Rights, Tangibles and Miscellaneous Interests (as those terms are defined herein) which fall within the Whitemap Area, any of such additional unscheduled Assets, being the "**Unscheduled Assets**", and that the Purchase Price includes consideration for such Unscheduled Assets.
- (b) To the extent that any Unscheduled Assets are identified by either Party after the Closing Date or to the extent that any Assets are undeliverable by the Vendor or were erroneously included on the Schedules, the Parties shall use all reasonable efforts to replace the affected Schedules attached hereto with corrected Schedules, which corrected Schedules shall be deemed to be the applicable Schedule as of the date hereof, and to take such additional steps as are necessary to specifically convey Houston's interest in such Unscheduled Assets to Purchaser.

- (c) The Parties further acknowledge that all liabilities and obligations associated with the *Unscheduled Assets* shall likewise be assumed by Purchaser in accordance with the terms hereof applicable to the *Assets*.

ARTICLE 3 CONDITIONS OF CLOSING

3.1 Required Consents

- (a) Before Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transaction. The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the *Assets* including, but not limited to, the *Facilities* and the *Wells*.
- (b) Notwithstanding anything to the contrary herein, except for the Vesting Order, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Houston's interest in any *Miscellaneous Interests* including remedying any deficiencies under any assumed contracts and agreements, at Purchaser's sole cost and expense. Upon providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees, expenses, penalties or levies that are incurred by Vendor in order to effect the assignment of the *Assets* to Purchaser shall be the sole responsibility of Purchaser, and Purchaser agrees to pay on behalf of Vendor any such reasonable and necessary costs, fees, expenses, penalties or levies on a timely basis.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Houston's interest in and to the *Assets*, and of Vendor to sell Houston's interest in and to the *Assets* to Purchaser, is subject to the following conditions precedent:

- (a) the Vesting Order being obtained; and
- (b) no stay or appeal or application to vary the Vesting Order shall have been filed with the Court at any time by Vendor or any other Person on or before the Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 3.2 have not been performed, satisfied or waived before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement (other than under Sections 11.12 and 11.15) shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Outside Date, Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.8, 11.12 and 11.15.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) prior to Closing occurring (but subject to Purchaser being in full compliance with Section 2.12), the Regulator shall have provided positive indications of approval of the Licence Transfers by Vendor and Purchaser; and
- (d) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Outside Date, Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.8, 11.12 and 11.15.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the Vesting Order, Vendor has the right to enter into this Agreement and to complete this Transaction; and
- (b) subject to obtaining the Vesting Order, this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor and agrees that Vendor is relying on such representations and warranties for the purposes of entering into this Agreement:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;

- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay:
 - (i) all amounts required to be paid by Purchaser under this Agreement; and (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor (as such term is interpreted by the Regulator);
- (j) Purchaser holds, or is eligible to hold and at Closing will hold a business associate code from the Regulator making it eligible to hold the licences which are the subject of the Licence Transfers, if any, in the province in which they are situated;
- (k) Purchaser has and will have at Closing a sufficient Liability Management Rating required by the Regulator and will have at Closing delivered and lodged any security required by the Regulator in order to comply with the Regulator's Licensee Liability Management Program to facilitate a timely Closing and Purchaser is not aware of any fact or circumstance that could prevent or delay the transfer of any permits or licenses relating to or forming part of the Assets as contemplated in this Agreement;
- (l) Purchaser is in compliance with all the requirements of all Governmental Authorities, including the Regulator;
- (m) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (n) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*.

4.3 Limitation of Representations by Vendor

- (a) Subject to Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Houston's interest in and to the Assets shall be purchased by Purchaser on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:

- (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles and the Wells, including the wellbores thereof and all casing, tubing and packers therein);
 - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data materials, representations, warranties or statements made, direct or indirect, express or implied, or information supplied related to the Assets (whether supplied by Vendor, its representatives or otherwise);
 - (viii) the ownership interest of the Assets;
 - (ix) the suitability of the Assets for any purpose;
 - (x) compliance with Applicable Laws; or
 - (xi) the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Houston's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

**ARTICLE 5
INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES**

5.1 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful.

5.2 Survival of Claim for Representations and Warranties

The representations and warranties in Section 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Vendor. Purchaser's representations and warranties shall survive the Closing Date for a period of 12 months.

**ARTICLE 6
INDEMNITIES**

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing on or after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the Tangibles, that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and

- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities relating to the Tangibles which occur or accrue on or after the Effective Date. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities both to Third Parties and as between Vendor and Purchaser (provided that such Environmental Liabilities occur or accrue on or after the Effective Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities (provided such Environmental Liabilities occur or accrue on or after the Effective Time) in respect of the Tangibles. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor (the "**Indemnitee**") for indemnification pursuant to this Agreement from Purchaser (the "**Indemnitor**") in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within 30 Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to take either or both of the following actions:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other

compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;

- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated Claims as reasonably requested from it; and
- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party which results in the Indemnitee receiving, in the aggregate, more than the amount of the Third Party Claim, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) in excess of the Third Party Claim to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7 ADJUSTMENTS AND ASSUMPTIONS OF OBLIGATIONS

7.1 Assumption of Obligations

- (a) Provided Closing has occurred, Purchaser confirms that it has assumed the following obligations of the Vendor or Houston, as applicable, including the payment of any amounts in respect thereof and all applicable interest and penalties, whensoever and howsoever the following obligations arose (including after the Appointment Date):
 - (i) Property taxes, including any municipal property taxes; and
 - (ii) Any other obligation related to the Assets or arising from ownership of the Assets.
- (b) Purchaser agrees to pay the required amounts either directly to the applicable Person or to the Vendor if the Vendor is required to make the payment, and in such case, the Vendor will thereafter ensure such amounts are paid to the applicable Person.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the Receivership Order:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulator with respect to the Licensee Liability Rating Program or any like program.

8.2 Consent of Purchaser

Notwithstanding Section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of \$50,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "Proposal"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election within such period shall be deemed to be Purchaser's election to participate in the Proposal;
- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor's representatives and warranties relating to such Assets.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser's written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;
- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;
- (c) Purchaser shall, in a timely manner, deliver to Vendor all Third Party notices and communications, including authorizations for expenditures and mail ballots and all

notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Purchaser shall respond to such notices in consultation with the Vendor, if received on a timely basis; and

- (d) Purchaser shall, in a timely manner and in consultation with the Vendor, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets.

8.5 Licence Transfers

- (a) Subject to the provisions of Section 8.7 hereof, to the extent applicable, within five Business Days following Closing, Purchaser shall prepare, at its sole cost and expense and, where applicable, electronically submit to the applicable Governmental Authorities, the Licence Transfers (other than in respect of the Excluded Licences), if any, and Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfers.
- (b) If a Governmental Authority denies a Licence Transfer because of misdescription or other minor deficiencies in the application, Purchaser shall, as soon as practicable, correct the application and amend and re-submit the Licence Transfer application. Vendor or its nominee shall, where applicable, electronically ratify and concur to such Licence Transfer.
- (c) If for any reason, a Governmental Authority requires a Party or its nominee to make a deposit or furnish any other form of security to approve or give effect to a Licence Transfer, or undertake any corrective action or remedial work including inspections, tests or engineering assessments, Purchaser shall make such deposit or furnish such other form of security or undertake such corrective or remedial work as may be required, at Purchaser's sole expense. All Licence Transfer processing fees (including any fees required to be paid for expedited service) shall be for Purchaser's account.
- (d) If a Governmental Authority denies any or all Licence Transfers, it will not derogate in any way from Purchaser's obligation to pay the full Purchase Price to Vendor.

8.6 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant

to such election in such manner as may be reasonably appropriate in the circumstances.

- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8 or as a result of Vendor taking or omitting to take any action in accordance with Purchaser's instruction (including any election deemed to be made pursuant to Section 8.3(b)) or concurrence, or otherwise in accordance with this Agreement. Purchaser's indemnity obligations in this Section 8.6(c) shall survive the Closing Date indefinitely.

