FORM 8-K

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FILER

SEAGULL ENERGY CORP

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SIC: **4923** Natural gas transmisison & distribution

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) January 4, 1994

SEAGULL ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation)

1-8094	74-1764876
(Commission File Number)	(IRS Employer Identification No.)

1001 Fannin, Suite 1700, Houston, Texas	77002-6714
(Address of principal executive offices)	(Zip Code)

(713) 951-4700

Registrant's telephone number, including area code

Not Applicable

(Former name or former address, if changed since last report.)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On January 4, 1994, an indirect wholly owned subsidiary of Seagull Energy Corporation ("Seagull" or the "Company") acquired all of the outstanding shares of stock (the "Stock") of Novalta Resources Inc. ("Novalta") and an intercompany note (the "Note") from Novalta to its parent, Novacor Petrochemicals Ltd. ("Novacor Petrochemicals"). The Stock and the Note were acquired for a purchase price of approximately $203 million in cash, subject to customary post-closing adjustments described below (the "Seagull Canada Acquisition"). The economic effective date of the Seagull Canada Acquisition was December 31, 1993 (the "Effective Date"). Effective as of the January 4, 1994 Closing Date, Novalta was amalgamated with one of its subsidiaries along with Seagull Energy Canada Ltd., the indirect subsidiary of Seagull that

acquired Novalta. The resulting amalgamated company was named Seagull Energy Canada Ltd. ("Seagull Canada"). As a result of the amalgamation, the Note was extinguished. See "Purchase Price" and "Financing" below. References to dollars throughout this Current Report on Form 8-K refer to U. S. dollars unless otherwise noted.

SEAGULL CANADA PROPERTIES

Seagull Canada's assets (the "Seagull Canada Properties") consist primarily of natural gas and oil reserves and developed and undeveloped lease acreage concentrated principally in a small number of fields located in Alberta, Canada. Seagull estimates that the Seagull Canada Acquisition provided proved reserves of approximately 244 billion cubic feet of natural gas and about 2.8 million barrels of oil, condensate and natural gas liquids as of the Effective Date. Approximately 80 percent of these reserves and 75 percent of Seagull Canada's total producing wells are concentrated in 16 of 95 total fields. As of December 31, 1993, the Seagull Canada Properties consisted of lease acreage holdings including approximately 200,000 net developed acres and approximately 250,000 net undeveloped acres.

PURCHASE PRICE

The purchase price was determined pursuant to arm's-length negotiations between Seagull and Novacor Petrochemicals, based on an economic effective date of December 31, 1993. The $203 million purchase price for the Stock and the Note is subject to certain customary post-closing adjustments for working capital and capital expenditures for 1993 in excess of a specified threshold pursuant to the provisions of the Sale Agreement, dated November 19, 1993, between Seagull and Novacor Petrochemicals.

FINANCING

The Seagull Canada Acquisition was financed primarily with a new $175 Million reducing revolving credit facility (the "Canadian Credit Agreement"), as well as borrowings under Seagull's amended and restated $475 million revolving credit facility (the "Revolver") with a group of major U. S. and international banks. The Canadian Credit Agreement between Seagull Canada and 10 Canadian affiliates of major U. S. and international banks provides for dual currency borrowings in U. S. and Canadian dollars with a nominated maximum borrowing availability of $160 million , which may be increased or decreased by the Company at any time pursuant to provisions of the Canadian Credit Agreement, up to the maximum commitment of $175 million.

The Canadian Credit Agreement matures on December 31, 1999 and commitments thereunder begin to decline on March 31, 1996 in equal quarterly reductions of $10,937,500. As of January 4, 1994, immediately following the Seagull Canada Acquisition, approximately $152 million in borrowings were outstanding under this facility, which are currently denominated in Canadian dollars.

Borrowings outstanding under the Canadian Credit Agreement funded in U. S. dollars bear interest, at Seagull Canada's option, at a rate equal to (i) either one, two, three or six month Adjusted LIBOR, plus a margin (the "LIBOR Margin") or (ii) the Reference Rate, plus a margin (the "Prime Margin"). The "Reference Rate" is the greater of (i) 0.5% per annum above the daily federal funds rate or (ii) the prime rate of the agent bank. The LIBOR Margin ranges from 0.625% to 2.5% per annum, depending upon Seagull's credit rating and consolidated Debt to Capitalization Ratio (as defined under the Revolver), and the Prime Margin ranges from 0% to 1.5% per annum, depending upon the same factors. Borrowings outstanding in Canadian dollars bear interest, at Seagull Canada's option, at a rate equal to (i) either one, two, three or six month Bankers' Acceptance Rate plus the LIBOR Margin or (ii) the Paying Agent's prime rate plus the Prime Margin.

In connection with the consummation of the Seagull Canada Acquisition, the Revolver was amended to allow for the incurrence of debt by Seagull Canada under the Canadian Credit Agreement and to allow Seagull to guarantee such debt. As an additional amendment to the Revolver, the "Borrowing Base" was increased to $610 million to provide for value attributed to Seagull Canada's proved reserves. The Borrowing Base is based upon the value of the proved reserves of the Company's exploration and production segment and the financial performance of the Company's other business segments as provided for under the Revolver, and limits the total amount of senior indebtedness available to the Company.

The available commitment under the Revolver is subject to the Borrowing Base and is determined after consideration of outstanding borrowings under Seagull's other senior debt facilities. As of January 4, 1994, immediately following the Seagull Canada Acquisition, borrowings outstanding under the Revolver were $188.5 million, leaving immediately available unused commitments of approximately $149.3 million, net of outstanding letters of credit of $2.2 million, $100 million of borrowings outstanding under Seagull's senior notes, the nominated maximum borrowing availability of $160 million under the Canadian Credit Agreement, and $10 million in borrowings outstanding under one of Seagull's money market facilities.

The Revolver and the Canadian Credit Agreement are unsecured credit facilities. Both facilities contain restrictive provisions regarding the incurrence of additional debt, the making of investments outside of existing lines of business, the maintenance of certain financial levels (based upon Seagull's consolidated financial condition and results of operations), the incurrence of additional liens, the declaration or payment of dividends (other than dividends payable solely in the form of additional shares of the Company's common stock) and the repurchase or redemption of capital stock.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Business Acquired.

It is impracticable to file the financial statements requiredto be provided by Item 7(a) of Form 8-K at this time. The financial statements of Novalta will be filed under cover of Form 8-KA as soon as practicable, but not later than March 20, 1994.

(b) Pro Forma Financial Information.

It is impracticable to file pro forma financial statements required to be provided by Item 7(b) of Form 8-K at this time. The pro forma financial statements will be filed under cover of Form 8-KA as soon as practicable, but not later than March 20, 1994.

(c) Exhibits.

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*2.1	Sale Agreement made and entered into as of November 19, 1993 between Novacor Petrochemicals Ltd. and Seagull Energy Corporation (including Appendix J, "Tax Provisions").
*2.2	Guarantee executed in connection with Sale Agreement included as Exhibit 2.1 hereto.
*2.3	First Amendment to Amended and Restated Credit Agreement dated December 30, 1993 by and among Seagull, each of the banks signatory thereto, and Texas Commerce Bank National Association, as agent (without exhibits and schedules).
*2.4	Credit Agreement, U. S. $175 Million Reducing Revolving Credit Facility, dated December 30, 1993 by and among Seagull Energy Canada Ltd., each of the banks signatory thereto, and Chemical Bank of Canada, The Bank of Nova Scotia and Canadian Imperial Bank of Commerce, as co-agents (without exhibits).
*2.5	Form of Revolving Credit Loan Note (U. S. Dollars) executed in connection with the Credit Agreement included as Exhibit 2.4 hereto.
*2.6	Form of Revolving Credit Loan Note (Canadian Dollars) executed in connection with the Credit Agreement included as Exhibit 2.4 hereto.

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	*2.7	Intercreditor Agreement executed in connection with the Credit Agreement included as Exhibit 2.4 hereto.
	*2.8	Form of Bankers' Acceptance executed in connection with the Credit Agreement included as Exhibit 2.4 hereto.
	*2.9	Guarantee executed in connection with the Credit Agreement included as Exhibit 2.4 hereto.

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* Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: January 19, 1994

SEAGULL ENERGY CORPORATION

By: Rodney W. Bridges
Rodney W. Bridges
Vice President and Controller
(Principal Accounting Officer)

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* Filed herewith.

Exhibit 2.1

SALE AGREEMENT

BETWEEN:

NOVACOR PETROCHEMICALS LTD.

- and -

SEAGULL ENERGY CORPORATION

Dated as of November 19, 1993

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SALE AGREEMENT

THIS AGREEMENT made as of this 19th day of November, 1993

BETWEEN:

Novacor Petrochemicals Ltd. a body corporate, incorporated under the laws of Alberta ("Vendor")

- and -

Seagull Energy Corporation a body corporate, incorporated under the laws of the State of Texas ("Purchaser")

WHEREAS the Vendor has agreed to sell and the Purchaser has agreed to purchase the Shares and Note of Novalta Resources Inc.;

NOW THEREFORE in consideration of the covenants, agreements, representations, warranties and payments set forth below, the sufficiency of such consideration being hereby conclusively acknowledged, the parties hereto covenant and agree as follows:

1. INTERPRETATION

(A) Definitions: In this Agreement (including the recitals, this clause and the appendices) the words and phrases set forth below shall have the meanings given them below, namely:

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1.1 "Affiliates" means any and all affiliates as such term is defined and utilized in the Business Corporations Act (Alberta) but is not restricted to corporations incorporated or continued under such legislation;

1.2 "Agreement" means this agreement and all appendices attached hereto together with all instruments supplemental to or in amendment or confirmation of this Agreement;

1.3 "Arbitration Procedure" means the arbitration procedure attached as Appendix "G";

1.4 "Arbitrator" means a party acting as an arbitrator in accordance with the Arbitration Procedure;

1.5 "Arthur D. Little Report" means the environmental audit report dated October 1993 with respect to the
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Environmentally Reviewed Lands as prepared by Arthur D. Little of Canada Limited;

1.6 "Assets" means all of the assets of Novalta including, without limitation, the Resource Assets, the Office Equipment, the investment in the shares of EBOC and the Working Capital as at the Closing Time;

1.7 "Auditors" means Ernst & Young;

1.8 "Audited Closing Financial Statements" means the audited closing consolidated financial statements of Novalta and its subsidiaries for the period ending December 31, 1993 including, without limitation, the

notes thereto and the auditor's report thereon;

1.9 "Bank Security" means the security provided by Novalta under the Canadian $110 million multicurrency revolving term credit facility with The Bank of Nova Scotia as lender dated as of January 1, 1990 and as amended and restated March 25, 1992, the security provided by Novalta under the Novacor Chemicals Ltd. Credit Facility with The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank, Bank of Montreal, Royal Bank of Canada and National Bank of Canada and the security provided by Novalta Resources Ltd., a predecessor in interest to Novalta, relating to certain of the Resource Assets under the Canadian $75 million multicurrency revolving term credit facility with The Bank of Nova Scotia as lender dated as of March 28, 1988 and as restated by an agreement dated as of April 29, 1989;

1.10 "Burns Fry" means Burns Fry Limited;

1.11 "Business Day" means any day other than a Saturday or a Sunday or a day which is a statutory holiday under the laws of Alberta or Canada;

1.12 "Closing" means the transfer of the Shares and Note to Purchaser, the payment of the Purchase Price to Vendor and the completion of all other matters incidental thereto;
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1.13 "Closing Place" means Vendor's offices located at 801 - 7th Avenue S.W., Calgary, Alberta or such other place as the parties agree;

1.14 "Closing Time" means 10:00 a.m., Calgary Time, on January 4, 1994, or such other time or date as may be agreed by the parties;

1.15 "Common Shares" means the 100 fully paid and non-assessable Class "A" common voting shares in the capital stock of Novalta registered in the name of Vendor;

1.16 "Confidential Information" has the meaning set out in the Confidentiality Agreement;

1.17 "Confidentiality Agreement" means the Confidentiality Agreement dated September 28, 1993 between Burns Fry or PowerWest (as agent for Vendor and Novalta) and Purchaser, as supplemented by that certain letter agreement with EBOC dated October 18, 1993 and that certain Non-Competition Agreement with Novalta dated October 20, 1993;

1.18 "Deposit" means $10 million deposited with Vendor's Solicitors in trust for Vendor;

1.19 "EBOC" means EBOC Energy Ltd.;

1.20 "EBOC Value" means the product of the number of EBOC common shares owned by Novalta at Closing and the value per EBOC common share of $1.046 provided, however, that if Novalta should sell some, but not all, of its EBOC shares in the public market prior to Closing, or if a public trading market otherwise develops for the EBOC common shares prior to Closing, then the remaining EBOC common shares held by Novalta would be valued for purposes of this Agreement at the fair market value of such shares at the Closing Time (based upon the closing price on its principal exchange or trading market at the Closing Time), multiplied by a factor of 85% to reflect the illiquidity, rights of first refusal and other matters that adversely affect the value of such shares;

1.21 "Effective Time" shall mean immediately prior to commencement of business on January 1, 1994;
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1.22 "Environmental Consultant" means, Arthur D. Little of Canada Limited;

1.23 "Environmental Law" means all statutes, regulations and governmental orders and directives respecting the protection, control of contamination or pollution of soil, air or water (including, without limitation, ground water) applicable to the Assets;

1.24 "Environmental Liabilities" means any and all environmental damage, contamination or other environmental condition directly or indirectly pertaining to Novalta or the Assets, whether or not caused by Novalta or by a breach of Environmental Law, and whether or not identified or currently identifiable, including, without limitation, any matters related to surface, underground, air, groundwater or surface water

contamination, the abandonment or plugging of any well or wells, the restoration or reclamation of any part of the Assets, or the removal of or failure to remove any foundations, structures or equipment from the Assets, and all matters set forth in the Arthur D. Little Report;

1.25 "Environmentally Reviewed Lands" means the Resource Assets in respect of which the Arthur D. Little Report or any portion thereof was prepared;

1.26 "Financial Statements" means the (a) audited consolidated financial statements of Novalta and its subsidiaries for the period ending December 31, 1992 including, without limitation, the notes thereto and the auditors report thereon, and (b) the unaudited interim consolidated financial statements of Novalta and its subsidiaries as of and for the nine months ended September 30, 1993, a copy of the foregoing being attached hereto as Appendix "E";

1.27 "GAAP" means generally accepted accounting principles and procedures adopted from time to time by the Canadian Institute of Chartered Accountants consistently applied;

1.28 "Howard Opinions" means the title opinions previously provided to Novalta by Howard, Mackie in respect of the Reviewed Lands, the foregoing opinions being listed in Appendix "F";

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1.29 "Interest Rate" means a floating annual rate of interest equal to the floating annual rate of interest established from time to time by the main branch of The Bank of Nova Scotia at Calgary, Alberta as the base rate it will use to determine rates of interest on Canadian dollar loans to its most favoured customers in Canada and designated as its prime rate;

1.30 "Land Schedule" means the land schedule attached as Appendix "A";

1.31 "Lands" means the lands included in the Assets, which are set forth and described in the Land Schedule, and includes the Petroleum Substances within, upon or under such lands, together with the right to explore for, drill for, win, take, remove, recover, possess, own, sell or divest the same insofar as such rights are granted by the Leases;

1.32 "Leases" means the leases, reservations, permits, licences or other documents of title by virtue of which the holder thereof is entitled to drill for, win, take, remove, recover, possess, own, sell or divest the Petroleum Substances underlying all or any part of the Lands and any extensions or renewals thereof, amendments thereto, replacements or substitutions therefor or further documents of title issued pursuant thereto including, without limitation, the leases set forth and described in the Land Schedule;

1.33 "Major Facilities" means the gas plants, compressor stations and other facilities described in Appendix "B";

1.34 "Material Contracts" means all contracts of Novalta:

(i) involving an aggregate annual net obligation on the part of, or net payment to, Novalta in the excess of $250,000, which are not terminable at the option of either party without payment or penalty on 60 days notice or less; and

(ii) any other contract that could reasonably be expected to have an effect on the value of Novalta in the amount in excess of $250,000;

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1.35 "Miscellaneous Interests" means all property, assets and rights, other than the Petroleum and Natural Gas Rights and the Tangibles, pertaining to the Petroleum and Natural Gas Rights and the Tangibles including, without limitation, the following:

(a) all original drawings, contracts (including production sales contracts and processing agreements), agreements, books, files (including well files) and other records, transportation rights, patents, licences and permits (including licences, approvals and permits issued by the Energy Resources Conservation Board and by Alberta Environment), seismic, geological, geophysical, production and engineering data (including well and test data), analysis, interpretation and reports (including contour maps and conclusions) and all other documents relating to the Petroleum and Natural Gas Rights, any lands with which the Lands have been unitized or the Tangibles and any and all rights

in relation thereto;

(b) all subsisting rights to enter upon, use and occupy the surface of any of the Lands, any lands with which the same have been unitized, any lands upon which any wells bottoming under but not located upon the Lands are situate and any other lands within, upon or under which the Resource Assets (including the Tangibles comprised therein) may be situate;

(c) the holes for and the casing contained in all wells for the purpose of production of Petroleum Substances, the injection of water or other substances, the disposal of water or other substances or otherwise which are situate on or bottoming under the Lands or lands with which the Lands have been unitized; and

(d) any right, title, estate or interest in or to any asset which relates to but does not comprise part of the Petroleum and Natural Gas Rights or the Tangibles;

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1.36 "Note" means the non-interest bearing loan from Vendor to Novalta in the amount of $85,154,136.00;

1.37 "Novalta" means Novalta Resources Inc., or in the event Novalta Resources Inc. changes its name prior to Closing as contemplated by Subclause 11.1, such name selected by Novalta Resources Inc. as its new name;

1.38 "Office Equipment" means all office furniture, furnishings, equipment (including computers and computer-related equipment), supplies, leasehold improvements and art purported to be owned by Novalta and located at its Calgary, Brooks, Athabasca, Coronation and Edson, Alberta offices;

1.39 "Office Leases" means Novalta's real property leases for its offices located at its head office in Calgary and its field offices in Brooks, Athabasca, Coronation, and Edson, Alberta;

1.40 "Permitted Encumbrances" means:

(a) easements, rights of way, servitude or other similar rights in land including, without limitation, rights of way and servitude for railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables, in each case to the extent that such do not materially interfere with the operation of any Assets;

(b) the right reserved to or vested in any government or other public authority by the terms of any instrument or statutory provision to terminate any of the Leases or to require annual or other periodic payments as a condition to the continuance thereof;

(c) taxes on Petroleum Substances or the income or revenue therefrom (excluding income and capital taxes) not delinquent and governmental requirements as to production rates of general application on the operation of any property or otherwise affecting the value of any property;

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(d) contracts for the sale of Petroleum Substances comprising part of the Assets;

(e) the terms and conditions of the Leases;

(f) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any of the Assets in any manner and all applicable laws, rules and orders of any governmental authority;

(g) undetermined or inchoate liens incurred or created as security in favour of persons conducting operations in relation to the Assets for Novalta's share of the costs and expenses associated with such operations (A) if they have not been filed pursuant to law, (B) if filed, they have not yet become due and payable or payment is being withheld as provided by law or (C) if their validity is being contested in good faith in the ordinary course of business by appropriate action;

(h) the reservations, limitations, provisos and conditions contained in any original grants from the Crown of any of the Lands or interests therein and statutory exceptions to title;

(i) agreements and plans relating to pooling or unitization;

(j) provisions for penalties and forfeitures under agreements as a consequence of non-participation in

operations;

(k) liens incurred or granted in the ordinary course of business to a public utility, municipality or governmental authority in connection with operations conducted with respect to the Assets, in each case to the extent that such do not materially interfere with the operation of any Assets;

(l) the royalties, carried interests, production payments, net profits interests and other encumbrances set forth in the Land Schedule; and

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(m) subject to the undertakings provided under Subclause 4.2(k), the Bank Security;

1.41 "Petroleum and Natural Gas Rights" means any and all interests of Novalta in and to the Lands and the Leases together with royalty interests, net profits interests and other like interests and the right to acquire any of the foregoing;

1.42 "Petroleum Substances" means petroleum, natural gas and related hydrocarbons and all other substances, whether gaseous, liquid or solid and whether hydrocarbons or not, associated therewith or any of them insofar as the same are granted by the Leases, together with all gaseous, liquid or solid substances, materials or additives which are injected, added, mixed, entrained, or otherwise used or employed in the winning, taking, production, gathering, processing, conditioning, storage, transmission or treatment of such petroleum, natural gas and related hydrocarbons;

1.43 "Plan" means any employee benefit plan, program or arrangement sponsored, maintained or contributed to by Vendor or Novalta or their Affiliates for the benefit of the Novalta employees as of the date of this Agreement, including, without limitation, any bonus, pension, savings, profit sharing, deferred compensation, supplemental retirement income, stock option, hospitalization insurance, medical, dental, disability, automobile, life or accident insurance plan or program;

1.44 "PowerWest" means PowerWest Financial Ltd.;

1.45 "Preferred Shares" means the 55,000 fully paid and non-assessable Class "A" preferred shares in the capital stock of Novalta registered in the name of Vendor;

1.46 "Purchase Price" means the amount calculated in accordance with Subclause 3.2, as adjusted;

1.47 "Purchaser's Representatives" means any and all of Purchaser's or Purchaser's Affiliates' directors, officers, employees, agents, consultants, advisors and representatives including, without limitation, Purchaser's Solicitors, and its financial advisors;

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1.48 "Purchaser's Solicitors" means legal counsel employed or retained by Purchaser to assist with the purchase of the Shares and Note;

1.49 "Purchaser's Total Capital Credit" has the meaning given in Subclause 3.6(b);

1.50 "Purchaser's Working Capital Credit" has the meaning given in Subclause 3.6(a);

1.51 "Resource Assets" means the Petroleum and Natural Gas Rights and any and all associated interests of Novalta in and to the Tangibles and the Miscellaneous Interests;

1.52 "Reviewed Lands" means the leasehold interests addressed in the Howard Opinions;

1.53 "Shares" means the Common Shares and the Preferred Shares;

1.54 "Sproule Report" means the 7 volume report entitled "Evaluation of the P. & N.G. Reserves of Novalta Resources Inc. and Amber Valley Energy Corporation (As of July 1, 1993)" prepared by Sproule Associates Limited;

1.55 "Tangibles" means all tangible depreciable property, assets and facilities situate in, on or about the Lands, appurtenant thereto or used, intended for use or useful in connection therewith or with the exploration, development, injection, production, gathering, processing, conditioning, storage, transmission or treatment of Petroleum Substances within, upon or under the Lands or lands with which the Lands have been unitized or other operations thereon or relative thereto including, without limitation, the Major Facilities;

1.56 "Title Deficiencies" has the meaning given in Subclause 7.1;

1.57 "Total Capital" means the total exploration and development expenditures spent by Novalta determined in accordance with GAAP in the fiscal year ending December 31, 1993, as shown on the Audited Closing Financial Statements less exploration and development expenditures for the six months ended June 30, 1993 of $5.1 million and

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less a further $7.8 million of expenditures provided for in the Sproule Report for the six months ending December 31, 1993;

1.58 "Total Capital Estimate" means the amount estimated by Novalta's accountants prior to Closing to be the Total Capital;

1.59 "Transitional Costs" means the after tax cost of all one time fees and other expenses incurred after the Effective Time and prior to Closing and not accrued in the Audited Closing Financial Statements by Novalta in respect of the transactions contemplated herein (including, without limitation, fees and other expenses incurred for legal, accounting and tax advice, environmental audit fees, investment banker fees and engineering and land evaluation fees);

1.60 "Vendor's Solicitors" means legal counsel employed or retained by Vendor to assist with the sale of the Shares and Note;

1.61 "Vendor's Total Capital Credit" has the meaning given in Subclause 3.6(b);

1.62 "Vendor's Working Capital Credit" has the meaning given in Subclause 3.6(a);

1.63 "Working Capital" means Novalta's current assets reduced by its current liabilities determined in accordance with GAAP as of the Effective Time as shown on the Audited Closing Financial Statements; and

1.64 "Working Capital Estimate" means the amount estimated by Novalta's accountants to be Novalta's Working Capital.

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(B) Incorporation of Appendices and Schedules: The following Appendices and Schedules are attached and form part of this Agreement and are incorporated herein as though contained in the body of this Agreement:

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Appendix "A" - Land Schedule

Appendix "B" - Major Facilities

Appendix "C" - 1993 AFE's

Appendix "D" - Claims

Appendix "E" - Financial Statements

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Appendix "F" - Howard Opinions/Reviewed Lands

Appendix "G" - Arbitration Procedure

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</TABLE>

(C) Appendix References: References herein to an appendix shall mean a reference to an appendix to this Agreement. References in any appendix to "the Agreement" shall mean a reference to this Agreement. References in any appendix to another appendix shall mean a reference to an appendix to this Agreement.

(D) Clause and Subclause References: References herein to a clause shall mean a reference to a clause within the body of this Agreement. References herein to a subclause or paragraph without identifying the clause or subclause of which the subclause or paragraph referred to is a part shall mean a reference to such subclause or paragraph in the same clause or subclause as in the subclause or paragraph in which such reference is made.

(E) Statutory References: References herein to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, all amendments made thereto and in force from time to time up to and including the Closing Time and any statute or regulation that may be passed up to and including the Closing Time which has the effect of supplementing or superseding the statute or associated regulations.

(F) Headings: The headings of clauses and subclauses herein and in the appendices are inserted for convenience of reference only and shall not affect or be considered to affect the construction of the provisions hereof and thereof.

(G) Gender and Number: This Agreement shall be read with all changes in gender and number as may be required by the context. In particular, words importing the singular shall include the plural and vice versa, words importing persons shall include firms and corporations and vice versa and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

(H) Conflict: Wherever any provision, whether express or implied, of any appendix to this Agreement conflicts or is at variance with any provision in the body of this Agreement, the provision in the body of this Agreement shall prevail.

(I) Currency and Mode of Payment: All dollar amounts referenced herein are expressed in Canadian dollars and all payments to be made hereunder are to be made by way of certified cheque, solicitor's trust cheque, wire transfer of immediately available funds or bank draft.

(J) Invalidity of Provisions: If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid, illegal or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid, illegal or unenforceable, shall not in any way be affected or impaired thereby.

(K) Subsidiaries: References in this Agreement in or relating to the representations and covenants of Novalta shall be deemed to include Novalta and its subsidiaries (which for purposes of this Agreement shall include Novalta Rosebank South Limited Partnership), unless the context otherwise requires.

2. SALE

Vendor agrees to sell and transfer the Shares and Note to Purchaser and Purchaser, in turn, agrees to purchase and receive the Shares and Note from Vendor, all in accordance with and subject to the terms and conditions set forth in this Agreement.

3. PRICE

3.1 Deposit: The parties acknowledge that Purchaser, no later than 5:00 p.m. (Calgary time) on the date hereof, will pay the Deposit to Vendor's Solicitors in trust for Vendor, to be deposited with the Bank of Nova Scotia in the form of a certificate of deposit, such Deposit and interest thereon to be released only in accordance with the provisions of this Subclause 3.1. The parties agree

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that, if the Deposit is not paid prior to such time, then Vendor may terminate this Agreement without any further liability by the parties hereunder by written notice to Purchaser at any time prior to the payment of the Deposit. The parties hereby confirm their agreement that the Deposit and interest thereon represent a fair, reasonable and genuine assessment of the damages Vendor would suffer or incur solely by reason of the failure or refusal of Purchaser to complete the Closing in breach of the provisions of this Agreement. In this regard it is agreed by the parties that a forfeiture of the Deposit and interest thereon to Vendor in such circumstances shall represent liquidated damages only and not a penalty and shall constitute a full and complete discharge of Purchaser's obligations to Vendor under this Agreement. The Deposit and interest thereon shall be paid on the following basis:

(a) if Closing occurs, Vendor's Solicitors shall hold the Deposit in escrow pursuant to the terms of Subclause 3.5 and shall credit interest which has accrued on the Deposit up to the Effective Time to Purchaser;

(b) if Closing does not occur due solely to the failure or refusal of Purchaser to complete the Closing in breach of the provisions of this Agreement, the Deposit plus interest which has accrued thereon shall be paid by Vendor's Solicitors to Vendor; and

(c) if this Agreement is terminated without the occurrence of the Closing under any other circumstances, the Deposit plus interest which has accrued thereon shall be promptly paid to Purchaser.

In the event Closing does not occur, a party entitled to be paid the Deposit or interest under this Subclause 3.1 shall issue a notice of entitlement in writing simultaneously to the other party and Vendor's Solicitors. Vendor's Solicitors shall pay the Deposit and interest as directed by such notice unless within 24 hours of receipt thereof by Vendor's Solicitors the other party reasonably objects in good faith to the payment by notice of objection in writing simultaneously to Vendor's Solicitors and the party giving the notice of entitlement. In the event Vendor's Solicitors receive a notice of objection or do not, within a reasonable time

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after it appears Closing will not occur, receive a notice of entitlement from either party, Vendor's Solicitors shall pay the Deposit and interest thereon into the Court of Queen's Bench in Calgary, Alberta where the return or release of such monies will be as determined or approved by such Court.

3.2 Purchase Price:

(a) Subject to adjustment as provided for in Subclause 3.4 the purchase price to be paid by Purchaser to Vendor for the Shares and Note shall be the sum of $251,399,325.00 plus the Working Capital Estimate plus the Total Capital Estimate plus the EBOC Value;

(b) The Purchase Price prior to the adjustments described

in Subclause 3.2(a) shall be allocated on the following basis:

<TABLE>

<S>	<C>
Note:	$ 85,154,131.00
Preferred Shares:	$ 55,000,000.00
Common Shares:	$111,245,194.00
	==========
Total:	$251,399,325.00

</TABLE>

(c) Any adjustments to the Purchase Price pursuant to Clause 3 or Clause 7 shall be made by an adjustment to the Common Share value allocation;

(d) If Closing occurs after the Effective Time, in addition to the Purchase Price, Purchaser shall pay to the Vendor interest calculated at the Interest Rate on the Purchase Price, from and including December 31, 1993 up to but excluding the date on which Closing occurs; and

(e) If Closing occurs after the Effective Time, the parties will deduct the Transitional Costs from the total of the Purchase Price plus the interest accrued thereon pursuant to Subclause 3.2(d).

3.3 Payment: The Purchase Price as adjusted, less the Deposit, shall be paid to the Vendor by or on behalf of Purchaser at the Closing Place at the Closing Time.

3.4 Closing Adjustment: At Closing, if an adjustment is required under Subclause 7.3 and the amount of such adjustment has been determined prior to Closing in

accordance with Subclause 7.4, the Purchase Price shall be reduced by the amount of the value of the Title Deficiencies (determined in accordance with Subclause 7.4).

3.5 Escrow Fund: In the event Closing occurs, Vendor's Solicitors shall hold the Deposit in trust for Vendor in an interest bearing trust account pending the earlier of: (i) the completion of the post-Closing adjustments referred to in Subclause 3.7; and (ii) the date which is 91 days immediately following the Closing Time; whereupon the Deposit or such amount thereof which has not been paid out in accordance herewith, plus interest accruing thereon after the Effective Time, shall be paid to the Vendor; and interest from the date hereof to and including the Effective Time shall be paid to Purchaser.

3.6 Working Capital and Total Capital Estimates:

(a) Within 90 days following the Closing Time, or as soon thereafter as possible, the Vendor shall cause, at the expense of Vendor, the Auditors to prepare and deliver to Purchaser the Closing Financial Statements for Novalta as of the Effective Time, which financial statements shall include a statement setting forth the difference between the Working Capital Estimate and the Working Capital and the difference between the Total Capital Estimate and the Total Capital. The Auditors will permit KPMG Peat Marwick ("KPMG") full participation in the preparation of the Closing Financial Statements and access to the financial statements, working papers and supporting documents involved in the preparation of the Closing Financial Statements. Any costs and expenses related to KPMG's participation in the preparation of such financial statements shall be borne by Purchaser.

(b) As soon as practicable within 30 days after Purchaser's receipt of the proposed Closing Financial Statements, Purchaser shall deliver to Vendor a written report containing any changes that Purchaser

proposes to be made to such proposed Closing Financial Statements. The parties shall undertake in good faith to agree on the Closing Financial Statements no later than 180 days after the Closing Time; provided, however, if Purchaser and Vendor shall be unable to agree on the Closing

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Financial Statements within such 180-day period, the public accounting firm of Arthur Andersen & Co., or such other nationally recognized public accounting firm mutually acceptable to Purchaser and Vendor, shall be engaged to make its determination of the amount in dispite (and only such amount). Each party shall bear and pay one-half of th fees and other costs charged by such accounting firm.

(c) If any accounting firm is engaged as provided in Subclause 3.6(e), Vendor and Purchaser agree to provide such accounting firm with all books, records and other information relevant to the determination of the amount in dispute. Such accounting firm shall be instructed to use a materiality standard as such firm may determine to be reasonable under the circumstances, in light of the cost to be incurred and the amount in issue. Such accounting firm shall be instructed to make such calculations as soon as practicable. The final determination of any of the Closing Financial Statements (including, without limitation, the Working Capital and Total Capital) pursuant to this Subclause 3.6(c) shall be binding on the parties hereto.

(d) If the Working Capital Estimate is greater than the Working Capital then the difference shall be a credit in favour of Purchaser (the "Purchaser's Working Capital Credit"). If the Working Capital Estimate is less than the Working Capital then the difference shall be a credit in favour of Vendor (the "Vendor's Working Capital Credit"). The amount of the Purchaser's Working Capital Credit, if any, shall be adjusted in accordance with Subclause 3.7. The amount of the Vendor's Working Capital Credit, if any, shall be adjusted in accordance with Subclause 3.8.

(e) If the Total Capital Estimate is greater than the Total Capital then the difference shall be a credit in favour of Purchaser (the "Purchaser's Total Capital Credit"). If the Total Capital Estimate is less than the Total Capital the difference shall be a credit in favour of Vendor (the "Vendor's Total Capital Credit"). The amount of Purchaser's Total Capital Credit, if any, shall be adjusted in accordance with, Subclause 3.7. The amount of the

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Vendor's Total Capital Credit, if any, shall be adjusted in accordance with Subclause 3.8.

3.7 Post-Closing Adjustment in Favour of Purchaser: As soon as reasonably practical following Closing and in any event prior to the date which is 90 days immediately following the Closing Time with respect to Subclauses 3.7(a) and 3.7(b) and 180 days immediately following the Closing Time with respect to Subclause 3.7(c), Purchaser and Vendor shall make the following post-Closing adjustments:

(a) if an adjustment is required under Subclause 7.7 in respect of Title Deficiencies and such adjustment has not been made at Closing in accordance with Subclause

3.4, Vendor's Solicitors shall pay from the Deposit to Purchaser, the amount determined in accordance with Subclause 7.4 to be the value of the Title Deficiencies; and

(b) if an adjustment is required in favour of Purchaser under Subclause 3.6 in respect of a Working Capital and/or Total Capital deficiency, the Vendor's Solicitors shall pay from the Deposit to Purchaser, the amount of the Purchaser's Working Capital Credit and/or Total Capital Credit, if any.

(c) if an adjustment is required under Subclause 7.6 in respect of Title Deficiencies, Vendors' Solicitors shall pay to the Purchaser from the funds currently held pursuant to Subclause 7.5, the amount determined in accordance with Subclause 7.7 to be the value of the remaining Title Deficiencies.

3.8 Post-Closing Adjustment in Favour of Vendor: As soon as reasonably practical following Closing and in any event prior to the date which is 90 days immediately following the Closing Time, Purchaser and Vendor shall make the following post-Closing adjustments:

(a) if an adjustment is required in favour of Vendor under Subclause 3.6(d) in respect of a Working Capital excess, Purchaser shall pay to Vendor the amount of the Vendor's Working Capital Credit, if any; and

(b) if an adjustment is required in favour of Vendor under Subclause 3.6(e) in respect of a Total

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Capital excess, Purchaser shall pay to Vendor the amount equal to the Vendor's Total Capital Credit.

3.9 Post-Closing Adjustment in Favour of Both Purchaser and Vendor: In the event an adjustment in favour of Purchaser is required pursuant to Subclause 3.7 and an adjustment is required in favour of Vendor pursuant to Subclause 3.8 the Vendors' Solicitors shall deduct from any payment to be made hereunder to one of the parties the amount of such adjustment to be made in favour of the other party. The party required to make a payment pursuant to this Subclause 3.9 shall pay the difference between the amounts calculated under Subclauses 3.7 and 3.8 to the other party.

4. CLOSING

4.1 Time and Location: Closing shall take place at the Closing Place at the Closing Time.

4.2 Vendor Documentation: In addition to any other documentation specifically or impliedly contemplated elsewhere in this Agreement, Vendor shall deliver or cause to be delivered the following documents (fully authorized and executed, where applicable, by all appropriate parties except Purchaser) to Purchaser or Purchaser's Solicitors at Closing:

(a) Closing Certificate: A certificate effective as of the Closing Time executed by Vendor certifying that all of Vendor's representations, warranties and covenants contained in Subclauses 9(A) and (B) and Appendix "J" are true and correct or complied with in all material respects at and as of the Effective Time and the Closing Time;

(b) Certified Resolutions of Novalta: Certified resolutions of the directors of Novalta approving the transfer of the Shares to Purchaser, the cancellation of the existing share certificates and the issuance of new share certificates in favour of Purchaser for the Shares;

(c) Endorsed Share Certificates: The share certificates presently issued in the name of Vendor for the Shares

endorsed for transfer to Purchaser;

(d) New Share Certificates: New share certificates for the Shares;

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(e) Note: A written acknowledgement of Novalta evidencing sale of the Note to Purchaser;

(f) Minute Books and Seals: All minute books and the corporate seals or comparable partnership documents for Novalta, Amber Valley Energy Corporation and Novalta Rosebank South Limited Partnership;

(g) Resignations: Resignations of all directors (or members of any partnership governing body) of Novalta and Amber Valley Energy Corporation and Novalta Rosebank South Limited Partnership and of all officers of either corporation who are not employees of such corporation as well as resignations of any directors or officers of EBOC that are affiliated with or designated by Novalta and who will not continue as employees of Novalta immediately following the Closing Time;

(h) Releases: General releases in favour of Novalta from Vendor and the resigning directors, governing body members and officers of Novalta, Amber Valley Energy Corporation, Novalta Rosebank South Limited Partnership and EBOC;

(i) Updated Land Schedule: An updated Land Schedule, it being understood that the foregoing shall not contain any material changes to the version in Appendix "A"; provided however that any such updated Land Schedule shall not have the effect of modifying any representations of the Vendor;

(j) Opinion of Vendor's Solicitors: An opinion from Vendors' Solicitors in favour of Purchaser, in a form mutually agreeable to the parties;

(k) Release of Bank Security: Releases of the Bank Security, and an enforceable undertaking to provide registerable discharges where appropriate of all such Bank Security within a reasonable period of time after Closing; and

(l) Employee Matters: Evidence satisfactory to Purchaser that all staff salaries, remuneration, benefits, deductions, contributions, holiday, flex day or vacation pay and worker's compensation payments for all the Novalta employees up to the time of Closing have been fully accrued or paid and satisfied.

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4.3 Purchaser Documentation: In addition to paying the Purchase Price to Vendor in the manner contemplated by Subclause 3.3, Purchaser shall deliver or cause to be delivered the following documents (fully authorized and executed, where applicable, by all appropriate parties except Vendor and Novalta) to Vendor or Vendor's Solicitors at Closing:

(a) Closing Certificate: A certificate effective as of the Closing Time executed by Purchaser certifying that all of Purchaser's representations, warranties and covenants contained in Subclause 9(C) are true and correct or complied with in all material respects at and as of the Effective Time and the Closing Time;

(b) Releases: General releases from Purchaser and Novalta (executed by post-Closing officers of Novalta) in favour of the resigning directors, governing body members and officers referred to in Subclause 4.2(g);

(c) Regulatory Approvals: All applicable regulatory approvals including, without limitation, written approvals pursuant to the Investment Canada Act (Canada) and the Competition Act (Canada); and

(d) Opinion of Purchaser's Solicitors: An opinion from Purchaser's Solicitors in favour of Vendor, in a form mutually agreeable to the parties.

4.4 Vendor's Closing Conditions: The obligation of Vendor to complete the transactions contemplated herein is subject to the satisfaction at or prior to the Closing Time of the following conditions precedent:

(a) Purchaser's Representations True: All of Purchaser's representations, warranties and covenants contained in Subclause 9(C) shall be true and correct or complied with in all material respects at and as of the Effective Time and the Closing Time;

(b) Performance by Purchaser: Purchaser shall have performed and satisfied in all material respects all covenants required herein to be performed and satisfied by it at or prior to the Closing Time including, without limitation, the tendering of the

Purchase Price and all of the items required to be delivered pursuant to Subclause 4.3 above; and

(c) Regulatory Approvals: All applicable regulatory approvals (including, without limitation, any approvals required pursuant to the Investment Canada Act (Canada) and the Competition Act (Canada)) shall have been obtained.

The foregoing conditions precedent shall be for the sole benefit of Vendor and may, without prejudice to any of Vendor's other rights hereunder (including, without limitation, reliance upon or enforcement of any of Purchaser's representations, warranties and covenants set forth in Subclause 9(C) which are preserved and deal with or are similar to the condition waived), be waived in writing by Vendor, in whole or in part, at any time. In case any of the said conditions precedent shall not be complied with, or waived by Vendor, at or before the Closing Time, Vendor may rescind or terminate this Agreement by written notice to Purchaser. Upon Closing, all of the foregoing conditions precedent shall be deemed to have been satisfied or waived as closing conditions.

4.5 Purchaser's Closing Conditions: The obligation of Purchaser to complete the transactions contemplated herein is subject to the satisfaction at or prior to the Closing Time of the following conditions precedent:

(a) Vendor's Representations True: All of Vendor's representations, warranties and covenants contained in Subclauses 9(A) and (B) and Appendix "J" shall be true and correct or complied with in all material respects at and as of the Effective Time and the Closing Time;

(b) Performance by Vendor: Vendor shall have performed and satisfied in all material respects all covenants required herein to be performed and satisfied by it at or prior to the Closing Time including, without limitation, the tendering of all of the items required to be delivered pursuant to Subclause 4.2 above;

(c) No Damage: There shall have been no substantial physical damage to or alteration in or to any of the Assets between the date hereof and the Closing Time, net of insurance proceeds, which materially and adversely affects the value of Novalta; and

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(d) Regulatory Approvals: All applicable regulatory approvals (including, without limitation, any approvals required pursuant to the Investment Canada Act (Canada) and the Competition Act (Canada)) shall have been obtained.

The foregoing conditions precedent shall be for the sole benefit of Purchaser and may, without prejudice to any of Purchaser's other rights hereunder (including, without limitation, reliance upon or enforcement of any of Vendor's representations, warranties and covenants set forth in Subclauses 9(A) and (B) and Appendix "J" which are preserved and deal with or are similar to the condition waived), be waived in writing by Purchaser, in whole or in part, at any time. In case any of the said conditions precedent shall not be complied with, or waived by Purchaser, at or before the Closing Time, Purchaser may rescind or terminate this Agreement by written notice to Vendor. Upon Closing, all of the foregoing conditions precedent shall be deemed to have been satisfied or waived as closing conditions.

4.6 Best Efforts: Each party hereto agrees with the other to use its best efforts until Closing to take all actions necessary to ensure that the conditions precedent outlined in Subclauses 4.4 and 4.5 above are satisfied at or before the Closing Time.

5. EXAMINATION OF RECORDS AND INFORMATION

5.1 Access: From the date hereof up to and including the Closing Time, subject to receiving any necessary consents from third parties (which consent Vendor shall use its best efforts to obtain expeditiously), Vendor shall permit, and shall cause its Affiliates and Novalta to permit, Purchaser and Purchaser's Representatives to have reasonable access to the facilities, properties, personnel, books and records of or relating to Novalta and its subsidiaries, including without limitation making the following records and information (to the extent the same are within the possession or control of Vendor or Novalta or their Affiliates) available to Purchaser and Purchaser's Representatives at Novalta's offices during Novalta's normal business hours to conduct such inspection as Purchaser reasonably requires:

(a) Title: All leases, agreements and other documents and correspondence (including the Howard Opinions) affecting Novalta's title to the Assets;

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(b) Corporate, Accounting and Financial: All corporate, accounting and financial records (including, without limitation, insurance policies and acquisition agreements) of Novalta, its subsidiaries and EBOC;

(c) Technical and Operating: All seismic, geological, geophysical and similar data, interpretations and agreements and all operational records (including, without limitation, all well and production records) relating to the Assets; and

(d) Environmental Information: All information, including directives, orders and correspondence and any audits, assessments or reviews relating to

environmental matters affecting Novalta or the Assets.

In the event any of the foregoing records and information are not within the possession or control of Vendor or Novalta and Vendor or Novalta can only arrange for Purchaser or Purchaser's Representatives to inspect the same at other than Novalta's premises, then Purchaser or Purchaser's Representatives may inspect such records and information wherever the same are located.

5.2 Confidentiality: The obligation of the Purchaser with respect to the confidentiality of all information relating to Novalta shall be governed by the Confidentiality Agreement which is incorporated herein by reference as though set forth in its entirety.

6. TITLE TO REVIEWED LANDS AND ENVIRONMENTAL REVIEW

6.1 Howard Opinions: Purchaser acknowledges that it has reviewed the Howard Opinions in respect of the Reviewed Lands and is satisfied with the state of title to such lands as of the effective dates stated in the Howard Opinions. Upon Closing, Vendor shall cause the Howard Opinions to be readdressed to Purchaser.

6.2 Arthur D. Little Report: Purchaser acknowledges that it has reviewed the Arthur D. Little Report in respect of the Environmentally Reviewed Lands and agrees that Novalta shall remain liable for all Environmental Liabilities described in such report. Purchaser further agrees that, subject to the provisions of Subclauses 9.37 and 9(H), Novalta shall remain liable for all

Environmental Liabilities with respect to all Lands which were not the subject of the Arthur D. Little Report.

7. TITLE DEFICIENCIES

7.1 Identification of Title Deficiencies: Purchaser may from time to time but no later than 20 Business Days prior to Closing give written notice to Vendor describing in reasonable detail all defects and irregularities relating to the Petroleum and Natural Gas Rights, excluding all interests of Novalta in the Reviewed Lands, that in the reasonable opinion of Purchaser, materially adversely affect the title of Novalta to any portion of the Petroleum and Natural Gas Rights, excluding all interests of Novalta in Reviewed Lands (collectively the "Title Deficiencies") and a reasonable estimate by Purchaser of the aggregate value of such Title Deficiencies.

7.2 Reviewed Lands: For greater certainty Purchaser shall not be entitled to give Vendor notice of, or request an adjustment to the Purchase Price in respect of, any deficiencies or irregularities relating to Novalta's title to the Reviewed Lands.

7.3 Adjustment Limitation: If the aggregate value of Title Deficiencies (determined in accordance with Subclause 7.4) exceeds $500,000.00 then the Purchase Price shall be reduced by the amount that the value of the Title Deficiencies (determined in accordance with Subclause 7.4) exceeds $500,000.00. If the aggregate value of the Title Deficiencies (determined in accordance with Subclause 7.4) does not exceed $500,000.00 then there shall be no adjustment to the Purchase Price.

7.4 Value of Title Deficiencies: The value of the Title Deficiencies shall be determined as follows:

(a) if Vendor agrees with Purchaser's estimate set forth in the notice referred to in Subclause 7.1 in respect of Title Deficiencies, Vendor shall deliver to Purchaser written notice of Vendor's agreement to Purchaser's estimate of the value of Title Deficiencies, in which case

the amount so agreed to shall be the value of such Title Deficiencies for all purposes of this Agreement (collectively, the "Agreed Title Deficiencies");

(b) if Vendor does not agree with Purchaser's estimate set forth in the notice referred to in Subclause 7.1 in respect of Title Deficiencies, Vendor shall provide written notice of such disagreement to Purchaser no later than 15 Business Days prior to Closing.

(c) if after receipt of such notice Purchaser contends that the Title Deficiencies which remain (together with the value of the Agreed Title Deficiencies), cumulatively diminish the value of the Resource Assets by an amount in excess of $500,000.00, the Purchaser may elect by written notice to Vendor no later than 4:30 p.m., Calgary time, on the tenth Business Day prior to the Closing Time to:

(i) Waive: waive the uncured Title Deficiencies (other than the Agreed Title Deficiencies); or

(iii) Price Reduction: negotiate a reduction in the Purchase Price.

Failure by Purchaser to elect or to elect within the time frame set out in this Subclause 7.4(b) shall be irrefutably and conclusively deemed to be an election to waive all uncured Title Deficiencies.

7.5 If Purchaser elects to negotiate a reduction in the Purchase Price and no agreement is reached at or before 4:30 p.m., Calgary Time, on the fifth Business Day immediately preceding the Closing Time and Purchaser contends that the uncured Title Deficiencies cumulatively diminish the value of the affected Resource Assets, other than the Reviewed Lands, by an amount in excess of $500,000.00 (less the amount of the Agreed Title Deficiencies), the parties agree to arbitrate the proposed Purchase Price reduction in accordance with the Arbitration Procedure and, if the Closing Time arrives before the arbitration decision is issued, proceed with Closing with Purchaser deducting from the Purchase Price otherwise payable at Closing the full amount of the reduction requested and depositing the same with the Vendor's Solicitors.

7.6 Ability to Remedy before Closing: Vendor shall be entitled to remedy or cure any or all Title Deficiencies prior to Closing. If a Title Deficiency has been

remedied or cured prior to Closing it shall cease to be a Title Deficiency for all purposes of this Agreement, including without limitation, for purposes of adjustment of the Purchase Price and calculation of the limit for adjustment provided for in Subclause 7.3.

7.7 Ability to Remedy after Arbitration: If the parties have arbitrated a Purchase Price reduction with respect to uncured Title Deficiencies pursuant to Subclause 7.5 and the Arbitrator's decision results in a reduction in the value of the Resource Assets in excess of $500,000.00, then, on the written notice of Vendor to Purchaser within ten Business Days of the date of delivery of the Arbitrator's decision to the Vendor, Vendor shall have 180 days from the Closing Time to remedy such Title Deficiencies. If a Title Deficiency is remedied within such period it shall cease to be a Title

Deficiency for all purposes of this Agreement and the Purchase Price reduction set out in the Arbitrator's decision shall be adjusted accordingly and the Vendor's Solicitors shall promptly pay the appropriate amount to Vendor from the funds paid to Vendor's Solicitors pursuant to Subclause 7.5. If Vendor does not provide Purchase with notice as contemplated hereto then Vendor's Solicitors shall promptly pay to Purchaser all the funds paid to Vendor's Solicitors pursuant to Subclause 7.5.

7.8 Co-operation: Purchaser shall co-operate with respect to any attempt by Vendor to remedy any Title Deficiency and shall allow Vendor and Vendor's Representative with reasonable access during normal business hours to all relevant records relating to the Resource Assets.

8. INTERIM PERIOD

8.1 Interim Operations: Subsequent to the date of execution of this Agreement, Novalta shall not enter into any obligations or commitments with respect to the Resource Assets for which Novalta's share of costs is in excess of either,

(a) $25,000.00 for any single item or related series of items not required to be spent pursuant to an operating agreement or,

(b) the expenditure limit established by any applicable operating agreement below which an approval for expenditure is not required,

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without the prior written consent of Purchaser (which consent shall not be unreasonably withheld) except as may be reasonably necessary to protect, and insure life and safety or to preserve the Resource Assets or title to the Resource Assets. Novalta shall not, without the prior written consent of Purchaser, propose, consent to or initiate the exercise of any right or option relative to or arising as a result of the ownership of the Resource Assets or propose or initiate any operations in respect thereof any of which have not been commenced or committed to as of the date of execution of this Agreement except that Novalta may propose or initiate any operations in respect of the Resource Assets for, and may propose or indicate the exercise of any right or option relative to, the preservation of any of the Resource Assets.

8.2 In addition, neither Novalta nor any of its subsidiaries shall, without the prior written consent of Purchaser except as disclosed in Schedule 8.2,

(a) issue, sell, encumber or agree to issue, sell or encumber any shares, rights, options, warrants or other securities or incur or amend any long-term debt;

(b) purchase, cancel, retire, redeem or otherwise acquire any outstanding shares, rights, options, warrants or other securities;

(c) alter salary arrangements, employee benefits or other compensation arrangements from those which are in effect on the date hereof and disclosed on Schedule 8.2(c);

(d) change, amend or modify its charter documents or by-laws;

(e) declare or pay any dividends or make any other distributions;

(f) sell, pledge, encumber or otherwise dispose of any Assets; provided, however, that Novalta may sell in a public offering all or a portion of its shares of EBOC prior to the Effective Time, it being acknowledged that the net proceeds of any such sale shall be deemed to be included in the Working Capital;

(g) enter into, amend or modify any Material Contracts, or agree to do so; and

(h) enter into, amend or modify any agreement, arrangement or understanding with any Affiliate of Vendor, or agree to do so except as set forth on Schedule 8.2(h).

8.3 In addition, Vendor and Novalta shall not, without the prior written consent of Purchaser:

(a) alter any Plan (other than any amendment required by applicable laws and regulations);

(b) take any action or omit to have taken any action with respect to any Plan that could result in the liability of Novalta to any person or the imposition of any penalty upon Novalta or which could adversely affect the registration of such Plan; or

(c) take any action or omit to have taken any action that would have the effect of increasing the termination obligations of Novalta to the Novalta employees in excess of those obligations set forth in Appendix H as of the date of this Agreement.

9. REPRESENTATIONS AND WARRANTIES

(A) Vendor: Vendor represents, warrants and covenants to and with Purchaser as follows:

9.1 Corporate Standing: Vendor is, and at the Closing Time shall be, a corporation duly incorporated, organized and validly existing under the laws of Alberta;

9.2 Requisite Authority: Vendor has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder and the execution and delivery of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary corporate action on the part of Vendor;

9.3 No Conflicts: The execution and delivery of this Agreement and each and every agreement and instrument to be executed and delivered hereunder and the consummation of the transactions contemplated herein and therein will not:

(a) violate or result in a breach or default of, require any consent under, be in conflict with or accelerate or permit the acceleration of the performance of the provisions of any agreement, license, permit, franchise or other instrument to which Vendor is a party or by which it is bound or to which the Assets are subject;

(b) violate or conflict with any judgment, decree, injunction, order, law, statute, rule or regulation applicable to Vendor or Vendor's constating documents or bylaws;

(c) result in the loss of any licence, franchise or permit or give a right of termination to any party under any agreement or instrument; or

(d) give rise to any rights of first refusal or any other preemptive, preferential or similar rights to purchase any of the Shares, Note or Assets;

9.4 Execution and Delivery: This Agreement has been duly executed and delivered by Vendor and all other documents required to be executed and delivered by Vendor pursuant hereto will be duly executed and delivered by Vendor and this Agreement does, and such documents will, constitute legal, valid and binding obligations of Vendor enforceable in accordance with their respective terms;

9.5 No Lawsuits or Claims: Except as noted in Appendix "D", Vendor is not party to any action, suit or other legal, administrative or arbitration proceeding or government investigation, actual or threatened, which has or could have a material adverse affect on the purchase or sale of the Shares and the Note or on the business, assets, financial condition or operations of Novalta ("Material Adverse Effect") and there is no particular circumstance, matter or thing known to Vendor which could reasonably be anticipated to give rise to any such action, suit or other legal, administrative or arbitration proceeding or government investigation the result of which would have a Material Adverse Effect;

9.6 Title of Vendor to the Shares: Except for the Bank Security, Vendor has good, marketable, recorded and beneficial title to and ownership of the Shares, each of the Shares is fully paid and non-assessable and free

and clear of all liens, mortgages, charges, security interests, pledges, equities, encumbrances, demands and adverse claims whatsoever and no entity other than Purchaser has any agreement, option, right, warrant or privilege to purchase or otherwise acquire any of the Shares;

9.7 Note Not Encumbered: Except for the Bank Security, the Note is free and clear of all liens, mortgages, charges, security interests, pledges, equities, encumbrances, demands and adverse claims;

9.8 (Intentionally omitted.)

(B) Novalta's Assets and Shares: Vendor further represents, warrants and covenants to and with Purchaser as follows:

9.9 Corporate Standing: Novalta is, and at the Closing Time shall continue to be, a corporation duly incorporated, organized and validly existing under the laws of Alberta, being its jurisdiction of incorporation, and duly registered under the laws of those jurisdictions in which Novalta is required to be registered;

9.10 Requisite Authority: Novalta has all requisite power and authority to comply with the provisions of this Agreement and to own the Assets and its compliance with the provisions of this Agreement has been duly authorized by all necessary corporate action on the part of Novalta;

9.11 No Conflicts: The execution and delivery of this Agreement and each and every agreement and instrument to be executed and delivered hereunder and the consummation of the transactions contemplated herein and therein will not:

(a) violate or result in a breach or default of, require any consent under, be in conflict with or accelerate or permit the acceleration of the performance of the provisions of any agreement, license, permit, franchise or other instrument to which Novalta is a party or by which it is bound or to which the Assets are subject;

(b) violate or conflict with any judgment, decree, injunction, order, law, statute, rule or regulation applicable to Novalta or Novalta's constating documents or bylaws;

(c) result in the creation of any lien, charge, security interest or other encumbrance upon any of the Assets or to which Novalta will be subject;

(d) result in the loss of any licence, franchise or permit affecting the Resource Assets or give a right of termination to any party under any agreement or instrument affecting the Resource Assets; or

(e) give rise to any rights of first refusal or any other preemptive, preferential or similar rights to purchase any of the Assets;

9.12 Execution and Delivery: All documents required to be executed and delivered by Novalta pursuant hereto will be duly executed and delivered by Novalta and will constitute legal, valid and binding obligations of Novalta enforceable in accordance with their respective terms;

9.13 1993 AFE's: Set forth in Appendix "C" is a list of all signed authorizations for expenditure which have been executed by Novalta subsequent to January 1, 1993 up to the date hereof with respect to the Resource Assets and which Appendix "C" shows Novalta's share of the respective amounts of such authorizations for expenditure, Novalta's share of the amounts expended and Novalta's share of amounts which have been paid or accrued;

9.14 No Changes: The business and affairs of Novalta will be carried on from the date hereof to Closing in the ordinary and normal course except as expressly provided by this Agreement;

9.15 Employees: Except as set forth in Schedule 9.15 (which Schedule also contains a list of all of Novalta's employees):

(a) Novalta is not a party to any written contracts of employment, service agreements, management agreements, collective bargaining agreements or employee association agreements;

(b) Novalta has not conducted and is not now conducting any negotiations with any labour union or employee association;

(c) Novalta has no agreements, policies or understandings with the Novalta employees with respect to increases in compensation;

(d) Novalta has not now and will not have at the time of Closing, any outstanding orders, investigations or prosecutions under the Occupational Health and Safety Act or regulations; and

(e) Novalta is up-to-date in making unemployment insurance payments, payments pursuant to the Canadian Pension Plan and income tax withholding payments.

9.16 Employee Benefits: Schedule 9.16 provides a description of each Plan. Except as set forth in Schedule 9.16:

(a) Novalta does not have now nor has Novalta ever participated in any employee benefit or incentive plan arrangement or agreement solely with respect to its officers and directors for which Novalta has liability;

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (i) require Novalta to make a larger contribution to, or pay greater benefits under, any Plan or other employee benefit or incentive plan arrangement or agreement than it otherwise would or (ii) create or give rise to any additional vested rights or service credits under any Plan or other employee benefit or incentive plan arrangement or agreement other than those set out in Appendix "H";

(c) Novalta will not at Closing have any liabilities for payment of wages, vacation pay, salaries, bonuses, pensions, except as provided for in Subclause 10.2, or for contributions under any Plan, or other compensation, current or deferred under any labour or employment contract, whether written or oral which accrued up to the time of Closing, other than the liability for termination obligations shall remain the responsibility of Novalta in Subclause 10.4, and any liabilities reflected in the Financial Statements;

(d) True, correct and complete copies of each of the Plans, and related trusts, if applicable, including all amendments thereto, and the most recent actuarial report with respect to such Plan, if any, as well as true, correct copies of Novalta's employee policy manual will be made available to Purchaser prior to Closing;

(e) Vendor and Novalta have substantially performed all obligations, whether arising by operation of law or by contract, required to be performed by them in connection with the Plans, and to the knowledge of Vendor there have been no defaults or violations by any other party to the Plans;

(f) All reports and disclosures relating to the Plans required to be filed with or furnished to governmental agencies, Plan participants or Plan beneficiaries have been filed or furnished in accordance with applicable laws and regulations in a timely manner;

(g) Each Plan complies with applicable laws and regulations, has been administered in substantial compliance with its governing documents, if any, and has not been operated in a way which would result in the liability of Novalta to any person or the imposition of any penalty upon Novalta;

(h) Each Plan which is required to be registered by applicable laws and regulations, has been duly registered pursuant to such laws and regulations and has not, to the knowledge of Vendor, been operated in a way which would adversely affect the registration of such Plan; and

(i) Surplus monies under the pension plan, if any, have not been removed from the trust fund by the Vendor or its Affiliates and all contributions required under such plan have been made.

9.17 Accounts Receivable: All accounts receivable to be recorded in the Audited Closing Financial Statements will be bonafide and, to the best of Vendor's and Novalta's knowledge and belief (after reasonable inquiry), subject to any allowance for doubtful accounts as provided for therein, collectible by Novalta in a timely manner in accordance with industry custom without set off or counterclaim;

9.18 Books of Account and Operating Records: The books of account and other records maintained by Novalta of a financial or an accounting nature are maintained in accordance with GAAP and accurately reflect the financial transactions of Novalta and the other records maintained by Novalta relative to its operations have been maintained in accordance with prudent business practices;

9.19 No Default Under Agreements: Other than as disclosed in the Howard Opinions or the Arthur D. Little Report, (a) Novalta is not in default under any agreement, document or lease to which Novalta is a party or by which it is bound; (b) there is no outstanding notice of cancellation or termination in connection with the foregoing; (c) there does not exist any event or circumstance which through the passage of time or which as a result of a notice by a third party could become a default by Novalta under any agreement, document or lease to which it is a party or by which it is bound; and (d) each agreement, document and lease to which Novalta is a party or by which it is bound is in full force and effect in accordance with its terms except in the case of subclauses (a), (b), (c) and (d), for any such default, notice or other circumstances that, individually or in the aggregate, would not or could not reasonably be expected to have a Material Adverse Effect;

9.20 No Default Under Laws: Novalta has not received any notice of and, is not in any default or violation of any judgment, decree, injunction, order, law, statute, rule or regulation which has or could have a Material Adverse Effect;

9.21 Finders' Fees: Neither Vendor nor Novalta has incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the within transactions for which Purchaser or Novalta or any of its subsidiaries will have any obligation or liability;

9.22 No Judgments, Lawsuits or Claims: There are no unsatisfied judgments against Novalta or any consent decrees or injunctions to which Novalta is subject and, except as noted in Appendix "D", Novalta is not party to any action, suit or other legal, administrative or arbitration proceeding or government investigation, actual or threatened, which has or could have a Material Adverse Effect and there is no particular

circumstance, matter or thing known to Vendor or Novalta which could reasonably be anticipated to give rise to any such action, suit or other legal, administrative or arbitration proceeding or government investigation the result of which would have a Material Adverse Effect;

9.23 Financial Statements: The Financial Statements have been prepared in accordance with GAAP and present the financial position of Novalta and the results of its operations for the periods therein referred to and without limiting the foregoing, the Financial Statements do not contain any untrue statement of a material fact and do not omit to state any material fact required to be stated to make the Financial Statements, as applicable, not misleading;

9.24 Title and Quiet Enjoyment to Resource Assets: The Resource Assets are free and clear of all liens, charges, encumbrances and adverse claims created by, through or under Novalta or Vendor except for Permitted Encumbrances and, subject to the foregoing, Novalta may continue to hold and enjoy the interests attributed to it in Appendix "A" for its own use and benefit;

9.25 Title to Other Assets: Subject to Permitted Encumbrances

Novalta has good marketable and beneficial title to and ownership of all of the Assets. This representation and warranty does not apply or extend to the Resource Assets;

9.26 Overproduction Penalties: To the best of Vendor's knowledge, information and belief (after reasonable inquiry), none of the wells located on the Lands has been overproduced such that it is subject or liable to an overproduction penalty;

9.27 Change in Production Allowables: Neither Novalta nor Vendor is aware of any adverse change or proposed change in the production allowables for any wells from which production of Petroleum Substances is allocated to the Lands that could have a Material Adverse Effect;

9.28 Wells and Tangibles: All wells located on the Lands have been drilled and, if completed, completed, operated and produced in accordance with good oil and gas field practices and in compliance in all material respects with all rules and regulations; provided, however, that such representation is limited to the

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best of Novalta's and Vendor's information and belief (after reasonable inquiry) with respect to wells that are not operated by Novalta or any of its subsidiaries;

9.29 Wells to be Abandoned: To the best of the Vendor's knowledge, information and belief (after reasonable inquiry), Novalta has not agreed to and is not now obligated to abandon any well operated by Novalta located on the Lands which is not being abandoned and reclaimed in accordance with applicable legal requirements and good oil and gas field practices;

9.30 Shares Only Issued Security: The Shares represent the only authorized or issued securities in the capital stock of Novalta;

9.31 No Rights To Acquire Unissued Securities: There are no agreements, options, rights or privileges (including, without limitation, convertible securities, warrants or convertible obligations of any nature) relating to or providing for the purchase, subscription, allotment or issuance of any securities in the capital stock of Novalta;

9.32 Long Term Debt, Etc.: Novalta does not have any long-term debt other than the Note;

9.33 (Intentionally omitted);

9.34 Insurance Policies: All of Novalta's insurance requirements are covered under the insurance policies of NOVA Corporation of Alberta. All of Novalta's insurance coverage as provided under NOVA Corporation of Alberta's insurance policies shall be discontinued with respect to occurrences after the Closing Time. Purchaser shall be responsible for obtaining all necessary insurance requirements and such insurance shall be in force as of the Closing Time;

9.35 No Other Agreement: Novalta is not a party to:

(a) any agreement, indenture or other instrument which contains restrictions with respect to the payment of dividends or other distributions in respect of its capital;

(b) any financial arrangement or agreement respecting or creating any indebtedness to any person, other

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than the Note to Vendor reflected on the Financial Statements;

(c) any advance to, or investment in, any person (excluding Novalta's ownership of 4,077,316 shares in EBOC) or any agreement, contract or commitment relating to the making of any such advance or investment, except as set forth in a customary and typical provision of any operating agreement;

(d) any guarantee or other contingent liability in respect of any indebtedness or obligation of any person (other than the endorsement of negotiable instruments for collection in the ordinary course of business), except as set forth in a customary and typical provision of any operating agreement;

(e) any management, service, consulting or other similar type of contract that cannot be terminated by Novalta on notice of thirty (30) days or less without payment or penalty, except for those entered into with Amber Valley Energy Corporation and the Novalta Rosebank South Limited Partnership, and those services provided by NOVA Corporation of Alberta which are described on Schedule 9.35(e) and will be discontinued at Closing Time; or

(f) any agreement, contract or commitment limiting the freedom of Novalta to engage in any line of business or to compete with any person, other than those entered into in the ordinary course of business;

9.36 Taxes and Assessments: All ad valorem, property, production, severance, sales, use and excise taxes, customs duties and similar taxes and assessments based on or measured by the ownership of the Assets or the production of the Petroleum Substances from the Lands or the receipt of proceeds therefrom which are the obligations of Novalta have been properly accrued or paid and discharged;

9.37 Reports: In connection with the preparation of the Sproule Report, the Arthur D. Little Report and the Howard Opinions, Novalta provided to persons preparing such reports or opinions all information within its knowledge which, if not disclosed, would have

materially and adversely altered such reports or opinions with respect to any of the Assets;

9.38 Compliance With Laws: With respect to the Assets operated by Novalta, Novalta has and, to the best of its and Novalta's knowledge, persons operating any of the Assets on behalf of Novalta (with respect to the Assets not operated by Novalta) have, obtained all permits, licenses and other authorizations which are required under federal, provincial and local laws relating to the Assets, the failure of which to obtain would materially affect the value, use or operation of the Assets taken as a whole. Novalta (with respect to the Assets operated by it) and, to the best of its and Novalta's knowledge, persons operating the Assets on behalf of Novalta (with respect to the Assets not operated by Novalta) are in compliance with all laws, permits, licences and authorizations, the failure with which to comply could have a Material Adverse Effect;

9.39 Environmental: Except as set forth in the Arthur D. Little Report: (i) none of the Assets are subject by any government or any agency thereof, or by another person or group, to any environmental action, order, or to the best of Vendor's and Novalta's knowledge any review or investigation the result of which could have a Material Adverse Effect, (ii) no complaint has been made or filed by any such government, agency, person or group having to do with any environmental change or injury to the Assets or any other property or

person or alleged damage or injury that could have a Material Adverse Effect and, (iii) there is no matter, condition or thing affecting the Assets or for which Novalta or any of its subsidiaries may be liable under Environmental Law which could reasonably give rise to any such complaint, action, order, review or investigation the result of which could have a Material Adverse Effect;

9.40 Physical Change: There has been no physical change subsequent to July 1, 1993 in the Assets (other than in consequence of operations and production in the ordinary course) which has or would have a material adverse effect on the value, use or operation thereof taken as a whole;

9.41 No Retail Sales of Gas: Neither Novalta nor any of its subsidiaries has made or agreed to make any sales of gas at retail (which shall not include industrial sales);

9.42 Tax Residence: (Intentionally omitted.)

9.43 Operated Assets/Non-Operated Assets: Those of the Assets operated by Novalta during the time Novalta was operator thereof, have been drilled, developed and operated in accordance with good oilfield practice and in material compliance with all applicable laws and regulations and the terms and conditions of all agreements relative thereto and, with respect to non-operated Assets, neither Vendor nor Novalta is aware of any material fact or circumstance that indicates that the same have not been drilled, developed and operated in material compliance with all applicable laws and regulations and the terms and conditions of all agreements relative thereto;

9.44 Workers' Compensation: All payments due to the Workers' Compensation Board in respect of all operations undertaken in relation to the Assets are current and such Board is not entitled to any claim or lien against any of the Assets due to such payment not being made;

9.45 No Other Subsidiaries: Novalta does not have a controlling interest (either directly or indirectly) in any other person except for the interest in Amber Valley Energy Corporation and Novalta Rosebank South Limited Partnership nor is it bound by any agreement to acquire such interest;

9.46 Property Leases: Novalta is not a party to or bound by any real property leases other than the Office Leases and surface leases, mineral leases, easements, rights of ways or other similar rights or interests entered into by Novalta in the ordinary course of business;

9.47 Take or Pay Obligations: Except as set forth on Schedule 9.47, Novalta has no take or pay obligations nor is it in any manner obligated to deliver Petroleum Substances produced from the Assets without then or thereafter receiving payment therefor in accordance with the relevant sales contract;

9.48 Gas Balancing Agreements: Novalta is not a party to any gas balancing agreements;

9.49 Incentive Payments: Novalta has not received any incentives, credits, grants, or other governmental

assistance pursuant to any laws in effect at the relevant time which will have to be repaid by Novalta;

9.50 Independent Operations Penalties: The Assets are not

subject to any production penalties or interest forfeitures that have resulted or may or will result from Novalta having elected to not participate in drilling, completion or other operations pursuant to the independent operation provisions of operating agreements that would have a Material Adverse Effect except as set forth in Schedule 9.50;

9.51 Absence of Certain Changes: Except as described on Schedule 9.51 or any other Schedule or Appendix and except as a result of matters resulting from this Agreement, since July 1, 1993, the business and operations of Novalta and its subsidiaries have been conducted in the ordinary course, neither Novalta nor any subsidiary has taken any action that would have constituted a violation of Subclause 8.2 or 8.3 if such Subclauses had applied to Novalta since July 1, 1993, and there has not been any event, condition, occurrence or change in the business, financial condition, assets or results of the operations of Novalta and its subsidiaries that would have or could reasonably be expected to have a Material Adverse Effect, other than events, conditions, occurrences or changes that generally relate to the oil and gas industry or the economy and other than asset dispositions in the ordinary course of business;

9.52 No Assignments of Revenues: Novalta has not assigned to any other party all or any portion of its share or revenue attributable to the sale of petroleum substances for the purposes of security of indebtedness of Novalta or otherwise except in support of the Bank Security;

9.53 Through Put Guarantees: Novalta is not bound to by any "through put guarantees" whereby Novalta has, in connection with the processing, compressing, gathering, transporting, or other handling of its Petroleum Substances in a facility, guaranteed that a minimum quantity of Petroleum Substances will be put through such facility by Novalta, excluding contracts for the transportation of Petroleum Substances by NOVA Corporation of Alberta, TransCanada PipeLines Limited and similar transporters except as set forth in Schedule 9.53; and

9.54 Intercompany Transactions and Relationships: Except as set forth on Schedule 9.54, neither Novalta nor any of its subsidiaries is a party to any agreement, with Vendor or any of its Affiliates excluding contracts for the transportation of Petroleum Substances by NOVA Corporation of Alberta, TransCanada PipeLines Limited and similar transporters.

9.55 GST: Novalta has duly and timely filed all returns required in respect of the goods and services tax (herein, the "GST") imposed by the Excise Tax Act (Canada) and has paid all GST which is due and payable and has paid all assessments and reassessments in respect of GST and interest and penalties relating thereto payable by it on or before the date hereof and has made adequate provision for GST payable for the current period for which a return has not yet been filed.

(C) Purchaser: Purchaser represents, warrants and covenants to and with Vendor as follows:

9.56 Corporate Standing: Purchaser is, and at the Closing Time shall continue to be, a corporation duly incorporated, organized, validly existing and in good standing under the laws of the State of Texas;

9.57 Requisite Authority: Subject to ratification by Purchaser's Board of Directors, Purchaser has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder and the execution and delivery of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary corporate action on the part of Purchaser. The parties agree that if such Board ratification has not been obtained on or before 12:00 Noon (Calgary time) on the date hereof, the Vendor may terminate this Agreement without further liability by the parties hereunder by written notice

to Purchaser at any time prior to such ratification being obtained;

9.58 No Conflicts: The execution and delivery of this Agreement and each and every agreement and instrument to be executed and delivered hereunder and the consummation of the transactions contemplated herein will not violate or result in a breach or default of, require any consent under nor be in conflict with, the provisions of any agreement, license, permit, franchise

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or other instrument to which Purchaser is a party or by which it is bound, any judgment, decree, injunction, order, law, statute, rule or regulation applicable to Purchaser or Purchaser's Articles of Incorporation or bylaws;

9.59 Execution and Delivery: This Agreement has been duly executed and delivered by Purchaser and all other documents required to be executed and delivered by Purchaser pursuant hereto will be duly executed and delivered by Purchaser and this Agreement does, and such documents will, constitute legal, valid and binding obligations of Purchaser enforceable in accordance with their respective terms;

9.60 No Lawsuits or Claims: Purchaser is not party to any action, suit or other legal, administrative or arbitration proceeding or government investigation, actual or threatened, which has or could have any material adverse affect on the purchase or sale of the Shares and there is no particular circumstance, matter or thing known to Purchaser which could reasonably be anticipated to give rise to any such action, suit or other legal, administrative or arbitration proceeding or government investigation;

9.61 Finders' Fees: Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders fees in respect of the within transactions for which Vendor or Novalta will have any obligation or liability; and

9.62 Tax Residence: Purchaser is a non-resident of Canada within the meaning of the Income Tax Act (Canada).

(D) Vendor Disclaimer: Vendor makes no representations or warranties whatsoever except, and to the extent, expressly set forth in Subclauses 9(A) and (B) and Appendix "J" or in any certificate delivered pursuant to this Agreement and disclaims, and shall not be liable for, any representation or warranty which may have been made or alleged to have been made in any other document or instrument relative hereto or in any statement or information made or communicated to Purchaser in any manner. Without in any way restricting the generality of the foregoing, Purchaser specifically acknowledges that it has made and will be making its own independent investigations, analyses, evaluations and inspections with respect to Novalta's assets and liabilities and the state and condition thereof and that it has relied and will be relying solely on

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such investigations, analyses, evaluations and inspections as to its assessment of the condition, quantum and value of Novalta's assets and liabilities save to the extent such matters are expressly addressed in Subclause 9(B) and Appendix "J" or in any certificate delivered pursuant to this Agreement.

(E) Purchaser Disclaimer: Purchaser makes no representations or warranties whatsoever except, and to the extent, expressly set forth in Subclause 9(C) or in any certificate delivered pursuant to this Agreement and disclaims, and shall not be liable for, any representation or warranty which may have been made or alleged to have been made in any other document or instrument relative hereto or in any statement or

information made or communicated to Vendor in any manner.

(F) No Merger: The representations, warranties and covenants set forth in Subclauses 9(A), (B) and (C) and Appendix "J" shall survive Closing and shall be deemed to apply to all documents delivered in furtherance of the provisions hereof and there shall not be any merger of any representation, warranty or covenant in such documents notwithstanding any rule of law, equity or statute to the contrary, all such rules being waived.

(G) Survive Closing: Notwithstanding anything to the contrary herein expressed or implied, it is agreed and understood that the representations, warranties and covenants set forth in Subclauses 9(A), (B) and (C) and Appendix "J" are true and correct or to be complied with on the date hereof and shall be repeated at Closing as being true and correct or complied with in all material respects at and as of the Effective Time the Closing Time and, notwithstanding the Closing, the delivery of representations, warranties and covenants in any other agreements or certificates at the Closing or prior or subsequent thereto or investigations by the parties hereto or their employees, consultants, agents, accountants or other representatives (including, without limitation, their counsel), the representations, warranties and covenants set forth in Subclauses 9(A), (B) and (C) and Appendix "J" shall not in any way be diminished or lessened by reason of the foregoing and shall survive Closing for the benefit of the parties hereto for a period of 12 months from the date of Closing; provided, however, that any such representation or warranty that is the subject of a written claim notice delivered in good faith in the manner described below shall survive with respect only to the specific matter described in such claim notice until the earlier to occur of (A) the date on which a final nonappealable resolution of the matter

described in such claim notice has been reached or (B) the date on which the matter described in such claim notice has otherwise reached final resolution. Notwithstanding the foregoing, the representations and warranties contained in Subclauses 9.6 and 9.7 shall survive the Closing indefinitely and the survival of the representations and warranties provided in Appendix "J" shall not be limited except as expressly provided in Appendix "J".

(H) Breach and Indemnity: Subject to the provisions of Appendix "J" with respect to the matters referred to therein, any party who breaches or is otherwise responsible for the incorrectness of any representation, warranty or covenant set forth in this Agreement (including, without limitation, the representations, warranties and covenants set forth in Subclauses 9(A), (B) or (C) or in Appendix "J") shall forthwith indemnify, defend, protect and save the other party (including their respective officers, directors and employees) harmless from and against any liability, loss, costs, claims, actions or damages of any kind or nature whatsoever, whether direct or indirect, to which such party may be put, incur or suffer as a result of such breach or incorrectness provided:

(a) Written Notice: Subject to the last sentence of Subclause 9(G), written notice of the claim is provided by the party seeking indemnification within 12 months from Closing;

(b) Basket: Neither Vendor nor Purchaser shall be entitled to any indemnification unless, and only to the extent that all claims by it for breach or incorrectness of representations, warranties and covenants collectively exceed by $1,000,000.00 the claims of the other party for breach or incorrectness of representations, warranties and covenants; and

(c) Value Limitation: Notwithstanding anything to the contrary herein expressed or implied, the maximum aggregate liability of Vendor to Purchaser for a breach of the terms of this Agreement, for misrepresentation or for indemnification pursuant hereto shall not exceed the Purchase Price. The provisions of this Subclause 9(H) shall not apply to the indemnity provided by the Purchaser and Novalta in Subclause 9(I) of this Agreement.

(I) Environmental Indemnity: It is acknowledged that Purchaser has reviewed the Arthur D. Little Report and has been provided with the right and opportunity to conduct due diligence

investigations with respect to existing or potential Environmental Liabilities pertaining to the Resource Assets. Subject to the provisions of Subclauses 9(A) and 9(B), Purchaser agrees that Vendor shall have no liability whatsoever for any Environmental Liabilities.

In regard to Environmental Liabilities, Purchaser shall, subject as aforesaid indemnify and defend, and cause Novalta to indemnify and defend, Vendor, and its officers and directors, from and against all actions, causes of action, losses, costs (including legal costs on a solicitor client basis), claims, damages or expenses of any nature whatsoever which Vendor may sustain, pay or incur as a result of any act, omission, matter or thing directly or indirectly related to the Resource Assets, done, omitted, occurring or accruing on, prior to, or subsequent to the Effective Time with respect to any and all Environmental Liabilities however and whenever arising. This liability and indemnity shall apply without limit and without regard to cause or causes, including without limitation the negligence, whether sole, concurrent, gross, active, passive, primary or secondary, or the wilful or wanton misconduct of any person, or otherwise. Purchaser acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor under the common law or statute pertaining to Environmental Liabilities relating to the Resource Assets including, without limitation, the right to name Vendor as a third party to any action commenced by any person against Purchaser. Nothing herein contained shall prejudice any claims or remedies that Vendor may have against Purchaser in relation to such claim or remedy outside this Agreement including rights and remedies under the common law or statute. This Subclause 9(I) shall, not withstanding any term, clause or interpretation to the contrary, survive Closing for an indefinite period of time. Should survival for an indefinite period be determined by a court of competent jurisdiction to be an illegal, invalid or unenforceable provision then the parties agree that it is their intent that this provision survive to the maximum extent and for the maximum period of time determined to be legal, valid and enforceable.

10. EMPLOYEES

10.1 Purchaser to Continue to Employ Employees: Following the Closing, the Purchaser shall cause the Novalta employees, other than any Novalta employee on long-term disability at the Closing, to be employed on terms and conditions that provide comparable total compensation (inclusive of base salary and benefit Plans) with that

currently provided by Novalta at the Closing. The Vendor shall be responsible for all liabilities and obligations to Novalta employees on long-term disability as at the Closing.

Novalta employees who are on long-term disability at the Closing shall be given employment by Novalta upon their recovery from disability.

10.2 Pension Plan:

(a) Effective as of the Closing, those Novalta Employees at the Closing (the "Transferred Employees") who participate in, and accrue benefits under, the Retirement Plan for Western Canadian Salaried Employees of NOVA Corporation of Alberta (the "NOVA Plan") shall cease to participate in, and accrue benefits under, the NOVA Plan.

(b) Pursuant to Subclause 10.1, as soon as practicable after Closing, the Purchaser shall establish at its own expense, a Group RRSP or Retirement Plan

(the "Seagull Plan"). Following the Closing, the Transferred Employees shall have the election, pursuant to the NOVA Plan, and the applicable federal and provincial regulations, to:

i) transfer the value of the Transferred Employee's pension from the NOVA Plan to the Seagull Plan;

ii) transfer the value of the Transferred Employee's pension from the NOVA Plan to the employee's own locked-in RRSP; or

iii) to leave the amount on deposit in order to obtain a deferred pension from the NOVA Plan upon retirement.

This clause is subject to all applicable federal and provincial regulations and approvals, including without limitation, the Income Tax Act (Canada) and regulations and the Employment Pension Plans Act (Alberta) and regulations.

10.3 Recognition of Length of Service: Following Closing, Novalta shall continue to recognize the length of

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service, as recognized by Novalta (including service with predecessor entities of Novalta), up to the Closing, of all Novalta employees who are employed at Closing by Novalta for all purposes, including, without limitation, for the purpose of legislated benefits or as otherwise required by law, including, without limitation, severance pay and notice of termination or pay in lieu thereof. In addition, following Closing, and for a period of one-year thereafter, the Purchaser shall cause Novalta to recognize the severance guidelines of Vendor for purposes of severance pay and notice of termination or pay in lieu thereof, for all Novalta employees who are employed by Purchaser after Closing, such severance guidelines being set out in Appendix "H".

10.4 Termination Obligations: At the Closing Time, the termination obligations set out in Appendix "H" shall remain the responsibility of Novalta and the Purchaser agrees to cause Novalta to be bound by the provisions of such termination agreements and agrees to make all payments to which the employees may be entitled under such termination agreements.

11. USE OF NAME "NOVALTA"

11.1 Corporate Name: Purchaser shall cause Novalta to take all corporate action necessary to change its corporate name no later than one Business Day following the Closing Time. Subject to the foregoing, the name "Novalta Resources Inc." shall not be included as a part of the sale to Purchaser, all rights to such name shall be retained by Vendor. Subject to the provisions of Section 11.2, the Purchaser, its Affiliates, successors and permitted assigns and any person claiming through Purchaser shall be strictly prohibited from using the name "Novalta" as part of any corporate, trade, or assumed name.

11.2 Signage: Purchaser agrees that within 60 days after Closing it shall remove any signs which indicate Novalta's ownership or operation of the Resource Assets. Where necessary, it will be the responsibility of the Purchaser to erect or install signs as may be required by governmental agencies indicating the Purchaser or Novalta, under a new name as the operator of the Resource Assets, the Lands and the Leases and notify other working interest owners, gas purchasers, suppliers, contractors, governmental agencies and any

other third parties of Purchaser's interest in the Resource Assets.

If after 60 days after Closing Purchaser has not removed all signs which indicate Novalta's ownership or operation of the Resource Assets, Vendor may remove any signs which Purchaser has failed to remove and Purchaser agrees that Vendor shall have reasonable access to the Lands for such purpose.

12. (Intentionally omitted.)

13. TERMINATION

In the event this Agreement is properly terminated pursuant to Clause 4 or 7, subject to Subclause 3.1 dealing with the return or forfeiture of the Deposit and the continuing confidentiality obligations of the parties, both parties shall be released from all obligations hereunder and each party shall take all reasonable actions to return the other party to the position relative to the Shares and Note which such party occupied immediately prior to the execution of this Agreement.

14. AMENDMENT

All amendments to this Agreement will only be considered to be binding upon the parties if evidenced by a written instrument executed by proper corporate signing officers.

15. WAIVER

The parties acknowledge and agree that any waiver of the provisions of this Agreement shall only be binding upon the waiving party if evidenced in writing and signed by a corporate signing officer of the waiving party; any such waiver shall apply only to the particular breach, default, obligation or provision specifically identified and waived and not to any other breaches, defaults, obligations or provisions, whether or not similar; any such waiver shall not constitute a continuing waiver unless expressly stated; and any delay or omission upon the part of a party in exercising any right or power under this Agreement shall not impair the ability of such party to exercise such right or power or be considered to be a waiver of, or acquiescence to, any breach or default.

16. TIME OF THE ESSENCE

Time shall be of the essence in this Agreement.

17. NOTICES

The initial addresses of the parties for notices or other writings required, permitted or desired hereunder shall be as follows:

Vendor

(a) Personal Service

Novacor Petrochemicals Ltd.
c/o 36th Floor
801 - 7th Avenue S.W.
Calgary, Alberta
Attention: Jack S. Mustoe
Senior Vice President, General Counsel and
Corporate Secretary

(b) Mailing:

Novacor Petrochemicals Ltd.
c/o P.O. Box
Calgary, Alberta
Attention: Jack S. Mustoe
Senior Vice President, General Counsel and
Corporate Secretary

(c) Fax:

(403) 237- 6102

Attention: Jack S. Mustoe
Senior Vice President, General Counsel and
Corporate Secretary

Purchaser

(a) Personal Service/Mailing:

Seagull Energy Corporation
1001 Fannin, 17th Floor
Houston, Texas 77002
Attention: Barry J. Galt
Chairman and Chief Executive Officer

b) Mailing:

Seagull Energy Corporation
1001 Fannin, 17th Floor
Houston, Texas 77002
Attention: Barry J. Galt
Chairman and Chief Executive Officer

(c) Fax:

Seagull Energy Corporation
(713) 951-4733
Attention: Barry J. Galt
Chairman and Chief Executive Officer

Either party may from time to time change its address for service herein by giving written notice to the other party in the manner herein provided. Any such notice or other writing may be served by personal service, by mailing the same by prepaid post in a properly addressed envelope addressed to the intended addressee at its address for service hereunder or by fax to the number hereunder. Any notice given by personal service shall be deemed to be given on the date of such service and any notice given by mail shall be deemed to be given to and received by the addressee on the fifth Business Day (except days upon which the postal service in Canada is interrupted) after the mailing thereof. Any notice given by fax shall be deemed to be given to and received by the addressee upon the sending thereof with appropriate answerback acknowledged. In the event the postal service in Canada is, or is threatened to be, interrupted, all notices and other writings shall be served by personal service or fax.

18. ENUREMENT

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors, receivers, receiver-managers, trustees and permitted assigns. This Agreement may not be assigned by Purchaser without the prior written consent of Vendor. Notwithstanding the foregoing, Purchaser may assign or delegate its rights and obligations under this Agreement or any part hereof to any direct or indirect wholly owned subsidiary of Purchaser, but no such assignment shall in any way operate to enlarge, alter or change any obligation of or due to Vendor or relieve Purchaser of its obligations hereunder. Nothing in this Agreement shall provide any benefit to any third party or entitle any third party to any claim, cause of action, remedy or gift of any kind, it being the intent of the parties that this Agreement shall not be construed as a third party beneficiary contract, provided, however, that the indemnification provisions in this

Agreement shall inure to the benefit of the persons in the categories expressly identified in such provisions.

19. FURTHER ASSURANCES

Each party hereto, without further consideration, shall do or perform or cause to be done or performed all such further and other acts and things, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered all such further and other instruments, deeds and other writings and generally

shall take or cause to be taken all such further and other actions as may be necessary or desirable to carry out its respective obligations under this Agreement.

20. COSTS

Except as may elsewhere herein be provided, each party hereto shall bear and be responsible for all costs and expenses (including, without limitation, fees and disbursements for lawyers and other advisors) incurred or to be incurred by it in negotiating and preparing this Agreement, any deeds, documents and other writings delivered in conjunction with or in furtherance hereof and in otherwise performing the transactions contemplated herein.

21. GOVERNING LAW

This Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta. Each party hereto accepts the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom.

22. ENTIRE AGREEMENT

This Agreement supersedes and replaces any and all prior agreements between the parties hereto relating to the sale and purchase of the Shares and Note and states and comprises the entire agreement between the parties in relation to such sale and purchase; provided, however, that the foregoing sentence does not apply to the Confidentiality Agreement, which will survive the execution, delivery or termination of this Agreement. If the Closing occurs, the Confidentiality Agreement shall terminate and be of no further force or effect.

At the Closing, Vendor shall execute and deliver a confidentiality agreement in favour of Novalta and Purchaser with respect to Novalta and the Assets, which confidentiality agreement shall be in substantially the form of the Confidentiality Agreement.

23. PUBLIC ANNOUNCEMENTS

Prior to the Closing Time, each of the parties shall cooperate with the other in relaying information concerning this Agreement and the transactions herein provided for and shall furnish to, discuss with and obtain written approval from the other party of all press and other releases prior to publication, which approval may not be unreasonably withheld; provided, however, that nothing contained herein shall prevent either party, at any time, from furnishing any information to any governmental agency or regulatory authority or to the public if, and only to the extent, required by applicable law (including any securities exchange regulation).

24. COUNTERPART EXECUTION

This Agreement may be executed in counterpart, each of which shall be considered an original but all of which together shall constitute one and the same instrument.

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

Vendor: Novacor Petrochemicals Ltd.