8.7 Transfer of Operatorship

Insofar as Vendor operates any of the Assets, Purchaser acknowledges that Vendor is not able to transfer operatorship of some or all of such Assets to Purchaser at or after Closing. Should a Third Party take over operatorship of some or all of the Assets whether after receiving change of operatorship notices from Vendor of the sale of its interest, or otherwise, Purchaser acknowledges that such Licences (including without limitation the Excluded Licences) will be transferred to the successor operator at or following Closing and that Purchaser shall not contest any such succession of operatorship or transfer of Licences except as otherwise provided in the applicable operating agreements after Closing and such succession and transfer.

ARTICLE 9 PREFERENTIAL PURCHASE RIGHTS

9.1 Preferential Purchase Rights

- (a) Schedule "C" provides a description of which, if any, of the Assets are subject to Preferential Purchase Rights so far as Vendor is aware.
- (b) Purchaser shall, immediately following execution of this Agreement, provide its good faith estimate of the value of the applicable Asset(s) to Vendor, and such value shall be set forth in the notices.
- (c) Vendor shall, within two Business Days of receipt of the good faith estimates described in Section 9.1(b), serve all notices as are required in conjunction with any Preferential Purchase Rights.
- (d) Purchaser shall be liable to Vendor for, and shall, in addition, save and hold harmless and indemnify Vendor from and against, all Losses that may be brought against, suffered, sustained, paid or incurred by Vendor in connection with or that relate in any way directly or indirectly to the use of Purchaser's allocation of value.
- (e) If a Preferential Purchase Right is exercised, the Assets that are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be subject to this Agreement and the Purchase Price shall be reduced by the amount allocated to such Asset. Purchaser shall nevertheless purchase the Assets that are not subject to exercised Preferential Purchase Rights.

ARTICLE 10
PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

10.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Houston's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of Vendor, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction. Purchaser shall indemnify and save harmless Vendor from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. Purchaser shall comply fully with all rules, regulations and instructions issued by Vendor regarding Purchaser's actions while upon, entering or leaving such properties. Purchaser's obligations set forth in this Section 10.1 shall survive the Closing Date indefinitely.

10.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

10.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained by Purchaser in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two years from the Closing Date.

ARTICLE 11 GENERAL

11.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

11.2 Receiver

Purchaser acknowledges that Vendor is acting solely in its capacity as the Court-appointed receiver of Houston, and not in its personal capacity. Under no circumstances shall Vendor or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction whether such liability be in contract, tort or otherwise.

11.3 Entire Agreement

Except for the Receivership Order and the Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, except for the Receivership Order and the Vesting Order, the provisions of this Agreement shall prevail. In the event that Closing occurs, except for the Receivership Order and the Vesting Order, this Agreement supersedes all other agreements (other than the Confidentiality Agreement between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

11.4 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of Queen's Bench Court Action: 1901-14615. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

11.5 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Houston's ownership or operation of, or Vendor's interest in the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

11.6 Assignment and Enurement

This Agreement shall not be assigned by Purchaser without the prior written consent of Vendor, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding

upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

11.7 Time of Essence

Time is of the essence in this Agreement.

11.8 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor -	BDO Canada Limited 110, 5800 2nd Street SW Calgary, Alberta T2H 0H2
Attention:	Marc Kelly
Fax:	403-640-0591
Email:	makelly@bdo.ca
Purchaser	Pro-Find Equipment Inc. PO Box 329 Turner Valley, Alberta T0L 2A0
Attention:	Shane Buray
Email:	shane@profindequipment.com

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

11.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. 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.

11.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.12 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that Purchaser shall advise Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Vesting Order; or (iii) as required by Houston's secured creditors, if any or the Orphan Well Association.

11.13 Sealing Order

Vendor may, at its discretion, apply to the Court for a sealing order with respect to a report prepared by Vendor containing the financial and other confidential details of this Transaction (the "**Confidential Report**"), such order sealing Vendor's Confidential Report and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by Vendor, if granted, only the judge presiding over the Receivership Proceedings, Purchaser and their respective Representatives and the secured creditors of Vendor who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to Vendor's Confidential Report and the confidential information contained therein.

11.14 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections 3.2, 3.3 or 3.4, as applicable.

In the event of termination of this Agreement, the Deposit shall be addressed in accordance with Section 2.8.

11.15 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.
- (c) Purchaser's obligations set forth in this Section 11.15 shall survive the Closing Date indefinitely.

(Remainder of page intentionally left blank)

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

PRO-FIND EQUIPMENT INC.

Per:



Name: Marc Kelly
Title: Senior Vice President

Per:



Name: Steve Berry
Title: President

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

Lands and Petroleum and Natural Gas Rights

Nil

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

Wells and Facilities

Wells

Nil

Pipelines

Nil

Facilities

Pressure vessel located at location 12-8-11-20 W4
30,000 USWG Liquefied Propane Gas (LPG) Storage Vessel
Manufacturer: Unity Industries
T81PS1
109-1/8" O.D. x 91-1/8" Length
Serial Number: 6619579
National Inventory # 05-94

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

Preferential Purchase Rights

Nil

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

THIS GENERAL CONVEYANCE made as of this ____ day of _____, 2020.

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY AS
RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE
CAPACITY**

(collectively, the "Vendor")

- and -

PRO-FIND EQUIPMENT INC. (the "Purchaser")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. **Definitions**

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"Purchase Agreement" means that Purchase and Sale Agreement dated _____, 2020 between **BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** and **PRO-FIND EQUIPMENT INC.**

2. **Conveyance**

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Houston in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS RECEIVER AND
MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR
CORPORATE CAPACITY**

Per:

Name:
Title:

PRO-FIND EQUIPMENT INC.

Per:

Name:
Title:

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated _____, 2020 between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "Certificate").

I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and remain true and correct in all material respects up to the Effective Time.
2. All obligations of [Vendor] [Purchaser] contained in the Agreement to be performed prior to or at Closing have been timely performed in all material respects.
3. This Certificate is made for and on behalf of the [Vendor] [Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the [Vendor] [Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this ____ day of _____, 2020.

[Name of Vendor/Purchaser]

Per: _____

Name:

Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

VESTING ORDER

THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

WHITEMAP AREA

Nil

THE FOLLOWING COMPRISES SCHEDULE "H" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

OUTSTANDING AFE's

Nil

THE FOLLOWING COMPRISES SCHEDULE "I" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

EXCLUDED LICENCES

Nil

THE FOLLOWING COMPRISES SCHEDULE "J" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 18, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND PRO-FIND EQUIPMENT INC.

EXCLUDED ASSETS

Nil

Appendix ‘I’

PURCHASE AND SALE AGREEMENT

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY
AS COURT APPOINTED RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

- and -

SANLING ENERGY LTD.

Dated:

August 20
 , 2020

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of August 20, 2020.

BETWEEN:

BDO CANADA LIMITED in its capacity as
Court appointed receiver and manager (“Receiver”) of **HOUSTON OIL & GAS LTD.**
and not in its personal or corporate capacity

(the “Vendor”)

- and -

SanLing Energy Ltd. (the “Purchaser”)

WHEREAS:

- A. Hardie & Kelly Inc. was appointed as receiver and manager of Houston Oil & Gas Ltd. (“Houston”) pursuant to a court order dated October 29, 2019 (the “**Original Receivership Order**”) granted by the Court of Queen’s Bench of Alberta in the Judicial District of Calgary, Alberta under Court File No. 1901-14615 and BDO Canada Limited was substituted in the place of Hardie & Kelly Inc. pursuant to a court order dated June 30, 2020 (together with the Original Receivership Order, the “**Receivership Order**”) (the “**Receivership Proceedings**”); and
- B. Pursuant to the Receivership Proceedings, Vendor, subject to approval by the Court, has the ability to sell, transfer and assign to Purchaser, all of the right, title and interest of Houston in and to the Assets, and Purchaser has agreed to purchase the Assets from Vendor, on the terms and conditions set forth herein.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) “**Abandonment and Reclamation Obligations**” means all past, present and future obligations to:
- (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other Facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and

- (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, including such obligations relating to Wells, Pipelines and Facilities which were abandoned or decommissioned or have reclamation orders prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws;