Per: _____

Per: _____

Purchaser: Seagull Energy Corporation

Per: _____

Per: _____

APPENDIX J - TAX MATTERS

ARTICLE 1 - INTERPRETATION

1.1 DEFINITIONS:

In this Schedule, including the appendices hereto, unless otherwise stated or the context otherwise requires

(a) "Alberta Act" means the Alberta Corporate Tax Act;

(b) "ARTC" means the royalty tax credit provided for under section 26.1 of the Alberta Act;

(c) "Assessment" means an assessment or reassessment for the purposes of the Tax Act, the Alberta Act or any applicable income or capital tax legislation of any Canadian province;

(d) "CCDE" means cumulative Canadian development expense, within the meaning of paragraph 66.2(5)(b) of the Tax Act;

(e) "CCEE" means cumulative Canadian exploration expense, within the meaning of paragraph 66.1(6)(b) of the Tax Act;

(f) "CCOGPE" means cumulative Canadian oil and gas property expense, within the meaning of paragraph 66.4(5)(b) of the Tax Act;

(g) "Corporation" means Novalta and Amber Valley Energy Corporation, or either of them, as the context requires;

(h) "Deemed Year End" means the time that is immediately before the time that control of the Corporation is acquired by the Purchaser, as more particularly described in paragraph 249(4)(a) of the Tax Act;

(i) "Depreciable Property" means depreciable property within the meaning of subsection 248(1) of the Tax Act;

(j) "EDB" means earned depletion base, within the meaning of subsection 1205(1) of the Tax Act Regulations;

(k) "Indemnified Party" means the Purchaser or the Corporation, as the context requires;

(l) "Indemnity Amount" means the amount determined in accordance with clause 5.4 hereof;

(m) "Indemnity Event" means an event deemed hereby to occur when a representation or warranty of the Vendor in Article 2 of this Schedule is untrue, inaccurate or otherwise breached and a Taxation Authority refuses to accept that such matter represented or warranted is true and correct, but excludes any event which was directly caused by any action of the Indemnified Party or any person with whom the Indemnified Party does not deal at arm's length for the purposes of the Tax Act;

(n) "ITC" means investment tax credit, within the meaning of subsection 127(9) of the Tax Act;

(o) "Successored CCDE" means CCDE which is only deductible subject to the limitations contained in subsection 66.7(4) of the Tax Act;

(p) "Successored CCEE" means CCEE which is only deductible subject to the limitations contained in subsection 66.7(3) of the Tax Act;

(q) "Successored CCOGPE" means CCOGPE which is only deductible subject to the limitations contained in subsection 66.7(5) of the Tax Act;

(r) "Successored EDB" means EDB which is only deductible subject to the limitations contained in subsection 1202(2) of the Tax Act Regulations;

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(s) "Tax Act" means the Income Tax Act (Canada);

(t) "Tax Act Regulations" means the regulations passed pursuant to the Tax Act;

(u) "Taxation Authority" means any person authorized to issue an Assessment; and

(v) "UCC" means undepreciated capital cost, within the meaning of paragraph 13(21)(f) of the Tax Act;

(w) "Unrestricted CCDE" means CCDE which is not Successor CCDE;

(x) "Unrestricted CCEE" means CCEE which is not Successored CCEE;

(y) "Unrestricted CCOGPE" means CCOGPE which is not Successored CCOGPE;

(z) "Unrestricted EDB" means EDB which is not Successored EDB;

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1.2 ADDENDA

The following Addenda are attached to this Schedule:
(a) Addendum "A" - Successor Resource Properties
(b) Addendum "B" - 1992 Tax Returns of the Corporation

ARTICLE 2 - REPRESENTATIONS AND WARRANTIES OF THE VENDOR

2.1 VENDOR'S REPRESENTATIONS:

The Vendor represents and warrants to the Purchaser, which statements shall be true and correct as of the Effective Time and at the Closing Time, unless otherwise agreed by the parties, as follows:

(a) Filings
The Corporation has duly and in a timely manner filed all returns, elections and designations which are required to be filed by it with any Taxation Authority. All of such returns, elections and designations have been prepared and made in accordance with the applicable legislation. In particular, the amounts specified in the 1992 tax returns of the Corporation, as contained in Appendix "B" hereto, as UCC of Depreciable Property, Unrestricted CCEE, Unrestricted CCDE, Unrestricted CCOGPE, Unrestricted EDB, Successored CCEE, Successored CCDE, Successored

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CCOGPE, Successored EDB and ITC were true and correct at the time of the filing of such returns.

(b) Withholdings
Corporation has withheld and will continue until the Closing Time to withhold from each payment made to any of its present and former officers, directors, and employees or from any payment which is subject to a withholding requirement under Part XIII of the Tax Act or any similar provincial legislation the amount of all taxes and other amounts required to be withheld therefrom, and will have paid the same to the proper tax or other receiving officers within the time required under any applicable legislation.

(c) Extension
Corporation is not a party to any agreement, waiver or arrangement with any Taxation Authority which relates to any extension of time with respect to the filing of any return, election or designation, any payment of an amount by Corporation or any Assessment of Corporation.

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(d) Taxation Year End
The taxation year of Corporation for the purposes of the Tax Act, ends on December 31st in each year and no change in such taxation year end has been made since December 31, 1992.

(e) Residence
The Vendor is not a non-resident of Canada for the purposes of the Tax Act.

(f) Tax Pools Immediately after Effective Time
Immediately after the Effective Time, the aggregate amount of the UCC of Depreciable Property, Successored CCEE, Successored CCDE, Successored CCOGPE, Successored EDB and ITC of the Corporation will be not less than $85 Million.

(g) Taxable Canadian Corporation
Corporation has been, is now, and will, at the Effective Time, be a taxable Canadian corporation, within the meaning of paragraph 89(1)(i) of the Tax Act.

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(h) ARTC
At all relevant times before the Effective Time, the Corporation was entitled to ARTC to the extent reflected in its tax returns.

2.2 SURVIVAL OF VENDOR'S REPRESENTATIONS AND WARRANTIES

Except where expressly provided for to the contrary herein, the representations and warranties of the Vendor set forth in this Schedule shall survive the completion of the sale and purchase of the Shares as provided for in Article 2 of the Agreement, and shall continue in full force and effect for the benefit of the Purchaser. Any claim in respect thereof shall only be made on the basis, in the manner and within the time provided for in Article 5.

ARTICLE 3 - COVENANTS OF THE VENDOR

The Vendor covenants and agrees with the Purchaser as follows:

3.1 FINAL INCOME TAX RETURNS

The Vendor will make available such information as the Purchaser may reasonably request in order to enable the Purchaser to comply with its obligations under clause 4.2 and 4.3 hereof.

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ARTICLE 4 - COVENANTS OF THE PURCHASER

The Purchaser covenants and agrees with the Vendor as follows:

4.1 TAX RETURN FILING

The Purchaser shall ensure that all income tax, capital tax and other returns which the Corporation is required to file with any Taxation Authority for any period ending after the Deemed Year End are prepared and filed on a basis consistent with the provisions of this Appendix J and, subject to clause 4.3 hereof, shall further ensure that no income tax, capital tax or other returns, or elections or designations, of Corporation are filed, amended or rescinded for any period ending before the Deemed Year End without the prior written approval of the Vendor.

4.2 FINAL INCOME TAX RETURN

The Purchaser will cause the preparation of all income tax, capital tax and other returns which the Corporation is required to file with any Taxation Authority in respect of the fiscal period of Corporation which ends on the Deemed Year End. Purchaser may cause an election to be made under subsection 256(9) in respect of the timing of Deemed Year End.

4.3 1993 INCOME TAX RETURN

The Purchaser shall be responsible for filing all income tax, capital tax and other returns which the Corporation is required to file with any Taxation Authority for the taxation year of Corporation ending December 31, 1993. The Purchaser will obtain Vendor's approval, such approval not to be unreasonably withheld, to such returns before filing same and the Purchaser shall cause the Corporation to execute such returns, subject to the Vendor's approval of same. The Purchaser shall pay or cause to pay in a timely manner all taxes, if any, required to be paid in respect of any form or return filed pursuant to this clause.

4.4 LARGE CORPORATIONS TAX

The Purchaser agrees in the calendar year in which the Deemed Year End occurs, that the Corporation shall agree to a nil allocation of the capital deduction pursuant to the provisions of subsection 181.5(2) of the Tax Act.

ARTICLE 5 - INDEMNIFICATIONS

5.1 INDEMNITY

Subject to the provisions of Subclause 9(H)(b) and (c) of the Agreement, the Vendor hereby indemnifies and agrees to defend and save harmless the

Indemnified Party, on an after tax basis, from and against all losses, damages or expenses (including all reasonable legal fees and expenses incurred with respect to the enforcement of this indemnity), to the extent and on the basis hereinafter set forth, which are suffered by the Indemnified Party as a result of the occurrence of an Indemnity Event. The Vendor shall have no liability in respect of the matters covered by this Schedule except in respect of an Indemnity Event and except on the basis provided for in this Article.

5.2 PRE-ASSESSMENT PROCEDURE

If the Indemnified Party receives a notice or other communication (written or oral) from a Taxation Authority after the Closing Time respecting an Indemnity Event (an "Indemnity Tax Issue"), the Indemnified Party shall forthwith forward a copy of such notice to the Vendor, or otherwise notify the Vendor, of the contents of such communication, and the Vendor shall have the right, at its own expense, including all legal fees, costs and expenses, to require the Indemnified Party to make representations with respect to such Indemnity Tax Issue through counsel retained for this purpose by the Vendor. The Indemnified Party shall be obligated to cooperate fully at all times with the Vendor and counsel so appointed, and to act in a timely manner, and in good faith, to make available all documents and records necessary to enable the Vendor to make representations with respect to, or otherwise contest, the Indemnity Tax Issue. If the Vendor, having received notice of, or other communication in respect

of, an Indemnity Tax Issue, as contemplated herein, decides not to require the Indemnified Party to make representations with respect to such Indemnity Tax Issue, the Vendor shall promptly so inform the Indemnified Party and thereafter the Indemnified Party may do so on its own behalf, and at its own expense. Thereafter, any decision by the Indemnified Party not to make representations or any lack of success by the Indemnified Party in such action shall not, in such event, relieve the Vendor of its obligation to indemnify the Indemnified Party pursuant to the terms and conditions of this Article, except that such indemnity shall not, in such instance, extend to legal and other costs incurred by the Indemnified Party in connection with such Indemnity Tax Issue.

5.3 PROCEDURE ON ASSESSMENT

If any Taxation Authority should at any time issue an Assessment to the Indemnified Party, the basis of which is, in whole or in part, an Indemnity Event, the Vendor shall pay the Indemnity Amount in relation to the Assessment to the Indemnified Party within 30 days after the Indemnified Party is required to pay the Taxation Authority the amount (including any interest and/or penalty) specified in such Assessment.

5.4 INDEMNITY AMOUNT

The Indemnity Amount in relation to an Assessment shall mean the aggregate of

(a) the amount (including any interest and/or penalty) which is specified to be payable in such Assessment insofar as such amount is directly attributable to an Indemnity Event; and

(b) an amount of interest from the date of mailing of such Assessment to the date of the payment by the Vendor to the Indemnified Party of the amount specified in clause 5.4(a) calculated on the amount specified in clause 5.4(a) at a rate equal to the prescribed interest rate of the purposes of the Tax Act, or the interest burden of an Assessment other than under the Tax Act.

After the Vendor has paid to the Indemnified Party the Indemnity Amount in respect of an Assessment, the Indemnified Party shall forthwith pay an amount (not exceeding the amount received from the Vendor) to the Taxation Authority sufficient to satisfy the obligation of the Indemnified Party in respect of the Assessment to the Taxation Authority.

5.5 OBJECTION/APPEAL PROCEDURE

The Indemnified Party shall, within 5 working days after the receipt of an Assessment, deliver a copy of such Assessment to the Vendor. The Vendor shall have the right, at its option, to be responsible for the carriage of any objection or appeal from such Assessment, in which case the Vendor shall be entitled to retain its own counsel for that purpose and shall be responsible for all expenses, including legal fees and other costs associated therewith. The Indemnified Party shall cooperate with the Vendor to the extent reasonably necessary if the Vendor wishes to object to or appeal any such Assessment. The Vendor shall be responsible for all expenses, including legal fees and costs, incurred by the Indemnified Party in so cooperating. If such objection or appeal is successful, in whole or in part, the Indemnified Party shall pay, to the Vendor, the amount of any refund received in respect of such Assessment (not exceeding the portion of the Indemnity Amount in respect of such Assessment that the Vendor has paid to the Indemnified Party as herein provided) together with the applicable portion of such interest, determined on an after - tax basis, received on such refund and all legal and other costs to which the Indemnified Party becomes entitled as a result of such successful objection or appeal. The Indemnified Party shall join in and pursue any objection to or appeal of any such Assessment in a timely manner and in good faith cooperate fully at all times, with the Vendor and counsel that the

Vendor retains and shall make available to the Vendor and such counsel all documents and records necessary to enable the Vendor to contest such Assessment.

Exhibit 2.2

GUARANTEE

This Guarantee is given by Novacor Chemicals Ltd., an Alberta corporation ("Guarantor") to Seagull Energy Corporation, a Texas corporation ("Seagull").

WHEREAS Seagull has entered into that certain Share Sale Agreement dated as of the 19th day of November, 1993 (the "Share Sale Agreement") with Novacor Petrochemicals Ltd. ("Vendor"); and

WHEREAS, Seagull's entering into the Share Sale Agreement is conditional upon Guarantor guaranteeing the obligations of the Vendor under the Share Sale Agreement; and

WHEREAS, Guarantor is willing to give such a guarantee in order to induce Seagull to enter into the Share Sale Agreement.

NOW, THEREFORE, Guarantor hereby agrees, in consideration of Seagull's entering into the Share Sale Agreement, as follows:

1. Guarantor hereby guarantees performance and payment by the Vendor of all of the obligations and liabilities of the Vendor under the Share Sale Agreement (the "Obligations"), subject to the terms and provisions of the Share Sale Agreement; provided, however, that any defense that would be available to the Vendor against a claim made by Seagull against the Vendor shall also be available to the Guarantor against any claim made by Seagull against the Guarantor.

2. Guarantor hereby waives notice of (a) any alteration or modification of the Share Sale Agreement, and (b) default or demand in the case of default, provided such notice or demand has been given to or made upon the Vendor.

3. In the event of default by Vendor, the Guarantor shall make payment and cause performance of the defaulted Obligations to Seagull fifteen (15) days after demand therefor has been received by the Guarantor unless payment has been made and performance has occurred prior thereto, and, if payment has not been made and performance has not occurred within such fifteen (15) day period, Seagull may institute and enforce, directly against the Guarantor, a suit based on this Guarantee for payment and performance of the defaulted Obligations.

4. This Guarantee shall, in all respects, be subject to and be

interpreted, construed and enforced in accordance with the laws in effect in the Province of Alberta. The Guarantor shall submit to the exclusive jurisdiction of the courts of the Province of Alberta.

5. This Guarantee has been duly executed and delivered by Guarantor, and this Guarantee constitutes a legal, valid and binding obligation of Guarantor, enforceable in accordance

with its terms. Guarantor has all requisite power and authority to execute and deliver this Guarantee and to perform its obligations hereunder. The financial statements for the Guarantor attached as Appendix "I" to the Agreement have been prepared in accordance with GAAP and present the financial position of Guarantor and the results of its operations for the periods referred to therein. Since the date of such financial statements, the Guarantor has not suffered a material adverse effect to its business or financial condition.

IN WITNESS WHEREOF, Guarantor has executed this Guarantee as of the date set forth below.

NOVACOR CHEMICALS LTD.

By: _____

Date: _____

Exhibit 2.3

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT ("First Amendment") dated as of December 30, 1993 (the "First Amendment Effective Date") is made and entered into by and among SEAGULL ENERGY CORPORATION (the "Borrower"), a Texas corporation, the banking institutions from time to time a party to the Credit Agreement (as hereinafter defined) as amended by this First Amendment (each, together with its successors and assigns, a "Bank" and collectively, the "Banks"), and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as administrative agent for the Banks (in such capacity, the "Administrative Agent").

RECITALS:

WHEREAS, the Borrower, the Administrative Agent and the Banks are parties to an Amended and Restated Credit Agreement dated as of June 25, 1993 (the "Credit Agreement"); and

WHEREAS, the Borrower, the Administrative Agent and the Banks have agreed, on the terms and conditions herein set forth, that the Credit Agreement be amended in certain respects;

NOW, THEREFORE, IT IS AGREED:

Section 1. Definitions. Terms used herein which are defined in the Credit Agreement shall have the same meanings when used herein unless otherwise provided herein.

Section 2. Amendments to the Credit Agreement. On and after the First Amendment Effective Date, the Credit Agreement shall be amended as follows:

(a) The following new definitions are hereby added to Section 1 of the Credit Agreement:

"Canadian Facility" shall mean that certain Credit Agreement dated December 30, 1993 executed by and among Seagull Energy Canada Ltd., Chemical Bank of Canada, as Arranger and as Administrative Agent, The Bank of Nova Scotia, as Paying Agent and as Co-Agent, Canadian Imperial Bank of Commerce, as Co-Agent, and certain banks therein named, as amended by the Intercreditor Agreement.

"Intercreditor Agreement" shall mean that certain

Intercreditor Agreement dated concurrently herewith executed by and among the Company, Seagull Energy Canada,

Ltd., the Administrative Agent and the "Administrative Agent" under the Canadian Facility.

(b) The definition of "Borrowing Base Debt" set forth in Section 1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"Borrowing Base Debt" shall mean, without duplication, the sum of (i) borrowed money Indebtedness that is not Funded Indebtedness plus (ii) Senior Debt plus (iii) the "Maximum Outstanding Amount" in effect from time to time under the Canadian Facilityplus (iv) Redemption Obligations payable within five (5) years after any applicable determination date, together with obligations (excluding volumetric obligations with respect to pre-sales of Hydrocarbon production which have already been accounted for in the calculation of the Borrowing Base) payable out of Hydrocarbon production (except such obligations payable solely by recourse to properties not included in the Borrowing Base and Indebtedness permitted by Section 10.1(l)) to the extent such obligations have not already been deducted in the calculation of the Borrowing Base; provided, however, that Borrowing Base Debt shall not include the Loans or any Subordinated Debt.

(c) The definition of "Liquid Investments" set forth in Section 1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"Liquid Investments" shall mean:

(I) in the case of investments of U.S. Dollars

(i) securities issued or directly, fully and unconditionally guaranteed or insured by the United States of America or any agency or instrumentality thereof provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than one year from the date of issue;

(ii) U.S. Dollar time deposits and certificates of deposit (A) of any Bank having capital and surplus in excess of U.S. $300,000,000, or (B) of any commercial bank incorporated in the United States, of recognized standing, having capital and surplus in excess of

U.S. $500,000,000 and which has (or which is a Subsidiary of a holding company which has) publicly traded debt securities rated, at the time of issuance of such time deposits, AA or higher by Standard & Poor's Corporation or Aa-2 or higher by Moody's Investors Service, Inc. with maturities of not more than one year from the date of issue;

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(iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described inclause (I)(i) above entered into with any bank meeting the qualifications specified in clause (I)(ii)above, provided that the terms of such agreements comply with the guidelines set forth in the Federal Financial Institution Examination Counsel Supervisory Policy--Repurchase Agreements of Depository Institutions With Securities Dealers and Others, as adopted by the Comptroller of the Currency on October 31, 1985;

(iv) commercial paper or other U.S. Dollar obligations issued by the parent corporation (A) of any Bank having capital and surplus in excess of U.S. $300,000,000, or (B) of any commercial bank (provided that the parent corporation and the bank are both incorporated in the United States) of recognized standing having capital and surplus in excess of U.S. $500,000,000 and commercial paper or other U.S. Dollar obligations issued by any Person incorporated in the United States, which commercial paper is rated at least A-2 or the equivalent thereof by Standard & Poor's Corporation or at least P-2 or the equivalent thereof by Moody's Investors Service, Inc. and in each case maturing not more than six months after the date of issue;

(v) obligations of any state or political subdivision thereof rated at least F-1 by Fitch Investors Service, Inc. or AA by Standard & Poor's Corporation with an original maturity of 180 days or less; and

(vi) investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (I)(i) through (v)

above; and

(II) in the case of investments of Canadian dollars

(i) bonds or other evidences of indebtedness of, or the principal and interest of which is fully guaranteed by, the Government of Canada or any province of Canada, payable in Canadian dollars and (in the case of any provincial obligations and any Government of Canada obligations that are rated) rated AAA or AA (or the then equivalent grade) by Dominion Bond Rating Service Limited, or any other nationally recognized bond rating service, having a maturity not in excess of one year,

(ii) certificates of deposit issued or guaranteed by a bank or trust company organized under the laws of Canada or any province thereof, provided such bank or trust company has capital and retained earnings in the aggregate in excess of Canadian $500,000,000 on its most recent balance

sheet (whether audited or unaudited), having a maturity not in excess of one year,

(iii) bankers' acceptances of any bank or trust company the certificates of deposit of which would constitute Liquid Investments as provided in clause (II)(ii) above, if outstanding unsecured debt of such bank or trust company is rated no less than AA (or the then equivalent grade) by Dominion Bond Rating Service Limited, or any other nationally recognized bond rating service; and

(iv) commercial paper rated no less than R-1 (or the then equivalent grade) by Dominion Bond Rating Service Limited or A-1 (or the then equivalent grade) by CBRS Inc., having a maturity not in excess of one year; excluding any bonds or other evidences of indebtedness, certificates of deposit or commercial paper which a Canadian chartered bank may not hold as security under the Bank Act (Canada).

(d) The definition of "Loan Documents" set forth in Section 1 of

the Credit Agreement is hereby amended by adding a reference to "the Intercreditor Agreement".

(e) Section 10.1 of the Credit Agreement is hereby amended by changing the period (.) at the end of subsection (u) to a semi-colon (;) and by adding a new subsection (v), such subsection to read in its entirety as follows:

(v) the Canadian Facility (and the "Bankers' Acceptances" provided for therein) and the guaranty by the Company of the Canadian Facility.

(f) Section 10.2 of the Credit Agreement is hereby amended by restyling subsections (x) and (y) as subsections (y) and (z) and by adding a new subsection (x), such subsection to read in its entirety as follows:

(x) as to assets located in Canada, reservations, limitations, provisos and conditions in any original grant from the Crown or freehold lessor of any of the properties of the Company or its Subsidiaries;

(g) Section 10.3 of the Credit Agreement is hereby amended by restyling subsection (n) as subsection (o) and by adding a new subsection (n), such subsection to read in its entirety as follows:

(n) Investments in EBOC Energy Ltd. made in connection with and pursuant to that certain Sale Agreement dated November 19, 1993 executed by and between Novacor Petrochemicals Ltd., as Vendor, and the Parent, as Purchaser; and

(h) A new Section 13.16 is hereby added to the Credit Agreement, such section to read in its entirety as follows:

13.16 Intercreditor Agreement. Reference is hereby made to the Intercreditor Agreement, which provides for certain matters relating to both the Loans and the Canadian Facility. To the extent of any conflict between the terms hereof and the terms of the Intercreditor Agreement, the Intercreditor Agreement shall control. The Administrative Agent is hereby authorized and directed to execute and deliver the Intercreditor Agreement in the form attached hereto as Exhibit K on behalf of the Banks. Any Bank that becomes a party to this Agreement after the First Amendment Effective Date agrees to be bound by the terms and provisions of the Intercreditor Agreement.

(i) Exhibit A to the Credit Agreement is hereby amended to be identical to Exhibit A attached hereto, being a revised listing of Oil and Gas Subsidiaries.

(j) Exhibit F to the Credit Agreement is hereby amended to be identical to Exhibit B attached hereto, being a revised listing of Subsidiaries.

(k) Exhibit G to the Credit Agreement is hereby amended to be identical to Exhibit C attached hereto, being a revised Compliance Certificate.

(l) Exhibit H to the Credit Agreement is hereby amended to be identical to Exhibit D attached hereto, being a revised Assignment and Acceptance Agreement.

(m) Exhibit J to the Credit Agreement is hereby amended to be identical to Exhibit E attached hereto, being revised Parameters for Interest Rate Protection and Commodities Futures Programs.

(n) A new Exhibit K is hereby added to the Credit Agreement, such new exhibit to be identical to Exhibit F attached hereto, being a copy of the Intercreditor Agreement executed and delivered concurrently with the execution and delivery of this First Amendment.

Section 3. Borrowing Base Component Values. The Borrowing Base Component Values, after giving effect to the transactions contemplated in the Canadian Facility, will be as follows:

(i) Oil and Gas Reserves Component Value - $519,000,000 (of which $95,000,000 is attributable to the assets of Novalta Resources Inc.),

(ii) Alaskan Gas Component Value - $47,000,000,

(iii) Pipeline Component Value - 44,000,000,

for a total Borrowing Base of $610,000,000.

Section 4. Limitations. The amendments set forth herein are limited precisely as written and shall not be deemed to (a) be a consent to, or waiver or modification of, any other term or condition of the Credit Agreement or any of the other Loan Documents, or (b) except as expressly set forth herein, prejudice any right or rights which the Banks may now have or may have in the future under or in connection with the Credit Agreement, the Loan Documents or

any of the other documents referred to therein. Except as expressly modified hereby or by express written amendments thereof, the terms and provisions of the Credit Agreement, the Notes, the Security Documents and any other Loan Documents or any other documents or instruments executed in connection with any of the foregoing are and shall remain in full force and effect. In the event of a conflict between this First Amendment and any of the foregoing documents, the terms of this First Amendment shall be controlling.

Section 5. Payment of Expenses. The Borrower agrees, whether or not the transactions hereby contemplated shall be consummated, to reimburse and save the Administrative Agent harmless from and against liability for the payment of all reasonable substantiated out-of-pocket costs and expenses arising in connection with the preparation, execution, delivery, amendment, modification, waiver and enforcement of, or the preservation of any rights under this First Amendment, including, without limitation, the reasonable fees and expenses of any local or other counsel for the Administrative Agent, and all stamp taxes (including interest and penalties, if any), recording taxes and fees, filing taxes and fees, and other charges which may be payable in respect of, or in respect of any modification of, the Credit Agreement and the other Loan Documents. The provisions of this Section shall survive the termination of the Credit Agreement and the repayment of the Loans.

Section 6. Governing Law. This First Amendment and the rights and obligations of the parties hereunder and under the Credit Agreement shall be construed in accordance with and be governed by the laws of the State of Texas and the United States of America.

Section 7. Descriptive Headings, etc. The descriptive headings of the several Sections of this First Amendment are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 8. Entire Agreement. This First Amendment and the documents referred to herein represent the entire understanding of the parties hereto regarding the subject matter hereof and supersede all prior and contemporaneous oral and written agreements of the parties hereto with respect to the subject matter hereof, including, without limitation, any commitment letters regarding the transactions contemplated by this First Amendment.

Section 9. Counterparts. This First Amendment may be executed in any number of counterparts and by different parties on separate counterparts and all of such counterparts shall together constitute one and the same instrument.

Section 10. Amended Definitions. As used in the Credit Agreement

(including all Exhibits thereto) and all other instruments and documents executed in connection therewith, on and subsequent to the First Amendment Effective Date the term "Agreement" shall mean the Credit Agreement as amended by this First Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their respective duly authorized offices as of the date first above written.

NOTICE PURSUANT TO TEX. BUS. & COMM. CODE Section 26.02

THIS FIRST AMENDMENT AND ALL OTHER LOAN DOCUMENTS EXECUTED BY ANY OF THE PARTIES BEFORE OR SUBSTANTIALLY CONTEMPORANEOUSLY WITH THE EXECUTION HEREOF TOGETHER CONSTITUTE A WRITTEN LOAN AGREEMENT AND REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Exhibit A - Oil and Gas Subsidiaries
Exhibit B - Subsidiaries
Exhibit C - Compliance Certificate
Exhibit D - Assignment and Acceptance Agreement
Exhibit E - Parameters for Interest Rate Protection and Commodities Futures Programs
Exhibit F - Intercreditor Agreement

SEAGULL ENERGY CORPORATION,
a Texas corporation

By:_____
Robert M. King,
Vice President, Corporate Development and Treasurer

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, individually and as Administrative Agent

By:_____
Robert C. Mertensotto,
Senior Vice President

9

THE CHASE MANHATTAN BANK, N.A.

By:_____
Name: _____
Title: _____

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By: _____
Name: _____
Title: _____

NATIONSBANK OF TEXAS, N.A.

By: _____
Name: _____
Title: _____

THE FIRST NATIONAL BANK OF BOSTON

By: _____
Name: _____
Title: _____

10

CREDIT LYONNAIS NEW YORK BRANCH

By: _____
Name: _____
Title: _____

ABN AMRO BANK N.V., HOUSTON AGENCY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

THE BANK OF NEW YORK

By: _____
Name: _____
Title: _____

THE FUJI BANK, LIMITED
HOUSTON AGENCY

By: _____
Soichi Yoshida,
Vice President and Manager

NBD BANK, N.A.

By: _____
Name: _____

Title: _____

SOCIETE GENERALE, SOUTHWEST AGENCY

By: _____
Name: _____
Title: _____

BANQUE PARIBAS HOUSTON AGENCY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

THE BANK OF TOKYO, LTD.,
DALLAS AGENCY

By: _____
Name: _____
Title: _____

BANK OF SCOTLAND

By: _____
Name: _____
Title: _____

CAISSE NATIONALE DE CREDIT
AGRICOLE

By: _____
Name: _____
Title: _____

CHRISTIANIA BANK OG KREDITKASSE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

DEN NORSKE BANK AS

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

MIDLAND BANK PLC,
NEW YORK BRANCH

By: _____
Name: _____

Title: _____

BANQUE INDOSUEZ

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

FIRST INTERSTATE BANK OF
TEXAS, N.A.

By: _____
Name: _____
Title: _____

Exhibit 2.4

DECEMBER 30, 1993

CREDIT AGREEMENT

U.S. $175,000,000 REDUCING REVOLVING CREDIT FACILITY

AMONG

SEAGULL ENERGY CANADA LTD.

AND

CHEMICAL BANK OF CANADA,
INDIVIDUALLY AND AS ARRANGER AND ADMINISTRATIVE AGENT,

THE BANK OF NOVA SCOTIA,
INDIVIDUALLY AND AS PAYING AGENT AND CO-AGENT,

CANADIAN IMPERIAL BANK OF COMMERCE,
INDIVIDUALLY AND AS CO-AGENT,

AND

THE OTHER BANKS SIGNATORY HERETO

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CREDIT AGREEMENT

This CREDIT AGREEMENT, dated as of December 30, 1993, is by and among SEAGULL ENERGY CANADA LTD. (the "Company"), a corporation duly organized and validly existing under the laws of the Province of Alberta, Canada; each of the banks which is or which may from time to time become a signatory hereto (individually, a "Bank" and, collectively, the "Banks"); CHEMICAL BANK OF CANADA ("Chemical"), as arranger and administrative agent for the Banks (in such capacity, together with its successors in such capacity, the "Administrative Agent"); THE BANK OF NOVA SCOTIA ("BNS"), as paying agent and co-agent for the Banks (in such capacity, together with its successors in such capacity, the "Paying Agent"), and CANADIAN IMPERIAL BANK OF COMMERCE ("CIBC"), as co-agent for the Banks (in such capacity, together with its successors in such capacity, the "Co-Agent").

The parties hereto agree as follows:

SECTION 1. DEFINITIONS AND ACCOUNTING MATTERS

1.1 Certain Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Section 1.1 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Additional Costs" shall have the meaning ascribed to such term in Section 6.1 hereof.

"Affiliate" shall mean, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person and, if such Person is an individual, any member of the immediate family (including parents, siblings, spouse, children, stepchildren, grandchildren, nephews and nieces) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust. As used in this definition, "control" (including, with correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"Agents" shall mean the Administrative Agent, the Paying Agent and the Co-Agent, collectively.

"Agreement" shall mean this Credit Agreement, as the same may be amended, modified, restated or supplemented from time to time.

"Alternate Base Rate" shall mean, for any day, a rate per annum equal to the higher of (a) the U.S. Prime Rate in effect on such day or (b) 1/2 of 1% plus the Federal Funds Rate in effect for such day (rounded upwards, if necessary, to the nearest 1/16th of 1%). For purposes hereof, "Federal Funds Rate" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Paying Agent from three Federal funds brokers of recognized standing selected by it. For purposes of this Agreement, any change in the Alternate Base Rate due to a change in the Federal Funds Rate shall be effective on the effective date of such change in the Federal Funds Rate. If for any reason the Paying Agent shall have determined (which determination shall be conclusive and binding, absent manifest error) that it is unable to ascertain the Federal Funds Rate for any reason, including, without limitation, the inability or failure of the Paying Agent to obtain sufficient bids or publications in accordance with the terms hereof, the Alternate Base Rate shall be the U.S. Prime Rate until the circumstances giving rise to such inability no longer exist. For the purposes hereof, "U.S. Prime Rate" shall mean the annual rate of interest announced from time to time by the Paying Agent in Canada as

its U.S. Base Rate for U.S. Dollar loans made by the Paying Agent in Canada. Without notice to the Company or any other Person, the U.S. Prime Rate shall change automatically from time to time as and in the amount by which said annual rate of interest shall fluctuate. The U.S. Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Chemical Bank, any Agent or any Bank may make commercial loans or other loans at rates of interest at, above or below the U.S. Prime Rate. For purposes of this Agreement any change in the Alternate Base Rate due to a change in the U.S. Prime Rate shall be effective on the date such change in the U.S. Prime Rate is announced.

"Alternate Base Rate Loans" shall mean Loans which bear interest at a rate based upon the Alternate Base Rate.

"APC" shall mean Alaska Pipeline Company, an Alaska corporation, a Subsidiary of the Parent.

"APC Long Term Financing Documents" shall mean that certain Inducement Agreement and that certain Note Agreement (together with the Notes, as defined therein), each dated as of May 14, 1992, by and among the Parent, Aid Association for Lutherans, The Equitable Life Assurance Society of the United States, Equitable Variable Life Insurance Company, Provident Life and Accident Insurance Company and Teachers Insurance & Annuity Association of America, any documentation executed in connection with any renewal, extension or rearrangement of the Indebtedness that is the subject of the foregoing documents, the Gas Sales Contract, the Intercompany Mortgage, as defined in the above-mentioned Note Agreement, and

any documents executed in replacement of any of the foregoing documents, if any, and only if the Administrative Agent has received notice thereof pursuant to Section 10.8.

"Applicable Lending Office" shall mean, for each Bank and for each Type of Loan and for each Bankers' Acceptance, such office of such Bank (or of an affiliate of such Bank) as such Bank may from time to time specify to the Paying Agent and the Company as the office by which its Loans of such Type are to be made and/or issued and maintained and at which Bankers' Acceptances are to be accepted and purchased; provided, however, that each such office shall be located in Canada.

"Applicable Margin" shall mean, on any day and with respect to any Loan, the applicable per annum percentage set forth at the appropriate intersection in the table shown below, based on the Debt/Capitalization Ratio as of the last day of the most recently ending fiscal quarter of the Parent and its Subsidiaries with respect to which the Administrative Agent shall have received the financial statements and other information (the "Current Information") required to be delivered to the Administrative Agent pursuant to Section 9.1 hereof (said calculation to be made by the Administrative Agent as soon as practicable after receipt by the Administrative Agent of all required Current Information):

<TABLE>
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Debt/Capitalization Ratio	Applicable Margin For Alternate Base Rate Loans and Canadian Prime Rate Loans	Applicable Margin For Eurodollar Loans
<S>	<C>	<C>
Greater than or equal to 65%	1.50	2.50
Greater than or equal to 60% but less than 65%	0.75	1.75
Greater than or equal to 55% but less than 60%	0.25	1.25
Less than 55%	0.00	1.00

</TABLE>

Notwithstanding the foregoing, (i) at all times that the Parent shall have received an investment grade senior debt rating from two nationally known agencies (one of which must be either Standard & Poor's Corporation or Moody's Investors Service, Inc.) of BBB-/Baa3 (or the equivalent) and the Debt/Capitalization Ratio shall be less than 50%, the Applicable Margin for

Alternate Base Rate Loans and Canadian Prime Rate Loans shall be 0% per annum and the Applicable Margin for Eurodollar Loans shall be .75% per annum, (ii) at all times that the Parent shall have received an investment grade senior debt rating from two nationally known agencies (one of which must be either Standard & Poor's Corporation or Moody's Investors

Service, Inc.) of BBB/Baa2 (or the equivalent) or better and the Debt/Capitalization Ratio shall be less than 45%, the Applicable Margin for Alternate Base Rate Loans and Canadian Prime Rate Loans shall be 0% per annum and the Applicable Margin for Eurodollar Loans shall be .625% per annum, and (iii) at all times that a Borrowing Base Deficiency shall exist and is continuing for more than 30 days, the Applicable Margins provided for in this definition shall each be increased by adding 1.00%; provided that the Applicable Margin for Alternate Base Rate Loans and Canadian Prime Rate Loans shall never exceed 2.50% and the Applicable Margin for Eurodollar Loans shall never exceed 3.50%. Each change in the Applicable Margin based on a change in the Current Information shall be effective as of the fifteenth day of the month during which the Current Information used to calculate the new Applicable Margin was delivered to the Agent.

"Applications" shall mean all applications and agreements for Letters of Credit, or similar instruments or agreements, now or hereafter executed by any Person in connection with any Letter of Credit now or hereafter issued or to be issued.

"Bank Guarantee" shall mean that certain Guarantee dated concurrently herewith executed by the Parent in favour of the Administrative Agent.

"Bankers' Acceptances" means bankers' acceptances issued by the Company and denominated in Canadian Dollars, which are accepted and purchased by the Banks at the request of the Company pursuant to Section 2.1.

"B/A Stamping Rate" means, with respect to Bankers' Acceptances accepted by a Bank, the Applicable Margin for Eurodollar Loans in effect on the date of acceptance of the Bankers' Acceptance.

"Bankruptcy Code" shall mean (i) the United States Bankruptcy Code, as amended, and any successor statute and (ii) the Bankruptcy and Insolvency Act (Canada), as amended, and any successor statute.

"Beluga Financing Documents" shall mean that certain Inducement Agreement and that certain Note Agreement (together with the Notes, as defined therein), each dated June 17, 1985, and amended as of June 15, 1990, by and among the Parent and The Equitable Life Assurance Society of the United States and the Travelers Insurance Company, any documentation executed in connection with any renewal, extension or rearrangement of the Indebtedness that is the subject of the foregoing documents, the Gas Sales Contract, the Intercompany Mortgage, as defined in the above-mentioned Note Agreement, and any documents executed in replacement of any of the foregoing documents, if and only if the Administrative Agent has received notice thereof pursuant to Section 10.8.

"Borrowing Base" shall have the meaning ascribed to such term in the U.S. Facility (without amendment except as permitted pursuant to the Intercreditor Agreement).

"Borrowing Base Debt" shall have the meaning ascribed to such term in the U.S. Facility (without amendment except as permitted pursuant to the Intercreditor Agreement).

"Borrowing Base Deficiency" shall have the meaning ascribed to such term in the U.S. Facility (without amendment except as permitted pursuant to the Intercreditor Agreement).

"Business Day" shall mean any day other than a day on which commercial banks are authorized or required to close in Houston, Texas, United States, Calgary, Alberta, Canada, or Toronto, Ontario, Canada, and where such term is used in the definition of "Quarterly Date" in this Section 1.1 or if such day relates to a borrowing of, a payment or prepayment of principal of or interest on, or an Interest Period for, a Eurodollar Loan or a notice by the Company

with respect to any such borrowing, payment, prepayment or Interest Period, a day which is also a day on which dealings in U.S. Dollar deposits are carried out in the relevant interbank market.

"Canadian Bankers' Acceptance Discount Proceeds" means, in respect of any Bankers' Acceptance required to be accepted and purchased by a Bank hereunder, an amount (rounded to the nearest whole cent with one-half of one cent being rounded up) calculated on the date of acceptance of the Bankers' Acceptance by multiplying:

(a) the face amount of such Bankers' Acceptance divided by one hundred (100); by

(b) the price, where the price is determined by dividing one hundred (100) by the sum of one plus the product of:

(i) the Canadian Bankers' Acceptance Discount Rate (expressed as a decimal); and

(ii) a fraction, the numerator of which is the term (expressed in days) of such Bankers' Acceptance and the denominator of which is three hundred sixty-five (365);

with the price as so determined being rounded up or down to the fifth decimal place and .000005 being rounded up;

"Canadian Bankers' Acceptance Discount Rate" shall mean, with respect to each Bankers' Acceptance which is required to be accepted and purchased by a Bank hereunder, the percentage discount rate (expressed to two decimal places) for Canadian Dollar Bankers' Acceptances having a comparable issue and maturity date which is quoted on the Reuter's Canadian Discount Offer Rate Screen for "Schedule 1" accepting banks (or if such screen shall not be available, any successor or similar services may be selected by the Paying Agent and the Company) as of 11:00 a.m. Toronto, Ontario time (or as soon thereafter as practicable) on the day of acceptance of the Bankers' Acceptances. If none of such screen nor any successor or similar services is

available then the "Canadian Bankers' Acceptance Discount Rate" shall mean, with respect to each Bankers' Acceptance which is required to be accepted and purchased by a Bank hereunder, the percentage discount rate (expressed to two decimal places) determined by the Paying Agent to be the average of the quoted discount rates at which Canadian Dollar Bankers' Acceptances having a comparable issue and maturity date are being bid for discount by the Reference Banks at approximately 11:00 a.m. Toronto, Ontario time (or as soon thereafter as practicable) on the day of the issuance and acceptance of the Bankers' Acceptances. If any Reference Bank does not furnish a timely quotation, the Paying Agent shall determine the relevant discount rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks; if none of such quotations is available on a timely basis, the provisions of Section 6.2 shall apply. Each determination of the Canadian Bankers' Acceptance Discount Rate shall be conclusive and binding, absent manifest error, and may be computed using any reasonable averaging and attribution method.

"Canadian Dollars" and "Canadian $" shall mean lawful money of Canada.

"Canadian Prime Rate" for any day shall mean the variable lending rate of interest (expressed as a rate per annum) established on such day by the Paying Agent from time to time as the reference rate of interest which the Paying Agent employs in order to determine the interest rate it will charge for demand loans denominated in Canadian Dollars to its customers in Canada and which it designates as its prime rate. Without notice to the Company or any other Person, the Canadian Prime Rate shall change automatically from time to time as and in the amount by which said prime rate shall fluctuate. The Canadian Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Any Agent or any Bank may make commercial loans or other loans at rates of interest at, above or below the Canadian Prime Rate. For purposes of this Agreement any change in the Canadian Prime Rate due to a change in the said prime rate shall be effective on the date such change in said prime rate is announced.

"Canadian Prime Rate Loans" shall mean Loans which bear interest at a rate based upon the Canadian Prime Rate.

"Capital Expenditures" shall mean expenditures in respect of fixed or

capital assets (calculated in accordance with GAAP) excluding expenditures for the restoration, repair or replacement of any fixed or capital asset which was destroyed or damaged, in whole or in part, to the extent financed by the proceeds of an insurance policy. Expenditures in respect of replacements and maintenance consistent with the business practices of the Parent and its Subsidiaries in respect of plant facilities, machinery, fixtures and other like capital assets utilized in the ordinary course of business are not Capital Expenditures to the extent such expenditures are not capitalized in preparing a balance sheet of the Parent in accordance with GAAP.

"Capital Lease Obligations" shall mean, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use)

real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Capitalization" shall mean an amount equal to the sum of (a) Funded Indebtedness of the Parent and its Subsidiaries on a consolidated basis plus (b) Current Maturities of the Parent and its Subsidiaries on a consolidated basis plus (c) borrowed money Indebtedness of the Parent and its Subsidiaries on a consolidated basis that is not Funded Indebtedness plus (d) Indebtedness of the Parent and its Subsidiaries on a consolidated basis constituting obligations payable out of Hydrocarbons (except such obligations payable solely by recourse to properties not included in the Borrowing Base) plus (e) Tangible Net Worth of the Parent and its Subsidiaries on a consolidated basis.

"Change of Control" shall mean a change resulting when any Unrelated Person or any Unrelated Persons acting together which would constitute a Group together with any Affiliates or Related Persons thereof (in each case also constituting Unrelated Persons) shall at any time either (i) Beneficially Own more than 50% of the aggregate voting power of all classes of Voting Stock of the Parent or (ii) succeed in having sufficient of its or their nominees elected to the Board of Directors of the Parent such that such nominees, when added to any existing director remaining on the Board of Directors of the Parent after such election who is an Affiliate or Related Person of such Person or Group, shall constitute a majority of the Board of Directors of the Parent. As used herein (a) "Beneficially Own" means "beneficially own" as defined in Rule 13d-3 of the United States Securities Exchange Act of 1934, as amended, or any successor provision thereto; provided, however, that, for purposes of this definition, a Person shall not be deemed to Beneficially Own securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates until such tendered securities are accepted for purchase or exchange; (b) "Group" means a "group" for purposes of Section 13(d) of the United States Securities Exchange Act of 1934, as amended; (c) "Unrelated Person" means at any time any Person other than the Parent or any Subsidiary and other than any trust for any employee benefit plan of the Parent or any Subsidiary of the Parent; (d) "Related Person" of any Person shall mean any other Person owning (1) 5% or more of the outstanding common stock of such Person or (2) 5% or more of the Voting Stock of such Person; and (e) "Voting Stock" of any Person shall mean capital stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"Code" shall mean, as applicable, (i) the Internal Revenue Code of 1986, as amended, or any successor statute, together with all regulations, rulings and interpretations thereof or thereunder by the Internal Revenue Service or (ii) the Income Tax Act (Canada), as amended, or any successor statute, together with all regulations, rulings and interpretations thereof or thereunder.

"Commitment Percentage" shall mean, as to any Bank, the percentage equivalent of a fraction the numerator of which is the amount of such Bank's Commitment and the denominator of which is the aggregate amount of the Commitments of all Banks.

"Commitments" shall mean, as to any Bank, the obligation, if any, of such Bank to make Loans, accept and purchase Bankers' Acceptances and incur Letter of Credit Liabilities in an aggregate principal amount (including therein the full face amount of all Bankers' Acceptances then outstanding) at any one time outstanding up to but not exceeding the amount, if any, set forth opposite such Bank's name on the signature pages hereof under the caption "Commitment" (as the same may be reduced from time to time pursuant to Section 2.3).

"Cover" for Letter of Credit Liabilities shall be effected by paying to the Paying Agent immediately available funds, to be held by the Paying Agent in a collateral account maintained by Paying Agent at its Payment Office and collaterally assigned as security for the financial accommodations extended pursuant to this Agreement using documentation satisfactory to the Administrative Agent, in an amount equal to any required prepayment. Such amount shall be retained by the Paying Agent in such collateral account until such time as (x) in the case of Cover being provided pursuant to Section 2.2(a), the applicable Letter of Credit shall have expired and Reimbursement Obligations, if any, with respect thereto shall have been fully satisfied or (y) in the case of Cover being provided pursuant to Section 3.2(b)(1), the outstanding principal amount of all Revolving Credit Obligations is not greater than the aggregate amount of the Commitments.

"Current Maturities" shall mean, on any day on which Current Maturities are calculated, the sum of (a) scheduled principal payments on Funded Indebtedness which are payable within one (1) year after such day plus (b) the principal component of payments required to be made with respect to Capital Lease Obligations within one (1) year of said date plus (c), to the extent not included above, all items which in accordance with GAAP would be classified as current maturities of long term debt.

"Debt/Capitalization Ratio" shall mean the ratio of (a) the sum of Funded Indebtedness of the Parent and its Subsidiaries on a consolidated basis plus Current Maturities of the Parent and its Subsidiaries on a consolidated basis plus borrowed money Indebtedness of the Parent and its Subsidiaries on a consolidated basis that is not Funded Indebtedness plus Indebtedness of the Parent and its Subsidiaries on a consolidated basis constituting obligations payable out of Hydrocarbons (except such obligations payable solely by recourse to properties not included in the Borrowing Base) to (b) Capitalization.

"Default" shall mean an Event of Default or an event which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosure Statement" shall mean the Disclosure Statement dated concurrently herewith delivered to the Administrative Agent by the Company.

"Dividend Payment" shall mean, with respect to any Person, dividends (in cash, property or obligations) on, or other payments or distributions on account of, or the redemption of, or the setting apart of money for a sinking or other analogous fund for the purchase, redemption, retirement or other acquisition of, any shares of any class of capital stock of such Person, or the exchange or conversion of any shares of any class of capital stock of such Person for or into any obligations of or shares of any other class of capital stock of such Person or any other property, but excluding dividends payable solely in, or exchanges or conversions for or into, shares of common stock of the Parent or options or warrants to purchase common stock of the Parent.

"Dividend Tests" shall mean compliance with each of the following restrictions (both before and immediately after giving effect to the applicable Dividend Payments):

(i) Tangible Net Worth shall not be less than U.S. $350,000,000;

(ii) the EBITDA/Interest Ratio shall be not less than 3.5:1.0;

(iii) the Debt/Capitalization Ratio shall be less than 60%;

(iv) there shall exist no Borrowing Base Deficiency;

(v) no Default or Event of Default shall have occurred and be continuing; and

(vi) the applicable Dividend Payment, when aggregated with any prior permitted Dividend Payment, shall not exceed the amount by which (a) 33-1/3% of net income of the Parent and its Subsidiaries on a consolidated basis for the period commencing on January 1, 1993 through the then current date exceeds (b) the aggregate of any prior Investments made during such period in excess of U.S. $30,000,000.

"EBITDA" shall mean net earnings (excluding gains and losses on sales and retirement of assets, non-cash write downs and charges resulting from accounting convention changes) before deduction for federal, provincial, municipal and state taxes, interest expense (including capitalized interest), operating lease rentals or depreciation, depletion and amortization expense, all determined in accordance with GAAP.

"EBITDA/Interest Ratio" shall mean the ratio of (a) EBITDA of the Parent and its Subsidiaries on a consolidated basis to (b) operating lease rentals and interest expense (including capitalized interest) on all Indebtedness of the Parent and its Subsidiaries on a consolidated basis for any twelve-month period ending on the last day of every calendar quarter during the period with respect to which the EBITDA/Interest Ratio is to be calculated.

"Engineering Report" shall mean one or more reports, in form satisfactory to the Administrative Agent and the Majority Banks, prepared by one or more independent consulting

firms acceptable to the Administrative Agent and the Majority Banks in their reasonable business judgment, which shall evaluate at least 85% of the present value of the producing and non-producing proved oil and gas reserves of the Parent and its Oil and Gas Subsidiaries as of the immediately preceding January 1. Each Engineering Report shall set forth a projection of the future rate of production, Net Proceeds of Production and present value of the Net Proceeds of Production, in each case based upon economic assumptions acceptable to the Administrative Agent and approved by the Majority Banks.

"ENSTAR Alaska" shall collectively mean (i) the gas distribution system in south-central Alaska known as ENSTAR Natural Gas Company, a division of the Parent, and (ii) APC.

"Environmental Claim" means any third party (including Governmental Authorities and employees) action, lawsuit, claim or proceeding (including claims or proceedings at common law or under the Occupational Safety and Health Act or similar laws relating to safety of employees) which seeks to impose liability for (i) noise; (ii) pollution or contamination of the air, surface water, ground water or land or the clean-up of such pollution or contamination; (iii) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation; (iv) exposure to Hazardous Substances; (v) the safety or health of employees or (vi) the manufacture, processing, distribution in commerce or use of Hazardous Substances. An "Environmental Claim" includes, but is not limited to, a common law action, as well as a proceeding to issue, modify or terminate an Environmental Permit, or to adopt or amend a regulation to the extent that such a proceeding attempts to redress violations of an applicable permit, license, or regulation as alleged by any Governmental Authority.

"Environmental Liabilities" includes all liabilities arising from any Environmental Claim, Environmental Permit or Requirement of Environmental Law under any theory of recovery, at law or in equity, and whether based on negligence, strict liability or otherwise, including but not limited to: remedial, removal, response, abatement, investigative, monitoring, personal injury and damage to property or injuries to persons, and any other related costs, expenses, losses, damages, penalties, fines, liabilities and obligations, and all costs and expenses necessary to cause the issuance, reissuance or renewal of any Environmental Permit including reasonable attorneys' fees and court costs.

"Environmental Permit" means any permit, license, approval or other authorization under any applicable Legal Requirement relating to pollution or protection of health or the environment, including laws, regulations or other requirements relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or hazardous substances or toxic materials or wastes into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants or Hazardous Substances.

"Equivalent U.S. Dollar Amount" shall mean, with respect to any amount of Canadian Dollars, the equivalent amount of U.S. Dollars determined by using the Bank of Canada noon

day rate at which it offers to provide U.S. Dollars in exchange for such amount of Canadian Dollars on the date as of which such Equivalent U.S. Dollar Amount is to be determined.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and all rules, regulations and interpretations by the Internal Revenue Service or the Department of Labor thereunder.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) which is a member of a group of which the Parent is a member and which is under common control within the meaning of the regulations under Section 414 of the Code.

"Eurodollar Base Rate" shall mean, with respect to any Interest Period for any Eurodollar Loan, the lesser of (A) the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) equal to the average of the offered quotations appearing on Telerate Page 3750 (or if such Telerate Page shall not be available, any successor or similar service as may be selected by the Paying Agent and the Company) as of 11:00 a.m., Toronto, Ontario time (or as soon thereafter as practicable) on the day two Business Days prior to the first day of such Interest Period for U.S. Dollar deposits having a term comparable to such Interest Period and in an amount comparable to the principal amount of the Eurodollar Loan to which such Interest Period relates or (B) the Highest Lawful Rate. If none of such Telerate Page 3750 nor any successor or similar service is available, then the "Eurodollar Base Rate" shall mean, with respect to any Interest Period for any applicable Eurodollar Loan, the lesser of (A) the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) determined by the Paying Agent to be the average of the rates quoted by the Reference Banks at approximately 11:00 a.m., Toronto, Ontario time (or as soon thereafter as practicable) on the day two Business Days prior to the first day of such Interest Period for the offering by such Reference Banks to leading banks in the interbank market of U.S. Dollar deposits having a term comparable to such Interest Period and in an amount comparable to the principal amount of the Eurodollar Loan to which such Interest Period relates or (B) the Highest Lawful Rate. If any Reference Bank does not furnish a timely quotation, the Paying Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks; if none of such quotations is available on a timely basis, the provisions of Section 6.2 shall apply. Each determination of the Eurodollar Base Rate shall be conclusive and binding, absent manifest error, and may be computed using any reasonable averaging and attribution method.

"Eurodollar Loans" shall mean Loans the interest on which is determined on the basis of rates referred to in the definition of "Eurodollar Base Rate" in this Section 1.1.

"Eurodollar Rate" shall mean, for any Interest Period for any Eurodollar Loan, a rate per annum determined by the Paying Agent to be equal to the Eurodollar Base Rate for such Loan for such Interest Period.

"Event of Default" shall have the meaning assigned to such term in Section 11 hereof.

"Financial Statements" shall mean the financial statement or statements, together with the notes and schedules thereto, described or referred to in Sections 8.6 and 9.1.

"Funded Indebtedness" shall mean all Indebtedness which by its terms matures more than one (1) year from the date as of which any calculation of Funded Indebtedness is made, and any Indebtedness maturing within one (1) year from such date which is renewable at the option of the obligor to a date beyond one (1) year from such date.

"GAAP" shall mean as to a particular Person, such accounting practice as, in the opinion of KPMG Peat Marwick or other independent accountants of recognized national standing retained by such Person and acceptable to the Majority Banks, conforms at the time to generally accepted accounting principles, consistently applied. Generally accepted accounting principles means those principles and practices (a) which are recognized as such by the Financial Accounting Standards Board, (b) which are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the most recent audited financial statements of the relevant Person furnished to the Banks, except only for such changes in principles and practices with which the applicable independent public accountants concur and which are disclosed to the Banks in writing, and (c) which are consistently applied for all periods after the date hereof so as to reflect properly the financial condition and results of operations of such Person.

"Gas and Liquids Pipeline Subsidiaries" shall mean each company (which may include the Parent) engaged in the Pipeline Operations.

"Gas Sale Contract" shall mean that certain Gas Sale Contract dated January 1, 1984, between APC, as Seller, and ENSTAR Natural Gas Company, as Purchaser, as amended on June 17, 1985, and from time to time thereafter, if and only if the Administrative Agent has received notice thereof pursuant to Section 10.8.

"Governmental Authority" shall mean any sovereign governmental authority, Canada, the United States of America, any Province of Canada, any State of the United States and any political subdivision of any of the foregoing, and any central bank, agency, instrumentality, department, commission, board, bureau, authority, court or other tribunal or quasi-governmental authority in each case whether executive, legislative, judicial, regulatory or administrative, having jurisdiction over the Parent, any of its Subsidiaries, any of their respective property, any Agent or any Bank.

"Guarantee" by any Person means any obligation, contingent or otherwise, of any such Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to

maintain financial statement conditions or otherwise, other than agreements to purchase assets, goods, securities or services at an arm's length price in the ordinary course of business) or (ii) entered into for the purpose of assuring in any other manner the holder of such Indebtedness of the payment thereof or to protect such holder against loss in respect thereof (in whole or in part), provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Substance" shall mean petroleum products, and any hazardous or toxic waste or substance defined or regulated as such from time to time by any law, rule, regulation or order described in the definition of "Requirements of Environmental Law".

"Highest Lawful Rate" shall mean, on any day, the maximum nonusurious rate of interest permitted for that day by whichever of applicable Canadian or provincial law permits the higher interest rate, stated as a rate per annum.

"Hydrocarbons" shall mean oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate and all other liquid or gaseous hydrocarbons and related minerals, in each case whether in a natural or a processed state.

"Indebtedness" shall mean, as to any Person: (i) indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase or acquisition price of property or services, including, without limitation, obligations (excluding volumetric obligations with respect to pre-sales of Hydrocarbon production which have already been accounted for in the calculation of the Borrowing Base) payable out of Hydrocarbon production; (ii) obligations, whether fixed or contingent, of such Person in respect of letters of credit, acceptances or similar instruments issued or accepted by banks and other financial institutions for the account of such Person or any other Person; (iii) Capital Lease Obligations

of such Person; (iv) Redemption Obligations of such Person and other obligations of such Person to redeem or otherwise retire shares of capital stock of such Person or any other Person; (v) indebtedness of others of the type described in clause (i), (ii), (iii) or (iv) above secured by a Lien on the property of such Person, whether or not the respective obligation so secured has been assumed by such Person; and (vii) indebtedness of others of the type described in clause (i), (ii), (iii) or (iv) above Guaranteed by such Person.

"Intercreditor Agreement" shall mean that certain Intercreditor Agreement dated concurrently herewith executed by and among the Company, the Parent, the Administrative Agent and the "Administrative Agent" under the U.S. Facility.

"Interest Period" shall mean:

(a) With respect to any Eurodollar Loan, the period commencing on (i) the date such Loan is made or converted into or continued as a Eurodollar Loan or (ii) in the case of a roll-over to a successive Interest Period, the last day of the immediately preceding Interest Period and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Company may select as provided in Section 3.3 hereof, except that each such Interest Period which commences on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month shall end on the last Business Day of the appropriate subsequent calendar month.

(b) With respect to any Alternate Base Rate Loan or any Canadian Prime Rate Loan, the period commencing on the date such Loan is made and ending on the next succeeding Quarterly Date.

Notwithstanding the foregoing: (i) no Interest Period with respect to a Eurodollar Loan may commence before and end after the date of any scheduled reduction in the Commitments if, after giving effect thereto, the aggregate principal amount of the Eurodollar Loans having Interest Periods which end after such reduction date shall be greater than the aggregate principal amount of the Commitments scheduled to be in effect after such reduction date; (ii) each Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day (or, in the case of an Interest Period for Eurodollar Loans, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day); (iii) no Interest Period with respect to a Eurodollar Loan shall extend beyond the end of the scheduled Revolving Credit Availability Period; and (iv) no Interest Period for any Eurodollar Loans shall have a duration of less than one month and, if the Interest Period therefor would otherwise be a shorter period, such Loans shall not be available hereunder.

"Investments" shall have the meaning assigned to such term in Section 10.3 hereof.

"Investments Tests" shall mean compliance with each of the following restrictions (both before and immediately after giving effect to the applicable Investments):

(i) there shall exist no Borrowing Base Deficiency;

(ii) no Default or Event of Default shall have occurred and be continuing; and

(iii) the applicable Investment, when aggregated with any prior permitted Investments, shall not exceed the greater of (I) 10% of Tangible Net Worth of the Parent and its Subsidiaries on a consolidated basis or (II) the sum of (a) U.S. $30,000,000 plus (b) the amount, if any, by which 33-1/3% of net income of the Parent and its Subsidiaries on a consolidated basis for the period commencing on January 1, 1993 through the then

current date exceeds the aggregate of any prior Dividend Payments made during such period.

"Issuer" shall mean each Bank issuing a Letter of Credit hereunder.

"Key Contracts" shall mean all contracts, permits, licenses and other rights acquired by the Parent and its Subsidiaries from third parties or each other and from time to time material to the ownership of assets, or operations, of the Parent and its Subsidiaries.

"Legal Requirement" shall mean any law, statute, ordinance, decree, requirement, order, judgment, rule, regulation (or interpretation of any of the foregoing) of, and the terms of any license or permit issued by, any Governmental Authority, now or hereafter in effect.

"Letter of Credit" shall have the meaning assigned to such term in Section 2.2 hereof.

"Letter of Credit Fee" shall mean a per annum rate equal to the Applicable Margin for Eurodollar Loans in effect from time to time.

"Letter of Credit Liabilities" shall mean, at any time and in respect of any Letter of Credit, the sum of (i) the amount available for drawings under such Letter of Credit plus (ii) the aggregate unpaid amount of all Reimbursement Obligations at the time due and payable in respect of previous drawings made under such Letter of Credit.

"Lien" shall mean, with respect to any asset, any mortgage, lien, pledge, charge, collateral assignment, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Liquid Investments" shall mean:

(I) in the case of investments of U.S. Dollars

(i) securities issued or directly, fully and unconditionally guaranteed or insured by the United States of America or any agency or instrumentality thereof provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than one year from the date of issue;

(ii) U.S. Dollar time deposits and certificates of deposit (A) of any Bank having capital and surplus in excess of U.S. $300,000,000, or (B) of any commercial bank incorporated in the United States, of recognized standing, having capital and surplus in excess of U.S. $500,000,000 and

which has (or which is a Subsidiary of a holding company which has) publicly traded debt securities rated, at the time of issuance of such time deposits, AA or higher by Standard & Poor's Corporation or Aa-2 or higher by Moody's Investors Service, Inc. with maturities of not more than one year from the date of issue;

(iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described inclause (I)(i) above entered into with any bank meeting the qualifications specified in clause (I)(ii)above, provided that the terms of such agreements comply with the guidelines set forth in the Federal Financial Institution Examination Counsel Supervisory Policy--Repurchase Agreements of Depository Institutions With Securities Dealers and Others, as adopted by the Comptroller of the Currency on October 31, 1985;

(iv) commercial paper or other U.S. Dollar obligations

issued by the parent corporation (A) of any Bank having capital and surplus in excess of U.S. $300,000,000, or (B) of any commercial bank (provided that the parent corporation and the bank are both incorporated in the United States) of recognized standing having capital and surplus in excess of U.S. $500,000,000 and commercial paper or other U.S. Dollar obligations issued by any Person incorporated in the United States, which commercial paper is rated at least A-2 or the equivalent thereof by Standard & Poor's Corporation or at least P-2 or the equivalent thereof by Moody's Investors Service, Inc. and in each case maturing not more than six months after the date of issue;

(v) obligations of any state or political subdivision thereof rated at least F-1 by Fitch Investors Service, Inc. or AA by Standard & Poor's Corporation with an original maturity of 180 days or less; and

(vi) investments in money market funds substantially all the assets of which are comprised of securities of the types described inclauses (I)(i) through (v) above; and

(II) in the case of investments of Canadian dollars

(i) bonds or other evidences of indebtedness of, or the principal and interest of which is fully guaranteed by, the Government of Canada or any province of Canada, payable in Canadian dollars and (in the case of any provincial obligations and any Government of Canada obligations that are rated) rated AAA or AA (or the then equivalent grade) by Dominion Bond

Rating Service Limited, or any other nationally recognized bond rating service, having a maturity not in excess of one year,

(ii) certificates of deposit issued or guaranteed by a bank or trust company organized under the laws of Canada or any province thereof, provided such bank or trust company has capital and retained earnings in the aggregate in excess of Canadian $500,000,000 on its most recent balance sheet (whether audited or unaudited), having a maturity not in excess of one year,

(iii) bankers' acceptances of any bank or trust company the certificates of deposit of which would constitute Liquid Investments as provided in clause (II)(ii) above, if outstanding unsecured debt of such bank or trust company is rated no less than AA (or the then equivalent grade) by Dominion Bond Rating Service Limited, or any other nationally recognized bond rating service; and

(iv) commercial paper rated no less than R-1 (or the then equivalent grade) by Dominion Bond Rating Service Limited or A-1 (or the then equivalent grade) by CBRS Inc., having a maturity not in excess of one year; excluding any bonds or other evidences of indebtedness, certificates of deposit or commercial paper which a Canadian chartered bank may not hold as security under the Bank Act (Canada).

"Loan Documents" shall mean this Agreement, the Notes, the Bank Guarantee, the Intercreditor Agreement, the Bankers' Acceptances, all Applications, all instruments, certificates and agreements now or hereafter executed or delivered to any Agent or any Bank pursuant to any of the foregoing, and all amendments, modifications, renewals, extensions, increases and rearrangements of, and substitutions for, any of the foregoing.

"Loans" shall mean the loans provided for by Section 2.1 hereof.

"Majority Banks" shall mean Banks having greater than 66-2/3% of the

aggregate amount of Commitments.

"Material Adverse Effect" shall mean a material adverse effect on the business, condition (financial or otherwise), operations, properties (including proven oil and gas reserves) or prospects of the Parent and its Subsidiaries, taken as a whole, or on the ability of any Relevant Party to perform its material obligations under any Loan Document to which it is a party.

"Maximum Outstanding Amount" shall have the meaning ascribed to such term in Section 2.9 hereof.

"Maximum Revolving Credit Available Amount" shall mean, at any date, an amount equal to the lesser of (i) the aggregate of the Commitments or (ii) the Maximum Outstanding Amount designated from time to time by the Company in accordance with the terms hereof.

"Mesa Contract" shall mean that certain Purchase and Sale Agreement dated February 6, 1991 executed by and among Mesa Limited Partnership, a Delaware limited partnership, Mesa Operating Limited Partnership, a Delaware limited partnership, and Mesa Midcontinent Limited Partnership, a Delaware limited partnership, as Sellers, and the Parent, as Buyer, as amended by that certain First Amendment to Purchase and Sale Agreement dated February 22, 1991 and as further amended by that certain Second Amendment to Purchase and Sale Agreement dated March 8, 1991.

"Midcon" shall mean Seagull Midcon Inc., a Delaware corporation.

"Net Proceeds of Production" shall mean, with respect to any Person, all revenue received by or credited to the account of such Person from the sale of Hydrocarbons and other minerals in, under or produced from their respective oil, gas and mineral properties after deducting royalties, overriding royalties, volumetric production payments with respect to pre-sales of Hydrocarbon production, production payments pledged to secure non-recourse financing payable solely out of such production payments, net profits interests and other burdens payable out of production, normal and reasonable operating expenses and severance, ad valorem, excise, freehold mineral and windfall profit taxes.

"Notes" shall mean the promissory notes of the Company evidencing the Loans, in the form of Exhibit C hereto, together with all renewals, extensions, modifications and replacements thereof and substitutions therefor.

"Novalta" shall mean Novalta Resources Inc., a corporation incorporated under the laws of the Province of Alberta.

"Novalta Contract" shall mean that certain Sale Agreement dated November 19, 1993 executed by and between Novacor Petrochemicals Ltd., as Vendor, and the Parent, as Purchaser.

"Obligations" shall mean, as at any date of determination thereof, the sum of the following: (i) the aggregate principal amount of Loans outstanding hereunder plus (ii) the aggregate face amount of all outstanding Bankers' Acceptances plus (iii) the aggregate amount of the Letter of Credit Liabilities hereunder plus (iv) all other liabilities, obligations and indebtedness of the Parent or any Subsidiary of the Parent under any Loan Document.

"Oil and Gas Subsidiaries" shall mean any Subsidiary of the Parent whose assets consist primarily of oil and gas properties. As of the date hereof, the Oil and Gas Subsidiaries are listed as such on Exhibit A hereto.

"Organizational Documents" shall mean, with respect to a corporation, the certificate of incorporation, articles of incorporation and bylaws of such corporation; with respect to a partnership, the partnership agreement establishing such partnership; with respect to a joint venture, the joint venture agreement establishing such joint venture, and with respect to a trust, the instrument establishing such trust; in each case including any and all modifications thereof as of the date of the Loan Document referring to such Organizational Document.

"Parent" shall mean Seagull Energy Corporation, a Texas corporation.

"Parent Report" shall mean one or more reports, in form satisfactory to the Administrative Agent and the Majority Banks, prepared by petroleum engineers employed by the Parent or its Subsidiaries, which shall evaluate (i) at least 85% of the present value of the producing and non-producing proved oil and gas reserves of the Parent and its Oil and Gas Subsidiaries evaluated in the most recent Engineering Report delivered pursuant hereto and (ii) any other properties as to which the Parent has conducted successful exploration activities subsequent to the most recent Engineering Report, in each case effective as of the immediately preceding July 1. Each Parent Report shall set forth production, drilling and acquisition information and other information requested by the Administrative Agent and shall be based upon updated economic assumptions acceptable to the Administrative Agent and approved by the Majority Banks at the beginning of the applicable year.

"Payment Office" shall mean the Toronto, Ontario office of the Paying Agent, presently located at The Bank of Nova Scotia, International Banking Division-Loan Accounting, 14th Floor, 44 King Street West, Toronto, Ontario, Canada M5H 1H1.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" shall mean an individual, a corporation, a company, a bank, a voluntary association, a partnership, a trust, an unincorporated organization, any Governmental Authority or any other entity.

"Plan" shall mean an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (a) maintained by the Parent or any ERISA Affiliate for employees of the Parent or any ERISA Affiliate or (b) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Parent or any ERISA Affiliate is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Post-Default Rate" shall mean, in respect of any principal of any Loan, any Reimbursement Obligation or any other amount payable by the Company under this Agreement or any other Loan Document which is not paid when due (whether at stated maturity, by acceleration,

or otherwise), a rate per annum during the period commencing on the due date until such amount is paid in full equal to the lesser of (a) the sum of (w) with respect to Eurodollar Loans, 2% per annum plus the applicable Eurodollar Rate then in effect plus the Applicable Margin for Eurodollar Loans until the expiration of the applicable Interest Period, (x) with respect to Canadian Prime Rate Loans, 2% per annum plus the applicable Canadian Prime Rate as in effect from time to time plus the Applicable Margin for Canadian Prime Rate Loans, and (y) with respect to Alternate Base Rate Loans and with respect to Eurodollar Loans after the expiration of the applicable Interest Period (and also with respect to indebtedness other than Loans), 2% plus the Alternate Base Rate as in effect from time to time plus the Applicable Margin for Alternate Base Rate Loans or (b) the Highest Lawful Rate.

"Quarterly Dates" shall mean the last day of each March, June, September and December, provided that, if any such date is not a Business Day, then the relevant Quarterly Date shall be the next succeeding Business Day.

"Quarterly Equivalent" shall mean, as of any date, the Bank of Canada noon day rate at which it offers to provide U.S. Dollars in exchange for Canadian Dollars on the later of (i) the last Business Day immediately preceding the then current calendar quarter or (ii) the last Business Day immediately preceding the most recent revision of the Maximum Outstanding Amount pursuant to Section 2.9.

"Redemption Obligations" shall mean with respect to any Person all mandatory redemption obligations of such Person with respect to preferred stock or other equity securities issued by such Person or put rights in favour of the holder of such preferred stock or other equity securities.

"Reference Banks" shall mean The Bank of Nova Scotia and Chemical Bank of Canada and such other Banks (up to a maximum of two (2) additional Banks) as the Company, with the approval of the Paying Agent (which approval shall not be unreasonably withheld), may from time to time designate.

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as the same may be amended or supplemented from time to time and any successor or other regulation relating to reserve requirements.

"Regulatory Change" shall mean, with respect to any Bank, any change on or after the date of this Agreement in Legal Requirements (including Regulation D) or the adoption or making on or after such date of any interpretation, directive or request applying to a class of banks including such Bank under any Legal Requirements (whether or not having the force of law) by any Governmental Authority.

"Reimbursement Obligations" shall mean, as at any date, the obligations of the Company then outstanding in respect of Letters of Credit under this Agreement, to reimburse the Paying

Agent for the account of the applicable Issuer for the amount paid by the applicable Issuer in respect of any drawing under such Letter of Credit.

"Relevant Party" shall mean the Company, the Parent and each other party to any of the Loan Documents other than (a) the Banks and (b) the Agents.

"Request for Extension of Credit" shall mean a request for extension of credit duly executed by the chief executive officer, chief financial officer, or treasurer of the Company, appropriately completed and substantially in the form of Exhibit B attached hereto.

"Requirements of Environmental Law" means all requirements imposed by any law (including for example and without limitation The Resource Conservation and Recovery Act (U.S.) and The Comprehensive Environmental Response, Compensation, and Liability Act (U.S.), the Environmental Protection and Enhancement Act (Alberta) and the Canadian Environmental Protection Act), rule, regulation, or order of any federal, state, provincial or local executive, legislative, judicial, regulatory or administrative agency, board or authority in effect at the applicable time which relate to (i) noise; (ii) pollution, protection or clean-up of the air, surface water, ground water or land; (iii) solid, gaseous or liquid waste generation, treatment, storage, disposal or transportation; (iv) exposure to Hazardous Substances; (v) the safety or health of employees or (vi) regulation of the manufacture, processing, distribution in commerce, use, discharge or storage of Hazardous Substances.

"Reserve Requirement" shall mean, for any Eurodollar Loan for any Interest Period therefor, the stated maximum rate for all reserves (including any marginal, supplemental or emergency reserves) required to be maintained during such Interest Period under applicable Legal Requirements by any Bank against eurocurrency liabilities. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect and include any other reserves required to be maintained by any Bank by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the Eurodollar Rate is to be determined as provided in the definition of "Eurodollar Base Rate" in this Section 1.1 or (ii) any category of extensions of credit or other assets which include Eurodollar Loans. Any determination by the Paying Agent of the Reserve Requirement shall be conclusive and binding, absent manifest error, and may be made using any reasonable averaging and attribution method.

"Responsible Officer" shall mean the chairman of the board, the president, any executive vice president, the vice president of finance and administration, the chief executive officer or the chief operating officer or any equivalent officer (regardless of title) and in the case of the Company, any other vice president, and in respect of financial or accounting matters, shall also include the chief financial officer, the treasurer and the controller or any equivalent officer (regardless of title).

"Revolving Credit Availability Period" shall mean the period from and including the date hereof to but not including December 31, 1999 or the date the Commitments are terminated pursuant to Section 11.1, whichever is first to occur.

"Revolving Credit Commitment Fee Percentage" shall mean (i) for any

day that the Debt/Capitalization Ratio shall be less than 60%, .375% per annum and (ii) at all other times, .50% per annum.

"Revolving Credit Obligations" shall mean, as at any date of determination thereof, the sum of the following (determined without duplication): (i) the aggregate principal amount of Loans outstanding hereunder plus (ii) the aggregate of the face amounts of all outstanding Bankers' Acceptances plus (iii) the aggregate amount of the Letter of Credit Liabilities hereunder.

"Senior Debt" shall mean Indebtedness having a weighted average maturity at least seven (7) years from the date of issuance and having no conditions precedent or covenants materially more onerous to the Parent than the conditions precedent and covenants contained herein and in the other Loan Documents with respect to the Loans. The documents evidencing any Senior Debt shall contain a provision substantially identical to Section 10.2(y) hereof permitting Liens securing the Notes and the other Obligations on a pari passu basis with such Senior Debt.

"Subordinated Debt" shall mean Indebtedness of the Parent having a weighted average maturity at least seven (7) years from the date of issuance and having no conditions precedent or covenants materially more onerous to the Parent than the conditions precedent and covenants contained in the U.S. Facility, in this Agreement and in the other Loan Documents with respect to the Loans and which is expressly made subordinate and junior in right of payment to the Obligations and in respect of any collateral or security by the express terms of the instruments evidencing the Subordinated Debt or the indenture or other similar instrument under which the Subordinated Debt is issued (which indenture or other instrument will be binding on all holders of such Subordinated Debt), by provisions not more favourable to the holders of the Subordinated Debt than the following:

(a) in the event a Default exists and is continuing, no payment of principal or interest will be made on account of Subordinated Debt and no remedy for default shall be exercised until (i) such Default will have been cured or waived or until the Obligations will have been paid in full (or provisions made therefor reasonably satisfactory to the Banks) or (ii) 179 days after the occurrence of such Default (as to which the Banks have knowledge as a result of having received notice from the Company pursuant to this Agreement or otherwise) and no action being taken by the Banks with respect to such Default, whichever occurs earlier;

(b) upon the occurrence of any of the events or proceedings specified in Subsections 11.1(f) or (g) hereof (or, as to any Subsidiary of the Parent, Subsection 11.1(j) to the extent that it refers to Subsections 11.1(f) or (g)), the holders of any Obligations will be entitled

to receive payment in full of all principal or interest on all Obligations before the holders of the Subordinated Debt are entitled to receive any payment on account of principal or interest on the Subordinated Debt, and to that end (but subject to the power of a court of competent jurisdiction to make other provision) the holders of the Obligations will be entitled to receive distributions of any kind or character, whether in cash or property or securities (other than equity securities and other securities establishing rights in the holders thereof which are subordinate to the rights of the holders of the Obligations in accordance with this definition of Subordinated Debt), which may be or would otherwise be payable or deliverable in any such proceedings in respect of the Subordinated Debt (provided that, the Subordinated Debt may provide that if the Obligations have been paid in full or provision therefor reasonably satisfactory to the Banks has been made, the holders of the Subordinated Debt will be subrogated to the rights of the holders of the Obligations);

(c) in the event that any Subordinated Debt is declared due and payable before its expressed maturity because of the occurrence of an event of default thereunder (under circumstances when the provisions of the foregoing clauses (a) and (b) will not be applicable), the holders of the Obligations at the time such Subordinated Debt becomes due and payable because of such an event of default will be entitled to receive payment in full of all Obligations (or have provision therefor satisfactory to the Banks made) before the holders of the Subordinated Debt are entitled to receive any payment on account of the principal or interest on the Subordinated Debt; and

(e) no holder of the Obligations will be prejudiced in its right to enforce subordination of the Subordinated Debt by any act or failure to act on the part of the Parent or the part of the holders of the Obligations;

provided that, the Subordinated Debt may provide that the foregoing provisions are solely for the purpose of defining the relative rights of the holders of the Obligations on the one hand, and the holders of the Subordinated Debt on the other hand, and that nothing therein will impair, as between the Parent and the holders of the Subordinated Debt, the obligation of the Parent, which may be unconditional and absolute, to pay to the holders of the Subordinated Debt the principal and interest thereon in accordance with its terms, nor will anything herein prevent the holders of the Subordinated Debt from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under clauses (a), (b) and (c) above of the holders of the Obligations to receive cash, property or securities otherwise payable or deliverable to the holders of the Subordinated Debt.

"Subsidiary" shall mean, with respect to any Person (the "parent"), (a) any corporation of which at least a majority of the outstanding shares of stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the parent or one or more of the Subsidiaries

of the parent or by the parent and one or more of the Subsidiaries of the parent, and (b) any partnership, limited partnership, joint venture or other form of entity, the majority of the legal or beneficial ownership of which is at the time directly or indirectly owned or controlled by the parent or one or more of the Subsidiaries of the parent or by the parent and one or more of the Subsidiaries of the parent.

"Tangible Net Worth" shall mean the sum of preferred stock, par value of common stock, capital in excess of par value of common stock (additional paid-in capital) and retained earnings, less treasury stock, goodwill, deferred development costs, franchises, licenses, patents, trademarks and copyrights and all other assets which are properly classified as intangible assets in accordance with GAAP less any Redemption Obligations.

"Type" shall have the meaning assigned to such term in Section 1.3 hereof.

"Unfunded Liabilities" shall mean, with respect to any Plan, at any time, the amount (if any) by which (a) the present value of all benefits under such Plan exceeds (b) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent actuarial valuation report for such Plan, but only to the extent that such excess represents a potential liability of any ERISA Affiliate to the PBGC or a Plan under Title IV of ERISA.

"U.S. Dollars" and "U.S. $" shall mean lawful money of the United States of America.

"U.S. Facility" shall mean that certain Amended and Restated Credit Agreement dated June 25, 1993 executed by and among the Parent, Texas Commerce Bank National Association, as Administrative Agent, and certain banks therein named, as amended by First Amendment to Amended and Restated Credit Agreement dated concurrently herewith and as amended by the Intercreditor Agreement.

1.2 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be delivered hereunder shall be prepared, in accordance with GAAP. To enable the ready determination of compliance with the provisions hereof, the Parent will not change from December 31 in each year the date on which its fiscal year ends, nor from March 31, June 30 and September 30 the dates on which the first three fiscal quarters in each fiscal year end.

1.3 Types of Loans. Loans hereunder are distinguished by "Type". The "Type" of a Loan refers to the determination whether such Loan is a Eurodollar Loan, an Alternate Base Rate Loan or a Canadian Prime Rate Loan.

1.4 Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to

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any particular provision of this Agreement. Any reference to Sections shall refer to Sections of this Agreement. Whenever it is necessary to convert an amount denominated in Canadian Dollars to U.S. Dollars, such as calculating the aggregate outstanding principal amount of the Revolving Credit Obligations, such conversion shall be effected using the Equivalent U.S. Dollar Amount or, where applicable, the Quarterly Equivalent. Unless payments are otherwise required by the terms of this Agreement or by any other applicable Loan Document to be made in U.S. Dollars or Canadian Dollars, such payment shall be made in U.S. Dollars or in Canadian Dollars converted by using the Equivalent U.S. Dollar Amount as of the date of such payment calculated, where applicable, using the Quarterly Equivalent.

SECTION 2. COMMITMENTS; DESIGNATION OF MAXIMUM OUTSTANDING AMOUNT.

2.1 Loans and Bankers' Acceptances. From time to time on or after the date hereof and during the Revolving Credit Availability Period, each Bank shall:

(a) make Loans under this Section 2.1, in Canadian Dollars or U.S. Dollars, to the Company; and

(b) accept and purchase Bankers' Acceptances and deliver the Canadian Bankers' Acceptance Discount Proceeds (less the applicable acceptance fees payable by the Company to such Bank pursuant to Sections 4.3) in respect thereof for the account of the Company through the Paying Agent at the Payment Office,

in an aggregate principal amount (including therein the aggregate face amount of any outstanding Bankers' Acceptances) at any one time outstanding (including its Commitment Percentage of all Letter of Credit Liabilities at such time) up to but not exceeding such Bank's Commitment Percentage of the Maximum Revolving Credit Available Amount. Subject to the conditions herein, any such Loan or Bankers' Acceptance repaid prior to the end of the Revolving Credit Availability Period may be reborrowed or reissued, as the case may be, pursuant to the terms of this Agreement; provided, that any and all such Loans and the full face amount of all outstanding Bankers' Acceptances shall be due and payable in full at the end of the Revolving Credit Availability Period. For purposes of determining the amount available for borrowing hereunder (or the maximum availability for the issuance of Bankers' Acceptances or Letters of Credit), the Equivalent U.S. Dollar Amount as of the Business Day preceding the Loan request, Bankers' Acceptance Request or Letter of Credit request shall be used to determine availability hereunder, rather than the Quarterly Equivalent.

2.2 Letters of Credit.

(a) Letters of Credit. Subject to the terms and conditions hereof, and on the condition that aggregate Letter of Credit Liabilities shall never exceed U.S. $10,000,000, the Company shall have the right, in addition to Loans provided for in Section 2.1 hereof, to utilize the Commitments from time to time from and after the date hereof through the expiration of the

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Revolving Credit Availability Period by obtaining the issuance of letters of credit for the account of the Company and on behalf of the Company by the applicable Issuer if the Company shall so request in the notice referred to in Section 2.2(b)(i) (such letters of credit being collectively referred to as the "Letters of Credit"). Letters of Credit may, upon written request of the Company, be denominated in Canadian Dollars and if so all payments and fees with respect thereto shall be paid in Canadian Dollars. Upon the date of the issuance of a Letter of Credit, the applicable Issuer shall be deemed, without further action by any party hereto, to have sold to each Bank, and each Bank shall be deemed, without further action by any party hereto, to have purchased from the applicable Issuer, a participation, to the extent of such Bank's Commitment Percentage, in such Letter of Credit and the related Letter of Credit Liabilities. No Letter of Credit issued pursuant to this Agreement shall have an expiry date later than one (1) year from date of issuance, provided that any Letter of Credit having an expiry date after the end of the Revolving Credit Availability Period shall have been fully Covered or shall be backed by a letter of credit in form and substance, and issued by an issuer, acceptable to the Administrative Agent in its reasonably exercised discretion.

Subject to the terms and conditions hereof, upon the request of the Company, if BNS is the designated Issuer, BNS shall issue the applicable Letter of Credit and if any other Bank is the designated Issuer, such Bank may, but shall not be obligated to, issue such Letter of Credit.

(b) Additional Provisions. The following additional provisions shall apply to each Letter of Credit:

(i) The Company shall give the Administrative Agent and the Paying Agent at least three (3) Business Days' prior notice (effective upon receipt) specifying the proposed Issuer and the date such Letter of Credit is to be issued and describing the proposed terms of such Letter of Credit and the nature of the transaction proposed to be supported thereby, and shall furnish such additional information regarding such transaction as the Administrative Agent, the Paying Agent or the applicable Issuer may reasonably request. Upon receipt of such notice the Paying Agent shall promptly notify each Bank of the contents thereof and of such Bank's Commitment Percentage of the amount of such proposed Letter of Credit.

(ii) No Letter of Credit may be issued if after giving effect thereto the sum of (i) the aggregate outstanding principal amount of Loans plus (ii) the aggregate Letter of Credit Liabilities would exceed the Maximum Revolving Credit Available Amount. On each day during the period commencing with the issuance of any Letter of Credit and until such Letter of Credit shall have expired or been terminated, the Commitment of each Bank shall be deemed to be utilized for all purposes hereof in an amount equal to such Bank's Commitment Percentage of the amount then available for drawings under such Letter of Credit.

(iii) Upon receipt from the beneficiary of any Letter of Credit of any demand for payment thereunder, the applicable Issuer shall promptly notify the Company and each Bank as to the amount to be paid as a result of such demand and the payment date. If at any time the applicable Issuer shall have made a payment to a beneficiary of a Letter of Credit in respect of

a drawing under such Letter of Credit, each Bank will pay to the applicable Issuer immediately upon demand by the applicable Issuer at any time during the period commencing after such payment until reimbursement thereof in full by the Company, an amount equal to such Bank's Commitment Percentage of such payment, together with interest on such amount for each day from the date of demand for such payment (or, if such demand is made after 11:00 a.m. Toronto, Ontario time on such date, from the next succeeding Business Day) to the date of payment by such Bank of such amount at a per annum rate of interest determined by the Issuer (such rate to be conclusive and binding on the Banks) in accordance with the Issuer's usual banking practice for similar advances to financial institutions of like standing to the applicable Bank.

(iv) The Company shall be irrevocably and unconditionally obligated forthwith to reimburse the applicable Issuer for any amount paid by the applicable Issuer upon any drawing under any Letter of Credit, without presentment, demand, protest or other formalities of any kind. Such reimbursement may, subject to satisfaction of the conditions in Sections 7.1 and 7.2 hereof and to the existence of the Maximum Revolving Credit Available Amount (after adjustment in the same to reflect the elimination of the corresponding Letter of Credit Liability) be made by borrowing of Loans. In the event any such reimbursement is not made by borrowing of Loans, the Company shall make such reimbursement in immediately available funds within five (5) days after demand therefor by the applicable Issuer. The applicable Issuer will pay to each Bank such Bank's Commitment Percentage of all amounts received from the Company for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Letter of Credit, but only to the extent such Bank has made payment to the applicable Issuer in respect of such Letter of Credit pursuant to clause (iii) above.

(v) The Company will pay to the Paying Agent at the Payment Office for the account of each Bank a fee on such Bank's Commitment Percentage of the daily average amount available for drawings under each Letter of Credit, in each case for the period from and including the date of issuance of such Letter of Credit to and including the date of expiration or termination thereof at a rate per annum equal to the Letter of Credit Fee in effect from time to time, such fee to be paid in arrears on the Quarterly Dates and on the date of the expiration or termination thereof. The Paying Agent will pay to each Bank, promptly after receiving any payment in respect of letter of credit fees referred to in the preceding sentence of this clause (v), an amount equal to such Bank's Commitment Percentage of such fees. The Company shall pay to

the applicable Issuer an administration and issuance fee in an amount equal to 1/8 of 1% per annum of the daily average amount available for drawings under such Letter of Credit, in each case for the period from and including the date of issuance of such Letter of Credit to and including the date of expiration or termination thereof, such fee to be paid in arrears on the Quarterly Dates and on the date of the expiration or termination thereof. Such administration and issuance fee shall be retained by the applicable Issuer.

(vi) The issuance by the applicable Issuer of each Letter of Credit shall, in addition to the conditions precedent set forth in Section 7 hereof, be subject to the conditions

precedent that such Letter of Credit shall be in such form and contain such terms as shall be reasonably satisfactory to the applicable Issuer and that the Company shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the applicable Issuer shall have reasonably requested and are not inconsistent with the terms of this Agreement including an Application therefor. In the event of a conflict between the terms of this Agreement and the terms of any Application, the terms of this Agreement shall control. Without limiting the generality of the foregoing sentence, in the event any such Application shall include requirements for Cover, it is agreed that there shall be no requirements for the Company to provide Cover except as expressly required in this Agreement.

(c) Indemnification. The Company hereby indemnifies and holds harmless each Agent, the applicable Issuer and each Bank from and against any and all claims and damages, losses, liabilities, costs or expenses which such Bank, the applicable Issuer or such Agent may incur (or which may be claimed against such Bank, the applicable Issuer or such Agent by any Person whatsoever) in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which such Agent, the applicable Issuer or such Bank, as the case may be, may incur (whether incurred as a result of its own negligence or otherwise) by reason of or in connection with the failure of any other Bank (whether as a result of its own negligence or otherwise) to fulfill or comply with its obligations to such Agent, the applicable Issuer or such Bank, as the case may be, hereunder (but nothing herein contained shall affect any rights the Company may have against such defaulting Bank); provided that, the Company shall not be required to indemnify any Bank, the applicable Issuer or any Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the party seeking indemnification, or (ii) by such Bank's, the applicable Issuer's or such Agent's, as the case may be, failure to pay under any Letter of Credit after the presentation to it of a request required to be paid under applicable law. Nothing in this Section 2.2(c) is intended to limit the obligations of the Company under any other provision of this Agreement.

(d) Co-issuance or Separate Issuance of Letters of Credit. The Company may, at its option, request that any requested Letter of Credit which exceeds U.S. $1,000,000 be issued severally, but not jointly, by any two or more of the Banks or issued through separate Letters of Credit issued by any two or more of the Banks, respectively, each in an amount equal to a portion of the amount of the applicable Letter of Credit requested by the Company. In either such event, the Banks issuing such Letters of Credit shall each constitute an "Issuer" and the Letters of Credit so issued shall each constitute a "Letter of Credit" for all purposes hereunder and under the Loan Documents. Notwithstanding the foregoing, no Bank other than BNS shall have any obligation to issue any Letter of Credit, but may do so at its option.

2.3 Reductions and Changes of Commitments.

(a) Mandatory.

(i) The total Commitment of the Banks shall be reduced as follows:

<TABLE>
<CAPTION>

	Reduction	Resulting Revolving

Reduction Date	Amount	Credit Commitment
<S>	<C>	<C>
March 31, 1996	U.S. $10,937,500	U.S. $164,062,500
June 30, 1996	U.S. $10,937,500	U.S. $153,125,000
September 30, 1996	U.S. $10,937,500	U.S. $142,187,500
December 31, 1996	U.S. $10,937,500	U.S. $131,250,000
March 31, 1997	U.S. $10,937,500	U.S. $120,312,500
June 30, 1997	U.S. $10,937,500	U.S. $109,375,000
September 30, 1997	U.S. $10,937,500	U.S. $ 98,437,500
December 31, 1997	U.S. $10,937,500	U.S. $ 87,500,000
March 31, 1998	U.S. $10,937,500	U.S. $ 76,562,500
June 30, 1998	U.S. $10,937,500	U.S. $ 65,625,000
September 30, 1998	U.S. $10,937,500	U.S. $ 54,687,500
December 31, 1998	U.S. $10,937,500	U.S. $ 43,750,000
March 31, 1999	U.S. $10,937,500	U.S. $ 32,812,500
June 30, 1999	U.S. $10,937,500	U.S. $ 21,875,000
September 30, 1999	U.S. $10,937,000	U.S. $ 10,937,500
December 31, 1999	U.S. $10,937,000	U.S. $ 0

</TABLE>

(ii) On December 31, 1999, all Commitments shall be terminated in their entirety unless terminated at an earlier date pursuant to Section 11.1.

(b) Optional. The Company shall have the right to terminate or reduce the unused portion of the Commitments at any time or from time to time, provided that: (i) the Company shall give notice of each such termination or reduction to the Administrative Agent and the Paying Agent as provided in Section 5.5 hereof and (ii) each such partial reduction shall be permanent and in an aggregate amount at least equal to U.S. $5,000,000.

(c) No Reinstatement. Any reduction in or termination of the Commitments may not be reinstated without the approval of the Administrative Agent and each of the Banks.

2.4 Fees.

(a) The Company shall pay to the Paying Agent for the account of each Bank a commitment fee with respect to such Bank's Commitment accruing from the date hereof, computed for each day at a rate per annum equal to the Revolving Credit Commitment Fee

Percentage with respect to the Commitments of the respective Banks and based on the amount, if any, by which such Bank's pro rata share of the lesser of the aggregate Commitments or the Maximum Outstanding Amount on such day exceeds the sum of (i) the unpaid principal balance of such Bank's Note outstanding on such day plus (ii) the full face amount of all outstanding Bankers' Acceptances accepted by such Bank plus (iii) such Bank's allocated share of the aggregate Letter of Credit Liabilities outstanding on such day. Commitment fees accruing pursuant to this clause (a) shall be payable on the Quarterly Dates and on the earlier of the date the Commitments are terminated or the last day of the Revolving Credit Availability Period. Such fees shall be calculated in U.S. Dollars, but paid in Canadian Dollars converted by using the Equivalent U.S. Dollar Amount as of the date of payment.