- (b) “**Affiliate**” means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term “**control**” as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;
- (c) “**Agreement**” means this purchase and sale agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and “**this Agreement**”, “**herein**”, “**hereto**”, “**hereof**” and similar expressions mean and refer to this Agreement;
- (d) “**Applicable Law**” means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) “**Appointment Date**” means October 29, 2019;
- (f) “**Assets**” means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests, but excludes the Excluded Assets;
- (g) “**Business Day**” means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (h) “**Claim**” means any claim, demand, lawsuit, proceeding or arbitration, or any investigation by a Governmental Authority, pertaining to the Assets, in each case whether asserted, threatened, pending or existing;
- (i) “**Closing**” means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by

Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;

- (j) **“Closing Date”** means the later of:
 - (i) three Business Days following the later of: (A) the grant of the Vesting Order; and (B) the expiration, waiver or exercise of all Preferential Purchase Rights; or
 - (ii) or another date agreed upon in writing by the Parties,but in any event, shall be no later than the Outside Date;
- (k) **“Closing Place”** means the office of Vendor or its counsel, or such other place as may be agreed upon in writing by the Parties;
- (l) **“Court”** has the meaning set out in the recitals;
- (m) **“Data Room Information”** means all information provided or made available to Purchaser in hard copy or electronic form in relation to Vendor, Houston and/or the Assets;
- (n) **“Deposit”** has the meaning as defined in Section 2.9;
- (o) **“Effective Date”** means **June 1, 2020**;
- (p) **“Effective Time”** means 12:01 a.m. on the Effective Date;
- (q) **“Environment”** and **“Environmental”** means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (r) **“Environmental Liabilities”** means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate to the Assets (or any lands pooled or unitized with Lands which may form part of the Assets), or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
 - (i) transportation, storage, use or disposal of toxic or hazardous substances;
 - (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or
 - (iii) pollution or contamination of or damage to the Environment,

including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to

property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment;

(s) **“Excluded Assets”** means:

- (i) any item or thing owned by Third Parties and licenced to Houston with restrictions on deliverability or disclosure by Houston that prevent the conveyance of such item or thing to Purchaser;
- (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
- (iii) all receivables and credits of any kind from any Person;
- (iv) legal and title opinions;
- (v) documents, other than Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
- (vi) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
- (vii) agreements, documents or data to the extent that:
 - (A) they pertain to Houston proprietary technology
 - (B) they pertain to seismic data or interpretations thereof;
 - (C) they pertain to any intellectual property owned by a third party;
 - (D) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Houston to an assignee;
 - (E) they comprise Houston’s and Houston tax and financial records, and economic evaluations;
- (viii) Excluded Licences; and
- (ix) any other assets specifically described in Schedule “T”,

but “Excluded Assets” shall not include any property, rights or interests specifically described as Miscellaneous Interests;

(t) **“Excluded Licences”** means the licences listed in Schedule “H”;

(u) **“Facilities”** means Houston’s entire interest in and to all unit facilities under any unit agreement applicable to the Leased Substances and all other field facilities

whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are used for production, gathering, treatment, compression, transportation (including Pipelines), injection, water disposal, measurement, processing, storage, handling or other operations respecting the Leased Substances, including any applicable battery, separator, compressor station, gathering system, production storage facility or warehouse and including those field facilities specifically identified in Schedule "B";

- (v) **"Final Statement of Adjustments"** has the meaning set forth in Section 7.3(a);
- (w) **"Governmental Authority"** means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulator) and any public authority, including any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (x) **"GST"** means the goods and services tax payable pursuant to the GST Legislation;
- (y) **"GST Legislation"** means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (z) **"Lands"** means all lands set out and described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (aa) **"Leased Substances"** means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (bb) **"Licence Transfers"** means, in relation to the Assets, the transfer of any permits, approvals, licences and authorizations (collectively, **"Licences"**) granted by any applicable Governmental Authority but subject to the provisions of Sections **Error! Reference source not found.** and **Error! Reference source not found.** hereof;
- (cc) **"Losses"** means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis;
- (dd) **"Miscellaneous Interests"** means, subject to any and all limitations and exclusions provided for in this definition, Houston's entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any and all of the following:

- (i) all contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);
 - (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licences and authorizations pertaining to the Tangibles;
 - (iii) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto;
 - (iv) all records, books, documents, Licences (subject to Section **Error! Reference source not found.** hereof), reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles;
 - (v) all proprietary and seismic data; and
 - (vi) the Wells, including the wellbores thereof and any and all casings therein, but specifically excluding the Excluded Assets;
- (ee) **“Outside Date”** means September 30, 2020;
- (ff) **“Party”** means a party to this Agreement;
- (gg) **“Permitted Encumbrances”** means:
- (i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in the Title Documents or in Schedule “A”;
 - (ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;
 - (iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor’s interest in any of the Title Documents;
 - (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;

- (vi) and any obligations to Third Parties for any thirteenth month adjustments or for payments due as a result of any audits conducted by operators or Third Parties;
 - (vii) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
 - (viii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
 - (ix) any obligation of Houston to hold any right or interest in and to any of the Assets in trust for Third Parties;
 - (x) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
 - (xi) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Houston's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;
 - (xii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
 - (xiii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
 - (xiv) agreements respecting the operation of Wells or Facilities by contract field operators;
 - (xv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
 - (xvi) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets;
- (hh) "**Person**" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;

- (ii) **"Petroleum and Natural Gas Rights"** means Houston's entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including the interests set out and described in Schedule "A";
- (jj) **"Petroleum Substances"** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (kk) **"Pipelines"** means the pipelines described in Schedule "B";
- (ll) **"Preferential Purchase Right"** means any preferential, pre-emptive or first purchase right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the Transaction, as are set out in Schedule "C";
- (mm) **"Purchase Price"** has the meaning set out in Section 2.2;
- (nn) **"Receiver"** has the meaning set out in the Recitals;
- (oo) **"Regulator"** means the Alberta Energy Regulator;
- (pp) **"Representative"** means, with respect to any Party, its Affiliates, and its and their respective directors, officers, agents, advisors, employees and consultants and with respect to Vendor includes its employees and consultants, and its and their respective directors, officers, agents, advisors, employees and consultants;
- (qq) **"Sales Taxes"** means all transfer, sales, excise, stamp, licence, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other charges of a Governmental Authority (including additions by way of penalties, interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets or the transfer or registration of the Specific Conveyances, but excludes GST, and any income taxes and penalties and interest related thereto;
- (rr) **"Specific Conveyances"** means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (ss) **"Tangibles"** means Houston's entire right, title, estate and interest in and to:
 - (i) any and all tangible depreciable property, equipment and other assets located within or upon the Lands that are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them;

- (ii) the Pipelines; and
- (iii) the Facilities;
- (tt) “**Third Party**” means any individual or entity other than Houston, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (uu) “**Title Documents**” means, collectively, any and all certificates of title, leases, reservations, Licences (subject to Section **Error! Reference source not found.** hereof), assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands and this definition shall include, where applicable, those documents set out in Schedule “A”;
- (vv) “**Transaction**” means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (ww) “**Vendor**” has the meaning set forth in the recitals;
- (xx) “**Vesting Order**” means an order to be granted by the Court substantially in the form of Schedule “F” which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests legal and beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or Claims, other than Permitted Encumbrances has the meaning set out in the recitals; and
- (yy) “**Wells**” means those wells listed in Schedule “B”.

1.2 Headings

The words “Article”, “Section”, “subsection” and “Schedule” followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule "A" -	Lands and Petroleum and Natural Gas Rights
Schedule "B" -	Wells Pipelines Facilities
Schedule "C" -	Preferential Purchase Rights
Schedule "D" -	General Conveyance
Schedule "E" -	Form of Officer's Certificate
Schedule "F" -	Form of Vesting Order
Schedule "G" -	Outstanding AFE's
Schedule "H" -	Excluded Licences
Schedule "I" -	Excluded Assets

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall

prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

ARTICLE 2 PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all right, title, estate and interest of Houston (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement and the Vesting Order.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Houston's interest in and to the Assets shall [REDACTED] "**Purchase Price**") plus applicable GST and Sales Taxes, plus or minus (as applicable) the net amount of the adjustments made pursuant to Article 7, satisfied by Purchaser (or Vendor, to the extent applicable) as follows:

- (a) payment of the Deposit paid by Purchaser to the Vendor, to be paid out pursuant to Section 2.9;
- (b) payment in the amount [REDACTED] stated pursuant to Section 7.2(a), payable by Purchaser to Vendor at Closing; and
- (c) any payments between the Parties arising from adjustments set forth in the Final Statement of Adjustments, paid in accordance with Section 7.3(a).