(b) The Company shall pay to the Paying Agent for the account of each Bank an additional commitment fee with respect to such Bank's Commitment accruing from the date hereof, computed for each day at a rate per annum equal to one-half (1/2) of the Revolving Credit Commitment Fee Percentage with respect to the Commitments of the respective Banks and based on the amount, if any, by which the amount set forth opposite such Bank's name on the signature pages hereto under the heading "Commitment" (but only to the extent that such amount has not been permanently and irrevocably terminated and reduced by written notice from the Company to the Administrative Agent, with a copy to the Paying Agent; provided, however that any such termination or reduction must be allocated among the Banks pro rata in accordance with their respective Commitment Percentages) exceeds such Bank's pro rata share of the Maximum Outstanding Amount on such day. Commitment fees accruing pursuant to this clause (b) shall be payable on the Quarterly Dates and on the earlier of the date the Commitments are terminated or the last day of the Revolving Credit Availability Period. Such fees shall be calculated in U.S. Dollars, but paid in Canadian Dollars converted by using the Equivalent U.S. Dollar Amount as of the date of payment.

(c) The Company shall pay to the Paying Agent for the account of

each Bank an additional commitment fee effective upon any increase in borrowing availability hereunder. Such additional commitment fee shall be in an amount equal to the amount by which the commitment fee which such Bank would have received under Sections 2.4(a) and (b) if such increased borrowing availability had been effective six (6) calendar months earlier exceeds the commitment fee actually received by such Bank under Sections 2.4(a) and (b) during such six (6) calendar month period. Payment of such additional commitment fee shall be due and payable upon the effective date of such increase in the Maximum Outstanding Amount. The commitment fee provided for in this Section 2.4(c) shall be payable notwithstanding any prior decrease in the available Commitments which may have occurred. Such fees shall be calculated in U.S. Dollars, but paid in Canadian Dollars converted by using the Equivalent U.S. Dollar Amount as of the date of payment.

(d) For purposes of determining the amount of any payment required to be made under this Section 2.4, the Quarterly Equivalent shall be used as the conversion rate with respect to Canadian Dollars.

2.5 Affiliates; Lending Offices.

(a) Any Bank may, if it so elects, fulfill its Commitment as to any Eurodollar Loan by causing a branch, foreign or otherwise, or Affiliate of such Bank to make such Loan and may transfer and carry such Loan at, to or for the account of any branch office or Affiliate of such Bank which is a resident of Canada under the Income Tax Act (Canada); provided that, in such event for the purposes of this Agreement such Loan shall be deemed to have been made by such Bank and the obligation of the Company to repay such Loan shall nevertheless be to such Bank and shall be deemed to be held by such Bank and, to the extent of such Loan, to have been made for the account of such branch or Affiliate.

(b) Notwithstanding any provision of this Agreement to the contrary, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans hereunder in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Bank had actually funded and maintained each Eurodollar Loan during each Interest Period through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the Eurodollar Rate, as the case may be, for such Interest Period for such Interest Period.

2.6 Several Obligations. The failure of any Bank to make any Loan to be made by it or accept and purchase Bankers' Acceptances to be purchased by it on the date specified therefor shall not relieve any other Bank of its obligation to make its Loan or accept and purchase such Bankers' Acceptances on such date, but neither any Agent nor any Bank shall be responsible for the failure of any other Bank to make a Loan to be made by such other Bank or to accept and purchase any Bankers' Acceptances to be accepted and purchased by such other Bank.

2.7 Notes. The Loans made by each Bank shall be evidenced by a single Canadian Dollar denominated Note of the Company in the case of Loans denominated in Canadian Dollars and by a single U.S. Dollar denominated Note of the Company in the case of Loans denominated in U.S. Dollars, such notes to be in substantially the forms of Exhibit C-1 and C-2, respectively, hereto payable to the order of such Bank in a principal amount equal to the Commitment of such Bank, and otherwise duly completed. Each Bank is hereby authorized by the Company to endorse on the schedule (or a continuation thereof) attached to the Note of such Bank, to the extent applicable, the date, amount and Type of and the Interest Period for each Loan made by such Bank to the Company hereunder, and the amount of each payment or prepayment of principal of such Loan received by such Bank, provided, that any failure by such Bank to make any such endorsement shall not affect the obligations of the Company under such Note or hereunder in respect of such Loan.

2.8 Use of Proceeds. The proceeds of the Loans and the Canadian Bankers' Acceptance Discount Proceeds, as the case may be, shall be used to finance a portion of the costs of acquiring the equity and other capital of Novalta (consisting of common and preferred stock and a note payable from

Novalta to Novacor Petrochemicals Ltd.) and for general corporate purposes.

2.9 Designation of Maximum Outstanding Amount. The Company shall from time to time designate a maximum principal amount, denominated in U.S. Dollars, permitted to be outstanding hereunder for the period during which such designation is effective (such amount being herein called the "Maximum Outstanding Amount"). The initial Maximum Outstanding Amount, effective from the date hereof, is U.S. $160,000,000. The Company may, at any time, by written notice delivered to the Administrative Agent and the Paying Agent no later than two (2) Business Days prior to the effective date thereof, revise the Maximum Outstanding Amount upwards or downwards; provided, however, that (i) the Maximum Outstanding Amount may not at any time exceed the aggregate amount of the Commitments, as reduced from time to time pursuant to Section 2.3 hereof and (ii) the Maximum Outstanding Amount may not at any time exceed the amount by which the Borrowing Base from time to time in effect exceeds the sum of the aggregate amount of all "Revolving Credit Obligations" from time to time outstanding under the U.S. Facility plus the aggregate amount of all other Borrowing Base Debt of the Parent and its Subsidiaries from time to time outstanding.

SECTION 3. BORROWINGS, PREPAYMENTS AND SELECTION OF INTEREST RATES.

3.1 Borrowings. The Company shall give the Administrative Agent and the Paying Agent notice of each borrowing or the issuance of each Bankers' Acceptance to be made hereunder as provided in Section 5.5 hereof. Not later than 2:00 p.m. Toronto, Ontario time on the date specified for each such borrowing or the issuance of each such Bankers' Acceptance hereunder, each Bank shall make available the amount of the Loan, if any, to be made by it on such date or make available Canadian Bankers' Acceptance Discount Proceeds in respect of Bankers' Acceptances to be accepted and purchased by it on such date (less the applicable acceptance fees payable by the Company in respect of such Bankers' Acceptances), in each case to the Paying Agent, at the Payment Office, in immediately available funds, for the account of the Company. The amount so received by the Paying Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company by depositing the same, in immediately available funds, in an account designated by the Company maintained with the Paying Agent at the Payment Office.

3.2 Prepayments.

(a) Optional Prepayments. Subject to the provisions of Sections 4, 5 and 6, the Company shall have the right to prepay, on any Business Day, in whole or in part, without the payment of any penalty or fee, Loans at any time or from time to time, provided that, the Company shall give the Administrative Agent and the Paying Agent notice of each such

prepayment as provided in Section 5.5 hereof. Eurodollar Loans may be prepaid on the last day of an Interest Period applicable thereto and Bankers' Acceptances may be prepaid on their stated maturity date. Eurodollar Loans and Bankers' Acceptances may not be otherwise prepaid unless prepayment is accompanied by payment of all compensation required by Section 6.

(b) Mandatory Prepayments and Cover.

(1) Reduction of Commitments. The Company shall from time to time on demand by the Administrative Agent prepay the Loans (or provide Cover for Letter of Credit Liabilities and the face amount of Bankers' Acceptances) in such amounts as shall be necessary so that at all times the aggregate outstanding principal amount (including therein the face amount of all outstanding Bankers' Acceptances) of all Revolving Credit Obligations shall not be in excess of the Maximum Outstanding Amount plus any Cover provided under this Section 3.2(b)(1).

(2) Borrowing Base Deficiency. Any payments required to cure any Borrowing Base Deficiency shall be made by Parent to the lenders under the U.S. Facility and by the Company to the Banks (with the Maximum Outstanding Amount to be reduced by the amount of such payments by the Company) in the manner provided in the Intercreditor Agreement.

(3) Use of Quarterly Equivalent. For purposes of determining whether any payment is required to be made under this Section 3.2, and the amount thereof, when such determination requires a conversion of U.S. Dollars into Canadian Dollars and vice versa, the Quarterly Equivalent shall be used as the conversion rate.

3.3 Selection of Interest Rates. Subject to Section 5.1 and Section 6 hereof, the Company shall have the right, by giving written notice to the Administrative Agent and the Paying Agent as provided in Section 5.5 hereof, either to convert any Bankers' Acceptance (in whole or in part) into a Loan, to convert any Loan (in whole or in part) into a Bankers' Acceptance, to convert any Loan (in whole or in part) into a Loan of another Type (provided that no such conversion of Eurodollar Loans shall be permitted other than on the last day of an Interest Period applicable thereto and no conversion of Bankers' Acceptances shall be permitted other than on the maturity date thereof), to continue any Bankers' Acceptance (in whole or in part) or to continue any Loan (in whole or in part) as a Loan of the same Type. Any such notice of conversion of a Bankers' Acceptance into a Loan or of conversion of a Loan into, or continuation of a Loan as, a Eurodollar Loan or a Bankers' Acceptance shall specify the new Interest Period or maturity date, as applicable. In the event the Company fails to so give such notice prior to the end of any Interest Period for any Eurodollar Loan, such Loan shall become an Alternate Base Rate Loan on the last day of such Interest Period.

3.4 Conditions Applicable to Bankers' Acceptances.

(a) Acceptance and Purchase of Bankers' Acceptances. Subject to the terms and conditions of this Agreement, each Bank agrees to accept its Commitment Percentage of

Bankers' Acceptances issued by the Company and to purchase same at the applicable Canadian Bankers' Acceptance Discount Rate and to provide to the Paying Agent for the account of the Company the Canadian Bankers' Acceptance Discount Proceeds in respect thereof less the applicable acceptance fees payable by the Company to such Bank pursuant to Section 4.3. Each such Bank may at any time and from time to time hold, sell, rediscount or otherwise dispose of any or all Bankers' Acceptances purchased by it.

(b) Waiver of Presentment and Other Conditions. The Company waives presentment for payment and any other defence to payment of any amounts due to a Bank in respect of a Bankers' Acceptance accepted and purchased by it pursuant to this Agreement which might exist solely by reason of such Bankers' Acceptance being held, at the maturity thereof, by such Bank in its own right and the Company agrees not to claim any days of grace if such Bank as holder sues the Company on the Bankers' Acceptance for payment of the amount payable by the Company thereunder. On the specified maturity date of a Bankers' Acceptance, or such earlier date as may be required or permitted pursuant to the provisions of this Agreement, the Company shall pay the Bank that has accepted and purchased such Bankers' Acceptance the full face amount of such Bankers' Acceptance.

(c) Terms of Each Bankers' Acceptance: Each Bankers' Acceptance shall:

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

(2) have a term of not less than thirty (30) days and not more than one hundred and eighty (180) days (excluding days of grace);

(3) be in the form of Exhibit K attached hereto or in such other form as the Company may agree to in writing;

(4) be issued in face amounts of Canadian $100,000 or whole multiples thereof (each of the Banks agrees that it will use its best efforts to minimize the number of separate Bankers' Acceptances required to be executed); and

(5) not have a maturity date which extends beyond the end of the scheduled Revolving Credit Availability Period.

(d) Delivery of Blank Bankers' Acceptances. As a condition precedent to each Banks' obligation to accept and purchase Bankers' Acceptances hereunder, the Company shall have delivered to such Bank through the Paying Agent at the Payment Office sufficient bankers' acceptances endorsed in blank in sufficient time for such Bank to forward to and hold the same for issuance in accordance with a request from the Company. Each Bank is hereby authorized to issue such bankers' acceptances endorsed in blank in such face amounts as may be determined by such Bank; provided that the aggregate amount thereof is

equal to the aggregate amount of

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Bankers' Acceptances required to be accepted and purchased by such Bank hereunder. No Bank shall be liable for any damage, loss or other claim arising by reason of any loss or improper use of any bankers' acceptance endorsed in blank except any loss arising by reason of the negligence or wilful misconduct of such Bank or its officers, employees, agents or representatives. The Paying Agent shall maintain a record with respect to bankers' acceptances endorsed in blank that are received from the Company and that are delivered to a Bank hereunder. Each Bank shall maintain a record with respect to bankers' acceptances endorsed in blank that are:

(1) received by such Bank from the Paying Agent hereunder;

(2) voided by such Bank for any reason;

(3) accepted and purchased by such Bank hereunder; and

(4) cancelled by such Bank at the maturity thereof.

Each Bank agrees to provide such record to the Paying Agent upon request therefor by the Paying Agent as well as concurrently with any request by such Bank to the Paying Agent for any additional bankers' acceptances endorsed in blank required from the Company. The Paying Agent shall provide a report of such records received by the Paying Agent to the Company upon request from the Company.

(e) Failure to Give Notice of Repayment. If the Company fails to give notice to the Paying Agent at the Payment Office of the method of repayment of a Bankers' Acceptance prior to the date of maturity of such Bankers' Acceptance in accordance with the same period of notice required for the original acceptance of such Bankers' Acceptance as set forth herein, the face amount of such Bankers' Acceptance shall, on its maturity, automatically be converted to a Canadian Prime Rate Loan.

(f) Execution of Bankers' Acceptances. Bankers' acceptances of the Company which are endorsed in blank and are to be accepted as Bankers' Acceptances hereunder shall be signed by a duly authorized signatory or duly authorized signatories of the Company, and may, at the option of the Company, be signed by way of affixing a reproduction of the signature or signatures of such duly authorized signatory or signatories. Notwithstanding that any person whose signature appears on any Bankers' Acceptance as a signatory may no longer be an authorized signatory of the Company at the date of issuance of a Bankers' Acceptance, and notwithstanding that the signature affixed may be a reproduction only, such signature shall nevertheless be valid and sufficient for all purposes as if such authority had remained in force at the time of such issuance and as if such signature had been manually applied, and any such Bankers' Acceptance so signed shall be binding on the Company.

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3.5 Paying Agent's Duties Re Bankers' Acceptances.

(a) Advice to the Lenders. The Paying Agent, promptly following receipt of a Request for Extension of Credit by way of Bankers' Acceptance, shall so advise the Banks and shall advise each Bank of the amount of each issue of Bankers' Acceptances to be accepted and purchased by it and the term thereof, which term shall be identical for all Banks.

(b) Agent's Confirmation of Bankers' Acceptance Issuance. At or prior to 11:00 a.m. (Toronto, Ontario time) on the date on which the Bankers' Acceptances are to be accepted and purchased hereunder, the Paying Agent shall provide telephone advice to the Company and each Bank confirming the particulars with respect to the issuance, acceptance and purchase of such Bankers' Acceptances. Such advice shall be confirmed in writing at or prior to 4:30 p.m. (Toronto, Ontario time) on such date by delivery to the Company and each Bank of a written confirmation of such telephone advice with respect to the issuance, acceptance and purchase of such Bankers' Acceptances. Each Bank will forthwith advise the Paying Agent of the particulars of the Bankers' Acceptances accepted and purchased by it.

(c) Completion of Bankers' Acceptance. Upon receipt of the telephone advice referred to in Section 3.5(a), each Bank is thereupon authorized to complete bankers' acceptances held by it in blank in accordance with the particulars so advised by the Paying Agent.

(d) Paying Agent's Discretion on Allocation. In the event it is not practicable to allocate Bankers' Acceptances to each Lender in accordance with Section 5.2 such that the aggregate amount of Bankers' Acceptances required to be accepted and purchased by such Bank hereunder is in a whole multiple of Canadian $100,000, the Paying Agent is authorized by the Company and each Bank to make such allocation as the Paying Agent determines in its sole and unfettered discretion may be equitable in the circumstances.

3.6 Certain Provisions Relating to Bankers' Acceptances Forms.

(a) The Company shall hold and use prudently the bankers' acceptance forms delivered to it in blank from time to time and shall return them from time to time to the Paying Agent for onward conveyance to the respective Banks, properly pre-signed and pre-endorsed and in sufficient quantities to be dealt with by each Bank in conformity with this Agreement. The Paying Agent shall provide to the Company written acknowledgment of the receipt of such pre-signed and pre-endorsed bankers' acceptance forms.

(b) The Paying Agent and each Bank shall deal prudently with any bankers' acceptance forms pre-signed and pre-endorsed by the Company and delivered from time to time by the Company and shall use them only in accordance with the instructions of the Company given to the Paying Agent, in conformity with this Agreement.

(c) In accordance with the instructions given from time to time by the Company, each Bank is hereby authorized to complete the aforementioned bankers' acceptance forms, to provide its acceptance thereon and, at such Bank's option, to put them into circulation, the whole as provided in and subject to this Agreement.

(d) Neither the Paying Agent nor any Bank shall be responsible or liable for any failure to make credit available by way of Bankers' Acceptances under the terms of the Credit Agreement if such failure is due to the failure of the Company to return duly pre-signed and pre-endorsed bankers' acceptance forms to the Paying Agent on a timely basis.

(e) On request by the Paying Agent on behalf of the Banks, the Company shall return to the Paying Agent all bankers' acceptance forms then held by the Company, provided that all such bankers' acceptance forms which have been pre-signed or pre-endorsed by the Company may be cancelled prior to their return and on request by the Company made to the Paying Agent, a Bank shall cancel all pre-signed or pre-endorsed bankers' acceptance forms held by such Bank and not yet issued in accordance with the Company's instructions and shall confirm such cancellation to the Paying Agent who shall in turn inform the Company.

SECTION 4. PAYMENTS OF PRINCIPAL AND INTEREST.

4.1 Repayment of Loans and Reimbursement Obligations. The Company will pay to the Paying Agent for the account of each Bank (a) the principal of each Loan made by such Bank on the dates provided in the respective Notes and as provided hereunder, (b) the face amount of each Bankers' Acceptance on its maturity date and (c) the amount of each Reimbursement Obligation promptly upon its occurrence. The face amount of any Bankers' Acceptance or the amount of any Reimbursement Obligation may, if the applicable conditions precedent specified in Section 7 hereof have been satisfied, be paid with the proceeds of Loans. Repayments of Loans or Reimbursement Obligations denominated in Canadian Dollars and

repayments of Bankers' Acceptances shall be made in Canadian Dollars and repayments of Loans or Reimbursement Obligations denominated in U.S. Dollars shall be made in U.S. Dollars.

4.2 Interest. (a) Subject to Section 13.6 hereof, the

Company will pay to the Paying Agent for the account of each Bank interest on the unpaid principal amount of each Loan made by such Bank for the period commencing on the date of such Loan to but excluding the date such Loan shall be paid in full, in the currency in which the Loan is denominated, at the lesser of (I) the following rates per annum:

(i) if such Loan is an Alternate Base Rate Loan, the Alternate Base Rate plus the Applicable Margin, and

(ii) if such Loan is a Canadian Prime Rate Loan, the Canadian Prime Rate plus the Applicable Margin, and

(iii) if such Loan is a Eurodollar Loan, the applicable Eurodollar Rate plus the Applicable Margin,

or (II) the Highest Lawful Rate.

(b) Notwithstanding any of the foregoing but subject to Section 13.6 hereof, the Company will pay to the Paying Agent for the account of each Bank interest in the applicable currency at the applicable Post-Default Rate on any principal of any Loan made by such Bank, on any Reimbursement Obligation and on any other amount payable by the Company hereunder to or for the account of such Bank (but, if such amount is interest, only to the extent legally allowed), which shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise), for the period commencing on the due date thereof until the same is paid in full.

(c) Accrued interest on each Loan shall be payable on the last day of each Interest Period for such Loan (and, if such Interest Period exceeds three months' duration, quarterly, commencing on the first quarterly anniversary of the first day of such Interest Period), except that (i) accrued interest payable at the Post-Default Rate shall be due and payable from time to time on demand of the Administrative Agent or the Majority Banks (through the Administrative Agent) and (ii) accrued interest on any amount prepaid or converted pursuant to Section 6 hereof shall be paid on the amount so prepaid or converted.

4.3 Acceptance Fees. The Company shall pay to each Bank acceptance fees in Canadian Dollars forthwith upon the acceptance by such Bank of each Bankers' Acceptance issued by the Company at a rate per annum equal to the B/A Stamping Rate in effect at the time of the acceptance of such Bankers' Acceptance, calculated on the face amount of such Bankers' Acceptance and on the basis of the number of days in the term of such Bankers' Acceptance divided by three hundred sixty-five (365). Acceptance fees payable to the Banks pursuant to this Section 4.3 shall be paid in the manner specified in Section 3.4(a).

SECTION 5. PAYMENTS; PRO RATA TREATMENT; COMPUTATIONS, ETC.

5.1 Payments.

(a) Except to the extent otherwise provided herein, all payments of principal, interest, the full face amount of Bankers' Acceptances, Reimbursement Obligations and other amounts to be made by the Company hereunder and under the Notes and the other Loan Documents shall be made in U.S. Dollars or Canadian Dollars, as the case may be, in immediately available funds, to the Paying Agent at the Payment Office (or in the case of a successor Paying Agent, at the payment office designated by such successor Paying Agent in Canada), not later than 11:00 a.m. Toronto, Ontario time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). The Paying Agent, or any Bank for whose account any such payment is made, may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Company with the Paying Agent or such Bank, as the case may be.

(b) The Company shall, at the time of making each payment hereunder or under any Note or any other Loan Document, specify to the Paying Agent the Loans, the Bankers' Acceptances or other amounts payable by the Company hereunder or thereunder to which such payment is to be applied. Each payment received by the Paying Agent hereunder or under any Note, Bankers' Acceptance or any other Loan Document for the account of a Bank shall be paid promptly to such Bank, in immediately available funds for the account of such Bank's Applicable Lending Office.

(c) If the due date of any payment hereunder or under any Note or

any other Loan Document falls on a day which is not a Business Day, the due date for such payment (subject to the definition of Interest Period) shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension.

5.2 Pro Rata Treatment. Except to the extent otherwise provided herein: (a) each borrowing from the Banks under Section 2.1 hereof shall be made ratably from the Banks on the basis of their respective Commitments and each payment of commitment fees shall be made for the account of the Banks, and each termination or reduction of the Commitments of the Banks under Section 2.3 hereof shall be applied, pro rata, according to the Banks' respective Commitments; (b) each payment by the Company of the full face amount of Bankers' Acceptances and principal of or interest on Loans of a particular Type shall be made to the Paying Agent for the account of the Banks pro rata in accordance with the respective full face amount of such Bankers' Acceptances or the unpaid principal amounts of such Loans held by the Banks; and (c) the Banks (other than the applicable Issuer) shall purchase from the applicable Issuer participations in the Letters of Credit to the extent of their respective Commitment Percentages.

5.3 Computations. Subject to Section 13.7, interest based on the Eurodollar Base Rate or the Federal Funds Rate will be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable, unless the effect of so computing shall be to cause the rate of interest to exceed the Highest Lawful Rate, in which case interest shall be calculated on the basis of the actual number of days elapsed in a year composed of 365 or 366 days, as the case may be. All other interest and fees shall be computed on the basis of a year of 365 (or 366) days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

5.4 Minimum and Maximum Amounts. Except for prepayments made pursuant to Section 3.2(b) hereof, each borrowing and repayment of principal of Loans, each acceptance, purchase and repayment of Bankers' Acceptances and each termination or reduction of Commitments, each optional prepayment and each conversion of Type shall be in an aggregate principal amount at least equal to (a) in the case of Eurodollar Loans, U.S. $5,000,000,(b) in the case of Bankers' Acceptances, Canadian $5,000,000, (c) in the case of Canadian Prime Rate Loans, Canadian $1,000,000, and (d) in the case of Alternate Base Rate Loans, U.S. $1,000,000 (borrowings or prepayments of Loans of different Types or, in the case of Eurodollar Loans, having different Interest Periods at the same time hereunder to be deemed separate borrowings and prepayments for purposes of the foregoing, one for each Type or Interest Period). Upon any mandatory prepayment that would reduce Eurodollar Loans having the same Interest Period to less than U.S. $5,000,000 such Loans shall automatically be converted into Alternate Base Rate Loans. Notwithstanding anything to the contrary contained in this Agreement, there shall not be, at any one time, more than eight (8) Interest Periods in effect with respect to Eurodollar Loans.

5.5 Certain Actions, Notices, Etc. Notices to the Administrative Agent and the Paying Agent of any termination or reduction of Commitments, of borrowings and prepayments, of issuance, acceptance and purchase of Bankers' Acceptances, of conversions and continuations of Loans and Bankers' Acceptances, of the term of Bankers' Acceptances and of the duration of Interest Periods shall be irrevocable and shall be effective only if received by the Administrative Agent and the Paying Agent not later than 11:00 a.m. Toronto, Ontario time on the number of Business Days prior to the date of the relevant termination, reduction, borrowing and/or repayment, conversion or continuance specified below:

<TABLE>
<CAPTION>

Notice	Number of Business Days Prior
<S>	<C>
Termination or Reduction of Commitments	2

Borrowing or prepayment of or conversion into or continuance of Alternate Base Rate Loans or Canadian Prime Rate Loans which are equal to or less than (in the aggregate with respect to all Loans requested on a given day) U.S. $20,000,000		11:00 a.m. (Toronto, Ontario time) of the same day
Borrowing or prepayment of or conversion into or continuance of Alternate Base Rate Loans or Canadian Prime Rate Loans which exceed (in the aggregate with respect to all Loans requested on a given day) U.S. $20,000,000	1	
Issuance of Bankers' Acceptances	2	
Borrowing or prepayment of or conversion into or continuance of Eurodollar Loans	3	

</TABLE>

Each such notice of termination or reduction shall specify the amount of the Commitments to be terminated or reduced. Each such notice of borrowing or prepayment shall specify the amount of Bankers' Acceptances to be accepted and purchased or prepaid and the Type of the Loans to be borrowed or prepaid (subject to Sections 3.2(a) and 5.4 hereof), the date of borrowing, acceptance and purchase or prepayment (which shall be a Business Day) and, in the case of Eurodollar Loans, the duration of the Interest Period therefor (subject to the definition of "Interest Period") and, in the case of Bankers' Acceptances, the term and maturity date therefor (subject to Section 3.4(c)). Each such notice of conversion of a Bankers' Acceptance into a Loan or conversion of a Loan into a Loan of another Type or a Bankers' Acceptance shall identify such Bankers' Acceptance or Loan (or portion thereof) being converted and specify the Type of Loan into which such Bankers' Acceptance or Loan is being converted (subject to Section 5.4 hereof) and the date for conversion (which shall be a Business Day) and, unless such Bankers' Acceptance or Loan is being converted into an Alternate Base Rate Loan or a Canadian Prime Rate Loan, the duration (subject to the definition of "Interest Period") of the Interest Period therefor which is to commence as of the last day of the then current Interest Period therefor (or the date of conversion, if such Loan is being converted from an Alternate Base Rate Loan or a Canadian Prime Rate Loan). In the case of any such notice for a Bankers' Acceptance, the term and maturity date of such Bankers' Acceptance shall also be specified. Each such notice of continuation of a Loan (or portion thereof) as the same Type of Loan shall identify such Loan (or portion thereof) being continued (subject to Section 5.4 hereof) and, unless such Loan is an Alternate Base Rate Loan or a Canadian Prime Rate Loan, the duration (subject to the definition of "Interest Period") of the Interest Period therefor which is to commence as of the last day of the then current Interest Period therefor. The Paying Agent shall promptly notify the affected Banks of the contents of each such notice. Notice of any prepayment having been given, the principal amount specified in such notice, together with interest thereon to the date of prepayment, shall be due and payable on such prepayment date.

5.6 Non-Receipt of Funds by the Paying Agent. Unless the Paying Agent shall have been notified by a Bank or the Company (the "Payor") prior to the date on which such Bank is to make payment to the Paying Agent of the Canadian Bankers' Acceptance Discount Proceeds in respect of a Bankers' Acceptance to be purchased by it or the proceeds of a Loan to be made by it hereunder (or the payment of any amount by such Bank to reimburse the applicable Issuer for a drawing under any Letter of Credit) or the Company is to make a payment to the Paying Agent for the account of one or more of the

Banks, as the case may be (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Paying Agent, the Paying Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient on such date and, if the Payor has not in fact made the Required Payment to the Paying Agent on or before such date, the recipient of such payment (or, if such recipient is the beneficiary of a Letter of Credit, the Company and, if the Company fails to pay the amount thereof to the Paying Agent forthwith upon demand, the Banks ratably in proportion to their respective Commitment Percentages) shall, on demand, pay to the Paying Agent the amount

made available to it together with interest thereon in respect of the period commencing on the date such amount was so made available by the Paying Agent until the date the Paying Agent recovers such amount at a per annum rate of interest determined by the Paying Agent (such rate to be conclusive and binding on the Banks) in accordance with the Paying Agent's usual banking practice for similar advances to financial institutions of like standing to the applicable Bank.

5.7 Sharing of Payments, Etc. If a Bank shall obtain payment of the full face amount of an outstanding Bankers' Acceptance accepted and purchased by it under this Agreement or of any principal of or interest on any Loan made by it under this Agreement, or on any Reimbursement Obligation or other obligation then due to such Bank hereunder, through the exercise of any right of set-off, banker's lien, counterclaim or similar right, or otherwise, it shall promptly purchase from the other Banks participations in the Loans made, the outstanding Bankers' Acceptances or Reimbursement Obligations or other obligations held, by the other Banks in such amounts, and make such other adjustments from time to time as shall be equitable to the end that all the Banks shall share the benefit of such payment (net of any expenses which may be incurred by such Bank in obtaining or preserving such benefit) pro rata in accordance with the unpaid principal and interest on the Obligations then due to each of them. To such end all the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Company agrees, to the fullest extent it may effectively do so under applicable law, that any Bank so purchasing a participation in the Loans made, the outstanding Bankers' Acceptances or Reimbursement Obligations or other obligations held, by other Banks may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Bank were a direct holder of Loans, Bankers' Acceptances and Reimbursement Obligations or other obligations in the amount of such participation. Nothing contained herein shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise, and retain the benefits of exercising, any such right with respect to any other Indebtedness or obligation of the Company.

SECTION 6. YIELD PROTECTION AND ILLEGALITY.

6.1 Additional Costs.

(a) Subject to Section 13.6, the Company shall pay to the Paying Agent, on demand for the account of each Bank from time to time such amounts as such Bank may determine to be necessary to compensate it for any costs incurred by such Bank which such Bank determines are attributable to its making or maintaining of any Eurodollar Loan or any Bankers' Acceptance hereunder or its obligation to make any such Loan hereunder, or any reduction in any amount receivable by such Bank hereunder in respect of any of such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), in each case resulting from any Regulatory Change which:

(i) subjects such Bank (or makes it apparent that such Bank is subject) to any tax, levy, impost, duty, charge or fee (collectively, "Taxes"), or any deduction or withholding for any Taxes on or from the payment due in respect of any Bankers' Acceptance or under any Eurodollar Loan or other amounts due hereunder, other than income and franchise taxes of the jurisdiction (or any subdivision thereof) in which such Bank has

an office or its Applicable Lending Office; or

(ii) changes the basis of taxation of any amounts payable to such Bank under this Agreement or its Notes in respect of any of such Loans or in respect of Bankers' Acceptances (other than changes which affect taxes measured by or imposed on the overall net income or franchise taxes of such Bank or of its Applicable Lending Office for any of such Loans by the jurisdiction (or any subdivision thereof) in which such Bank has an office or such Applicable Lending Office); or

(iii) imposes or modifies or increases or deems applicable any reserve, special deposit or similar requirements (including, without limitation, any such requirement imposed by the Office of the Superintendent of Financial Institutions Canada) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank or loans made by such Bank, or Bankers' Acceptances accepted by such Bank or against any other funds, obligations or other property owned or held by such Bank (including any of such Loans or, where applicable, any deposits referred to in the definition of "Eurodollar Base Rate" in Section 1.1 hereof or any Bankers' Acceptances) and such Bank actually incurs such additional costs; or

(iv) imposes any other condition affecting this Agreement (or any of such extensions of credit or liabilities).

Each Bank (if so requested by the Company through the Administrative Agent) will designate a different available Applicable Lending Office for the Eurodollar Loans or the Bankers' Acceptances of such Bank or take such other action as the Company may request if such designation or action will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Bank, be disadvantageous to such Bank (provided that such Bank shall have no obligation so to designate an Applicable Lending Office for Eurodollar Loans located in the United States of America or to designate an Applicable Lending Office for Bankers' Acceptances located in any jurisdiction that is not located in Canada). Each Bank will furnish the Company with a statement setting forth the basis and amount of each request by such Bank for compensation under this Section 6.1(a); subject to Section 6.8, such certificate shall be conclusive, absent manifest error, and may be prepared using any reasonable averaging and attribution methods.

(b) Without limiting the effect of the foregoing provisions of this Section 6.1, in the event that, by reason of any Regulatory Change, any Bank either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of

deposits or other liabilities of such Bank which includes deposits by reference to which the interest rate on Eurodollar Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes Eurodollar Loans or Bankers' Acceptances or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if such Bank so elects by notice to the Company (with a copy to the Administrative Agent and the Paying Agent), the obligation of such Bank to make Eurodollar Loans or accept and purchase Bankers' Acceptances, as applicable, hereunder shall be suspended until the date such Regulatory Change ceases to be in effect (in which case the provisions of Section 6.4 hereof shall be applicable).

(c) Good faith determinations and allocations by any Bank for purposes of this Section 6.1 of the effect of any Regulatory Change on its costs of maintaining its obligations to make Loans or accept and purchase Bankers' Acceptances or of making or maintaining Loans or accepting and purchasing Bankers' Acceptances on amounts receivable by it in respect of Loans or Bankers' Acceptances, and of the additional amounts required to compensate such Bank in respect of any Additional Costs, shall be conclusive, absent manifest error.

(d) The Company's obligation to pay Additional Costs and compensation with regard to each Eurodollar Loan and each Bankers' Acceptance shall survive termination of this Agreement.

6.2 Limitations. Anything herein to the contrary notwithstanding, if, with respect to any Eurodollar Loans or Bankers' Acceptance:

(a) the Paying Agent determines in good faith (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definition of "Eurodollar Base Rate" in

Section 1.1 hereof are not being provided by the Reference Banks in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for such Loans for Interest Periods therefor as provided in this Agreement; or

(b) the Paying Agent determines in good faith (which determination shall be conclusive) that quotations of discount rates for the purchase of Canadian Dollar bankers' acceptances referred to in the definition of "Canadian Bankers' Acceptance Discount Rate" in Section 1.1 hereof are not being provided by the Reference Banks in the relevant amounts or for the relevant maturities for purposes of determining the Canadian Bankers' Acceptance Discount Rate therefor as provided in this Agreement; or

(c) the Majority Banks determine (which determination shall be conclusive) and notify the Paying Agent (with a copy to the Administrative Agent) that the relevant rates of interest referred to in the definition of "Eurodollar Base Rate" in Section 1.1 hereof upon the basis of which the rates of interest for such Loans (where applicable) are to be determined do not accurately reflect the cost to such Banks of making or maintaining such Loans for Interest Periods therefor; or

(d) the Paying Agent determines in good faith (which determination shall be conclusive) that by reason of circumstances affecting the interbank U.S. Dollar market generally, deposits in United States dollars in the relevant interbank U.S. Dollar market are not being offered for the applicable Interest Period and in an amount equal to the amount of the Eurodollar Loan requested by the Company;

then the Paying Agent shall promptly notify the Company and each Bank thereof, and, so long as such condition remains in effect, the Banks shall be under no obligation to make Eurodollar Loans or accept and purchase Bankers' Acceptances, as the case may be (but shall maintain until the end of the Interest Period then in effect the Eurodollar Loans and until the specified maturity date of the Bankers' Acceptances, as the case may be, then outstanding).

6.3 Illegality. Notwithstanding any other provision of this Agreement to the contrary, if (x) by reason of the adoption of any applicable Legal Requirement or any change in any applicable Legal Requirement or in the interpretation or administration thereof by any Governmental Authority or compliance by any Bank with any request or directive (whether or not having the force of law) of any central bank or other Governmental Authority or (y) with respect to Eurodollar Loans, circumstances affecting the relevant interbank U.S. Dollar market or the position of a Bank therein or (z) with respect to Bankers' Acceptances, circumstances affecting the market for Canadian Dollar bankers' acceptance or the position of a Bank therein shall at any time make it unlawful or impracticable in the sole discretion of a Bank exercised in good faith for such Bank or its Applicable Lending Office to (a) honour its obligation to make Eurodollar Loans or accept and purchase Bankers' Acceptances, as the case may be, hereunder, or (b) maintain Eurodollar Loans or Bankers' Acceptances, as the case may be, hereunder, then such Bank shall promptly notify the Company thereof through the Paying Agent and such Bank's obligation to make or maintain Eurodollar Loans or accept and purchase Bankers' Acceptances, as the case may be, hereunder shall be suspended until such time as such Bank may again make and maintain Eurodollar Loans or accept and purchase Bankers' Acceptances, as the case may be (in which case the provisions of Section 6.4 hereof shall be applicable). Before giving such notice pursuant to this Section 6.3 with respect to Eurodollar Loans only, such Bank will designate a different available Applicable Lending Office for the Eurodollar Loans of such Bank or take such other action as the Company may request if such designation or action will avoid the need to suspend such Bank's obligation to make Eurodollar Loans hereunder and will not, in the sole opinion of such Bank exercised in good faith, be disadvantageous to such Bank (provided, that such Bank may not designate an Applicable Lending Office that is not located in Canada).

6.4 Substitute Alternate Base Rate Loans or Canadian Prime Rate Loans. If the obligation of any Bank to make or maintain Eurodollar Loans shall be suspended pursuant to Section 6.1, 6.2 or 6.3 hereof, all Loans which would otherwise be made by such Bank as Eurodollar Loans shall be made instead as Alternate Base Rate Loans (and, if an event referred to in Section 6.1(b) or 6.3 hereof has occurred and such Bank so requests by notice to the Company with a copy to the Paying Agent, each Eurodollar Loan of such Bank then outstanding

shall be automatically converted into an Alternate Base Rate Loan on the date specified by such Bank in such notice) and, to the extent that Eurodollar Loans are so made as (or converted into) Alternate Base Rate Loans, all payments of principal which would otherwise be applied to such Eurodollar Loans shall be applied instead to such Alternate Base Rate Loans. If the obligation of any Bank to accept and purchase Bankers' Acceptances shall be suspended pursuant to Section 6.1, 6.2 or 6.3 hereof, all advances which would otherwise be made by such Bank by way of acceptance and purchase of Bankers' Acceptances shall be made instead as Canadian Prime Rate Loans (and, if an event referred to in Section 6.1(b) or 6.3 hereof has occurred and such Bank so requests by notice to the Company with a copy to the Paying Agent, the face amount of each Bankers' Acceptance of such Bank then outstanding shall be automatically converted into a Canadian Prime Rate Loan on the date specified by such Bank in such notice).

6.5 Compensation. Subject to Section 13.6 hereof, the Company shall pay to the Paying Agent for the account of each Bank, within four (4) Business Days after demand therefor by such Bank through the Administrative Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost or expense incurred by it as a result of:

(a) any payment, prepayment or conversion of a Eurodollar Loan made by such Bank or a Bankers' Acceptance accepted by such Bank on a date other than the last day of an Interest Period for such Eurodollar Loan or the specified maturity date for such Bankers' Acceptance, as the case may be; or

(b) any failure by the Company to borrow a Eurodollar Loan to be made by such Bank or to issue a Bankers' Acceptance to be accepted and purchased by such Bank on the date for such borrowing or such issuance specified in the relevant notice under Section 5.5 hereof or to convert a Eurodollar Loan into a Bankers' Acceptance or a Loan of another Type or to convert a Bankers' Acceptance into a Loan on such date after giving notice of such conversion;

such compensation to include, without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by the applicable Bank to fund or maintain its share of any Loan or to fund the acceptance and purchase of any Bankers' Acceptance. Compensation due pursuant to this Section with respect to Bankers' Acceptances shall be calculated using the Canadian Bankers' Acceptance Discount Rate for bankers' acceptances maturing on (or as close as reasonably possible) to the maturity date of the Bankers' Acceptances with respect to which such compensation arises (versus the actual Canadian Bankers' Acceptance Discount Rate for such Bankers' Acceptances). Subject to Section 6.8, each determination of the amount of such compensation by a Bank shall be conclusive and binding, absent manifest error, and may be computed using any reasonable averaging and attribution method.

6.6 Additional Costs in Respect of Letters of Credit. If as a result of any Regulatory Change there shall be imposed, modified or deemed applicable any tax, reserve, special deposit

or similar requirement against or with respect to or measured by reference to Letters of Credit issued or to be issued hereunder or participations in such Letters of Credit, and the result shall be to increase the cost to any Bank of issuing or maintaining any Letter of Credit or any participation therein, or reduce any amount receivable by any Bank hereunder in respect of any Letter of Credit or any participation therein (which increase in cost, or reduction in amount receivable, shall be the result of such Bank's reasonable allocation of the aggregate of such increases or reductions resulting from such event), then such Bank shall notify the Company through the Administrative Agent, and upon demand therefor by such Bank through the Administrative Agent, the Company (subject to Section 13.6 hereof) shall pay to such Bank, from time to time as specified by such Bank, such additional amounts as shall be sufficient to compensate such Bank for such increased costs or reductions in amount. Before making such demand pursuant to this Section 6.6, such Bank will designate a different available Applicable Lending Office for the Letter of Credit of such Bank or take such other action as the Company may request, if such designation or action will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Bank exercised in good faith, be disadvantageous to such Bank. A statement as to such increased costs or

reductions in amount incurred by such Bank, submitted by such Bank to the Company, shall be conclusive as to the amount thereof, absent manifest error.

6.7 Capital Adequacy. If any Bank shall have determined that the adoption after the date hereof or effectiveness after the date hereof (whether or not previously announced) of any applicable law, rule, regulation or treaty regarding capital adequacy, or any change therein after the date hereof, or any change in the interpretation or administration thereof after the date hereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive after the date hereof regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority has or would have the effect of reducing the rate of return on such Bank's capital as a consequence of such Bank's obligations hereunder, under the Loans made by it, under the Bankers' Acceptances accepted and purchased by it, under the Letters of Credit and under the Notes held by it to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, upon satisfaction of the conditions precedent set forth in this Section 6.7, upon demand by such Bank (with a copy to the Administrative Agent and the Paying Agent), the Company (subject to Section 13.6 hereof) shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction. A certificate as to such amounts, submitted to the Company and the Administrative Agent and the Paying Agent by such Bank, setting forth the basis for such Bank's determination of such amounts, shall constitute a demand therefor and shall be conclusive and binding for all purposes, absent manifest error. The Company shall pay the amount shown as due on any such certificate within four (4) Business Days after delivery of such certificate. Subject to Section 6.8, in preparing such certificate, a Bank may employ such assumptions and allocations of costs and expenses as it shall in good faith deem reasonable and may use any reasonable averaging and attribution method.

6.8 Limitation on Additional Charges; Substitute Banks; Non-Discrimination. Anything in this Section 6 notwithstanding:

(a) the Company shall not be required to pay to any Bank reimbursement with regard to any costs or expenses, unless such Bank notifies the Company of such costs or expenses within 90 days after the date paid or incurred;

(b) none of the Banks shall be permitted to pass through to the Company charges and costs under this Section 6 on a discriminatory basis (i.e., which are not also passed through by such Bank to other customers of such Bank similarly situated where such customer is subject to documents providing for such pass through); and

(c) if any Bank elects to pass through to the Company any material charge or cost under this Section 6 or elects to terminate the availability of Eurodollar Loans or Bankers' Acceptances for any material period of time, the Company may, within 60 days after the date of such event and so long as no Default shall have occurred and be continuing, elect to terminate such Bank as a party to this Agreement; provided that, concurrently with such termination the Company shall (i) if the Administrative Agent and each of the other Banks shall consent, pay that Bank all principal, interest and fees and other amounts owed to such Bank through such date of termination or (ii) have arranged for another financial institution approved by the Administrative Agent (such approval not to be unreasonably withheld) as of such date, to become a substitute Bank for all purposes under this Agreement in the manner provided in Section 13.5; provided further that, prior to substitution for any Bank, the Company shall have given written notice to the Administrative Agent and the Paying Agent of such intention and the Banks shall have the option, but no obligation, for a period of 60 days after receipt of such notice, to increase their Commitments in order to replace the affected Bank in lieu of such substitution.

SECTION 7. CONDITIONS PRECEDENT.

7.1 Initial Loans and Acceptance and Purchase of Bankers' Acceptances. The obligation of each Bank or any applicable Issuer to make its initial Loans after the date hereof or to accept and purchase the initial Bankers' Acceptance after the date hereof or issue or participate in a Letter of Credit after the date hereof (whichever shall first occur) hereunder is subject to the following conditions precedent, each of which shall have been fulfilled or waived to the satisfaction of the Majority Banks:

(a) Corporate Action and Status. The Administrative Agent shall have received from the appropriate Governmental Authorities certified copies of the Organizational Documents (other than bylaws) of the Parent and each of its Subsidiaries, and evidence satisfactory to the Administrative Agent of all corporate action taken by the Parent or any of its Subsidiaries authorizing the execution, delivery and performance of the Loan Documents and all other documents related to this Agreement to which it is a party (including, without limitation, a certificate of the secretary of each such party setting forth the resolutions of its Board of

Directors authorizing the transactions contemplated thereby and attaching a copy of its bylaws), together with such certificates as may be appropriate to demonstrate the qualification and good standing of and payment of taxes by the Parent and each of its Subsidiaries in each state or province in which such qualification is necessary.

(b) Incumbency. The Parent and each Relevant Party shall have delivered to the Administrative Agent a certificate in respect of the name and signature of each of the officers (i) who is authorized to sign on its behalf the applicable Loan Documents related to any Loan or the issuance of any Letter of Credit and (ii) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with any Loan or the issuance of any Letter of Credit. The Agents and each Bank may conclusively rely on such certificates until they receive notice in writing from the Parent or the appropriate Relevant Party to the contrary.

(c) Notes. The Administrative Agent shall have received the appropriate Notes of the Company for each Bank, duly completed and executed.

(d) Loan Documents. The Company and each other Relevant Party shall have duly executed and delivered the other Loan Documents to which it is a party (in such number of copies as the Administrative Agent shall have requested) and each such Loan Document shall be in form satisfactory to Administrative Agent. Each such Loan Document shall be in substantially the form furnished to the Banks prior to their execution of this Agreement, together with such changes therein as the Administrative Agent may approve.

(e) Fees and Expenses. The Company shall have paid to the Paying Agent for the account of each Bank all accrued and unpaid commitment fees and other fees in the amounts previously agreed upon in writing among the Company and the respective Agents; and shall have in addition paid to the Paying Agent all amounts payable under Section 9.7 hereof, on or before the date of this Agreement.

(f) Opinions of Counsel. The Administrative Agent shall have received (1) an opinion of Vinson & Elkins L.L.P., counsel to the Parent and its Subsidiaries, in form and substance reasonably satisfactory to the Administrative Agent and (2) an opinion of Bennett Jones Verchere, Canadian counsel to the Parent and its Subsidiaries, in form and substance reasonably satisfactory to the Administrative Agent.

(g) Execution by Banks. The Administrative Agent shall have received counterparts of this Agreement executed and delivered by or on behalf of each of the Banks or the Administrative Agent shall have received evidence satisfactory to it of the execution and delivery by each of the Banks of a counterpart hereof.

(h) Consents. The Administrative Agent shall have received evidence satisfactory to it that, except as disclosed in the Disclosure Statement, all material consents of each Governmental Authority and of each other Person, if any, reasonably required in connection with (a) the Loans, the Bankers' Acceptances and the Letters of Credit and (b) the

execution, delivery and performance of this Agreement and the other Loan Documents have been satisfactorily obtained.

(i) Disclosure Statement. The Administrative Agent shall have received the Disclosure Statement, which shall be in form and substance satisfactory to it.

(j) Novalta Closing Documents. The Administrative Agent shall have received true, correct and complete copies of each of the closing documents required to be delivered pursuant to the Novalta Contract, together with such evidence as the Administrative Agent may reasonably require to confirm that the transactions therein contemplated will be closed in accordance with the terms of Novalta Contract upon funding and disbursement of the initial advance hereunder.

(k) Intercreditor Agreement. The Administrative Agent shall have received a fully executed original counterpart of the Intercreditor Agreement in the form of Exhibit I hereto.

(l) Amendment to U.S. Facility. The Administrative Agent shall have received a fully executed original counterpart of an amendment to the U.S. Facility in the form of Exhibit J hereto.

(m) Other Documents. The Administrative Agent shall have received such other documents consistent with the terms of this Agreement and relating to the transactions contemplated hereby as the Administrative Agent may reasonably request.

All provisions and payments required by thisSection 7.1 are subject to the provisions of Section 13.6.

7.2 Initial and Subsequent Loans. The obligation of each Bank or any applicable Issuer to make any Loan (including, without limitation, its initial Loan) to be made by it hereunder or to accept and purchase Bankers' Acceptances or to issue or participate in any Letter of Credit is subject to the additional conditions precedent that (i) the Administrative Agent and the Paying Agent shall have received a Request for Extension of Credit and such other certifications as the Administrative Agent may reasonably require and (ii) as of the date of such Loan or such acceptance and purchase or such issuance, and after giving effect thereto:

(a) no Default shall have occurred and be continuing;

(b) except for facts timely disclosed to the Administrative Agent from time to time in writing, which facts (I) are not materially more adverse to the Parent and its Subsidiaries, (II)

do not materially decrease the ability of the Banks to collect the Obligations as and when due and payable and (III) do not materially increase the liability of any of the Agent or any of the Banks, in each case compared to those facts existing on the date hereof and the material details of which have been set forth in the Financial Statements delivered to the Administrative Agent prior to the date hereof or in the Disclosure Statement, and except for the representations set forth in the Loan Documents which, by their terms, are expressly (or by means of similar phrasing) made as of the date hereof only, the representations and warranties made in each Loan Document shall be true and correct in all material respects on and as of the date of the making of such Loan or such acceptance and purchase or such issuance, with the same force and effect as if made on and as of such date;

(c) the making of such Loan or the acceptance and purchase of such Bankers' Acceptance or the issuance of such Letter of Credit shall not violate any Legal Requirement applicable to any Bank.

Each Request for Extension of Credit by the Company hereunder or request for issuance of a Letter of Credit shall include a representation and warranty by the Company to the effect set forth in Subsections 7.2(a) and (b) (both as of the date of such notice and, unless the Company otherwise notifies the Administrative Agent prior to the date of such borrowing or issuance, as of the date of such borrowing or issuance).

SECTION 8. REPRESENTATIONS AND WARRANTIES.To induce the Banks to enter into this Agreement and to make the Loans, accept and purchase Bankers' Acceptances and issue or participate in the Letters of Credit, the Company (or, where applicable, the Parent) represents and warrants (such representations and warranties to survive any investigation and the making of the Loans, the

acceptance and purchase Bankers' Acceptances and the issuance of the Letters of Credit) to the Banks and the Agents as follows:

8.1 Corporate Existence. The Parent and each Subsidiary of the Parent are corporations duly incorporated and organized, legally existing and in good standing under the laws of the respective jurisdictions in which they are incorporated, and are duly qualified as foreign corporations in all jurisdictions wherein the property owned or the business transacted by them makes such qualification necessary and the failure to so qualify could reasonably be expected to result in a Material Adverse Effect.

8.2 Corporate Power and Authorization. Each of the Company and the other Relevant Parties is duly authorized and empowered to execute, deliver, and perform the Loan Documents to which it is a party; and all corporate action on the part of the Company and the other Relevant Parties requisite for the due creation and issuance of the Notes and for the due execution, delivery, and performance of this Agreement and the other Loan Documents to which each of the Company and the other Relevant Parties is a party has been duly and effectively taken.

8.3 Binding Obligations. This Agreement, the Notes and the other Loan Documents constitute legal, valid and binding obligations of the Company and the other Relevant Parties, to the extent each is a party thereto, enforceable against the Company and the other Relevant Parties, to the extent each is a party thereto, in accordance with their respective terms, except as may be limited by (i) any applicable bankruptcy, insolvency, fraudulent transfer, winding up, arrangement, liquidation, reorganization, moratorium or other similar laws affecting creditors' rights generally, (ii) equitable limitations on the availability of remedies, (iii) the statutory power of a court to grant relief from forfeiture, (iv) applicable laws regarding limitations of actions, (v) general principles of equity which may apply to any proceeding in equity or at law, and (vi) the powers of a court to stay proceedings before it and to stay the execution of judgments.

8.4 No Legal Bar or Resultant Lien. The Company's and each of the other Relevant Parties' creation, issuance, execution, delivery and performance of this Agreement, the Notes and the other Loan Documents, to the extent they are parties thereto, do not and will not violate any provisions of the Organizational Documents of the Company or any other Relevant Party or any Subsidiary of the Parent, or any Key Contract or any Legal Requirement to which the Company or any other Relevant Party or any Subsidiary of the Parent is subject or by which its property may be presently bound or encumbered, or result in the creation or imposition of any Lien upon any properties of the Company or any other Relevant Party or any Subsidiary of the Parent, other than those permitted by this Agreement.

8.5 No Consent. Except as set forth in the Disclosure Statement, the Company's creation and issuance of the Notes and the Company's and each of the other Relevant Parties' execution, delivery, and performance of this Agreement, the Notes and the other Loan Documents to which they are parties do not and will not require the consent or approval of any Person other than such consents and/or approvals obtained contemporaneously with or prior to the execution of this Agreement, including, without limitation, any Governmental Authorities, other than those consents the failure to obtain which could not be reasonably expected to have a Material Adverse Effect.

8.6 Financial Condition. The audited consolidated and unaudited consolidating annual financial statements of the Parent and its Subsidiaries for the year ended December 31, 1992 and the unaudited consolidated interim financial statements of the Parent and its Subsidiaries for the quarter and three-month period ended September 30, 1993, which have been delivered to the Banks, have been prepared in accordance with GAAP, and present fairly the financial condition and results of the operations of the Parent and its Subsidiaries for the period or periods stated (subject only to normal year-end audit adjustments with respect to the unaudited interim statements). No material adverse change, either in any case or in the aggregate, has occurred since September 30, 1993 in the assets, liabilities, financial condition, business, operations, affairs or circumstances of the Parent and its Subsidiaries taken as a whole, except as disclosed to the Banks in the Disclosure Statement. Each Engineering Report and Parent Report fairly presents the values and prospective performances of the property described therein and there are

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no statements or conclusions therein which were based upon or included materially misleading information or fail to take into account material information.

8.7 Investments and Guaranties. As of the date hereof, neither the Parent nor any Subsidiary of the Parent had made Investments in, advances to, or Guarantees of, the obligations of any Person, except as (a) disclosed to the Banks in the Disclosure Statement or (b) not prohibited by applicable provisions of Section 10.

8.8 Liabilities and Litigation. Neither the Parent nor any Subsidiary of the Parent has any material (individually or in the aggregate) liabilities, direct or contingent, except as (a) disclosed or referred to in the Financial Statements, (b) disclosed to the Banks in the Disclosure Statement, (c) disclosed in a notice to the Administrative Agent pursuant to Section 9.11 with respect to such as could reasonably be expected to have a Material Adverse Effect or (d) not prohibited by applicable provisions of Section 10. Except as (a) described in the Financial Statements, (b) otherwise disclosed to the Banks in the Disclosure Statement, (c) disclosed in a notice to the Administrative Agent pursuant to Section 9.11 with respect to such as could reasonably be expected to have a Material Adverse Effect or (d) not prohibited by applicable provisions of Section 10, no litigation, legal, administrative or arbitral proceeding, investigation, or other action of any nature exists or (to the knowledge of the Parent or the Company) is threatened against or affecting the Parent or any Subsidiary of the Parent which could reasonably be expected to result in any judgment which could reasonably be expected to have a Material Adverse Effect, or which in any manner challenges or may challenge or draw into question the validity of this Agreement, the Notes or any other Loan Document, or enjoins or threatens to enjoin or otherwise restrain any of the transactions contemplated by any of them.

8.9 Taxes and Governmental Charges. The Parent and its Subsidiaries have filed, or obtained extensions with respect to the filing of, all material tax returns and reports required to be filed and have paid all material taxes, assessments, fees and other governmental charges levied upon any of them or upon any of their respective properties or income which are due and payable, including interest and penalties, or have provided adequate reserves for the payment thereof.

8.10 Title to Properties. The Parent and its Subsidiaries have good and defensible title to their respective properties included in the Borrowing Base (including, without limitation, all fee and leasehold interests), free and clear of all Liens except (a) those referred to in the Financial Statements, (b) as disclosed to the Banks in the Disclosure Statement or (c) as permitted by Section 10.2.

8.11 Defaults. Neither the Parent nor any Subsidiary of the Parent is in default, which default could reasonably be expected to have a Material Adverse Effect, under any indenture, mortgage, deed of trust, agreement or other instrument to which the Parent or any Subsidiary of the Parent is a party or by which the Parent or any Subsidiary of the Parent or the property of the Parent or any Subsidiary of the Parent is bound, except as (a) disclosed to the Banks in

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the Disclosure Statement, (b) disclosed in a notice to the Administrative Agent pursuant to Section 9.11 with respect to such as could reasonably be expected to have a Material Adverse Effect or (c) specifically permitted by applicable provisions of Section 10. No Default under this Agreement, the Notes or any other Loan Document has occurred and is continuing.

8.12 Location of Businesses and Offices. Except to the extent that the Administrative Agent has been furnished written notice to the contrary or of additional locations, pursuant to Section 9.11, the Company's principal place of business and chief executive offices are located at the address stated on the signature page hereof and the principal places of business and chief executive offices of each Subsidiary of the Parent are described on Exhibit D hereto. The Parent's principal place of business and chief executive office is at 1001 Fannin, Suite 1700, Houston, Texas 77002.

8.13 Compliance with Law. Neither the Parent nor any Subsidiary of the Parent (except as (a) disclosed to the Banks in the

Disclosure Statement, (b) disclosed in a notice to the Administrative Agent pursuant to Section 9.11 with respect to such as could reasonably be expected to have a Material Adverse Effect or (c) not prohibited by applicable provisions of Section 10):

(a) is in violation of any Legal Requirement; or

(b) has failed to obtain any license, permit, franchise or other governmental authorization necessary to the ownership of any of their respective properties or the conduct of their respective business;

which violation or failure could reasonably be expected to have a Material Adverse Effect.

8.14 Margin Stock. None of the proceeds of the Loans will be used for the purpose of, and neither the Parent nor any Subsidiary of the Parent is engaged in the business of extending credit for the purpose of (a) purchasing or carrying any "margin stock" as defined in Regulation U of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 221) or (b) reducing or retiring any indebtedness which was originally incurred to purchase or carry margin stock, if such purpose under either (a) or (b) above would constitute this transaction a "purpose credit" within the meaning of said Regulation U, or for any other purpose which would constitute this transaction a "purpose credit". Neither the Parent nor any Subsidiary of the Parent is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stocks. Neither the Parent nor any Subsidiary of the Parent nor any Person acting on behalf of the Parent or any Subsidiary of the Parent has taken or will take any action which might cause the Notes or any of the Loan Documents, including this Agreement, to violate Regulation U or any other regulation of the Board of Governors of the Federal Reserve System, or to violate any similar provision of the Securities Exchange Act of 1934 or any rule or regulation under any such provision thereof.

8.15 Subsidiaries. The Parent has no Subsidiaries as of the date of this Agreement except those shown in Exhibit D hereto.

8.16 ERISA. With respect to each Plan, the Parent and each ERISA Affiliate have fulfilled their obligations, including obligations under the minimum funding standards of ERISA and the Code, and are in compliance in all material respects with the provisions of ERISA and the Code. The Parent has no knowledge of any event which could result in a liability of the Parent or any ERISA Affiliate to the PBGC or a Plan (other than to make contributions in the ordinary course). Since the effective date of Title IV of ERISA, there have not been any nor are there now existing any events or conditions that would cause the Lien provided under Section 4068 of ERISA to attach to any property of the Parent or any ERISA Affiliate. There are no Unfunded Liabilities with respect to any Plan other than those specifically described in the certificate delivered in accordance with Section 7.1(i). No "prohibited transaction" has occurred with respect to any Plan.

8.17 Investment Company Act. Neither the Parent nor any of its Subsidiaries is an investment company within the meaning of the Investment Company Act of 1940, as amended, or, directly or indirectly, controlled by or acting on behalf of any Person which is an investment company, within the meaning of said Act.

8.18 Public Utility Holding Company Act. Neither the Parent nor any of its Subsidiaries (i) is subject to regulation under the Public Utility Holding Company Act of 1935, as amended (the "PUHC Act"), except as to Section 9(a)(2) thereof (15 U.S.C.A. Section 79(i)(a)(2)), or (ii) is in violation of any of the provisions, rules, regulations or orders of or under the PUHC Act. Further, none of the transactions contemplated under this Agreement, including without limitation, the making of the Loans, the issuance of the Letters of Credit and the creation of any Liens pursuant to the Loan Documents, shall cause or constitute a violation of any of the provisions, rules, regulations or orders of or under the PUHC Act and the PUHC Act does not in any manner impair the legality, validity or enforceability of the Notes or any Liens created pursuant to the Loan Documents. The Parent has duly filed with the Securities and Exchange Commission good faith applications (each an "Application") under Section 2(a)(8) of the PUHC Act (15 U.S.C.A. Section 79(b)(a)(8)) for a declaration of non-subsidiary status pursuant to such Section 2(a)(8) with respect to each Person (each a "Specified Shareholder") which owns, controls or holds with power to vote, directly or indirectly, a sufficient quantity of the voting securities of the Parent to be construed as a "holding company", as such term is defined in the PUHC Act, in respect of the

Parent. All of the information contained in such Applications, as amended, was true as of the most recent filing date with respect thereto (provided that the Parent may, unless it has actual current knowledge to the contrary, rely solely upon written information furnished by any Specified Shareholder with respect to background information about the Specified Shareholder and the nature of the ownership by such Specified Shareholder or its Affiliates of the voting securities of the Parent), and the Parent knows of no reason why each such Application, if acted upon by the Securities and Exchange Commission, would not be approved. True and correct copies of each such Application and any amendments thereto, as

filed, have been furnished to the Administrative Agent. The Parent has not received any written notice from the Securities and Exchange Commission with respect to any such Application other than as disclosed in writing to the Administrative Agent.

8.19 Environmental Matters. Except as disclosed in the Disclosure Statement, (i) the Parent and it Subsidiaries have obtained and maintained in effect all Environmental Permits (or has initiated the necessary steps to transfer the Environmental Permits into its name), the failure to obtain which could reasonably be expected to have a Material Adverse Effect, (ii) the Parent and its Subsidiaries and their properties, assets, business and operations have been and are in compliance with all applicable Requirements of Environmental Law and Environmental Permits failure to comply with which could reasonably be expected to have a Material Adverse Effect, (iii) the Parent and its Subsidiaries and their properties, assets, business and operations are not subject to any (A) Environmental Claims or (B) Environmental Liabilities, in either case direct or contingent, and whether known or unknown, arising from or based upon any act, omission, event, condition or circumstance occurring or existing on or prior to the date hereof which could reasonably be expected to have a Material Adverse Effect, and (iv) no Responsible Officer of the Parent or any of its Subsidiaries has received any notice of any violation or alleged violation of any Requirements of Environmental Law or Environmental Permit or any Environmental Claim in connection with its assets, properties, business or operations which could reasonably be expected to have a Material Adverse Effect. The liability (including without limitation any Environmental Liability and any other damage to persons or property), if any, of the Parent and its Subsidiaries and with respect to their properties, assets, business and operations which is reasonably expected to arise in connection with Requirements of Environmental Laws currently in effect and other environmental matters presently known by a Responsible Officer of the Parent will not have a Material Adverse Effect. No Responsible Officer of the Parent knows of any event or condition with respect to Environmental Matters with respect to any of its properties or the properties of any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect. For purposes of this Section 8.19, "Environmental Matters" shall mean matters relating to pollution or protection of the environment, including, without limitation, emissions, discharges, releases or threatened releases of Hazardous Substances into the environment (including, without limitation, ambient air, surface water or ground water, or land surface or subsurface), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances.

8.20 Claims and Liabilities. Except as disclosed to the Banks in writing, neither the Parent nor any of its Subsidiaries has accrued any liabilities under gas purchase contracts for gas not taken, but for which it is liable to pay if not made up and which, if not paid, would have a Material Adverse Effect. Except as disclosed to the Banks in writing, no claims exist against the Parent or its Subsidiaries for gas imbalances which claims if adversely determined would have a Material Adverse Effect. No purchaser of product supplied by the Parent or any of its Subsidiaries has any claim against the Parent or any of its Subsidiaries for product paid for, but for which delivery was not taken as and when paid for, which claim if adversely determined would have a Material Adverse Effect.

8.21 Solvency. Neither the Parent nor the Parent and its Subsidiaries, on a consolidated basis, is "insolvent", as such term is used (and, where applicable, defined) in (i) the Bankruptcy Code and (ii) the Companies' Creditors Arrangement Act (Canada).

SECTION 9. AFFIRMATIVE COVENANTS. A deviation from the provisions of this Section 9 will not constitute a Default under this Agreement if such deviation is consented to in writing by the Majority Banks. Without the prior written consent of the Majority Banks, the Company (or, where applicable, the Parent) agrees with the Banks and the Agents that, so long as any of the Commitments is in effect and until payment in full of all Loans hereunder, the repayment in full of the full face amount of all outstanding Bankers' Acceptances, the termination or expiry of all Letters of Credit and payment in full of Letter of Credit Liabilities, all interest thereon and all other amounts payable by the Company hereunder:

9.1 Financial Statements and Reports. The Parent will promptly furnish to any Bank from time to time upon request such information regarding the business and affairs and financial condition of the Parent and its Subsidiaries as such Bank may reasonably request, and will furnish to the Administrative Agent and each of the Banks:

(a) Annual Reports - promptly after becoming available and in any event within 100 days after the close of each fiscal year of the Parent:

(i) the audited consolidated balance sheet, statement of earnings and statement of cash flows of ENSTAR Alaska each as of the end of such year or for such year, as applicable;

(ii) the audited consolidated balance sheet of the Parent and its Subsidiaries as of the end of such year;

(iii) the audited consolidated statement of earnings of the Parent and its Subsidiaries for such year;

(iv) the audited consolidated statement of cash flows of the Parent and its Subsidiaries for such year;

(v) the unaudited consolidating balance sheet and statement of earnings of ENSTAR Alaska, each for such year or as of the end of such year, as the case may be;

(vi) the unaudited consolidating balance sheet and statement of earnings of the Parent and its Subsidiaries, each for such year or as of the end of such year, as the case may be;

(vii) the unaudited consolidated balance sheet, statement of earnings and statement of cash flows and unaudited consolidating balance sheet and statement of earnings of the Company and its Subsidiaries, each for such year or as of the end of such year, as the case may be;

(viii) a report prepared by a petroleum engineer, who may be an employee of the Parent or its Subsidiaries, setting forth the historical monthly production data for Hydrocarbons produced and sold by the Parent and its Subsidiaries for such year;

setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, and, in the case of the audited Financial Statements, audited and accompanied by the related opinion of KPMG Peat Marwick or other independent certified public accountants of recognized national standing acceptable to the Majority Banks, which opinion shall state that such audited balance sheets and statements have been prepared in accordance with GAAP consistently followed throughout the period indicated and fairly present the consolidated financial condition and results of operations of the applicable Persons as at the end of, and for, such fiscal year; and

(b) Quarterly Reports - as soon as available and in any event within 50 days after the end of each of the first three quarterly periods in each fiscal year of the Parent:

(i) the unaudited consolidated balance sheet, statement of earnings and statement of cash flows of ENSTAR Alaska, each as of the end of such quarter or for such quarter and for the period from the beginning of the fiscal year to the close of such quarter, as the case may be;

(ii) the unaudited consolidated balance sheet of the Parent and its Subsidiaries as of the end of such quarter;

(iii) the unaudited consolidated statement of earnings of the Parent and its Subsidiaries for such quarter and for the period from the beginning of the fiscal year to the close of such quarter;

(iv) the unaudited consolidated statement of cash flows of the Parent and its Subsidiaries for such quarter and for the period from the beginning of the fiscal year to the close of such quarter;

(v) the unaudited consolidating balance sheet and statement of earnings of the Parent and its Subsidiaries, each for such quarter and for the period from the beginning of the fiscal year to the close of such quarter;

(vi) the unaudited consolidated balance sheet, statement of earnings and statement of cash flows and unaudited consolidating balance sheet and statement of earnings of the Company and its Subsidiaries, each for such quarter and for the period from the beginning of the fiscal year to the close of such quarter;

(vii) a report prepared by a petroleum engineer, who may be an employee of the Parent or its Subsidiaries, setting forth the historical monthly production data for Hydrocarbons produced and sold by the Parent and its Subsidiaries for such quarter;

all of items (i) through (v) above prepared on substantially the same accounting basis as the annual reports described in Subsection 9.1(a), subject to normal changes resulting from year-end adjustments; and

(c) Parent Report - promptly after becoming available and in any event on or before September 1 of each year, a Parent Report; and

(d) Other Bank Requirements - at such time as the same are required to be furnished to other lenders under other financing arrangements to which the Parent or any of its Subsidiaries may be a party or be bound from time to time, a copy of any report, certificate, affidavit or other information required to be furnished to any such lender; and

(e) SEC and Other Reports - promptly upon their becoming publicly available, one copy of each financial statement, report, notice or definitive proxy statement sent by the Parent or any of its Subsidiaries to shareholders generally, and of each regular or periodic report and any registration statement, prospectus or written communication (other than transmittal letters) in respect thereof filed by the Parent or any of its Subsidiaries with, or received by the Parent or any of its Subsidiaries in connection therewith from, any securities exchange or the Securities and Exchange Commission or any successor agency; and

(f) Engineering Report - promptly after becoming available and in any event on or before March 15 of each year, commencing with March 15, 1994, an Engineering Report, together with unaudited financial reports with respect to the Pipeline Operations (as defined in the U.S. Facility, without amendment except as permitted under the Intercreditor Agreement).

All of the balance sheets and other financial statements referred to in this Section 9.1 will be in such detail as any Bank may reasonably request and will conform to GAAP applied on a basis consistent with those of the Financial Statements as of December 31, 1992. In addition, if GAAP shall change with respect to any matter relative to determination of compliance with this Agreement, the Parent will also provide financial information necessary for the Banks to determine compliance with this Agreement.

9.2 Officers' Certificates. (a) Concurrently with the furnishing of the annual financial statements pursuant to Subsection 9.1(a), commencing with the annual financial statements required to be delivered in 1994, the Parent will furnish or cause to be furnished to the Administrative Agent certificates of compliance, as follows:

(i) a certificate signed by the principal financial officer of the Parent and the principal financial officer of the Company in the form of Exhibit E; and

(ii) a certificate from the independent public accountants stating that their audit has not disclosed the existence of any condition which constitutes a Default, or if their audit has disclosed the existence of any such condition, specifying the nature and period of existence.

(b) Concurrently with the furnishing of the quarterly financial statements pursuant to Subsection 9.1(b), the Parent will furnish to the Administrative Agent a certificate signed by the principal financial officer of the Parent and the principal financial officer of the Company in the form of Exhibit E.

(c) Concurrently with the delivery of any Borrowing Base Certificate under the U.S. Facility, the Parent will furnish to the Administrative Agent and the Paying Agent a true, correct and complete copy thereof.

(d) Concurrently with the furnishing of any Engineering Report or Parent Report, the Company will furnish to the Administrative Agent a certificate signed by an appropriate officer of the Parent and any other applicable Relevant Party in the form of Exhibit G.

9.3 Taxes and Other Liens. The Parent will and will cause each Subsidiary of the Parent to pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon the Parent or such Subsidiary, or upon the income or any property of the Parent or such Subsidiary, as well as all claims of any kind (including claims for labor, materials, supplies, rent and payment of proceeds attributable to Hydrocarbon production) which, if unpaid, might result in or become a Lien upon any or all of the property of the Parent or such Subsidiary; provided, however, that neither the Parent nor such Subsidiary will be required to pay any such tax, assessment, charge, levy or claims if the amount, applicability or validity thereof will currently be contested in good faith by appropriate proceedings diligently conducted and if the Parent or such Subsidiary will have set up reserves therefor adequate under GAAP.

9.4 Maintenance. Except as referred to in Section 8.1 and 8.13, the Parent will and will cause each Subsidiary of the Parent to: (i) maintain its corporate existence; (ii) maintain its rights and franchises, except for any mergers or consolidations otherwise permitted by this Agreement and except to the extent failure to so maintain the same would not have a Material Adverse Effect; (iii) observe and comply (to the extent that any failure would have a Material Adverse Effect) with all valid Legal Requirements (including without limitation Requirements

of Environmental Law); and (iv) maintain (except to the extent failure to so maintain the same would not have a Material Adverse Effect) its properties (and any properties leased by or consigned to it or held under title retention or

conditional sales contracts) consistent with the standards of a reasonably prudent operator at all times and make all repairs, replacements, additions, betterments and improvements to its properties consistent with the standards of a reasonably prudent operator.

9.5 Further Assurances. The Parent will and will cause each Subsidiary of the Parent to cure promptly any defects in the creation and issuance of the Notes and the execution and delivery of the Loan Documents, including this Agreement. The Parent at its expense will promptly execute and deliver to the Administrative Agent upon request all such other and further documents, agreements and instruments (or cause any of its Subsidiaries to take such action) in compliance with or accomplishment of the covenants and agreements of the Parent or any of its Subsidiaries in the Loan Documents, including this Agreement, or to correct any omissions in the Loan Documents, or to make any recordings, to file any notices, or obtain any consents, all as may be necessary or appropriate in connection therewith.

9.6 Performance of Obligations. The Company will pay the Notes according to the reading, tenor and effect thereof; and the Company will do and perform every act and discharge all of the obligations provided to be performed and discharged by the Company under this Agreement and the other Loan Documents at the time or times and in the manner specified, and cause each of its Subsidiaries to take such action with respect to their obligations to be performed and discharged under the Loan Documents to which they respectively are parties.

9.7 Reimbursement of Expenses. Whether or not any Loan is ever made or any Letter of Credit is ever issued, the Company agrees to pay or reimburse the Administrative Agent for paying the reasonable fees and expenses of Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P., special counsel to the Administrative Agent, together with the reasonable fees and expenses of local counsel engaged by the Administrative Agent, in connection with the negotiation of the terms and structure of the Obligations, the preparation, execution and delivery of this Agreement and the other Loan Documents and the making of the Loans and the issuance of Letters of Credit hereunder, as well as any modification, supplement or waiver of any of the terms of this Agreement and the other Loan Documents. The Company will promptly upon request and in any event within 30 days from the date of receipt by the Company of a copy of a bill for such amounts, reimburse any Bank or any Agent for all amounts reasonably expended, advanced or incurred by such Bank or such Agent to satisfy any obligation of the Company or any other Relevant Party under this Agreement or any other Loan Document, to protect the properties or business of the Parent or any Subsidiary of the Parent, to collect the Obligations, or to enforce the rights of such Bank or such Agent under this Agreement or any other Loan Document, which amounts will include without limitation all court costs, attorneys' fees (but not including allocated costs of in-house counsel), any engineering fees and expenses, fees of auditors, accountants and appraisers, investigation expenses, all transfer, stamp, documentary or similar taxes, assessments or charges levied by any governmental or revenue authority in respect of any

of the Loan Documents or any other document referred to therein, all costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any Lien contemplated by any of the Loan Documents or any document referred to therein, fees and expenses incurred in connection with such Bank's participation as a member of a creditors' committee in a case commenced under the Bankruptcy Code or other similar law of the United States or any state thereof or of Canada or any province thereof, fees and expenses incurred in connection with lifting the automatic stay prescribed in Section 362 Title 11 of the United States Code or in connection with any similar proceeding under the laws of Canada or any province thereof, and fees and expenses incurred in connection with any action pursuant to Section 1129 Title 11 of the United States Code or in connection with any similar proceeding under the laws of Canada or any province thereof, and all other customary out-of-pocket expenses incurred by such Bank or such Agent in connection with such matters, together with interest after the expiration of the 30-day period stated above in this Section if no Event of Default has occurred and is continuing, or from the date of the request to the Company if an Event of Default has occurred and is continuing, at either (i) the Post-Default Rate on each such amount until the date of reimbursement to such Bank or such Agent, or (ii) if no Event of Default will have occurred and be continuing, the Alternate Base Rate plus the highest Applicable Margin for Alternate Base Rate Loans (not to exceed the Highest Lawful Rate) on each such amount until the date of the Company's receipt of written demand or request by such Bank or such Agent for the reimbursement of same, and thereafter at the applicable Post-Default Rate until the date of reimbursement to such Bank or

such Agent. The obligations of the Company under this Section are compensatory in nature, shall be deemed liquidated as to amount upon receipt by the Company of a copy of any invoice therefor, and will survive the non-assumption of this Agreement in a case commenced under the Bankruptcy Code or other similar law of the United States or any state thereof or of Canada or any province thereof, and will remain binding on the Company and any trustee, receiver, or liquidator of the Company appointed in any such case.

9.8 Insurance. The Parent and its Subsidiaries will maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and business against such liabilities, casualties, risks and contingencies and in such types and amounts as is customary in the case of corporations engaged in the same or similar businesses and similarly situated. Upon the request of the Administrative Agent acting at the instruction of the Majority Banks, the Parent will furnish or cause to be furnished to the Administrative Agent from time to time a summary of the insurance coverage of the Parent and its Subsidiaries in form and substance satisfactory to the Majority Banks in their reasonable judgment, and if requested will furnish the Administrative Agent copies of the applicable policies. Subject to the terms of Section 3 hereof, in the case of any fire, accident or other casualty causing loss or damage to any properties of the Parent or any of its Subsidiaries, the proceeds of such policies will be used (i) to repair or replace the damaged property or (ii) to prepay the Obligations, at the election of the Company.

9.9 Accounts and Records. The Parent will keep and will cause each Subsidiary of the Parent to keep books of record and account which fairly reflect all dealings or transactions in relation to their respective businesses and activities, in accordance with GAAP, which books

of record and account will be maintained, to the extent necessary to enable compliance with all provisions of this Agreement, separately for each such Subsidiary, the Parent and any division of the Parent.

9.10 Rights of Inspection. The Parent will permit and will cause each of its Subsidiaries to permit any officer, employee, or agent of any Agent or any Bank to meet with the consultants who prepared any applicable Engineering Report and to review such Engineering Report with such consultants and to visit and inspect any of the properties of the Parent or such Subsidiary, examine the Parent's or such Subsidiary's books of record and accounts, take copies and extracts therefrom, and discuss the affairs, finances and accounts of the Bank or such Subsidiary with the Parent's or such Subsidiary's officers, accountants and auditors, all at such reasonable times during normal business hours and as often as such Agent or such Bank may reasonably desire, and will assist in all such matters.

9.11 Notice of Certain Events. The Parent will promptly notify the Administrative Agent (and the Administrative Agent will then notify all of the Banks) if a Responsible Officer of the Parent learns of the occurrence of, or if the Parent causes or intends to cause, as the case may be:

(i) any event which constitutes a Default, together with a detailed statement by a responsible officer of the Parent of the steps being taken to cure the effect of such Default; or

(ii) the receipt of any notice from, or the taking of any other action by, the holder of any promissory note, debenture or other evidence of indebtedness of the Parent or any Subsidiary of the Parent or of any security (as defined in the Securities Act of 1933, as amended) of the Parent or any Subsidiary of the Parent with respect to a claimed default, together with a detailed statement by a Responsible Officer of the Parent specifying the notice given or other action taken by such holder and the nature of the claimed default and what action the Parent or such Subsidiary is taking or proposes to take with respect thereto; or

(iii) any legal, judicial or regulatory proceedings affecting the Parent or any Subsidiary of the Parent or any of the properties of the Parent or any Subsidiary of the Parent in which the amount involved is materially adverse to the Parent and its Subsidiaries taken as a whole, and is not covered by insurance or which, if adversely determined, would have a Material Adverse Effect; or

(iv) any dispute between the Parent or any Subsidiary of the Parent and any Governmental Authority or any other Person which, if adversely determined, could reasonably be expected to have a Material Adverse Effect; or

(v) any material adverse change, either in any case or in the aggregate, in the assets, liabilities, financial condition, proven oil and gas reserves, business, operations, affairs

or circumstances of the Parent and its Subsidiaries taken as a whole, from those reflected in the Financial Statements or by the facts warranted or represented in any Loan Document, including this Agreement; or

(vi) the occurrence of a default or event of default by the Parent or any Subsidiary of the Parent under any other agreement to which it is a party, which default or event of default could reasonably be expected to have a Material Adverse Effect; or

(vii) any change in the accuracy of the representations and warranties of the Parent or any Subsidiary contained in this Agreement or any other Loan Document; or

(viii) any material violation or alleged material violation of any Requirements of Environmental Law or Environmental Permit or any Environmental Claim or any Environmental Liability; or

(ix) any tariff and rate cases and other material reports filed by the Parent or any of its Subsidiaries with any Governmental Authority and any notice to the Parent or any of its Subsidiaries from any Governmental Authority concerning noncompliance with any applicable Legal Requirement; or

(x) the existence of any Borrowing Base Deficiency; or

(xi) within 10 days after the date on which a Responsible Officer of the Parent has actual knowledge thereof, the receipt of any notice by the Parent or any of its Subsidiaries of any claim of nonpayment of, or any attempt to collect or enforce, accounts payable of the Parent or any of its Subsidiaries exceeding, in the case of any one account payable at one time outstanding, U.S. $1,000,000 and in the case of all accounts payable in the aggregate at any one time outstanding, U.S. $3,000,000; or

(xii) any requirement for the payment of all or any portion of any Indebtedness of the Parent or any of its Subsidiaries prior to the stated maturity thereof (whether by acceleration or otherwise) or as the result of any failure to maintain or the reaching of any threshold amount provided in any promissory note, bond, debenture, or other evidence of Indebtedness or under any credit agreement, loan agreement, indenture or similar agreement executed in connection with any of the foregoing; or

(xiii) any notice from the Securities and Exchange Commission with respect to any Application (as defined in Section 8.18 hereof).

9.12 ERISA Information and Compliance. The Parent will promptly furnish to the Administrative Agent (i) immediately upon receipt, a copy of any notice of complete or partial withdrawal liability under Title IV of ERISA and any notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, (ii) if requested by

the Administrative Agent, acting on the instruction of the Majority Banks, promptly after the filing thereof with the United States Secretary of Labor or the PBGC or the Internal Revenue Service, copies of each annual and other report with respect to each Plan or any trust created thereunder, (iii) immediately upon becoming aware of the occurrence of any "reportable event", as such term is defined in Section 4043 of ERISA, for which the disclosure requirements of Regulation Section 2615.3 promulgated by the PBGC have not been waived, or of any "prohibited transaction", as such term is defined in Section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice signed by the President or the principal financial officer of the Parent or the applicable ERISA Affiliate specifying the nature thereof, what action the Parent or the applicable ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken by the PBGC,

the Internal Revenue Service or the Department of Labor with respect thereto, (iv) promptly after the filing or receiving thereof by the Parent or any ERISA Affiliate of any notice of the institution of any proceedings or other actions which may result in the termination of any Plan, and (v) each request for waiver of the funding standards or extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after the request is submitted by the Parent or any ERISA Affiliate to the Secretary of the Treasury, the Department of Labor or the Internal Revenue Service, as the case may be. To the extent required under applicable statutory funding requirements, the Parent will fund, or will cause each ERISA Affiliate to fund, all current service pension liabilities as they are incurred under the provisions of all Plans from time to time in effect, and comply with all applicable provisions of ERISA, except to the extent that any such failure to comply could not reasonably be expected to have a Material Adverse Effect. The Parent covenants that it shall and shall cause each ERISA Affiliate to (1) make contributions to each Plan in a timely manner and in an amount sufficient to comply with the contribution obligations under such Plan and the minimum funding standards requirements of ERISA; (2) prepare and file in a timely manner all notices and reports required under the terms of ERISA including but not limited to annual reports; and (3) pay in a timely manner all required PBGC premiums, in each case, to the extent failure to do so would have a Material Adverse Effect.

9.13 Minimum APC Dividends and/or ENSTAR Alaska Advances. The Parent will receive Dividend Payments from APC and/or permanent advances of funds from ENSTAR Alaska without any repayment obligation on the part of the Parent and that would be accounted for as a reduction of the equity of ENSTAR Alaska not less than, in the aggregate, U.S. $8,000,000 for any 15-month period ending on the last day of any calendar quarter (unless and to the extent the same is not permitted by the Alaska Public Utilities Commission or any successor; provided that if the Alaska Public Utilities Commission or any successor shall not permit such Dividend Payments and advances, the Administrative Agent, the Banks and the Company shall endeavor in good faith to agree on an alternate method of determining the applicable component value of the Borrowing Base to take such action into account, with the decision of the Majority Banks to be binding on all of the Banks hereunder).

9.14 Minimum ENSTAR Alaska Management Fees. The Parent will receive management fees from ENSTAR Alaska during each calendar year not less than the amount permitted to be recovered by the Alaska Public Utilities Commission.

9.15 Minimum ENSTAR Alaska Tax Payments. The Parent will receive from ENSTAR Alaska during each calendar year not less than 100% of the federal income tax liability which would have been payable by ENSTAR Alaska for the previous year if ENSTAR Alaska were a separate taxable Person.

SECTION 10. NEGATIVE COVENANTS. A deviation from the provisions of this Section 10 will not constitute a Default under this Agreement if such deviation is consented to in writing by the Majority Banks. The Company (or, where applicable, the Parent) agrees with the Banks and the Agents that, so long as any of the Commitments is in effect and until payment in full of all Loans hereunder, the payment in full of the full face amount of all outstanding Bankers' Acceptances, the termination or expiry of all Letters of Credit and payment in full of Letter of Credit Liabilities, all interest thereon and all amounts payable by the Company hereunder:

10.1 Debts, Guarantees and Other Obligations. The Parent will not and will not permit any of its Subsidiaries (other than APC) to incur, create, assume or in any manner become or be liable in respect of any Indebtedness (including obligations for the payment of rentals); and the Parent will not and will not permit any of its Subsidiaries (other than APC) to Guarantee or otherwise in any way become or be responsible for obligations of any other Person, whether by agreement to purchase the Indebtedness of any other Person or agreement for the furnishing of funds to any other Person through the purchase or lease of goods, supplies or services (or by way of stock purchase, capital contribution, advance or loan) for the purpose of paying or discharging the Indebtedness of any other Person, or otherwise, except that the foregoing restrictions will not apply to:

(a) the Notes, the Bankers' Acceptances or other Indebtedness under the Loan Documents;

(b) liabilities, direct or contingent, of the Parent or any Subsidiary of the Parent existing on the date of this Agreement which are reflected in the Financial Statements or the Disclosure Statement and all

renewals, extensions, refinancings and rearrangements, but not increases, thereof;

(c) endorsements of negotiable or similar instruments for collection or deposit in the ordinary course of business;

(d) trade payables, lease acquisition and lease maintenance obligations, extensions of credit from suppliers or contractors, liabilities incurred in exploration, development and operation of the Parent's or any of its Subsidiaries' oil and gas properties or similar obligations from time to time incurred in the ordinary course of business, other than for borrowed money,

which are paid within 90 days after the invoice date (inclusive of applicable grace periods) or (i) are being contested in good faith, if such reserve as required by GAAP has been made therefor or (ii) trade accounts payable of the Parent and its Subsidiaries (with respect to which no legal proceeding to enforce collection has been commenced or, to the knowledge of a Responsible Officer of the Parent, threatened) not exceeding, in the aggregate at any time outstanding, U.S. $5,000,000;

(e) taxes, assessments or other government charges which are not yet due or are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as will be required by GAAP will have been made therefor;

(f) Borrowing Base Debt of the Parent; provided that the aggregate of all Indebtedness permitted under this Subsection 10.1(f) shall not exceed the amount by which the then current Borrowing Base exceeds the then current "Revolving Credit Obligations" under the U.S. Facility;

(g) to the extent, if any, not covered by Subsection (b) hereinabove, the Indebtedness of the Parent to APC evidenced solely by the Intercompany Notes, as defined in the Beluga Financing Documents and the APC Long Term Financing Documents, together with any renewals, extensions, amendments, refinancings, rearrangements, modifications, restatements or supplements, but not increases (other than increases which are permitted under the present terms of the Beluga Financing Documents and the APC Long Term Financing Documents) thereof from time to time;

(h) intercompany Indebtedness owed to the Parent by any Subsidiary of the Parent and intercompany Indebtedness owed to any Subsidiary of the Parent by the Parent or any other Subsidiary of the Parent which is fully subordinated to the Obligations;

(i) loans, advances or extensions of credit to the Parent for the purpose of financing no more than 75% of the purchase price of any fixed assets which are not included in the property taken into account in determining the Borrowing Base and which are considered in the categories of property, plant or equipment according to GAAP applied on a consistent basis;

(j) obligations of the Parent under the Gas Sales Contract, together with any renewals, extensions, amendments, refinancings, rearrangements, modifications, restatements or supplements, but not increases, thereof from time to time;

(k) obligations of the Parent and Midcon pursuant to the Contingent Gas Price Payment Agreement (as defined in the Mesa Contract), together with any renewals, extensions, amendments, refinancings, rearrangements, modifications, restatements or supplements, but not increases, thereof from time to time;

(l) the Guarantee by the Parent or any Subsidiary of the Parent of payment or performance by any Subsidiary of the Parent under any agreement so long as the obligation guaranteed does not constitute Indebtedness for borrowed money;

(m) obligations of the Parent and Wacker Oil Inc. pursuant to that certain Agreement Regarding Contingent Payments For Well No. 3 and Well

No. 9 dated as of June 18, 1990, by and among Costain Holdings Inc., Wacker Oil Inc. and the Parent;

(n) obligations of the Parent or any of its Subsidiaries under gas purchase contracts for gas not taken, as to which the Parent or its respective Subsidiary is liable to pay if not made up;

(o) obligations of the Parent or any of its Subsidiaries under any contract for sale for future delivery of oil or gas (whether or not the subject oil or gas is to be delivered), hedging contract, forward contract, swap agreement, futures contract or other similar agreement;

(p) obligations of the Parent or any of its Subsidiaries under any interest rate swap agreement, or any contract implementing any interest rate cap, collar or floor, or any similar interest hedging contract;

(q) obligations in connection with gas imbalances arising in the ordinary course of business;

(r) Indebtedness not exceeding U.S. $1,000,000 in the aggregate borrowed from the Amarillo Economic Development Commission and related Guarantees and related obligations of the Parent and its Subsidiaries;

(s) liabilities under leases and lease agreements which do not cover oil and gas properties to the extent the incurrence and existence of such liabilities will still enable the Parent and each Subsidiary to comply with all other requirements of this Agreement and the other Loan Documents to which they respectively are parties;

(t) Subordinated Debt;

(u) Funded Indebtedness of any Oil and Gas Subsidiary for borrowed money payable solely by recourse to properties not included in the Borrowing Base and Indebtedness incurred by any Gas and Liquids Pipeline Subsidiary in connection with the construction or acquisition of new assets (exclusive of any assets with respect to which EBITDA or Projected Cash Flow [as defined in the U.S. Facility, without amendment except as permitted under the Intercreditor Agreement] is included in the Pipeline Component Value [as defined in the U.S. Facility, without amendment except as permitted under the Intercreditor Agreement]) in connection with the Pipeline Operations (as defined in the U.S. Facility, without amendment except as permitted under the Intercreditor Agreement) which is payable solely by recourse to the assets so

constructed or acquired, each to the extent not otherwise expressly permitted by this Section 10.1;

(v) the note payable which is to be assumed by the Company in connection with the consummation of the Novalta Contract and is to be fully paid and satisfied out of the initial proceeds available under this Agreement from the making of Loans or the acceptance and purchase of Bankers' Acceptances; and

(w) the U.S. Facility.