The Parties hereby acknowledge and agree that the Purchase Price set forth in this Section 2.2 accurately reflects and takes into proper account both the positive value of all of the Assets as well as the offsetting reductions in value for the Environmental Liabilities and Abandonment and Reclamation Obligations associated therewith and the absolute release of Vendor of all and any responsibility or liability therefor.

2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights (subject to adjustment)
Tangibles

Miscellaneous Interests

Total



2.4 Assumption of Abandonment and Reclamation Obligations and Environmental Liabilities

In determining the Purchase Price, the Parties have taken into account Purchaser's assumption of responsibility for the payment of all costs for existing or future Abandonment and Reclamation Obligations and Environmental Liabilities associated with the Assets, as set forth in this Agreement, and the absolute release of Vendor of all and any responsibility or liability therefor.

2.5 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk, legal and beneficial ownership of Houston's interest in and to the Assets shall pass from Houston to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
 - (i) the General Conveyance in the form attached as Schedule "D", duly executed by Vendor;
 - (ii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor;
 - (iii) a receipt for the Purchase Price as adjusted herein plus applicable GST and/or Sales Taxes;
 - (iv) a copy of the Vesting Order;
 - (v) the Specific Conveyances, duly executed by Vendor, to the extent such Specific Conveyances were provided to Vendor no later than five Business Days prior to Closing; and
 - (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.

- (b) On the Closing Date, Purchaser shall deliver to Vendor:
 - (i) the balance owing on the Purchase Price, as adjusted herein plus applicable GST and Sales Taxes;
 - (ii) the General Conveyance in the form attached as Schedule "D", duly executed by Purchaser;

- (iii) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser;
- (iv) where required, the Specific Conveyances, duly executed by Purchaser, to the extent prepared on or before the Closing Date by Purchaser;
- (v) evidence of deposit of cash or letters of credit required to perform all financial obligations referred to in Section 2.12(b) have been deposited in trust with the solicitors for Purchaser; and
- (vi) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.6 Specific Conveyances

The Parties shall cooperate in the preparation of the Specific Conveyances. Purchaser shall use reasonable efforts to prepare and provide to Vendor for Vendor's review all Specific Conveyances at Purchaser's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances as soon as reasonably practicable. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after Closing, Purchaser shall promptly register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.7 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser any paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, to the extent any such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests are available and are in the possession of Vendor.

2.8 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by wire transfer.

2.9 Deposit

The Parties acknowledge that a deposit in the amount of [REDACTED] represents [REDACTED] the Purchase Price, will be delivered by Purchaser to the Vendor, upon execution of this Agreement, and released only in accordance with the provisions of this Section 2.9 (the "**Deposit**").

The Deposit shall be held by the Vendor in a non-interest bearing account until one of the following events occurs:

- (a) if Closing occurs, the Deposit shall be paid to Vendor at Closing for Vendor's own account absolutely and be applied as partial payment of the Purchase Price;

- (b) if Closing does not occur due to: (i) a failure to fulfill the conditions set forth in Section 3.2; or (ii) a material breach of a material term of this Agreement by Vendor or by failure of Vendor to fulfill the conditions set forth in Section 3.3, the Deposit shall be returned to Purchaser by Vendor for the account of Purchaser absolutely; and
- (c) if Closing does not occur due to any reason other than as addressed by Section 2.9(b) (including but not limited to the failure by Purchaser to comply with its obligations under Section 2.12 or the refusal of the Regulator to approve the transfer of any Assets to Purchaser for any reason), the Deposit shall be forfeited to Vendor for the account of Vendor absolutely.

In the event that this Agreement is terminated as a result of the application of Section 2.9(b) or 2.9(c), each Party shall be released from all obligations under or in connection with this Agreement, other than the provisions with respect to confidentiality (Section 11.12) and the use of personal information (Section 11.15).

2.10 Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor as a result of Closing not occurring and Vendor shall retain the Deposit pursuant to Section 2.9(c) and the Deposit shall constitute liquidated damages to Vendor, and not a penalty of Closing not occurring as described in that subsection.

2.11 Taxes

- (a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation. Their respective GST registration numbers are:

Vendor

[REDACTED]

Purchaser

[REDACTED]

Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.11(a) shall survive the Closing Date indefinitely.

- (b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all applicable Sales Taxes. Purchaser shall be solely responsible for the payment of all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes,

Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority within the required time period and shall file when due all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly advance to Vendor, or if Vendor has already paid same, reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of assessments or receipts, as applicable, showing assessment or payment, as applicable, of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations in this Section 2.11(b) shall survive the Closing Date indefinitely.

2.12 Regulator

- (a) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide Vendor with Purchaser's business associate code for the Regulator.
- (b) Prior to Vendor obtaining the Vesting Order, Purchaser shall provide to the Regulator the documentation required by the Regulator to conduct a pre-transfer liability assessment and Purchaser shall promptly deliver thereafter any amounts (in such form as is acceptable to the Regulator), required by the Regulator as a result of Purchaser's requirements under the applicable Governmental Authority Licensee Liability Management Program in order to facilitate a timely Closing. Purchaser further undertakes to make any additional payments and lodge any security required by the Regulator at and subsequent to the time the Licence Transfers, if any, are effected.
- (c) Purchaser agrees to provide to Vendor, within a reasonable time prior to Closing and no later than five Business Days prior to Closing, confirmation that cash or letters of credit required to perform all financial obligations referred to in the above subsection 2.12(b) in form or substance reasonably acceptable to the Regulator have been deposited in trust with the solicitors for Purchaser together with irrevocable instruction to pay and deliver such amounts or letters of credit immediately when due as a result of Closing. Purchaser acknowledges that the financial obligations referred to in subsection 2.12(b) are not included as part of the Purchase Price.

ARTICLE 3 CONDITIONS OF CLOSING

3.1 Required Consents

- (a) Before Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit closing of the Transaction. The Parties acknowledge that, except for the Vesting Order, the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial

assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Facilities and the Wells.

- (b) Notwithstanding anything to the contrary herein, except for the Vesting Order, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Houston's interest in any Miscellaneous Interests including remedying any deficiencies under any assumed contracts and agreements, at Purchaser's sole cost and expense. Upon providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees, expenses, penalties or levies that are incurred by Vendor in order to effect the assignment of the Assets to Purchaser shall be the sole responsibility of Purchaser, and Purchaser agrees to pay on behalf of Vendor any such reasonable and necessary costs, fees, expenses, penalties or levies on a timely basis.

3.2 Mutual Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets, and of Vendor to sell Houston's interest in and to the Assets to Purchaser, is subject to the following conditions precedent:

- (a) the Vesting Order being obtained; and
- (b) no stay or appeal or application to vary the Vesting Order shall have been filed with the Court at any time by Vendor or any other Person on or before the Closing.

Unless otherwise agreed to by the Parties, if the conditions contained in this Section 3.2 have not been performed, satisfied or waived before the Outside Date, this Agreement and the obligations of Vendor and Purchaser under this Agreement (other than under Sections 11.12 and 11.15) shall automatically terminate without any further action on the part of either Vendor or Purchaser.

3.3 Purchaser's Conditions

The obligation of Purchaser to purchase Houston's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Outside Date, Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement, Vendor and Purchaser shall be

released and discharged from all obligations hereunder except as provided in Sections 2.9, 11.12 and 11.15.

3.4 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) prior to Closing occurring (but subject to Purchaser being in full compliance with Section 2.12), the Regulator shall have provided positive indications of approval of the Licence Transfers by Vendor and Purchaser; and
- (d) all amounts to be paid by Purchaser to Vendor at Closing, including the Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Outside Date, Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 2.9, 11.12 and 11.15.

3.5 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) subject to obtaining the Vesting Order, Vendor has the right to enter into this Agreement and to complete this Transaction; and
- (b) subject to obtaining the Vesting Order, this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor and agrees that Vendor is relying on such representations and warranties for the purposes of entering into this Agreement:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay:
 - (i) all amounts required to be paid by Purchaser under this Agreement; and
 - (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor (as such term is interpreted by the Regulator);
- (j) Purchaser is in compliance with all the requirements of all Governmental Authorities, including the Regulator;

- (k) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (l) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*.

4.3 Limitation of Representations by Vendor

- (a) Subject to Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Houston's interest in and to the Assets shall be purchased by Purchaser on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:
 - (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
 - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles and the Wells, including the wellbores thereof and all casing, tubing and packers therein);
 - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data materials, representations, warranties or statements made, direct or indirect, express or implied, or information supplied related to the Assets (whether supplied by Vendor, its representatives or otherwise);
 - (viii) the ownership interest of the Assets;
 - (ix) the suitability of the Assets for any purpose;

- (x) compliance with Applicable Laws; or
- (xi) the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Houston's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

ARTICLE 5 INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.1 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful.

5.2 Survival of Claim for Representations and Warranties

The representations and warranties in Section 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Vendor. Purchaser's representations and warranties shall survive the Closing Date for a period of 12 months.

ARTICLE 6 INDEMNITIES

6.1 Post-Closing Date Indemnity

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing before or after the Closing Date.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the Lands, the Tangibles and the Wells (including the wellbores thereof and all casing, tubing and packers therein), that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations both to Third Parties and as between Vendor and Purchaser (whether such Environmental Liabilities and Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (whether such Environmental Liabilities and all Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Effective Time) in respect of the Lands, Wells and Facilities. This assumption of liability and indemnity by Purchaser shall apply without limit and without regard to cause or causes, including the negligence (whether sole, concurrent, gross, active, passive, primary or secondary) or the wilful or wanton misconduct or recklessness of any or all of Vendor, its Representatives and their respective successors and assigns or any other Person or otherwise. Purchaser further acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives, or their respective successors and assigns under the common law or statute pertaining to any Environmental Liabilities and Abandonment and Reclamation Obligations, including the right to name any or all of Vendor, its Representatives, and their respective successors and assigns as a 'third party' to any action commenced by any Person against Purchaser. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor (the “**Indemnitee**”) for indemnification pursuant to this Agreement from Purchaser (the “**Indemnitor**”) in respect of any Losses in relation to a Third Party (a “**Third Party Claim**”):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within 30 Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee’s rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to take either or both of the following actions:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated Claims as reasonably requested from it; and

- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party which results in the Indemnitee receiving, in the aggregate, more than the amount of the Third Party Claim, the Indemnitee shall promptly pay the amount of the reimbursement (including interest actually received) in excess of the Third Party Claim to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7 ADJUSTMENTS AND ASSUMPTION OF OBLIGATIONS

7.1 Assumption of Obligations

- (a) Provided Closing has occurred, Purchaser confirms that it has assumed the following obligations of the Vendor or Houston, as applicable, including the payment of any amounts in respect thereof and all applicable interest and penalties, whensoever and howsoever the following obligations arose (including after the Appointment Date):
 - (i) Property taxes, including any municipal property taxes;
 - (ii) Mineral lease royalties and rentals;
 - (iii) Surface lease rentals; and
 - (iv) Any other obligation related to the Assets or arising from ownership of the Assets which is adjusted for in accordance with this ARTICLE 7.

Purchaser agrees to pay the required amounts either directly to the applicable Person or to the Vendor if the Vendor is required to make the payment, and in such case, the Vendor will thereafter ensure such amounts are paid to the applicable Person.

7.2 Other Costs and Revenues to be Apportioned

- (a) Except as set out in Section 7.1 and subject to Section 7.2(b) and 7.2(c) below, all other costs and expenses relating to the Assets (including maintenance, development, capital and operating costs) and all revenues relating to the Assets (including proceeds from the sale of production, if any, and fees from processing, treating or transporting Petroleum Substances on behalf of Third Parties) shall be apportioned as of the Effective Time between Vendor and Purchaser on an accrual basis in accordance with generally accepted accounting principles, provided that:
 - (i) Advances made by Vendor or Houston in respect of the cost of operations on Lands or the Wells, Pipelines or Facilities including in the Assets which advances have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be transferred to Purchaser at Closing and an

adjustment will be made in favour of Vendor equal to the amount of such transferred advance;

- (ii) Deposits placed with respect to the Assets made by Houston or Vendor relative to the operations on the Lands that have not been applied by the operator to the payment of costs prior to the Closing Date and still stand to the credit of Houston or Vendor as at the Closing Date shall be returned to Vendor;
 - (iii) Costs and expenses of work done, services provided and goods supplied shall be deemed to accrue for the purposes of this Article when the work is done or the goods or services are provided, regardless of when such costs and expenses become payable;
 - (iv) No adjustment shall be made in respect of Houston's or Vendor's income taxes;
 - (v) Revenues from the sale of Petroleum Substances will be deemed to accrue when the Petroleum Substances are produced; and
 - (vi) Petroleum Substances that were produced beyond the wellhead, but not sold as of the Effective Time shall be credited to Vendor and will be deemed to be sold on a first-in-first-out basis.
- (b) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any liability, cost or expense which relates to the period which arose prior to the Date of Appointment and which cost or expense does not constitute a liability of Purchaser.
 - (c) Vendor and its Representatives shall not be liable to make any adjustment in favour of, or make any payment to, Purchaser pursuant hereto in respect of any cost or expense which relates to any reassessment of royalties arising or accruing before or after the Closing Time.

7.3 Adjustments to Account

- (a) An interim accounting of the adjustments pursuant to Section 7.1 shall be made at Closing, based on Vendor's good faith estimate of the costs and expenses paid by Vendor pursuant to Closing and the revenues received by Vendor prior to Closing. Vendor and Purchaser shall cooperate in preparing such interim accounting and Vendor shall provide an interim statement of adjustment setting forth the adjustments to be made at Closing not later than five (5) Business Dates prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement.
- (b) A final accounting of the adjustments pursuant to Section 7.1 shall be conducted, if required, within 60 days following the Closing Date (the "**Final Statement of Adjustments**") by Vendor and Purchaser, and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing shall be settled

by payment by the Party required to make payment to the other Party hereunder within 15 Business Days of being notified of the determination of the amount owing.

- (c) All adjustments provided for in this Article shall be adjustments to the Purchase Price and shall be allocated to the Petroleum and Natural Gas Rights.

ARTICLE 8 MAINTENANCE OF ASSETS

8.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of its interest permits, and subject to the Receivership Order:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulator with respect to the Licensee Liability Rating Program or any like program.

8.2 Consent of Purchaser

Notwithstanding Section 8.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of \$50,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or

- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

8.3 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 8.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election within such period shall be deemed to be Purchaser's election to participate in the Proposal;
- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor's representatives and warranties relating to such Assets.

8.4 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser's written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;
- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other

benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;

- (c) Purchaser shall, in a timely manner, deliver to Vendor all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Purchaser shall respond to such notices in consultation with the Vendor, if received on a timely basis; and
- (d) Purchaser shall, in a timely manner and in consultation with the Vendor, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets.

8.5 Vendor Deemed Purchaser's Agent

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 8, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 8 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 8, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this Article 8 or as a result of Vendor taking or omitting to take any action in accordance with Purchaser's instruction (including any election deemed to be made pursuant to Section 8.3(b)) or concurrence, or otherwise in accordance with this Agreement. Purchaser's indemnity obligations in this Section 8.5(c) shall survive the Closing Date indefinitely.

ARTICLE 9 PREFERENTIAL PURCHASE RIGHTS

9.1 Preferential Purchase Rights

- (a) Schedule "C" provides a description of which, if any, of the Assets are subject to Preferential Purchase Rights so far as Vendor is aware.
- (b) Purchaser shall, immediately following execution of this Agreement, provide its good faith estimate of the value of the applicable Asset(s) to Vendor, and such value shall be set forth in the notices.