10.2 Liens. The Parent will not and will not permit any of its Subsidiaries to create, incur, assume or permit to exist any Lien on any of its or their properties (now owned or hereafter acquired), except:

(a) Liens securing the Indebtedness described in Subsection 10.1(a) or 10.1(w);

(b) Liens for taxes, assessments or other governmental charges or levies not yet due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as will be required by GAAP will have been made therefor;

(c) Liens of landlords, vendors, contractors, subcontractors, carriers, warehousemen, mechanics, laborers or materialmen or other like Liens arising by law in the ordinary course of business for sums not yet due or being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as will be required by GAAP will have been made therefor;

(d) Liens existing on property owned by the Parent or any of its Subsidiaries on the date of this Agreement which have been disclosed to the Banks in the Disclosure Statement, together with any renewals, extensions,

amendments, refinancings, rearrangements, modifications, restatements or supplements, but not increases, thereof from time to time;

(e) pledges or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance, social security and other like laws;

(f) inchoate liens arising under ERISA to secure the contingent liability of the Parent permitted by Section 9.12;

(g) Liens in the ordinary course of business, not to exceed in the aggregate U.S. $2,000,000 as to the Parent and its Subsidiaries at any time in effect, regarding (i) the performance of bids, tenders, contracts (other than for the repayment of borrowed money or the deferred purchase price of property or services) or leases, (ii) statutory obligations, (iii) surety appeal bonds or (iv) Liens to secure progress or partial payments made to the Parent or any of its Subsidiaries and other Liens of like nature;

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(h) covenants, restrictions, easements, servitudes, permits, conditions, exceptions, reservations, minor rights, minor encumbrances, minor irregularities in title or conventional rights of reassignment prior to abandonment which do not materially interfere with the occupation, use and enjoyment by the Parent or any Subsidiary of the Parent of its respective assets in the normal course of business as presently conducted, or materially impair the value thereof for the purpose of such business;

(i) Liens of operators under joint operating agreements or similar contractual arrangements with respect to the relevant entity's proportionate share of the expense of exploration, development and operation of oil, gas and mineral leasehold or fee interests owned jointly with others, to the extent that same relate to sums not yet due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as will be required by GAAP will have been made therefor;

(j) Liens created pursuant to the creation of trusts or other arrangements funded solely with cash, cash equivalents or other marketable investments or securities of the type customarily subject to such arrangements in customary financial practice with respect to long-term or medium-term indebtedness for borrowed money, the sole purpose of which is to make provision for the retirement or defeasance, without prepayment, of Indebtedness permitted under Section 10.1;

(k) Liens on the assets or properties of ENSTAR Alaska;

(l) the Vendor Financing Arrangements (as defined in the Mesa Contract), to the extent that the same shall have been deducted in calculating the Borrowing Base;

(m) purchase money Liens for the acquisition of fixed assets pursuant to Subsection 10.1(i), so long as such Liens exist solely against the relevant fixed asset acquired and secure only the purchase money debt; provided, that the aggregate amount of Indebtedness which is secured by Liens described in this subsection (other than Indebtedness which is payable solely by recourse to the applicable property) shall not exceed U.S. $10,000,000 at any one time outstanding;

(n) any Lien existing on any real or personal property of any corporation or partnership at the time it becomes a Subsidiary of the Parent or of any other Subsidiary of the Parent, or existing prior to the time of acquisition upon any real or personal property acquired by the Parent or any of its Subsidiaries; provided, that such Liens may at all times be deducted in calculating the Borrowing Base from time to time in effect;

(o) legal or equitable encumbrances deemed to exist by reason of the existence of any litigation or other legal proceeding or arising out of a judgment or award with respect to which an appeal is being prosecuted in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as will be required by GAAP will have been made therefor;

(p) any Liens securing Indebtedness neither assumed nor guaranteed by the Parent or any of its Subsidiaries nor on which it customarily pays interest, existing upon real estate or rights in or relating to real estate acquired by the Parent or any of its Subsidiaries for substation, metering station, pump station, storage, gathering line, transmission line, transportation line, distribution line or right-of-way purposes, and any Liens reserved in leases for rent and full compliance with the terms of the leases in the case of leasehold estates, to the extent that any such Lien referred to in this clause arises in the normal course of business as presently conducted and does not materially impair the use of the property covered by such Lien for the purposes for which such property is held by the Parent or its applicable Subsidiary;

(q) rights reserved to or vested in any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the property of the Parent or any of its Subsidiaries;

(r) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any property of the Parent or any of its Subsidiaries, or to use such property in a manner which does not materially impair the use of such property for the purposes for which it is held by the Parent or its applicable Subsidiary;

(s) any obligations or duties affecting the property of the Parent or any of its Subsidiaries to any municipality, governmental, statutory or public authority with respect to any franchise, grant, license or permit;

(t) rights of a common owner of any interest in real estate, rights-of-way or easements held by the Parent or any of its Subsidiaries and such common owner as tenants in common or through other common ownership;

(u) any Liens arising from the matters described in Schedule 3.19 of the Mesa Contract;

(v) Liens securing Indebtedness permitted under Section 10.1(u) hereof (to the extent such Liens are permitted under such Section 10.1(u));

(w) reservations, limitations, provisos and conditions in any original grant from the Crown or freehold lessor of any of the properties of the Company or its Subsidiaries;

(x) other Liens securing Indebtedness not exceeding, in the aggregate, U.S. $3,000,000 at any one time outstanding; and

(y) other Liens securing Senior Debt, but only so long as such Liens shall also secure the Obligations on a pari passu basis, in a manner and pursuant to documentation acceptable to the Majority Banks.

10.3 Investments, Loans and Advances. The Parent will not and will not permit its Subsidiaries to make or permit to remain outstanding any advances, loans or other extensions of credit or capital contributions (other than prepaid expenses in the ordinary course of business) to (by means of transfers of property or assets or otherwise), or purchase or own any stocks, bonds, notes, debentures or other securities of, or incur contingent liability with respect to (except for the endorsement of checks in the ordinary course of business and except for the Indebtedness and Liens permitted under this Agreement) any Person (all such transactions being herein called "Investments"), except that the foregoing restriction will not apply to:

(a) Investments (all prior to the date hereof) the material details of which have been set forth in the Financial Statements delivered to the Administrative Agent prior to the date hereof or the Disclosure Statement;

(b) Liquid Investments;

(c) advances or extensions of credit in the form of accounts receivable incurred in the ordinary course of business;

(d) the acquisition of all of the capital stock of wholly owned Subsidiaries incorporated or acquired subsequent to the date of this Agreement;

(e) investments where the consideration paid is capital stock of the Parent, plus cash paid in lieu of issuing fractional shares and cash paid in settlement of claims of dissenters, such cash not to exceed 10% of the aggregate purchase price in any such transaction;

(f) Investments in any Person which after giving effect thereto will be a Subsidiary of the Parent, so long as the Investment in such Person, when consummated, would not result in a breach of the covenants set forth in Section 10.1;

(g) intercompany loans, advances or investments by the Parent to or in any Subsidiary of the Parent or, to the extent permitted under Section 10.1(h) hereof, by any Subsidiary of the Parent to or in the Parent or to or in any other Subsidiary of the Parent, provided, however, that APC may not make any intercompany loans, advances or investments in any Subsidiary of the Parent pursuant to this clause (g);

(h) intercompany loans, advances or investments by the Parent, solely from income or cash flow of the Parent subject to the Beluga Financing Documents, to APC as required under the Beluga Financing Documents and the APC Long Term Financing Documents;

(i) to the extent, if any, not covered by Subsection (a) hereinabove, the Indebtedness of the Parent to APC evidenced solely by the Intercompany Notes, as defined in the Beluga Financing Documents and the APC Long Term Financing Documents, together with any renewals, extensions, amendments, refinancings, rearrangements, modifications, restatements or supplements, but not increases (other than increases which are permitted under the present terms of the Beluga Financing Documents and the APC Long Term Financing Documents) thereof from time to time;

(j) loans or advances to employees made in the ordinary course of business, up to the aggregate principal amount at any one time outstanding of U.S. $500,000;

(k) Investments in reasonable amounts of securities for purposes of funding employee benefit plans maintained by the Parent;

(l) advances or extensions of credit made in the ordinary course of business to third parties under applicable contracts and agreements in connection with (i) oil, gas or other mineral exploration, development and production activities or (ii) Hydrocarbon or chemical pipeline gathering or transportation activities;

(m) Investments where the consideration paid is assets of the Parent or its Subsidiaries other than capital stock, cash or oil and gas reserves;

(n) Investments in EBOC Energy Ltd. made in connection with and pursuant to the Novalta Contract; and

(o) any other Investments which in the aggregate do not cause the Parent to be in violation of the Investments Tests.

10.4 Dividend Payment Restrictions. The Parent will not declare or make any Dividend Payment other than Dividend Payments which do not cause the Parent to be in violation of the Dividends Tests and other than dividends on up to U.S. $100,000,000 of preferred stock to extent that, in the reasonable good faith determination of the Parent and the Administrative Agent, such dividends are not materially in excess of dividends on similar securities issued in transactions of comparable type and magnitude for issuers similarly situated to the Parent at the time of issuance of such preferred stock; provided, however, that, with respect to any particular issue of preferred stock, the Administrative Agent shall be deemed to have agreed with any determination of the Parent that the dividends for such issue satisfy the foregoing requirements if the Administrative Agent shall not have objected to such determination within 10 days after the Parent has informed the Administrative Agent of the maximum dividend that could be paid with respect to such issue.

10.5 Mergers, Amalgamations and Sales of Assets. The Parent will not (a) merge, amalgamate or consolidate with, or sell, assign,

lease or otherwise dispose of, whether in one

transaction or in a series of transactions, more than ten percent (10%) in the aggregate of the Parent's and its Subsidiaries' consolidated total assets (whether now owned or hereafter acquired) to any Person or Persons during the period since the most recent "Borrowing Base Determination" (as defined in the U.S. Facility, without amendment except as permitted under the Intercreditor Agreement), or permit any Subsidiary of the Parent to do so (other than to the Parent or another Subsidiary of the Parent or the issuance by any Subsidiary of the Parent of any stock to the Parent or another Subsidiary of the Parent), or (b) sell, assign, lease or otherwise dispose of, whether in one transaction or in a series of transactions, any other properties if receiving therefor consideration other than cash or other consideration readily convertible to cash or which is less than the fair market value of the relevant properties, or permit any Subsidiary of the Parent to do so; provided that the Parent or any Subsidiary of the Parent may merge, amalgamate or consolidate with any other Person and any Subsidiary of the Parent may transfer properties to any other Subsidiary of the Parent or to the Parent so long as, in each case, (i) immediately thereafter and giving effect thereto, no event will occur and be continuing which constitutes a Default, (ii) in the case of any such merger, amalgamation or consolidation to which the Parent is a party, the Parent is the surviving Person, (iii) in the case of any such merger, amalgamation or consolidation to which any Subsidiary of the Parent is a party (but not the Parent), such Subsidiary is the surviving Person and (iv) the surviving Person ratifies each applicable Loan Document and provided further that any Subsidiary of the Parent may merge or consolidate with any other Subsidiary of the Parent so long as, in each case (i) immediately thereafter and giving effect thereto, no event will occur and be continuing which constitutes a Default and (ii) the surviving Person ratifies each applicable Loan Document.

10.6 Use of Proceeds. The Company will not permit the proceeds of the Loans or the Canadian Bankers' Acceptance Discount Proceeds to be used for any purpose other than those permitted by this Agreement.

10.7 ERISA Compliance. The Parent will not at any time permit any Plan maintained by it or any Subsidiary of the Parent to:

(a) engage in any "prohibited transaction" as such term is defined in Section 4975 of the Code;

(b) incur any "accumulated funding deficiency" as such term is defined in Section 302 of ERISA; or

(c) terminate or be terminated in a manner which could result in the imposition of a Lien on the property of the Parent or any Subsidiary of the Parent pursuant to Section 4068 of ERISA,

in each case, to the extent that permitting the Plan to do so would have a Material Adverse Effect.

10.8 Amendment of Certain Documents. The Parent will not amend, modify or obtain or grant a waiver of (except for waivers only of cross-defaults created by a Default under this Agreement), or allow APC to enter into any amendment or modification or obtain or grant any waiver of (except for waivers only of cross-defaults created by a Default under this Agreement), any provision of those documents relating to or constituting the Beluga Financing Documents or the APC Long Term Financing Documents, without prior written notification to the Administrative Agent.

10.9 Tangible Net Worth. The Parent will not permit the Tangible Net Worth of the Parent and its Subsidiaries, on a consolidated basis, at any time to be less than U.S. $225,000,000 plus

(i) 50% of net income of the Parent and its Subsidiaries on a consolidated basis, if positive, beginning with the fiscal year ended December 31, 1993 and calculated annually thereafter based upon positive net income of the Parent and its Subsidiaries for

each applicable fiscal year taken cumulatively;

plus

(ii) 75% of the net cash proceeds of any issuance of equity in the Parent during the period referred to in clause (i) above.

10.10 ENSTAR Alaska Financial Ratios. The Parent will not permit the ratio of (A) the sum of Funded Indebtedness of ENSTAR Alaska plus Current Maturities of ENSTAR Alaska to (B) the sum of Funded Indebtedness of ENSTAR Alaska plus Current Maturities of ENSTAR Alaska plus the Tangible Net Worth of ENSTAR Alaska, to be, at any time, more than 60%. The Parent will not permit the ratio of (a) the sum of Funded Indebtedness of ENSTAR Alaska plus Current Maturities of ENSTAR Alaska plus borrowed money Indebtedness of ENSTAR Alaska that is not Funded Indebtedness to (b) the sum of Funded Indebtedness of ENSTAR Alaska plus Current Maturities of ENSTAR Alaska plus borrowed money Indebtedness of ENSTAR Alaska that is not Funded Indebtedness plus the Tangible Net Worth of ENSTAR Alaska, to be, at any time, more than 75%.

10.11 Parent Debt/Capitalization Ratio. The Parent will not permit the Debt/Capitalization Ratio to be, at any time, more than

(i) for the period from and after the date hereof through December 31, 1993, 75%;

(ii) for the period from and after January 1, 1994 through December 31, 1994, 67.5%;

(iii) for the period from and after January 1, 1995 through December 31, 1995, 65%; and

(iv) thereafter, 60%.

10.12 EBITDA/Interest Ratio. The Parent will not permit the EBITDA/Interest Ratio to be, at any time, less than

(i) 3.25:1.0 for any twelve month period ending on the last day of any calendar quarter during the calendar year 1993; and

(ii) 3.5:1.0 for any twelve month period ending on the last day of any calendar quarter thereafter.

10.13 Nature of Business. The Parent will not engage in, and will not permit any Subsidiary of the Parent to engage in, businesses other than oil and gas exploration and production, gas processing, transmission, distribution, marketing and storage and gas and liquids pipeline operations and activities related or ancillary thereto.

10.14 Futures Contracts. The Parent will not, and will not permit any Subsidiary of the Parent to, enter into or be obligated under any contract for sale for future delivery of oil or gas (whether or not the subject oil or gas is to be delivered), hedging contract, forward contract, swap agreement, futures contract or other similar agreement except for (i) such contracts (x) which fall within the parameters set forth on Exhibit H hereto or are otherwise approved in writing by the Majority Banks and (y) which in the aggregate do not cover at any time a volume of oil and/or gas equal to or greater than 50% of the proved producing reserves attributable to the oil and gas properties of the Parent and its Subsidiaries, taken as a whole, as evidenced by the most current Engineering and Parent Reports and (ii) production sales contracts entered into in the ordinary course of the Parent's or the applicable Subsidiary's business.

10.15 Covenants in Other Agreements. The Parent will not and will not permit any of its Subsidiaries to become a party to or to agree that it or any of its property is bound by any agreement, indenture, mortgage, deed of trust or any other instrument directly or indirectly

(i) restricting any loans, advances or any other Investments to or in the Parent by any of its Subsidiaries;

(ii) restricting the ability of any Subsidiary of the Parent to make tax payments or management fee payments;

(iii) restricting the capitalization structure of any Subsidiary of the Parent; or

(iv) restricting the ability or capacity of any Subsidiary of the Parent to make Dividend Payments.

Notwithstanding the foregoing, either of ENSTAR Alaska or APC may become a party to, or grant a Lien in any of its property by way of, or agree that it will be bound by, any indenture, mortgage, deed of trust or other instrument containing provisions of the types described above in this Section 10.15 so long as the terms and provisions thereof are not materially more restrictive than the terms or provisions which were legally binding on ENSTAR Alaska or APC on the date hereof.

SECTION 11. DEFAULTS.

11.1 Events of Default. If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) Payments - (i) the Company or any other Relevant Party fails to make any payment or prepayment of any installment of principal on the Loans or any Reimbursement Obligation payable under the Notes, this Agreement or the other Loan Documents or the full face amount of any outstanding Bankers' Acceptances when due or (ii) the Company or any other Relevant Party fails to make any payment or prepayment of interest with respect to the Loans, any Reimbursement Obligation or any other fee or amount under the Notes, the Bankers' Acceptances, this Agreement or the other Loan Documents and such failure to pay continues unremedied for a period of five (5) Business Days; or

(b) Representations and Warranties - any representation or warranty made by the Company or any other Relevant Party in this Agreement or in any other Loan Document or in any instrument executed in connection herewith or therewith proves to have been incorrect in any material respect as of the date thereof; or any representation, statement (including Financial Statements), certificate or data furnished or made by the Company or any other Relevant Party (or any officer of the Company or any other Relevant Party) under or in connection with this Agreement or any other Loan Document, including without limitation in the Disclosure Statement, proves to have been untrue in any material respect, as of the date as of which the facts therein set forth were stated or certified; or

(c) Affirmative Covenants - (i) default shall be made in the due observance or performance of any of the covenants or agreements contained in Sections 9.11 (or in Section 9.6 to the extent such default is considered an Event of Default under the other Subsections of this Section 11.1) or (ii) default is made in the due observance or performance of any of the other covenants or agreements contained in Section 9 of this Agreement or any other affirmative covenant of the Company or any other Relevant Party contained in this Agreement or any other Loan Document and such default continues unremedied for a period of 30 days after (x) notice thereof is given by the Administrative Agent to the Company or (y) such default otherwise becomes known to the Company, whichever is earlier; or

(d) Negative Covenants - (i) default shall be made in the observance or performance of any of the covenants or agreements contained in Section 10.8 and such default continues unremedied for a period of five (5) Business Days after (x) notice thereof is given by the Administrative Agent to the Company or (y) such default otherwise becomes known to the Parent, whichever is earlier, or (ii) default is made in the due observance or performance by the Company or the Parent, as the case may be, of any of the other covenants or agreements contained in Section 10 of this Agreement or of any other negative covenant of the Company or any other Relevant Party contained in this Agreement or any other Loan Document; or

(e) Other Obligations - default is made in the due observance or performance by the Parent or any of its Subsidiaries (as principal or guarantor or other surety) of any of the covenants or agreements contained in any bond, debenture, note or other evidence of Indebtedness in excess of U.S. $3,000,000 (singly or aggregating several such bonds,

debentures, notes or other evidence of Indebtedness) which default gives the holder the right to accelerate the maturity of such Indebtedness, other than the Loan Documents, or under any credit agreement, loan agreement, indenture, promissory note or similar agreement or instrument executed in connection with any of the foregoing, to which it (respectively) is a party and such default is unwaived or continues unremedied beyond the expiration of any applicable grace period which may be expressly allowed under such instrument or agreement; or

(f) Involuntary Bankruptcy or Receivership Proceedings - a receiver, conservator, liquidator or trustee of the Parent or of any of its property is appointed by the order or decree of any court or agency or supervisory authority having jurisdiction, and such decree or order remains in effect for more than 60 days; or the Parent is adjudicated bankrupt or insolvent; or any of its property is sequestered by court order and such order remains in effect for more than 60 days; or a petition is filed against the Parent under any provincial, state or federal bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or receivership law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days after such filing; or

(g) Voluntary Petitions or Consents - the Parent commences a voluntary case or other proceeding seeking liquidation, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or other relief with respect to itself or its debt or other liabilities under

any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or fails generally to, or cannot, pay its debts generally as they become due or takes any corporate action to authorize or effect any of the foregoing, or files a notice of intention to make a proposal under the Bankruptcy Code; or

(h) Assignments for Benefit of Creditors or Admissions of Insolvency - the Parent makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee, or liquidator of the Parent or of all or any part of its property; or

(i) Undischarged Judgments - judgments (individually or in the aggregate) for the payment of money in excess of U.S. $10,000,000 is rendered by any court or other governmental body against the Parent or any of its Subsidiaries and the Parent or such Subsidiary does not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within 60 days from the date of entry thereof, and within said period of 60 days from the date of entry thereof or such longer period during which execution of such judgment will have been stayed, the Parent or such Subsidiary fails to appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under GAAP; or

(j) Subsidiary Defaults - any Subsidiary of the Parent takes, suffers, or permits to exist any of the events or conditions referred to in Subsections 11.1(f), (g) or (h); or

(k) Change in Control - there should occur any Change of Control.

THEREUPON: the Administrative Agent may (and, if directed by the Majority Banks, shall) (a) declare the Commitments terminated (whereupon the Commitments shall be terminated) and/or (b) terminate any Letter of Credit providing for such termination by sending a notice of termination as provided therein and/or (c) declare the principal amount then outstanding of and the accrued interest on the Loans and Reimbursement Obligations and all fees and all other amounts payable hereunder and under the Notes to be forthwith due and payable and/or (d) declare the full face amount of all outstanding Bankers' Acceptances to be forthwith due and payable, whereupon such amounts shall be and become immediately due and payable, without notice (including without limitation notice of acceleration and notice of intent to accelerate), presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company; provided that in the case of the occurrence of an Event of Default with respect to the Parent referred to in clause (f) or (g) of this Section 11.1 or in clause (j) of this Section 11.1 to the extent it refers to clauses (f) or (g), the Commitments shall be automatically terminated and the principal amount then outstanding of and the accrued interest on the

Loans and Reimbursement Obligations and all fees and all other amounts payable hereunder and under

the Notes and the full face amount of all outstanding Bankers' Acceptances shall be and become automatically and immediately due and payable, without notice (including but not limited to notice of intent to accelerate and notice of acceleration) and without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company and/or (d) exercise any and all other rights available to it under the Loan Documents, at law or in equity.

11.2 Collateral Account. The Company hereby agrees, in addition to the provisions of Section 11.1 hereof, that upon the occurrence and during the continuance of any Event of Default, it shall, if requested by the Administrative Agent or the Majority Banks (through the Administrative Agent), pay to the Paying Agent an amount in immediately available funds equal to the then aggregate amount available for drawings under all Letters of Credit issued for the account of the Company, which funds shall be held by the Paying Agent as Cover.

11.3 Preservation of Security for Unmatured Reimbursement Obligations. In the event that, following (i) the occurrence of an Event of Default and the exercise of any rights available to any Agent under the Loan Documents, and (ii) payment in full of the principal amount then outstanding of and the accrued interest on the Loans and Reimbursement Obligations and fees and all other amounts payable hereunder and under the Notes and under the other Loan Documents, and (iii) payment in full of the full face amount of all outstanding Bankers' Acceptances, any Letters of Credit shall remain outstanding and undrawn upon, the each Agent shall be entitled to hold (and the Company hereby grants and conveys to each Agent a security interest in and to) all cash or other property ("Proceeds of Remedies") realized or arising out of the exercise by such Agent of any rights available to it under the Loan Documents, at law or in equity, including, without limitation, the proceeds of any foreclosure, as collateral for the payment of any amounts due or to become due under or in respect of such Letters of Credit. Such Proceeds of Remedies shall be held for the ratable benefit of the applicable Issuers. Such Proceeds of Remedies shall constitute collateral for all purposes under the terms and provisions of the Loan Documents, and the rights, titles, benefits, privileges, duties and obligations of each applicable Agent with respect thereto shall be governed by the terms and provisions of this Agreement and, to the extent not inconsistent with this Agreement, the other Loan Documents. The applicable Agent may, but shall have no obligation to, invest any such Proceeds of Remedies in such manner as such Agent, in the exercise of its sole discretion, deems appropriate. Such Proceeds of Remedies shall be applied to Reimbursement Obligations arising in respect of any such Letters of Credit and/or the payment of any Issuer's obligations under any such Letter of Credit when such Letter of Credit is drawn upon. The Company hereby agrees to execute and deliver to the Administrative Agent and the Banks such security agreements, pledges or other documents as the Administrative Agent or any of the Banks may, from time to time, require to perfect the pledge, lien and security interest in and to any such Proceeds of Remedies provided for in this Section 11.3.

11.4 Right of Setoff. Upon (i) the occurrence and during the continuance of any Event of Default referred to in clauses (f), (g) or (h) of Section 11.1, or in clause (j) of Section 11.1

to the extent it refers to clauses (f), (g) or (h), or upon (ii) the occurrence and continuance of any other Event of Default and upon the making of the notice specified in Section 11.1 to authorize the Administrative Agent to declare the Notes and the full face amount of all Bankers' Acceptances outstanding due and payable pursuant to the provisions thereof, or if (iii) the Parent or any of its Subsidiaries becomes insolvent, however evidenced, the Banks are hereby authorized at any time and from time to time, without notice to the Parent or any of its Subsidiaries (any such notice being expressly waived by the Parent and its Subsidiaries), to setoff and apply any and all deposits (general or special, time or demand, provisional or final, whether or not such setoff results in any loss of interest or other penalty, and including without limitation all certificates of deposit) at any time held, and any other funds or property at any time held, and other Indebtedness at any time owing by any

Bank to or for the credit or the account of the Company against any and all of the Obligations irrespective of whether or not such Bank will have made any demand under this Agreement, any Bankers' Acceptances or the Notes and although such obligations may be unmatured. Should the right of any Bank to realize funds in any manner set forth hereinabove be challenged and any application of such funds be reversed, whether by court order or otherwise, the Banks shall make restitution or refund to the Company pro rata in accordance with their Commitments. The Banks agree promptly to notify the Company and the Administrative Agent and the Paying Agent after any such setoff and application, provided that the failure to give such notice will not affect the validity of such setoff and application. The rights of the Agents and the Banks under this Section are in addition to other rights and remedies (including without limitation other rights of setoff) which the Agents or the Banks may have.

SECTION 12. THE AGENTS.

12.1 Appointment, Powers and Immunities. Each Bank hereby irrevocably appoints and authorizes the Administrative Agent to act as arranger and administrative agent hereunder and under the Letters of Credit and the other Loan Documents with such powers as are specifically delegated to the Administrative Agent by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. Each Bank hereby irrevocably appoints and authorizes the Paying Agent to act as co-agent and paying agent hereunder and under the Bankers' Acceptances, the Letters of Credit and the other Loan Documents with such powers as are specifically delegated to the Paying Agent by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. Each Bank hereby irrevocably appoints and authorizes the Co-Agent to act as co-agent hereunder and under the Letters of Credit and the other Loan Documents with such powers as are specifically delegated to the Co- Agent by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. None of the Agents (which term as used in this Section 12 shall include reference to their affiliates and their own and their affiliates' officers, directors, employees and agents) (a) shall have any duties or responsibilities except those expressly set forth in this Agreement, the Bankers' Acceptances, the Letters of Credit, and the other Loan Documents, or shall by reason of this Agreement or any other Loan Document be a trustee or fiduciary for any Bank; (b) shall be responsible to any Bank for any recitals, statements, representations or warranties contained

in this Agreement, the Bankers' Acceptances, the Letters of Credit or any other Loan Document, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement, the Bankers' Acceptances, the Letters of Credit or any other Loan Document, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the Bankers' Acceptances, the Letters of Credit, or any other Loan Document or any other document referred to or provided for herein or therein or any property covered thereby or for any failure by any Relevant Party or any other Person to perform any of its obligations hereunder or thereunder; (c) shall be required to initiate or conduct any litigation or collection proceedings hereunder or under the Bankers' Acceptances, the Letters of Credit or any other Loan Document except to the extent requested by the Majority Banks, and (d) shall be responsible for any action taken or omitted to be taken by them hereunder or under the Bankers' Acceptances, the Letters of Credit or any other Loan Document or any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, including, without limitation, pursuant to their own negligence, except for their own gross negligence or wilful misconduct. The Agents may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by them with reasonable care. Without in any way limiting any of the foregoing, each Bank acknowledges that neither any Agent nor any Issuer shall have any greater responsibility in the operation of the Letters of Credit than is specified in the Uniform Customs and Practice for Documentary Credits (1983 Revision, International Chamber of Commerce Publication No. 400). In any foreclosure proceeding concerning any collateral for the Obligations, each holder of an Obligation if bidding for its own account or for its own account and the accounts of other Banks is prohibited from including in the amount of its bid an amount to be applied as a credit against its Obligation or Obligations or the Obligations of the other Banks; instead, such holder must bid in cash only; provided that this provision is for the sole benefit of the Agents and the Banks and shall not inure to the benefit of the Parent or any of its Subsidiaries. However, in any such foreclosure proceeding, the Administrative Agent may (but shall not be obligated to) submit a bid for all Banks (including itself) in the form of a credit against the Notes of all of the Banks, and the Administrative Agent or its designee may (but shall not be obligated to) accept

title to such collateral for and on behalf of all Banks.

12.2 Reliance by Agents. Each of the Agents shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by them to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (which may be counsel for the Company and/or the Parent and/or any Subsidiary of the Parent), independent accountants and other experts selected by any Agent. As to any matters not expressly provided for by this Agreement, the Bankers' Acceptances, the Letters of Credit, or any other Loan Document, the Agents shall in all cases be fully protected in acting, or in refraining from acting, hereunder and thereunder in accordance with instructions of the Majority Banks (or, where unanimous consent is required by the terms hereof or of the other Loan Documents, all of the Banks), and any action taken or failure to act pursuant thereto shall be binding on all of the Banks. Pursuant to instructions of the Majority Banks (except as otherwise

provided in Section 13.4 hereof), the Administrative Agent shall have the authority to execute releases of any Liens created by the Loan Documents on behalf of the Banks without the joinder of any Bank.

12.3 Defaults. The Agents shall not be deemed to have knowledge of the occurrence of a Default unless they have received notice from a Bank or the Company specifying such Default and stating that such notice is a "Notice of Default"; provided, however, that the Paying Agent shall be deemed to have knowledge of the non-payment of principal of or interest on Loans or the full face amount of outstanding Bankers' Acceptances or Reimbursement Obligations at the time of such non-payment. In the event that the Administrative Agent receives such a notice of the occurrence of a Default, the Administrative Agent shall give prompt notice thereof to the Banks. The Paying Agent shall give each Bank prompt notice to the Banks of each non-payment of principal of or interest on Loans, the full face amount of outstanding Bankers' Acceptances or Reimbursement Obligations. The Administrative Agent shall (subject to Section 12.7 hereof) take such action with respect to such Default as shall be directed by the Majority Banks and within its rights under the Loan Documents and at law or in equity, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, permitted hereby with respect to such Default as it shall deem advisable in the best interests of the Banks and within its rights under the Loan Documents, at law or in equity.

12.4 Rights as a Bank. With respect to their Commitments and the Loans made, Bankers' Acceptances accepted and purchased and Letter of Credit Liabilities, the Agents in their capacities as Banks hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though they were not acting as Agents, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agents in their individual capacities. The Agents may (without having to account therefor to any Bank) accept deposits from, lend money to and generally engage in any kind of banking, trust, letter of credit, agency or other business with the Parent or its Subsidiaries (and any of their Affiliates) as if they were not acting as Agents, and the Agents may accept fees and other consideration from the Parent or its Subsidiaries (and any of their Affiliates), in addition to the fees heretofore agreed to between the Company and the Agents, for services in connection with this Agreement or otherwise without having to account for the same to the Banks.

12.5 Indemnification. The Banks agree to indemnify the Agents (to the extent not reimbursed under Section 2.2(c), Section 9.7 or Section 13.3 hereof, but without limiting the obligations of the Company under said Sections 2.2(c), 9.7 and 13.3), ratably in accordance with their respective Commitments, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever (including but not limited to, the consequences of the negligence of the Agents) which may be imposed on, incurred by or asserted against the Agents in any way relating to or arising out of this Agreement, the Bankers' Acceptances, the Letters of Credit or any other Loan Document or any other documents contemplated by or referred to herein or therein or the transactions

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contemplated hereby or thereby (including, without limitation, the costs and expenses which the Company is obligated to pay under Sections 2.2(c), 9.8 and 13.3 hereof but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of their agency duties hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents, including but not limited to the negligence of the Agents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or wilful misconduct of the party to be indemnified. The obligations of the Banks under this Section 12.5 shall survive the termination of this Agreement and the repayment of the Obligations.

12.6 Non-Reliance on Agents and Other Banks. Each Bank agrees that it has received current financial information with respect to the Parent and its Subsidiaries and that it has, independently and without reliance on the Agents or any other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Parent and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the Agents or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Loan Documents. The Agents shall not be required to keep themselves informed as to the performance or observance by any Relevant Party of this Agreement, the Bankers' Acceptances, the Letters of Credit or any of the other Loan Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of the Parent or its Subsidiaries. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agents hereunder, under the Bankers' Acceptances, under the Letters of Credit or the other Loan Documents, the Agents shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Parent or its Subsidiaries (or any of their Affiliates) which may come into the possession of the Agents.

12.7 Failure to Act. Except for action expressly required of the Agents hereunder, under the Bankers' Acceptances, under the Letters of Credit and under the other Loan Documents, the Agents shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless they shall receive further assurances to their satisfaction by the Banks of their indemnification obligations under Section 12.5 hereof against any and all liability and expense which may be incurred by them by reason of taking or continuing to take any such action.

12.8 Resignation or Removal of Agents. Subject to the appointment and acceptance of a successor Agent as provided below, any Agent may resign at any time by giving notice thereof to the Banks and the Company, and any Agent may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent, provided deposits with such successor Agent shall be insured by the Canada Deposit Insurance Corporation or its successor. If no

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successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent. Any successor Agent shall be a bank which has an office in Canada and a combined capital and surplus of at least U.S. $250,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. Any successor Paying Agent shall promptly specify by notice to the Company its Payment Office referred to in Sections 3.1 and 5.1. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section 12 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

SECTION 13. MISCELLANEOUS.

13.1 Waiver. No waiver of any Default shall be a waiver of any other Default. No failure on the part of any Agent or any Bank to exercise

and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law or in equity.

13.2 Notices. All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by telex, telegraph, telecopy (confirmed by mail), cable, mail or other writing and telexed, telecopied, telegraphed, cabled, mailed or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof; or, as to any party, at such other address as shall be designated by such party in a notice to the Company and the Administrative Agent given in accordance with this Section 13.2. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly received when transmitted by telex or telecopier during regular business hours, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, three (3) days after deposit in the Canadian mails, postage prepaid, registered mail with return receipt requested (or upon actual receipt, if earlier), in each case given or addressed as aforesaid.

13.3 Indemnification. The Company shall indemnify the Agents, the Banks, and each Affiliate thereof and their respective directors, officers, employees and agents from, and hold each of them harmless against, any and all losses, liabilities, claims or damages to which any of them may become subject (except as provided in clause (c) of this Section 13.3, regardless of whether caused in whole or in part by the simple (but not gross) negligence of the Person indemnified), insofar as such losses, liabilities, claims or damages arise out of or result from any

(i) actual or proposed use by the Company of the proceeds of any extension of credit (whether a Loan, Bankers' Acceptance or a Letter of Credit) by any Bank hereunder, (ii) breach by the Company or any other Relevant Party of this Agreement or any other Loan Document, (iii) violation by the Parent or any of its Subsidiaries of any Legal Requirement, including but not limited to those relating to Hazardous Substances, (iv) Liens or security interests previously or hereafter granted on any real or personal property, to the extent resulting from any Hazardous Substance located in, on or under any such property, (v) ownership by the Banks or the Agents of any real or personal property following foreclosure, to the extent such losses, liabilities, claims or damages arise out of or result from any Hazardous Substance located in, on or under such property, including, without limitation, losses, liabilities, claims or damages which are imposed upon Persons under laws relating to or regulating Hazardous Substances solely by virtue of ownership, (vi) Banks' or Agents' being deemed an operator of any such real or personal property by a court or other regulatory or administrative agency or tribunal in circumstances in which neither any of the Agents nor any of the Banks is generally operating or generally exercising control over such property, to the extent such losses, liabilities, claims or damages arise out of or result from any Hazardous Substance located in, on or under such property, (vii) investigation, litigation or other proceeding (including any threatened investigation or proceeding) relating to any of the foregoing, and the Company shall reimburse each Agent, each Bank, and each Affiliate thereof and their respective directors, officers, employees and agents, upon demand, for any expenses (including legal fees) incurred in connection with any such investigation or proceeding or (viii) taxes (excluding income taxes and franchise taxes) payable or ruled payable by any Governmental Authority in respect of the principal and interest of the Loans, the Bankers' Acceptances or any other Loan Document, together with interest and penalties, if any; provided, however, that the Company shall not have any obligations pursuant to this Section 13.3 with respect to any losses, liabilities, claims, damages or expenses (a) arising from or relating solely to events, conditions or circumstances which, as to clauses (iv), (v) or (vi) above, first came into existence or which first occurred after the date on which the Parent or any of its Subsidiaries conveyed to an unrelated third party all of the Parent's or the applicable Subsidiary's rights, titles and interests to the applicable real or personal property (whether by deed, deed-in-lieu, foreclosure or otherwise) other than a conveyance made in violation of any Loan Document, (b) incurred by the Person seeking indemnification by reason of the gross negligence or wilful misconduct of such Person, (c) in the case of liability arising with respect to Bankers' Acceptances, incurred by the Person seeking indemnification by reason of the negligence or wilful misconduct of such Person or (d) resulting from withholding tax liability incurred in connection with payments made by the

Company to any Agent, any Bank or any Affiliate thereof. If the Company ever disputes a good faith claim for indemnification under this Section 13.3 on the basis of the proviso set forth in the preceding sentence, the full amount of indemnification provided for shall nonetheless be paid, subject to later adjustment or reimbursement at such time (if any) as a court of competent jurisdiction enters a final judgment as to the applicability of any such exceptions.

13.4 Amendments, Etc. No amendment or waiver of any provision of this Agreement, the Notes or any other Loan Document, nor any consent to any departure by the Company or

any other Relevant Party therefrom, shall in any event be effective unless the same shall be agreed or consented to by the Majority Banks and the Company, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that no amendment, waiver or consent shall, unless in writing and signed by each Bank affected thereby, do any of the following: (a) increase the Commitment of such Bank (it being understood that the waiver of any reduction in the Commitments or any mandatory repayment other than (x) the repayment of all Loans at the end of the Revolving Credit Availability Period and (y) the mandatory reductions of the Commitments provided for in Section 2.3(a) and (z) the mandatory prepayments required by the terms of Section 3.2(b), shall not be deemed to be an increase in any Commitment) or subject the Banks to any additional obligation; (b) reduce the principal of, or interest on, any Loan, Reimbursement Obligation or fee hereunder or the face amount of any outstanding Bankers' Acceptances; (c) postpone any scheduled date fixed for any payment or mandatory prepayment of principal of, or interest on, any Loan, Reimbursement Obligation, fee or the face amount of any outstanding Bankers' Acceptances or other sum to be paid hereunder; (d) change the percentage of any of the Commitments or of the aggregate unpaid principal amount of any of the Loans or the face amount of any outstanding Bankers' Acceptances and Letter of Credit Liabilities, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Agreement; (e) change any provision contained in Sections 2.2(c), 9.7 or 13.3 hereof or this Section 13.4 or Section 6.7 hereof, or (f) release all or substantially all of any security for the obligations of the Company under this Agreement or any Note or all or substantially all of the personal liability of any obligor created under any of the Loan Documents. Anything in this Section 13.4 to the contrary, no amendment, waiver or consent shall be made with respect to Section 12 without the consent of the applicable Agent or Agents affected thereby.

13.5 Successors and Assigns. (a) This Agreement shall be binding upon and inure to the benefit of the Company, the Agents and the Banks and their respective successors and assigns. The Company may not assign or transfer any of its rights or obligations hereunder without the prior written consent of all of the Banks. Each Bank may sell participations to any Person which is a resident of Canada under the Income Tax Act (Canada) in all or part of any Loan, Bankers' Acceptance or Letter of Credit, or all or part of its Notes or Commitments, in which event, without limiting the foregoing, the provisions of Section 6 shall inure to the benefit of each purchaser of a participation and the pro rata treatment of payments, as described in Section 5.2, shall be determined as if such Bank had not sold such participation. In the event any Bank shall sell any participation, such Bank shall retain the sole right and responsibility to enforce the obligations of the Company or any other Relevant Party relating to the Loans, Bankers' Acceptances or Letters of Credit, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement other than amendments, modifications or waivers with respect to (i) any fees payable hereunder to the Banks and (ii) the amount of principal or the rate of interest payable on, or the dates fixed for the scheduled repayment of principal of, the Loans.

(b) Each Bank may assign to one or more Banks or any other Person, in each case which is a resident of Canada under the Income Tax Act (Canada), all or a portion of its interests, rights and obligations under this Agreement, provided, however, that (i) other than in the case of an assignment to another Bank that is, at the time of such assignment, a party hereto or an Affiliate of such Bank which is a resident of Canada under the Income Tax Act

(Canada), the Company must give its prior written consent, which consent will not be unreasonably withheld, (ii) the aggregate amount of the Commitment and/or Loans, the face amount of all outstanding Bankers' Acceptances or Letters of Credit of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Acceptance (as defined below) with respect to such assignment is delivered to the Administrative Agent) shall in no event be less than U.S. $10,000,000 (or U.S. $5,000,000 in the case of an assignment to an Affiliate of a Bank or between Banks), (iii) no assignment shall have the effect of reducing the pro rata share of the Loans, the face amount of all outstanding Bankers' Acceptances or Letters of Credit and the Commitments held by the assignor and its Affiliates below U.S. $10,000,000, (iv) notwithstanding any other term or provision of this Agreement, unless the Company shall have otherwise consented in writing (such consent not to be unreasonably withheld), each such assignment shall be pro rata with respect to the Loans, the Bankers' Acceptances, the Letters of Credit and the Commitment of the assignor, and (v) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register (as defined below), an Assignment and Acceptance in the form of Exhibit F hereto (each an "Assignment and Acceptance") with blanks appropriately completed, together with any Note or Notes subject to such assignment and a processing and recordation fee of U.S. $2,500 paid by the assignee (for which the Company shall have no liability). Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (B) the Bank thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement.

(c) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, such Bank assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any of the other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant thereto; (ii) such Bank assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Parent or any of its Subsidiaries or the performance or observance by the Company or any other Relevant Party of any of its obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto; (iii) such assignee

confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 8.6 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon any Agent, such Bank assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents; (v) such assignee appoints and authorizes the Agents to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agents by the terms hereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all obligations that by the terms of this Agreement and the other Loan Documents are required to be performed by it as a Bank.

(d) The Administrative Agent shall maintain at its office a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Banks and the Commitments of, and principal amount of the Loans owing to, and the face amount of all Bankers' Acceptances accepted and purchased by, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Agents and the Banks may treat each person the name of which is recorded in the Register as a Bank hereunder for all purposes of this Agreement and the other Loan Documents. The Register shall be available for inspection by the Company or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance

executed by an assigning Bank and the assignee thereunder together with any Note or Notes subject to such assignment, the written consent to such assignment executed by the Company and the fee payable in respect thereto, the Administrative Agent shall, if such Assignment and Acceptance has been completed with blanks appropriately filled, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company. Within five Business Days after receipt of notice, the Company, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Notes new Notes to the order of such assignee in an amount equal to the Commitments and/or Loans or the face amount of outstanding Bankers' Acceptances or Letters of Credit assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained Commitments and/or Loans hereunder, new Notes to the order of the assigning Bank in an amount equal to the Commitment and/or Loans retained by it hereunder. Such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the respective Note. Thereafter, such surrendered Notes shall be marked renewed and substituted and the originals delivered to the Company (with copies, certified by the Company as true, correct and complete, to be retained by the Administrative Agent).

(f) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 13.5, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Parent or its Subsidiaries furnished to such Bank by or on behalf of the Parent or its Subsidiaries; provided, however, that, prior to any such disclosure, the Parent shall have consented thereto, which consent shall not be unreasonably withheld, and each such assignee or participant, or proposed assignee or participant, shall execute an agreement whereby such assignee or participant shall agree to preserve the confidentiality of any Confidential Information (defined in Section 13.12) on terms substantially the same as those provided in Section 13.12.

(g) The Company will have the right to consent to any material intercreditor arrangements in connection with an assignment by any Bank of any interest, right or obligation under this Agreement which is not pro rata with respect to the Loans, or the face amount of outstanding Bankers' Acceptances, the Letters of Credit and the Commitment of the assignor and the Company may deny its consent to any such arrangements which, in the reasonable judgement of the Company, would adversely affect the Company in a material respect.

13.6 Limitation of Interest. The Company and the Banks intend to strictly comply with all applicable laws, including applicable usury laws. Accordingly, the provisions of this Section 13.6 shall govern and control over every other provision of this Agreement or any other Loan Document which conflicts or is inconsistent with this Section, even if such provision declares that it controls. As used in this Section, the term "interest" includes the aggregate of all charges, fees, benefits or other compensation which constitute interest under applicable law, provided that, to the maximum extent permitted by applicable law, (a) any non-principal payment shall be characterized as an expense or as compensation for something other than the use, forbearance or detention of money and not as interest, and (b) all interest at any time contracted for, reserved, charged or received shall be amortized, prorated, allocated and spread, in equal parts during the full term of the Obligations. In no event shall the Company or any other Person be obligated to pay, or any Bank have any right or privilege to reserve, receive or retain, (a) any interest in excess of the maximum amount of nonusurious interest permitted under the laws of the Province of Alberta or the applicable laws (if any) of Canada or of any other applicable jurisdiction, or (b) total interest in excess of the amount which such Bank could lawfully have contracted for, reserved, received, retained or charged had the interest been calculated for the full term of the Obligations at the Highest Lawful Rate. On each day, if any, that the interest rate (the "Stated Rate") called for under this Agreement or any other Loan Document exceeds the Highest Lawful Rate, the rate at which interest shall accrue shall automatically be fixed by operation of this sentence at the Highest Lawful Rate for that day, and shall remain fixed at the Highest Lawful Rate for each day thereafter until the total amount of interest accrued equals the total amount of interest which would have accrued if there were no such ceiling rate as is imposed by this sentence. Thereafter, interest shall accrue at the Stated Rate unless and until the Stated Rate again exceeds the Highest Lawful Rate when the provisions of the immediately preceding sentence shall again automatically operate to limit the interest accrual rate. The daily interest rates to be used in calculating interest at the Highest Lawful

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Rate shall be determined by dividing the applicable Highest Lawful Rate per annum by the number of days in the calendar year for which such calculation is being made. None of the terms and provisions contained in this Agreement or in any other Loan Document which directly or indirectly relate to interest shall ever be construed without reference to this Section 13.6, or be construed to create a contract to pay for the use, forbearance or detention of money at an interest rate in excess of the Highest Lawful Rate. If the term of any Obligation is shortened by reason of acceleration of maturity as a result of any Default or by any other cause, or by reason of any required or permitted prepayment, and if for that (or any other) reason any Bank at any time, including but not limited to, the stated maturity, is owed or receives (and/or has received) interest in excess of interest calculated at the Highest Lawful Rate, then and in any such event all of any such excess interest shall be canceled automatically as of the date of such acceleration, prepayment or other event which produces the excess, and, if such excess interest has been paid to such Bank, it shall be credited pro tanto against the then-outstanding principal balance of the Company's obligations to such Bank, effective as of the date or dates when the event occurs which causes it to be excess interest, until such excess is exhausted or all of such principal has been fully paid and satisfied, whichever occurs first, and any remaining balance of such excess shall be promptly refunded to its payor.