- (c) Vendor shall, within two Business Days of receipt of the good faith estimates described in Section 9.1(b), serve all notices as are required in conjunction with any Preferential Purchase Rights.
- (d) Purchaser shall be liable to Vendor for, and shall, in addition, save and hold harmless and indemnify Vendor from and against, all Losses that may be brought against, suffered, sustained, paid or incurred by Vendor in connection with or that relate in any way directly or indirectly to the use of Purchaser's allocation of value.
- (e) If a Preferential Purchase Right is exercised, the Assets that are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be subject to this Agreement and the Purchase Price shall be reduced by the amount allocated to such Asset. Purchaser shall nevertheless purchase the Assets that are not subject to exercised Preferential Purchase Rights.

ARTICLE 10 PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

10.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Houston's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of Vendor, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction. Purchaser shall indemnify and save harmless Vendor from and against all liabilities, claims and causes of action for personal injury, death or property damage occurring on or to such property as a result of such entry onto the premises. Purchaser shall comply fully with all rules, regulations and instructions issued by Vendor regarding Purchaser's actions while upon, entering or leaving such properties. Purchaser's obligations set forth in this Section 10.1 shall survive the Closing Date indefinitely.

10.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;

- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

10.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained by Purchaser in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two years from the Closing Date.

ARTICLE 11 GENERAL

11.1 Further Assurances

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

11.2 Receiver

Purchaser acknowledges that Vendor is acting solely in its capacity as the Court-appointed receiver of Houston, and not in its personal capacity. Under no circumstances shall Vendor or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction whether such liability be in contract, tort or otherwise.

11.3 Entire Agreement

Except for the Receivership Order and the Vesting Order, the provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, except for the Receivership Order and the Vesting Order, the provisions of this Agreement shall prevail. In the event that Closing occurs, except for the Receivership Order and the Vesting Order, this Agreement supersedes all other agreements (other than the Confidentiality Agreement between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

11.4 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta and all disputes shall be determined within the proceedings bearing Alberta Court of Queen's Bench Court Action: 1901-14615. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

11.5 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Houston's ownership or operation of, or Vendor's interest in the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

11.6 Assignment and Enurement

This Agreement shall not be assigned by Purchaser without the prior written consent of Vendor, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

11.7 Time of Essence

Time is of the essence in this Agreement.

11.8 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor - BDO Canada Limited
110, 5800 2nd Street SW
Calgary, Alberta T2H 0H2

Attention: Marc Kelly

Fax: 403-640-0591
Email: makelly@bdo.ca

Purchaser SanLing Energy Ltd.

1700, 250 – 2 Street SW
Calgary, Alberta T2P 0C1

Attention: Land Manager

Fax: 403-264-0085
Email: _____

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall

be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or

- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

11.9 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.10 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. 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.

11.11 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

11.12 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided that Purchaser shall advise Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Vesting Order; or (iii) as required by Houston's secured creditors, if any or the Orphan Well Association.

11.13 Sealing Order

Vendor may, at its discretion, apply to the Court for a sealing order with respect to a report prepared by Vendor containing the financial and other confidential details of this Transaction (the "**Confidential Report**"), such order sealing Vendor's Confidential Report and the confidential information contained therein from the public court file for the period directed by the Court. Pursuant to the terms of such sealing order applied for by Vendor, if granted, only the judge presiding over the Receivership Proceedings, Purchaser and their respective Representatives and the secured creditors of Vendor who have executed confidentiality agreements, and subject to the terms of those confidentiality agreements, shall have access to Vendor's Confidential Report and the confidential information contained therein.

11.14 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections 3.2, 3.3 or 3.4, as applicable.

In the event of termination of this Agreement, the Deposit shall be addressed in accordance with Section 2.9.

11.15 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.
- (c) Purchaser's obligations set forth in this Section 11.15 shall survive the Closing Date indefinitely.

(Remainder of page intentionally left blank)

11.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF
HOUSTON OIL & GAS LTD. AND NOT
IN ITS PERSONAL OR CORPORATE
CAPACITY**

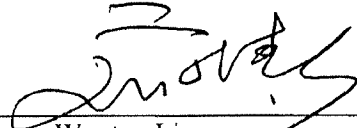
SANLING ENERGY LTD.

Per:



Name: Marc Kelly
Title: Senior Vice President

Per:



Name: Wentao Liu
Title: Chairman & Director,
President and CEO

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

Lands and Petroleum and Natural Gas Rights

Twp. 12 Rge 18 W4M: Section 35
(PNG to Base Mannville, excluding
100/06-35-012-18W4/00 Wellbore)

Alberta Crown Lease: 0487100035

Vendors Interest: Undivided 11.25%

THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

Wells and Facilities

Wells

100/14-35-012-18-W4/00

Pipelines

N/A

Facilities

N/A

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

Preferential Purchase Rights

N/A

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

THIS GENERAL CONVEYANCE made as of this ____ day of _____, 2020.

BETWEEN:

**BDO CANADA LIMITED IN ITS CAPACITY AS
RECEIVER AND MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR CORPORATE
CAPACITY**

(collectively, the "Vendor")

- and -

SANLING ENERGY LTD. (the "Purchaser")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"Purchase Agreement" means that Purchase and Sale Agreement dated _____, 2020 between **BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY** and **SANLING ENERGY LTD.**

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Houston in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

**BDO CANADA LIMITED IN ITS
CAPACITY AS RECEIVER AND
MANAGER OF HOUSTON OIL & GAS
LTD. AND NOT IN ITS PERSONAL OR
CORPORATE CAPACITY**

Per:

Name:
Title:

SANLING ENERGY LTD.

Per:

Name: Wentao Liu
Title: Chairman & Director
President & CEO

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE

TO: [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

RE: Purchase and Sale Agreement dated [DATE] between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "Certificate").

I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and remain true and correct in all material respects up to the Effective Time.
2. All obligations of [Vendor] [Purchaser] contained in the Agreement to be performed prior to or at Closing have been timely performed in all material respects.
3. This Certificate is made for and on behalf of the [Vendor] [Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
4. This Certificate is made with full knowledge that the [Vendor] [Purchaser] is relying on the same for the Closing of the Transaction.

IN WITNESS WHEREOF I have executed this Certificate this ___ day of _____, 2020.

[Name of Vendor/Purchaser]

Per: _____

Name:

Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

VESTING ORDER

THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

OUTSTANDING AFE's

N/A

THE FOLLOWING COMPRISES SCHEDULE "H" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

EXCLUDED LICENCES

N/A

THE FOLLOWING COMPRISES SCHEDULE "I" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED August 20, 2020 BETWEEN BDO CANADA LIMITED IN ITS CAPACITY AS RECEIVER AND MANAGER OF HOUSTON OIL & GAS LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY AND SANLING ENERGY LTD.

EXCLUDED ASSETS

N/A

Appendix ‘J’

ROYALTY AGREEMENT

THIS AGREEMENT made as of the 10th day of April, 2018.

BETWEEN:

HOUSTON OIL & GAS LTD., a body corporate, having an office in the City of Calgary, in the Province of Alberta (hereinafter referred to as "Houston" or "Grantor")

- and -

PIONEER OIL WELL SERVICE CORP., a body corporate, having an office in the County of Parkland, in the Province of Alberta (hereinafter referred to as "Pioneer" or "Beneficiary")

WHEREAS Houston wishes to grant a royalty, as more particularly set forth herein, to Pioneer and to provide for the royalty and method of payment from the Effective Date;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Definitions

In this Royalty Agreement, including the recitals and the Schedules attached hereto, unless the context otherwise requires, the following words and phrases shall have the meanings indicated;

- (a) "Effective Date" means April 1, 2018.
- (b) "Assignment Procedure" means the 1993 CAPL Assignment Procedure, which by reference, forms part of this Agreement.
- (c) "Petroleum Substances" means condensate, crude oil, natural gas liquids, raw gas, sulphur and every other mineral or substance, or any of them, an interest in or the right to drill for, win, take or remove same is granted or acquired under the title documents to the extent the title documents comprise the Royalty Lands and the Royalty Wells or which are allocated to the Royalty Lands and the Royalty Wells.
- (d) "Royalty Lands" means these lands and interests therein which have been made subject hereto by the Agreement or so much thereof which remains subject hereto and, except where the text otherwise requires, shall include Petroleum Substances within, upon or under those lands and interests.
- (e) "Royalty Wells" means any well from which production is or may be allocated to the title documents pursuant to a pooling, unit or other arrangement as identified on Schedule "A" attached hereto.

2. **Overriding Royalty**

Effective from the Effective Date, the Grantor shall pay to the Beneficiary a Five Percent (5%) gross overriding royalty, with no deductions, on all Petroleum Substances produced on the Royalty Lands from the Royalty Wells.

3. **Grantor's Responsibility**

The Grantor shall:

- (a) be liable to the Beneficiary for all losses, costs, damages and expenses whatsoever (whether contractual or tortious) which the Beneficiary may suffer, sustain, pay or incur; and
- (b) in addition, indemnify and hold harmless the Beneficiary and its directors, officers, agents and employees against all actions, causes of action, proceedings, claims, demands, losses, costs, damages and expenses whatsoever which may be brought against or suffered by the Beneficiary, its directors, officers, agents and employees or which they may sustain, pay or incur;

insofar as they are either a direct result of any act or omission (whether negligent or otherwise) of the Grantor with respect to operations or activities conducted by it or on behalf of it, provided that the Grantor shall not be liable to, or be required to indemnify and save harmless the Beneficiary and its directors, officers, agents and employees to the extent that the particular act or omission was done or was omitted to be done in accordance with the instructions of or the concurrence of the Beneficiary.

4. **Beneficiary's Responsibility**

Where the Beneficiary conducts operations or activities with respect to the Royalty Lands and the Royalty Wells, the provisions of the preceding clause shall apply mutatis mutandis to determine the Beneficiary's responsibility to the Grantor with respect to losses attributable to such operations or activities.

5. **Assignment**

The Grantor and Beneficiary shall be entitled to assign their respective interests in this Royalty Agreement.

6. **Term**

This Royalty Agreement shall continue until the title documents governing the Royalty Lands and the Royalty Wells have expired.

7. **Miscellaneous**

- (a) **Further Assurances**: The parties shall execute and deliver such documents and take such action as may be necessary to carry out to the full extent of this Royalty Agreement.

- (b) Interpretation: The Clause headings in this Royalty Agreement and in the schedule are included for convenience and shall not affect the meaning or construction of this Royalty Agreement or the schedule. When used in this Royalty Agreement or the schedule, the singular may mean the plural, and vice versa, as the context requires.
- (c) Governing Law: This Royalty Agreement shall be interpreted and enforced in accordance with the Alberta laws, and each party accepts the jurisdiction of the Alberta courts.
- (d) Enurement: This Royalty Agreement shall bind and enure to the benefit of the parties hereto with their respective requirements.

IN WITNESS WHEREOF the parties have executed this Royalty Agreement in accordance with their respective requirements.

HOUSTON OIL & GAS LTD.

Per:


Randy Ruggles, President



PIONEER OIL WELL SERVICE CORP.

Per:


Esther Ruggles, President



Appendix “K”

Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary, AB, Canada T2P 0R3
T 403.232.9500
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blg.com



File No. 436743.24

December 4, 2019

DELIVERED VIA COURIER

Pioneer Oil Well Service Corp.
53120A Range Road 13
Parkland County, Alberta T7Y 2T2

Attention: Esther Ruggles, Director

Dear Sir/Madam:

Re: Disclaimer of Royalty Agreement between Houston Oil & Gas Ltd. (“Houston”) and Pioneer Oil Well Service Corp. (“Pioneer”) made as of April 10, 2018 (the “Agreement”)

We are counsel to Hardie & Kelly Inc. in its capacity as court-appointed receiver (the “Receiver”) over all of the property of Houston, pursuant to a receivership order granted by the Alberta Court of Queen’s Bench on October 29, 2019 (the “Receivership Order”). A copy of the Receivership Order is enclosed for your reference.

We write to you regarding the above-noted Agreement, pursuant to which Houston agreed to pay a five percent (5%) gross overriding royalty in respect of certain lands to Pioneer (the “GORR”).

Please be advised that the Receiver has now analyzed the Agreement, and the GORR contemplated by Section 2 therein, and wishes to provide formal notice to you that it is hereby disclaiming and renouncing Houston’s entire interest in or under the Agreement and the GORR, effective as of October 29, 2019. As such, please find attached the Receiver’s formal Notice of Disclaimer for service upon you.

For the avoidance of doubt, we have reviewed the Agreement, and the Receiver is of the view that it only creates contractual rights in favour of Pioneer (if anything) and not an interest in land. In particular, and among other things, we note that:

- a) there is no evidence of an intention to create an interest in land in the Agreement, nor is there any formal conveyance or grant. Rather, Section 2 contemplates only an obligation on the part of Houston to “pay” certain amounts to Pioneer;
- b) we are unaware of any registrations with the Alberta Land Titles Office, Mines and Minerals or any other office, in respect of the Agreement (although this alone is not determinative of the nature of the GORR);
- c) we understand that Pioneer and Houston were at all relevant times related parties, and not dealing at arm’s length, as they were controlled by related individuals (i.e. Randy Ruggles and Esther Ruggles); and

d) there is no consideration in favour of Houston contemplated by the Agreement.

In the circumstances, the Receiver considers it to be commercially reasonable, and in the best interests of stakeholders as a whole, to disclaim the Agreement. Should you object to the disclaimer, please note that the Receiver fully reserves its right to challenge the Agreement (and GORR) as a transfer at undervalue, and/or as a fraudulent conveyance, in accordance with applicable federal and provincial laws, and will seek appropriate remedies and costs.

We trust that you will find the foregoing to be in order and please do not hesitate to contact us should you have any questions.

Yours truly,

Borden Ladner Gervais LLP

Robyn Gurofsky

Enclosures

cc: the Receiver

Appendix ‘L’

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2020/07/30
Time of Search: 11:15 AM
Search provided by: BORDEN LADNER GERVAIS LLP
Service Request Number: 33817742
Customer Reference Number: 436743.000024

Corporate Access Number: 210085734

Business Number:

Legal Entity Name: INLAND DEVELOPMENT COMPANY LTD.

Legal Entity Status: Cancelled
Extra-Provincial Type: Other Prov/Territory Corps
Registration Date: 1969/06/10 YYYY/MM/DD
Date Of Formation in Home Jurisdiction: 1969/06/10 YYYY/MM/DD
Home Jurisdiction: SASKATCHEWAN
Home Jurisdiction CAN: 522902

Head Office Address:

Street: 2926 MONTCLAM CRES. S.W.,CALGARY
City: ALEBRTA
Province: ALBERTA
Postal Code: T2T3M6

Holding Shares In:

Legal Entity Name
PATHFINDER ENERGY PROCESSING INC.

Other Information:

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2011/07/21	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2012/06/30	NWPTA - STATUS UPDATE-DIRECTOR/SHAREHOLDER INACTIVATION
2017/02/15	Status Changed to Cancelled

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.





Profile Report

Entity Number: 522902

Page 1 of 3

Entity Name: INLAND DEVELOPMENT COMPANY LTD.

Report Date: 10-Aug-2020

Entity Details

Entity Type	Business Corporation
Entity Subtype	Saskatchewan Corporation
Entity Status	Inactive (Struck Off)
Status Effective	15-Feb-2017
Incorporation Date	19-Jul-1966
Annual Return Due Date	31-Aug-2016
Nature of Business	OIL, NATURAL GAS & MINERAL DEVELOPMENT
MRAS indicator	No

Registered Office/Mailing Address

Physical Address	#600, 2103 11TH AVENUE, REGINA, Saskatchewan, Canada, S4P3Z8
Mailing Address	INLAND DEVELOPMENT COMPANY LTD., 3720 - 2ND AVE. SW, CALGARY, Alberta, Canada, T3C0A3
Attention To	BRAD MCHUGH

Directors/Officers

BARBARA L. MCHUGH (Officer)

Physical Address:	2926 MONTCALM CRES. SW, CALGARY, Alberta, Canada, T2T3M6	Office Held:	VICE PRESIDENT
Mailing Address:	2926 MONTCALM CRES. SW, CALGARY, Alberta, Canada, T2T3M6	Effective Date:	10-Sep-1999

BARBARA L. MCHUGH (Director)

Physical Address:	2926 MONTCALM CRES. SW, CALGARY, Alberta, Canada, T2T3M6	Resident Canadian:	Yes
Mailing Address:	2926 MONTCALM CRES. SW, CALGARY, Alberta, Canada, T2T3M6	Effective Date:	10-Sep-1999

Power of Attorney



Profile Report

Entity Number: 522902

Page 2 of 3

Entity Name: INLAND DEVELOPMENT COMPANY LTD.

Report Date: 10-Aug-2020

GLEN LEKACH

Physical Address: 600, 2013 11TH AVE, REGINA, Saskatchewan, Canada, S4P3Z8

Mailing Address: 600, 2013 11TH AVE, REGINA, Saskatchewan, Canada, S4P3Z8

RICK VAN BESELAERE

Physical Address: 600, 2013 11TH AVE, REGINA, Saskatchewan, Canada, S4P3Z8

Mailing Address: 600, 2013 11TH AVE, REGINA, Saskatchewan, Canada, S4P3Z8

STEWART BERRINGER

Physical Address: 600, 2103 11TH AVE, REGINA, Saskatchewan, Canada, S4P3Z8

Mailing Address: 600, 2103 11TH AVE, REGINA, Saskatchewan, Canada, S4P3Z8

Shareholders

Shareholder Name	Mailing Address	Share Class	Shares Held
BARBARA L. MCHUGH	2926 MONTCALM CRES. SW, CALGARY, AB, CANADA, T2T3M6	SPEB	102

Articles

Minimum Number of Directors: 1 Maximum Number of Directors: 5

Share Structure:

Class Name	Voting Rights	Authorized Number	Number Issued
COMA	No	Unlimited	
SPEB	Yes	Unlimited	102
PREC	No	Unlimited	

Event History

Type	Date
Notice of Change of Registered Office/Mailing Address	20-Apr-2016
Business Corporation - Annual Return	11-Aug-2015
General Information	03-Feb-2015
Business Corporation - Annual Return	12-Aug-2014
Business Corporation - Annual Return	12-Aug-2013



Profile Report

Page 3 of 3

Report Date: 10-Aug-2020

Entity Number: 522902

Entity Name: INLAND DEVELOPMENT COMPANY LTD.

Business Corporation - Annual Return	14-Aug-2012
Power of Attorney	27-Sep-2011
Business Corporation - Annual Return	08-Aug-2011
Business Corporation - Annual Return	17-Aug-2010
Business Corporation - Annual Return	10-Aug-2009
Business Corporation - Annual Return	06-Aug-2008
Business Corporation - Annual Return	15-Aug-2007
Business Corporation - Annual Return	14-Aug-2006
Business Corporation - Annual Return	15-Aug-2005
General Information	20-Sep-2004
Business Corporation - Annual Return	13-Aug-2004
Business Corporation - Annual Return	06-Aug-2003
Business Corporation - Annual Return	09-Sep-2002
Business Corporation - Annual Return	20-Aug-2001
Business Corporation - Annual Return	29-Aug-2000
Business Corporation - Annual Return	12-Oct-1999

Appendix ‘M’

Robyn Gurofsky
T (403) 232-9774
F (403) 266-1395
E rgurofsky@blg.com

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary, AB, Canada T2P 0R3
T 403.232.9500
F 403.266.1395
blg.com



File No. 436743.24

August 4, 2020

Delivered by Courier

Inland Development Company Ltd.
2926 Montcalm Cres. SW
Calgary, AB T2T 3M6

Inland Development Company Ltd.
3720 2nd Avenue SW
Calgary, AB T3C 0A3

Inland Development Company Ltd.
#600, 2013 11th Avenue
Regina, SK S4P 3Z8

Dear Sir/Madam:

Re: Registrations of Royalty Interests by Inland Development Company Ltd. (“Inland”) over Properties owned by Houston Oil & Gas Ltd. (“Houston”)

We are writing as counsel to BDO Canada Limited, the court appointed receiver (the “**Receiver**”) of Houston. Houston was placed into receivership on October 29, 2019 by the Orphan Well Association. A copy of the receivership order is enclosed for your reference.

The Receiver is in the midst of running a sales and investment solicitation process pursuant to which it is negotiating the sale of Houston’s assets to third parties. We note that Inland has registered royalty and working interests on certain of Houston’s property, the validity and enforceability of which the Receiver is unable to determine due to a lack of documentation supporting such interests.

We also note that Inland no longer exists as a corporate legal entity, having been cancelled from the registry in Alberta on February 15, 2017 and been struck from the Saskatchewan Corporate Registry on the same date.

As a result, to the extent the Receiver applies for a sale approval and vesting order from the Court to sell the some or all of the properties against which the Inland royalty is registered, the Receiver will be asking the Court to vest off the interests registered by Inland from title to the Houston property sold.

This letter is intended to provide you with advance notice of the Receiver’s intention to vest Inland’s interests off of title to Houston’s property, so that should Inland decide to take a position in respect of this matter, it can provide the Receiver with advance notice of its intention to do so.

If Inland elected to take such a position, the Receiver would ask that Inland provide an explanation of how it intends to address its legal standing as a corporation with the Alberta and Saskatchewan Corporate Registries. The Receiver further asks that Inland provide it with evidence that it intends on satisfying the approximately \$124,000 in arrears owed by Inland to Houston in respect of joint interest billings issued by Houston to Inland over the course of the last several years.

We look forward to hearing from you.

Yours truly,

Borden Ladner Gervais LLP



Robyn Gurafsky

Encl.

Appendix “N”

Houston Oil & Gas Ltd., in receivership
Statement of Receipts and Disbursements
as at August 24, 2020

Receipts

Receiver Certificate	\$ 415,000.00	
Fluid sales	45,735.90	
Accounts receivable	39,706.41	
Funds recovered from bank account	5,274.61	
GST collected	2,342.80	
Miscellaneous refunds/interest	1,208.98	
		509,268.70

Disbursements

Operational consultants	169,025.66	
Insurance	152,644.00	
Receiver's fees	56,470.00	
Legal fees	32,901.06	
Field operating expenses	26,525.37	
Sayer Energy Advisors	25,000.00	
GST paid	16,196.26	
Software licenses	5,345.60	
Creditor mail out copying and postage third party charges	4,019.95	
Occupation rent	3,000.00	
Third party IT services	843.70	
Advertising	460.91	
Filing and license fees	345.00	
Redirection of mail	253.45	
		493,030.96
Cash on hand		** \$ 16,237.74

**** Exclusive of deposits in respect of preading sales.**

Appendix “O”

Houston Oil & Gas Ltd., in receivership
Summary of Professional Fees and Disbursements

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Amount</u>	<u>GST</u>	<u>Total</u>
<u>Receiver's Fees and Disbursements</u>				
1205	5-Dec-19	\$ 38,834.00	\$ 1,941.70	\$ 40,775.70
01062020	6-Jan-20	7,006.00	350.30	7,356.30
02102020	10-Feb-20	5,570.00	278.50	5,848.50
04082020	8-Apr-20	5,060.00	253.00	5,313.00
		<u>\$ 56,470.00</u>	<u>\$ 2,823.50</u>	<u>\$ 59,293.50</u>
<u>Legal Fees and Disbursements</u>				
697771408	8-Nov-19	\$ 1,762.75	\$ 88.14	\$ 1,850.89
697781388	6-Dec-18	16,587.40	827.77	17,415.17
697794971	6-Jan-20	8,734.41	429.52	9,163.93
697809952	11-Feb-20	5,008.20	250.42	5,258.62
697817473	6-Mar-20	808.30	40.42	848.72
		<u>32,901.06</u>	<u>1,636.27</u>	<u>34,537.33</u>
697835249	20-Apr-20	5,655.00	282.75	5,937.75
697841222	7-May-20	11,089.53	554.48	11,644.01
697853741	11-Jun-20	17,315.00	865.75	18,180.75
697860346	7-Jul-20	20,304.70	1,015.23	21,319.93
697870502	6-Aug-20	12,347.56	617.38	12,964.94
		<u>66,711.79</u>	<u>3,335.59</u>	<u>70,047.38</u>
		<u>\$ 99,612.85</u>	<u>\$ 4,971.86</u>	<u>\$ 104,584.71</u>