13.7 Interest Act (Canada); Interest Generally. For the purposes of this Agreement, the Notes and the other Loan Documents, whenever interest or fees to be paid hereunder are to be calculated on the basis of a year of 365 or 360 days, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the 12 month period commencing on the first day of the period for which such calculation is made and divided by 365 or 360, as applicable. The theory of deemed reinvestment shall not apply to the calculation of interest or payment of fees or other amounts hereunder or under the Notes or under the other Loan Documents, notwithstanding anything contained in this Agreement or in the Notes or in the other Loan Documents, or in any other instrument referred to herein or in the Notes or in the other Loan Documents, and all interest and fees payable by the Borrower to the Lender shall accrue from day to day and be computed as described herein or in the Notes or in the other Loan Documents in accordance with the "nominal rate" method of interest calculation. To the extent permitted by law, any provision of the Judgment Interest Act (Alberta) and the Interest Act (Canada) which restricts the rate of interest on any judgment debt shall be inapplicable to this Agreement and is hereby waived by the Borrower.

13.8 Certain Saskatchewan Legislation. The Land Contracts (Actions) Act of the Province of Saskatchewan shall have no application to any action, as defined in the said Land Contracts (Actions) Act, with respect to this Agreement; and the Limitation of Civil Rights Act in the Province of Saskatchewan shall have no application to this Agreement. The Company agrees that the provisions of both the Land Contracts (Actions) Act and the Limitation of Civil Rights Act are hereby waived.

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13.9 Survival. The obligations of the Company under Sections 2.2(c), 6, 9.7 and 13.3 hereof and the obligations of the Banks under Section 13.6 hereof shall survive the repayment of the Loans and Reimbursement Obligations and the termination of the Commitments and the Letters of Credit.

13.10 Captions. Captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

13.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any of the parties hereto may execute this Agreement by signing any such counterpart.

13.12 Governing Law. This Agreement and the Notes and the Bankers' Acceptances and (except as therein provided) the other Loan Documents are performable in Calgary, Alberta, Canada, which shall be a proper place of venue for suit on or in respect thereof. The Company irrevocably agrees that

any legal proceeding in respect of this Agreement or the other Loan Documents shall be brought in the courts of the Province of Alberta and the courts of appeal therefrom (collectively, the "Specified Courts"). The Company hereby irrevocably submits to the nonexclusive jurisdiction of such courts. The Company hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to any Loan Document brought in any Specified Court, and hereby further irrevocably waives any claims that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The Company further (1) agrees to designate and maintain an agent for service of process in Calgary, Alberta, Canada in connection with any such suit, action or proceeding and to deliver to the Administrative Agent evidence thereof and (2) irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered mail, return receipt requested, postage prepaid, to the Company at its address as provided in this Agreement or as otherwise provided by governing law. Nothing herein shall affect the right of any Agent or any Bank to commence legal proceedings or otherwise proceed against the Company in any jurisdiction or to serve process in any manner permitted by applicable law. The Company agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. THIS AGREEMENT AND (EXCEPT AS THEREIN PROVIDED) THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS (OTHER THAN THE CONFLICT OF LAWS RULES) OF THE PROVINCE OF ALBERTA AND OF CANADA FROM TIME TO TIME IN EFFECT.

13.13 Severability. Whenever possible, each provision of the Loan Documents shall be interpreted in such manner as to be effective and valid under applicable law. If any provision of any Loan Document shall be invalid, illegal or unenforceable in any respect under any

applicable law, the validity, legality and enforceability of the remaining provisions of such Loan Document shall not be affected or impaired thereby.

13.14 Confidential Information. Each Agent and each Bank separately agrees that:

(a) As used herein, the term "Confidential Information" means written information about the Parent or its Subsidiaries or the transactions contemplated herein furnished by the Parent or its Subsidiaries to the Agents and/or the Banks which is specifically designated as confidential by the Parent; Confidential Information, however, shall not include information which (i) was publicly known or available, or otherwise available on a non-confidential basis to any Bank, at the time of disclosure from a source other than the Parent or its Subsidiaries, (ii) subsequently becomes publicly known through no act or omission by such Bank, (iii) otherwise becomes available on a non-confidential basis to any Bank other than through disclosure by the Parent or its Subsidiaries or (iv) has been in the possession of any Bank for a period of more than two years from the date on which such information originally was furnished to such Bank by the Parent or its Subsidiaries, unless the Parent shall have requested the Agents and the Banks in writing, at least 30 days prior to the end of such two-year period, to maintain the confidentiality of such information for another two (2) year period (or for successive two (2) year periods); provided that the Parent shall not unreasonably withhold its consent to a request made after the initial two (2) year period to eliminate information from "Confidential Information".

(b) Each Agent and each Bank agrees that it will take normal and reasonable precautions to maintain the confidentiality of any Confidential Information furnished to such Person; provided, however, that such Person may disclose Confidential Information (i) upon the Parent's consent; (ii) to its auditors; (iii) when required by any Legal Requirement; (iv) as may be required or appropriate in any report, statement or testimony submitted to any Governmental Authority having or claiming to have jurisdiction over it; (v) to such Person's and its Subsidiaries' or Affiliates' officers, directors, employees, agents, representatives and professional consultants in connection with this Agreement or administration of the Loans and Letters of Credit; (vi) as may be required or appropriate, should such Bank elect to assign or grant participations in any of the Obligations in connection with (1) the enforcement of the Obligations to any such Person under any of the Loan Documents or related agreements, or (2) any potential transfer pursuant to this Agreement of any Obligation owned by any Bank (provided any potential transferee has been approved by the Company if required by this Agreement, which approval shall not be unreasonably withheld, and has agreed in writing to be bound by substantially the same provisions regarding Confidential Information contained

in this Section); (vii) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation or administrative proceeding; (viii) to any other Bank; (ix) to the extent reasonably required in connection with the exercise of any remedy hereunder or under the other Loan Documents; or (x) to correct any false or misleading information which may become public concerning such Person's relationship to the Parent or its Subsidiaries.

13.15 Intercreditor Agreement. Reference is hereby made to the Intercreditor Agreement, which provides for certain matters relating to both the Obligations and the Canadian Facility. To the extent of any conflict between the terms hereof and the terms of the Intercreditor Agreement, the Intercreditor Agreement shall control. The Administrative Agent is hereby authorized and directed to execute and deliver the Intercreditor Agreement in the form attached hereto as Exhibit I on behalf of the Banks. Any Bank that becomes a party to this Agreement after the date hereof agrees to be bound by the terms and provisions of the Intercreditor Agreement.

13.16 Judgement Currency. Notwithstanding that this Agreement is governed by the laws of the Province of Alberta, Canada, monies outstanding in connection herewith may be stipulated in terms of lawful money of the United States of America (which stipulation or expression is of the essence) and payments to be made in regard thereto pursuant to this Agreement, or otherwise, are and are intended to be payable in lawful money of the United States of America; and to the extent permitted by law any judgment in respect of any such monies outstanding as aforesaid or any obligation pertaining thereto arising under this Agreement may be obtained or enforced either in lawful money of the United States of America or the equivalent in lawful money of Canada, as the Administrative Agent may elect, and the Administrative Agent shall to the extent permitted by law be entitled to such election and the benefit (if any) from the consequent conversion of currency at the date of payment or enforcement of the judgment. Any such payment obligation stipulated or expressed in lawful money of the United States of America shall not be discharged by an amount paid in lawful money of Canada, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion into lawful money of the United States of America does not, after deduction of any and all premiums and/or costs of exchange paid or payable by the Administrative Agent in connection with such conversion, yield the required amount of payment expressed in terms of lawful money of the United States of America. In the event that any payment in lawful money of Canada in respect of a payment in lawful money of Canada in respect of a payment obligation stipulated or expressed in terms of lawful money of the United States of America as aforesaid, whether pursuant to a judgment or otherwise, upon conversion as aforesaid does not, after deduction of any and all premiums and/or costs of exchange paid or payable by any Agent or any Bank in connection with such conversion, yield the required amount expressed in terms of lawful money of the United States of America, the Administrative Agent shall, on behalf of and for the benefit of the affected Person, have a separate cause of action for the additional amount required to yield the required amount expressed in terms of lawful money of the United States of America.

13.17 Withholding Tax Remittances. If any withholding for, or on account of, any present or future tax, duty or charge of whatsoever nature is imposed or levied by or on behalf of any taxing jurisdiction or authority (together with any interest and penalties thereon and additions thereto) in respect of any payments to be made pursuant to this Agreement or the Notes, the Company shall be entitled to withhold and remit such payment to the applicable taxing authority whereupon such payment, for the purposes of this Agreement and the Notes,

shall be deemed to have been made as required hereunder or under the Notes, notwithstanding anything contained elsewhere in this Agreement or in the Notes.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

SEAGULL ENERGY CANADA LTD.

By: _____
Robert M. King,
Vice President

Address for Notices:

1001 Fannin, Suite 1700
Houston, Texas 77002
Attention: Robert M. King

with a copy to:

2900 Western Canadian Place
707 8th Avenue S.W.
Calgary, Alberta T2P 2M7
Attention: Mr. Lorne Martin

CHEMICAL BANK OF CANADA, as Arranger,
as Administrative Agent and as a Bank

By: _____
Name: _____
Title: _____

Commitment:

U.S. $15,000,000

By: _____
Name: _____
Title: _____

Address for Notices:

100 Yonge Street, Suite 90
Toronto, Ontario CANADA M5C 2W1
Attention: Mr. David McGorman

with a copy to:

Texas Commerce Bank National
Association 712 Main Street
Houston, Texas 77002
Attention: Manager, Energy Division

THE BANK OF NOVA SCOTIA, as Paying
Agent, as Co-Agent and as a Bank

By: _____
Name: _____
Title: _____

Commitment:

U.S. $40,000,000

By: _____
Name: _____
Title: _____

Address for Notices:

International Banking Division-Loan
Accounting
14th Floor
44 King Street West
Toronto, Ontario CANADA M5H 1H1
Attention: Assistant Manager

with a copies to:

The Bank of Nova Scotia
Corporate Banking Calgary
Suite #3820, 700-2nd Street S.W.
Calgary, Alberta CANADA T2P 2N7
Attention: Vice President

and to:

The Bank of Nova Scotia
Suite 3000, 1100 Louisiana
Houston, Texas 77002
Attention: Mr. Mark A. Ammerman

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CANADIAN IMPERIAL BANK OF COMMERCE, as
Co-Agent and as a Bank

By: _____
Name: _____
Title: _____

Commitment:

U.S. $40,000,000

Address for Notices:

Oil and Gas Group
10th Floor, 855 2nd Street, S.W.
Calgary, Alberta CANADA T2P 2P2
Attention: Director

with a copy to:

Canadian Imperial Bank of Commerce
Two Houston Center, Suite 1200
909 Fannin Street
Houston, Texas 77010
Attention: Brian R. Swinford,
Vice President

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ABN AMRO BANK CANADA

By: _____
Name: _____
Title: _____

Commitment:

U.S. $15,000,000

By: _____
Name: _____
Title: _____

Address for Notices:

2500-650 West Georgia Street
Vancouver, British Columbia
CANADA V6B 4N8
Attention: Mr. Andre Nel

with a copy to:

ABN AMRO Bank N.V., Houston Agency
Three Riverway, Suite 1600
Houston, Texas 77056
Attention: Ms. Cheryl Lipshutz,
Vice President

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PARIBAS BANK OF CANADA

By: _____
Name: _____
Title: _____

Commitment:

U.S. $15,000,000

By: _____
Name: _____
Title: _____

Address for Notices:

Toronto-Dominion Centre
Royal Trust Tower
Suite 4100
Toronto, Ontario CANADA M5K 1N8
Attention: Mr. Francois LaPlace

with a copy to:

Banque Paribas, Houston Agency
1200 Smith, Suite 3100
Houston, Texas 77002
Attention: Barton D. Schouest,
Group Vice President

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BANK OF BOSTON CANADA

By: _____
Name: _____
Title: _____

Commitment:

U.S. $10,000,000

Address for Notices:

Attention: _____

with a copy to:

First National Bank of Boston
100 Federal Street
Energy & Utilities 01-15-04
Boston, Massachusetts 02110
Attention: George W. Passela,
Managing Director

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NBD BANK, CANADA

By: _____
Name: _____
Title: _____

Commitment:

U.S. $10,000,000

Address for Notices:

BCE Place
161 Bay Street
P.O. Box 613

Toronto, Ontario CANADA M5J 2S1
Attention: Mr. Raymond W. Wise

with a copy to:

NBD Bank, N.A.
611 Woodward Avenue
Detroit, Michigan 48226
Attention: Mr. Douglas R. Liftman,
Second Vice President

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SOCIETE GENERALE (CANADA)

By: _____
Name: _____
Title: _____

Commitment:

U.S. $10,000,000

Address for Notices:

Scotia Plaza
100 Yonge Street, Suite 1002
Toronto, Ontario CANADA M5C 2W1
Attention: Mr. Bert Coish

with a copy to:

Societe Generale, Southwest Agency
1111 Bagby, Suite 2020
Houston, Texas 77002
Attention: Mr. Richard Erbert,
Vice President

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THE BANK OF TOKYO CANADA

By: _____
Name: _____
Title: _____

Commitment:

U.S. $10,000,000

Address for Notices:

Park Place, 666 Burrard Street
Suite 2410
Vancouver, British Columbia CANADA
V6C 3L1
Attention: Mr. Ivan Hopkins

with a copy to:

The Bank of Tokyo, Ltd., Dallas Agency
909 Fannin, Suite 1104
Two Houston Center
Houston, Texas 77010
Attention: Mr. John M. McIntyre,
Vice President

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CREDIT LYONNAIS CANADA

Commitment:

U.S. $10,000,000

By: _____
Name: _____
Title: _____

Address for Notices:

Bow Valley Square One
6th Avenue S.W., Suite 1670
Calgary, Alberta CANADA T2P 2R9
Attention: Mr. Robert K. McCutcheon

with a copy to:

Credit Lyonnais New York Branch
c/o Credit Lyonnais Houston
1000 Louisiana, Suite 5360
Houston, Texas 77002
Attention: Mr. David Dodd

Exhibit 2.5

PROMISSORY NOTE
(U.S. Dollars)

U.S. $_____ _____, 199_

FOR VALUE RECEIVED, SEAGULL ENERGY CANADA LTD. (the "Borrower"), a corporation organized under the laws of the Province of Alberta, Canada, hereby promises to pay to _____ (the "Bank"), or order, at the principal office of The Bank of Nova Scotia, International Banking Division-Loan Accounting, 14th Floor, 44 King Street West, Toronto, Ontario, Canada M5H 1H1, Attention: Assistant Manager, the principal sum of _____ UNITED STATES DOLLARS (U.S. $_____) (or such lesser amount as shall equal the outstanding principal balance hereof), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement referred to below, and to pay interest on the unpaid principal amount of each Loan denominated in U.S. Dollars made by the Bank to the Borrower under the Credit Agreement, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

In addition to and cumulative of any payment required to be made against this Note pursuant to the Credit Agreement, this Note, including all principal then unpaid and accrued interest then unpaid, shall be due and payable on December 31, 1999, its final maturity. All payments shall be applied first to principal and the balance to accrued interest, except as otherwise expressly provided in the Credit Agreement.

SIGNED FOR IDENTIFICATION:

SEAGULL ENERGY CANADA LTD.

By: _____
Name: _____
Title: _____

EXHIBIT C-1
to
Credit Agreement

This Note is one of the Notes referred to in the Credit Agreement (as restated, amended, modified and supplemented and in effect from time to time, the "Credit Agreement") dated as of December 30, 1993, among the Borrower, certain signatory banks named therein, Chemical Bank of Canada, as

Arranger and as Administrative Agent, The Bank of Nova Scotia, as Paying Agent and as Co-Agent, and Canadian Imperial Bank of Commerce, as Co-Agent, and evidences the Loans denominated in U.S. Dollars made by the Bank thereunder. This Note shall be governed by the Credit Agreement. Capitalized terms used in this Note and not defined in this Note, but which are defined in the Credit Agreement, have the respective meanings herein as are assigned to them in the Credit Agreement.

The Bank is hereby authorized by the Borrower to endorse on Schedule A (or a continuation thereof) attached to this Note, the amount and date of each Loan denominated in U.S. Dollars made by the Bank to the Borrower under the Credit Agreement, and the amount and date of each payment or prepayment of principal of such Loan received by the Bank, provided that any failure by the Bank to make any such endorsement shall not affect the obligations of the Borrower under the Credit Agreement or under this Note in respect of such Loans.

Except only for any notices which are specifically required by the Credit Agreement or the other Loan Documents, the Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability and consent that the time of payment hereof may be extended and re-extended from time to time without notice to any of them. Each such person agrees that his, her or its liability on or with respect to this Note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete enforceability of any guaranty

SIGNED FOR IDENTIFICATION:

SEAGULL ENERGY CANADA LTD.

By: _____
Name: _____
Title: _____

or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayment of Loans upon the terms and conditions specified therein.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE PROVINCE OF ALBERTA, CANADA AND OF CANADA FROM TIME TO TIME IN EFFECT.

SEAGULL ENERGY CANADA LTD.

By: _____
Name: _____
Title: _____

EXHIBIT C-1
to
Credit Agreement

Page 3

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SCHEDULE A

This Note evidences Loans denominated in U.S. Dollars made by the Bank under the within-described Credit Agreement to the Borrower, in the principal amounts set forth below, which Loans are of the Type and for the Interest Periods and were made on the dates set forth below, subject to the payments of principal set forth below:

<TABLE>
<CAPTION>

Date Made	Principal Amount of Loan	Type	Interest Period/ Maturity Date	Date of Payment or Prepayment	Amount Paid or Prepaid	Balance Out-standing
<S>	<C>	<C>	<C>	<C>	<C>	<C>

</TABLE>

EXHIBIT C-1
to
Credit Agreement

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Exhibit 2.6

PROMISSORY NOTE
(Canadian Dollars)

Canadian $_____ _____, 199__

FOR VALUE RECEIVED, SEAGULL ENERGY CANADA LTD. (the "Borrower"), a corporation organized under the laws of the Province of Alberta, Canada, hereby promises to pay to _____ (the "Bank"), or order, at the principal office of The Bank of Nova Scotia, International Banking Division-Loan Accounting, 14th Floor, 44 King Street West, Toronto, Ontario, Canada M5H 1H1, Attention: Assistant Manager, the principal sum of _____ CANADIAN DOLLARS (Canadian $_____) (or such lesser amount as shall equal the outstanding principal balance hereof), in lawful money of Canada and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement referred to below, and to pay interest on the unpaid principal amount of each Loan denominated in Canadian Dollars made by the Bank to the Borrower under the Credit Agreement, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

In addition to and cumulative of any payment required to be made against this Note pursuant to the Credit Agreement, this Note, including all principal then unpaid and accrued interest then unpaid, shall be due and payable on December 31, 1999, its final maturity. All payments shall be applied first to principal and the balance to accrued interest, except as otherwise expressly provided in the Credit Agreement.

SIGNED FOR IDENTIFICATION:

SEAGULL ENERGY CANADA LTD.

By: _____
Name: _____
Title: _____

EXHIBIT C-2
to
Credit Agreement

This Note is one of the Notes referred to in the Credit Agreement (as restated, amended, modified and supplemented and in effect from time to time, the "Credit Agreement") dated as of December 30, 1993, among the Borrower, certain signatory banks named therein, Chemical Bank of Canada, as Arranger and as Administrative Agent, The Bank of Nova Scotia, as Paying Agent and as Co-Agent, and Canadian Imperial Bank of Commerce, as Co-Agent, and evidences the Loans denominated in Canadian Dollars made by the Bank thereunder. This Note shall be governed by the Credit Agreement. Capitalized terms used in this Note and not defined in this Note, but which are defined in the Credit Agreement, have the respective meanings herein as are assigned to them in the Credit Agreement.

The Bank is hereby authorized by the Borrower to endorse on Schedule A (or a continuation thereof) attached to this Note, the amount and date of each Loan denominated in Canadian Dollars made by the Bank to the Borrower under the Credit Agreement, and the amount and date of each payment or prepayment of principal of such Loan received by the Bank, provided that any failure by the Bank to make any such endorsement shall not affect the obligations of the Borrower under the Credit Agreement or under this Note in respect of such Loans.

Except only for any notices which are specifically required by the Credit Agreement or the other Loan Documents, the Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability and consent that the time of payment hereof may be extended and re-extended from time to time without notice to any of them. Each such person agrees that his, her or its liability on or with respect to this Note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete enforceability of any guaranty

SIGNED FOR IDENTIFICATION:

SEAGULL ENERGY CANADA LTD.

By: _____
Name: _____
Title: _____

or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayment of Loans upon the terms and conditions specified therein.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE PROVINCE OF ALBERTA, CANADA AND OF CANADA FROM TIME TO TIME IN EFFECT.

SEAGULL ENERGY CANADA LTD.

By: _____
Name: _____
Title: _____

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SCHEDULE A

This Note evidences Loans denominated in Canadian Dollars made by the Bank under the within-described Credit Agreement to the Borrower, in the principal amounts set forth below, which Loans are of the Type and for the Interest Periods and were made on the dates set forth below, subject to the payments of principal set forth below:

<TABLE>

<CAPTION>

Date Made	Principal Amount of Loan	Type	Interest Period/ Maturity Date	Date of Payment or Prepayment	Amount Paid or Prepaid	Balance Out-standing
<S>	<C>	<C>	<C>	<C>	<C>	<C>

</TABLE>

EXHIBIT C-2
to
Credit Agreement

Exhibit 2.7

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT dated as of December 30, 1993 is made by and among (i) the banks and other financial institutions (the "Canadian Lenders") which are or may from time to time become parties to the Canadian Credit Agreement (as hereinafter defined), by Chemical Bank of Canada, as their administrative agent (the "Canadian Agent"); (ii) the banks and other financial institutions (the "U.S. Lenders") which are or may from time to time become parties to the U.S. Credit Agreement (as hereinafter defined), by Texas Commerce Bank National Association, as their agent (the "U.S. Agent"); (iii) Seagull Energy Canada Ltd., as borrower under the Canadian Credit Agreement (the "Canadian Borrower"); and (iv) Seagull Energy Corporation, as borrower under the U.S. Credit Agreement (the "U.S. Borrower") and guarantor of the obligations of the Canadian Borrower (in such capacity, the "Guarantor").

RECITALS:

The Canadian Lenders and the U.S. Lenders have agreed that they shall rank pari passu with one another in respect of certain payments or recoveries and that certain matters related to the administration of the Canadian Credit Agreement or the U.S. Credit Agreement (together, the "Credit Agreements") shall be made on the basis of their Combined Commitments (hereinafter defined).

In order to achieve the pari passu sharing described above, it may be necessary for the Canadian Lenders or the U.S. Lenders to purchase from each other participations in the Loans and Letter of Credit Obligations issued pursuant to the other Credit Agreement.

THE PARTIES HERETO AGREE AS FOLLOWS:

SECTION 1: DEFINITIONS AND INTERPRETATION

1.1 CERTAIN DEFINITIONS

When used herein, terms and expressions defined in the U.S. Credit Agreement shall have those meanings unless they are also defined in a different manner in the Canadian Credit Agreement (other than any difference arising solely from conforming changes, such as the substitution of "Parent" for "Company"), in which case the respective definitions set forth in the respective Credit Agreements shall apply as required by the context; terms and expressions defined in the Canadian Credit Agreement which are not defined in the U.S. Credit Agreement shall have those meanings; and the following

additional terms and expressions shall have the meanings respectively set forth below (such definitions to be equally applicable in the singular and plural):

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"ACCELERATION" means either (i) the maturity of the Loans under a Credit Agreement by reason of its stated maturity date or (ii) the acceleration (after the occurrence of Event of Default) of the due date for payment of the principal amount then outstanding of and accrued interest on the Loans under a Credit Agreement automatically or by reason of a declaration or demand;

"ADMINISTRATIVE AGENT" means, in respect of the Canadian Credit Agreement, Chemical and, in respect of the U.S. Credit Agreement, TCB;

"AGREEMENT" means this Intercreditor Agreement, as the same may be amended, modified, restated or supplemented from time to time;

"BORROWER" means the Canadian Borrower or the U.S. Borrower;

"CANADIAN CREDIT AGREEMENT" means the credit agreement dated as of December 30, 1993 by and among the Canadian Borrower, the Banks signatory thereto, Chemical as arranger and administrative agent, The Bank of Nova Scotia as paying agent and co-agent and Canadian Imperial Bank of Commerce as co-agent;

"CANADIAN CREDIT OUTSTANDINGS" of a Canadian Lender as at any date of determination thereof means the Equivalent U.S. Dollar Amount of the aggregate principal amount of Loans outstanding from such Lender under the Canadian Credit Agreement plus the Equivalent U.S. Dollar Amount of such Lender's Commitment Percentage (under the Canadian Credit Agreement) of the amount available for drawing under Letters of Credit issued thereunder plus the Equivalent U.S. Dollar Amount of such Lender's Commitment Percentage (under the Canadian Credit Agreement) of any other liabilities, obligations or indebtedness of the applicable Borrower or any other Relevant Party under the Loan Documents (as defined in the Canadian Credit Agreement);

"CHEMICAL" means Chemical Bank of Canada, a Schedule II bank under the Bank Act (Canada), with an office in Toronto, Ontario;

"COLLATERAL" means any and all property, security or other interests, present or future, tangible or intangible, now or hereafter securing the obligations of the Borrower under the Credit Agreement to which it is a party;

"COMBINED COMMITMENTS" means, at any time, the aggregate of the Commitments of the Canadian Lenders and the U.S. Lenders under both Credit Agreements at such time;

"COMBINED MAJORITY LENDERS" at any time means Lenders having greater than 66-2/3% of the aggregate amount of the Combined Commitments at such time;

"COMBINED OUTSTANDINGS" means the aggregate of all Canadian Credit Outstandings and

all U.S. Credit Outstandings;

"COMBINED REQUESTING LENDERS" at any time means Lenders having greater than 50% of the aggregate amount of the Combined Commitments at such time;

"COMBINED SUPER MAJORITY LENDERS" at any time means Lenders having 75% or greater of the aggregate amount of the Combined Commitments at such time;

"CREDIT AGREEMENTS" means the Canadian Credit Agreement and the U.S. Credit Agreement;

"DEFAULT" means any event or circumstance which, after notice or lapse of time or a relevant determination being made (or any combination thereof), would constitute an Event of Default under a Credit Agreement;

"ENFORCING LENDER" has the meaning ascribed thereto in Section 2.7;

"EVENT OF DEFAULT" means an Event of Default under (and as defined in) either Credit Agreement;

"GOVERNMENTAL AUTHORITY" as to Canadian Lenders shall have the meaning ascribed thereto in the Canadian Credit Agreement and to U.S. Lenders shall have the meaning ascribed thereto in the U.S. Credit Agreement;

"LENDERS" means the Canadian Lenders and the U.S. Lenders;

"OPERATIVE SHARING PERCENTAGES" means the Sharing Percentages of the U.S. Lenders and the Canadian Lenders determined as of the applicable Reference Date. The Operative Sharing Percentages of the Lenders shall be recalculated as of each January 1, April 1, June 1 and September 1 using the Combined Outstandings as of the applicable Reference Date but using the then current Equivalent U.S. Dollar Amount with respect to any of such Combined Outstandings denominated in Canadian Dollars;

"POST DEFAULT PROPORTION" means, at any time:

a. for the U.S. Lenders, a percentage determined by dividing:

i. the aggregate of the U.S. Credit Outstandings at such time plus any amounts paid by the applicable Lender

pursuant toSection 3.3.c. and plus any amounts distributed by the applicable Lender to the Canadian Lenders as holders of participation interests in the U.S. Credit Outstandings to such time and less any amounts received by the applicable Lender pursuant to Section 3.3.c. and less any amounts received by the applicable

Lender from the Canadian Lenders by virtue of the applicable U.S. Lender's holding risk sharing interests in the Canadian Credit Outstandings to such time, by

ii. the Combined Outstandings at such time;

b. for the Canadian Lenders, a percentage obtained by dividing:

i. the aggregate of the Canadian Credit Outstandings at such time plus any amounts paid by the applicable Lender pursuant toSection 3.3.c. and plus any amounts distributed by the applicable Lender to the U.S. Lenders as holders of risk sharing interests in the Canadian Credit Outstandings to such time andless any amounts received by the applicable Lender pursuant to Section 3.3.c. and less any amounts received by the applicable Lender from the U.S. Lenders by virtue of the applicable Canadian Lender's holding participation interests in the U.S. Credit Outstandings to such time, by

ii. the Combined Outstandings at such time;

"REALLOCABLE PAYMENT" means any amount received by a Lender, after the applicable Reference Date, in respect of a Credit Agreement by virtue of any payment or prepayment (other than amounts received as Cover or otherwise in the nature of collateral under either of the Credit Agreement) made by or for the account of a Borrower (including for greater certainty any payment made under a Guaranty of such Borrower's obligations and all amounts realized from the exercise of any foreclosure or similar rights in respect of any collateral, together with all proceeds of insurance in respect of the Collateral which are received by a Lender and which such Lender applies to reduce any Combined Outstandings) or by virtue of an exercise of any right of set-off, combination, zero-balancing or similar mechanisms;

"REFERENCE DATE" means the first to occur of (i) the date on which any Acceleration has occurred or (ii) the date on which any Event of Default arising under Section 11.1(a) of either of the Credit Agreements has occurred.

"SHARING PERCENTAGE" means, at any time:

a. for the U.S. Lenders, the percentage determined by dividing the U.S. Credit Outstandings by the Combined Outstandings at such time; and

b. for the Canadian Lenders, the percentage determined by dividing the Canadian Outstandings by the Combined Outstandings at such time;

"TCB" means Texas Commerce Bank National Association, a national banking

association;

"U.S. CREDIT AGREEMENT" means the amended and restated credit agreement dated as of June 25, 1993 by and among the U.S. Borrower, the Banks signatory thereto and TCB as agent, as amended by amending agreement dated December 30, 1993; and

"U.S. CREDIT OUTSTANDINGS" of a U.S. Lender as at any date of determination thereof means the aggregate principal amount of Loans outstanding from such Lender under the U.S. Credit Agreement plus such Lender's Commitment Percentage (as defined under the U.S. Credit Agreement) of amounts available for drawing pursuant to Letters of Credit issued thereunder plus such Lender's Commitment Percentage (under the U.S. Credit Agreement) of any other liabilities, obligations or indebtedness of the applicable Borrower or any other Relevant Party under the Loan Documents (as defined in the U.S. Credit Agreement).

1.2 HEADINGS AND AGREEMENT REFERENCES

a. The division of this Agreement into Sections, the inclusion of a table of contents and the insertion of headings is for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

b. The term "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any

amendments or supplements hereto. Unless otherwise stated, references herein to "Sections" are to Sections of this Agreement.

SECTION 2: CO-OPERATIVE ADMINISTRATION

2.1 COMBINED VOTING

Notwithstanding anything to the contrary provided in the Canadian Credit Agreement or the U.S. Credit Agreement:

a. no decision, determination, instruction, action, consent, waiver or amendment under Sections 2.9 or 3.2(b) of the U.S. Credit Agreement, with respect to the Borrowing Base or any component of the Borrowing Base or under Sections 9, 10 or 11 of the Canadian Credit Agreement or the U.S. Credit Agreement which, by the terms of the applicable Credit Agreement, requires approval, agreement or consent by or from the "Majority Banks" (as such expression is used in the respective Credit Agreement), and no amendment of such requirement for such approval, agreement or consent by or from such "Majority Banks", shall be made, taken, implemented, given or effective unless the same shall have been approved, agreed or consented to by the Combined Majority Lenders;

b. no decision, determination, instruction, action, consent, waiver or amendment under the U.S. Credit Agreement which, by the terms of such Credit Agreement, requires approval, agreement or consent by or from the "Requesting Banks" (as such expression is used in the U.S. Credit Agreement) shall be made, taken, implemented, given or effective unless the same shall have been approved, agreed or consented to by the Combined Requesting Lenders;

c. no decision, determination, instruction, action, consent, waiver or amendment under the U.S. Credit Agreement which, by the terms of such Credit Agreement, requires approval, agreement or consent by or from the "Super Majority Banks" (as such expression is used in the U.S. Credit Agreement) shall be made, taken, implemented, given or effective unless the same shall have been approved, agreed or consented to by the Combined Super Majority Lenders.

2.2 GOOD FAITH DETERMINATIONS

Each Lender shall, in giving consideration to any request for any approval, agreement or consent under a Credit Agreement referred to in Section 2.1 above, act in good faith with a view to the effect of this Agreement; provided, however that such obligation is intended to run to the benefit of the respective Lenders and not, except to the extent such obligation is imposed by applicable laws, to the benefit of any Borrower or any Relevant Party under either Credit Agreement.

2.3 NOTICES AND COMMUNICATIONS (GENERAL)

The Administrative Agents shall without request, to the extent not delivered by the relevant Borrower, promptly provide to each other, for distribution to the Lenders under the applicable Credit Agreement, copies of any material notices or other communications from the Canadian Borrower or the U.S. Borrower and material information received or determinations made by them and, in particular, any designation by the Canadian Borrower of the Maximum Outstanding Amount pursuant to the Canadian Credit Agreement; any designation or removal of Oil and Gas Subsidiaries; each determination of the Borrowing Base; each determination of the amount of Borrowing Base Debt; termination or reduction of Commitments under a Credit Agreement; actions taken by a Borrower to cure a Borrowing Base Deficiency; provision of Cover; execution and delivery of Security Documents; all financial statements or other reports provided by the Canadian Borrower or the U.S. Borrower; each Engineering Report, Parent Report or Company Report delivered under a Credit Agreement; each certificate delivered pursuant to Section 9.2 of the Canadian Credit Agreement or the U.S. Credit Agreement; all calculations or material furnished by a Borrower or prepared by an Administrative Agent with respect to covenants contained in a Credit Agreement; determinations made pursuant to Section 10.4 of either Credit Agreement; notifications pursuant to Section 10.8 of either Credit Agreement; and all actions contemplated and material steps in proceedings or payments received in respect of any of the Combined Obligations following an Event of Default.

2.4 NOTICE REQUIREMENTS

Without restricting the obligations of the Administrative Agents underSection 2.3, each Administrative Agent agrees with the other Administrative Agent that it will:

a. concurrently with the delivery thereof to a Borrower, give the other Administrative Agent a copy of any written notice of any Default or Event of Default or any intention to exercise remedies available under the applicable Credit Agreement with

respect thereto;

b. in the case of TCB, concurrently with the delivery thereof to the U.S. Borrower, give Chemical a copy of any written notice of a Borrowing Base Deficiency;

c. promptly after receipt thereof from a Borrower, give the other Administrative Agent a copy of any written notice received from a Borrower under Section 9.11 of its Credit Agreement;

d. give the other Administrative Agent prompt written notice of any declaration of Acceleration or determination that Acceleration has occurred under its Credit Agreement or that all or any portion of the Commitments under its Credit Agreement are terminated;

e. give the other Administrative Agent prompt written notice of the commencement of any legal actions or proceedings taken by it against a Borrower by reason of or arising out of any Default or Event of Default;

f. in the case of TCB, give Chemical prompt written notice of any determination or redetermination of the Borrowing Base (if any) under the U.S. Credit Agreement; and

g. in the case of Chemical, give TCB prompt written notice of any change in the Maximum Outstanding Amount under the Canadian Credit Agreement.

2.5 PERMITTED ACTION BY THE LENDERS

Notwithstanding any other provision of this Agreement, either Administrative Agent or (subject to the terms of the relevant Credit Agreement) any Lender may, without instruction from the Administrative Agent or Lenders under the other Credit Agreement (but in no event shall be required to), take action permitted by applicable law to preserve its rights and security including but not limited to curing any default or alleged default under any contract entered into by the relevant Borrower, paying any tax, fee or expense on behalf of the relevant Borrower and paying insurance premiums on behalf of the relevant Borrower.

2.6 CO-OPERATION

Each Administrative Agent (and, where applicable, the Lenders under

the respective Credit Agreements) agrees with the other Administrative Agent (and, where applicable, the Lenders under the other Credit Agreement) that:

a. to the extent available, it will from time to time promptly provide such information to the other Administrative Agent as may be reasonably necessary to enable the other Administrative Agent to make any calculation referred to in or necessary to implement Section 3 or otherwise reasonably required by the other Administrative Agent for any other purpose hereof;

b. to the extent reasonably possible, it will from time to time consult with the other Administrative Agent in good faith regarding the enforcement of its and each of the Lender's rights and remedies under its Credit Agreement with a view to recovering amounts due under the Credit Agreements in an effective and cost-efficient manner;

c. if, after an Event of Default, it gains access to a Borrower's property, assets, financial information or data bases pursuant to the exercise of its secured rights, it will provide reasonable access to the other Administrative Agent to the extent it may legally do so; and

d. each Lender will promptly notify its Administrative Agent in writing of the receipt by such Lender of any Reallocable Payment and the applicable Administrative Agent will promptly notify the other Administrative Agent of such receipt.

2.7 ENFORCEMENT

From and after Acceleration:

a. where reasonably practicable in the circumstances and in any event prior to the appointment of a receiver or receiver-manager or filing a bankruptcy petition in respect of its Borrower, the Administrative Agent proposing to do so (the "Enforcing Lender") agrees to consult and cooperate with the other Administrative Agent in good faith regarding the enforcement of its and each of its Lenders' rights with a view to recovering amounts due under the Credit Agreements in an efficient and cost-efficient manner;

b. any receiver or receiver-manager or bankruptcy trustee or custodian appointed by an Enforcing Lender must be an insolvency firm of national standing in Canada and the United States of America (and, where applicable, each Enforcing Lender

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agrees that it will request any applicable court to similarly appoint an insolvency firm of national standing in Canada and the United States of America); and

c. if a receiver or receiver-manager is appointed pursuant to clause b. above, the Lenders under each of the Credit Agreements shall cause to be provided any reasonable indemnity which may be necessary for such receiver or receiver-manager or trustee, to the extent of their respective Operative Sharing Percentages in respect to the obligations to which the indemnity relates.

SECTION 3: PARI PASSU SHARING

3.1 OVERALL INTENT

It is the intention of the Lenders that, following the occurrence of any Borrowing Base Deficiency or the Reference Date, they shall share in any required payments or Security Documents delivered by the U.S. Borrower or the Canadian Borrower to cure such Borrowing Base Deficiency and in any Reallocable Payments received following the Reference Date pro rata to their respective proportions of the Combined Outstandings.

3.2 PAYMENTS TO CURE BORROWING BASE DEFICIENCY

Upon the delivery of a notice of Borrowing Base Deficiency to the U.S. Borrower under Section 3.2(b)(2) of the U.S. Credit Agreement, the Administrative Agents shall determine the Sharing Percentages of the Canadian Lenders and the U.S. Lenders at the time of such notice. The U.S. Borrower and the Canadian Borrower agree that any payments required to cure such Borrowing Base Deficiency shall be made by the U.S. Borrower to the U.S. Lenders and by the Canadian Borrower to the Canadian Lenders (with the Maximum Outstanding Amount--as such term is defined in the Canadian Credit Agreement--to be reduced by the amount of such payments by the Canadian Borrower) in accordance with their respective Sharing Percentages as so determined. For this purpose, if any such payment is made in Canadian Dollars under the Canadian Credit Agreement, the Equivalent U.S. Dollar Amount thereof shall be considered to have been made. For purposes of this Section 3.2, the Sharing Percentages of the Lenders shall be recalculated as of each January 1, April 1, June 1 and September 1 using the Combined Outstandings at the time of the applicable notice of Borrowing Base Deficiency but using the then current Equivalent U.S. Dollar Amount with respect to any of such Combined Outstandings denominated in Canadian Dollars.

3.3 EQUALIZATION FOLLOWING THE OCCURRENCE OF THE REFERENCE DATE

a. As of the Reference Date, the Operative Sharing Percentages of

the respective Lenders shall be determined.

b. Upon any receipt by any Administrative Agent (or by the Paying Agent under the

Canadian Credit Agreement) of any Reallocable Payments (after giving effect to application of such receipts), the Post Default Proportions of the U.S. Lenders and the Canadian Lenders shall be determined.

c. If the Post Default Proportion of the U.S. Lenders and the Post Default Proportion of the Canadian Lenders calculated pursuant to Section 3.3.b above are not equal to their respective Operative Sharing Percentages, then the Lenders whose Post Default Proportion is less than their Operative Sharing Percentages shall firstly, repurchase participations previously sold by them to other Lenders (such participation interests to be allocated pro rata among the sellers in accordance with their respective Operative Sharing Percentages) and then purchase participations in the U.S. Credit Outstandings or the Canadian Credit Outstandings, as the case may be (such participation interests to be allocated pro rata among the sellers in accordance with their respective Operative Sharing Percentages), in U.S. Dollars on a non-recourse basis so that, after such payment by the purchasing Lenders and receipt thereof by the selling Lenders, their respective Post Default Proportions shall equal their Operative Sharing Percentages; provided, however, that if after any amount is paid under this Section 3.3.c. a Borrower or any trustee, liquidator, receiver or receiver-manager or Person with analogous powers recovers any amount from any Lenders ("Disgorging Lenders") in respect of any amount theretofore applied to the U.S. Credit Outstandings or the Canadian Credit Outstandings, then such amount (including any interest paid by the Lenders) shall be treated for all purposes:

i. as between the relevant Borrower and the Disgorging Lenders; and

ii. as between the Disgorging Lenders and the other Lenders (the "Non-Disgorging Lenders"),

to be outstanding as U.S. Credit Outstandings or Canadian

Credit Outstandings (as applicable), in which case the Post Default Proportions shall thereupon be adjusted and this Section 3.3.c. again applied.

d. Notwithstanding anything contained in this Agreement or the Credit Agreements, the purchase of participations in the Canadian Credit Outstandings hereunder by the U.S. Lenders and the acquisition of an undivided interest in any property by the U.S. Lenders from any Canadian Lender or the Canadian Agent or the Paying Agent, as the case may be, pursuant to Section 6.12 hereof shall not constitute an acquisition by the U.S. Lenders of any beneficial interest in the Canadian Credit Agreement or any amount owing thereunder but shall constitute risk sharing payments among the Canadian Lenders and the U.S. Lenders and the beneficial interest in the Canadian Credit Agreement and all amounts owing thereunder shall at all times remain with the Canadian Lenders.

3.4 INFORMATION

From time to time following the occurrence of an Acceleration, each Lender shall promptly provide its Administrative Agent with all necessary information to enable the Administrative Agent to calculate Canadian Credit Outstandings or U.S. Credit Outstandings, Operative Sharing Percentages and Post Default Proportions of the Lenders, including any payments received.

3.5 PARAMOUNTCY OF PRO RATA TREATMENT

The arrangements contemplated by this Agreement shall apply notwithstanding the time of any Event of Default or any Acceleration under a Credit Agreement or demand under a Guaranty; the date of execution, delivery, attachment, perfection or registration of any Security Document (or lack of any thereof); the priority of any Security Document; the date of advance of any funds; the date of creation, perfection or determination of any charges or security interests; the date of appointment of any receiver or receiver-manager or bankruptcy trustee or of taking any other enforcement proceedings; the date of obtaining any judgment; the date of notification in respect of any account receivable; any provision of applicable law or requirement of any Governmental Authority; any defence, claim or any right not provided under this Agreement; or the terms of any agreement between any Lender and/or a Borrower under any other document or instrument between or among such parties, whether or not bankruptcy, receivership or insolvency proceedings shall at any time have been commenced.

SECTION 4: RIGHTS OF LENDERS

4.1 RIGHTS OF LENDERS

Subject to the terms of this Agreement, each Administrative Agent and Lender shall be entitled to:

a. deal with its Borrower and with others in connection with its Credit Agreement, give notices to and accept notices from its Borrower thereunder and administer its Credit Agreement free from interference by any other Lender;

b. enforce the provisions of its Credit Agreement and Loan Documents referred to therein to which it is a party, including suing for enforcement of the representations, covenants and payment obligations therein contained, whether or not it accelerates the maturity of any payment obligations;

c. demand repayment or accelerate the maturity of any payment obligation under the Credit Agreement to which it is a party;

d. amend or otherwise modify the Credit Agreement to which it is a party;

e. accept new security for the obligations of its Borrower under its Credit Agreement;

f. provide any releases of its Security Documents in connection with a disposition of collateral by its Borrower; or

g. consent to any plan of arrangement or plan of reorganization involving its Borrower under any bankruptcy or insolvency law.

SECTION 5: ASSIGNMENT

5.1 ASSIGNEES

No provision of this Agreement shall restrict in any manner the assignment, participation or other transfer by a Lender of all or part of its right, title or interest under its Credit Agreement; provided that, unless the assignee becomes a Lender for purposes hereof in accordance with Section 13.5 of the Credit Agreements, the assigning Lender shall remain responsible for performance of this Agreement with respect to the interest assigned, all as more fully set forth herein. All participations purchased or sold pursuant to

the terms hereof shall be consummated in accordance with the terms of Section 13.5 of the applicable Credit Agreement.

SECTION 6: MISCELLANEOUS

6.1 NO PARTNERSHIP OR JOINT VENTURE

Nothing contained in this Agreement, and no action taken by the Administrative Agents or the Lenders (or any of them) pursuant hereto, is intended to constitute or shall be deemed to constitute the Administrative Agents or the Lenders a partnership, association, joint venture or other entity.

6.2 NOTICES

All notices, requests and other communications to any party hereunder shall be given in accordance withSection 13.2 of the applicable Credit Agreement.

6.3 AMENDMENTS AND WAIVERS

Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed by the Combined Majority Lenders; provided, however, that:

(i) the provisions of Section 3 of this Agreement and of this Section 6.3 may only be amended with the unanimous written consent of all of the Lenders;

(ii) the provisions hereof relating to "Requesting Banks" or to "Combined Requesting Banks" may only be amended with the unanimous written consent of the Combined Requesting Lenders; and

(iii) the provisions hereof relating to "Super Majority Banks" or to "Combined Super Majority Banks" may only be amended with the unanimous written consent of the Combined Super Majority Lenders.

6.4 CURRENCY AND PAYMENT MATTERS

All payments hereunder shall be made in immediately available funds in United States Dollars. All payments to any Lender hereunder shall be made to it, to the extent practicable, in accordance with the provisions of the

relevant Credit Agreement.

6.5 COUNTERPARTS; EFFECTIVENESS

This Agreement may be signed in any number of counterparts, each of which shall be an original, and all of which taken together shall constitute a single agreement, with the same effect as if the signatories thereto and hereto were upon the same instrument. This Agreement shall become effective when:

a. executed by each of the parties listed on the signature pages hereof; and

b. the first advance under the Canadian Credit Agreement shall have been made.

6.6 BENEFITS

This Agreement is solely for the benefit of and shall be binding upon the Lenders and their successors or assigns, and neither the Borrowers nor any other third party shall have any right, benefit, priority or interest under or by reason of this Agreement.

6.7 GOVERNING LAW

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS (OTHER THAN THE CONFLICT OF LAWS RULES) OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA FROM TIME TO TIME IN EFFECT. EACH PARTY HERETO IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF TEXAS FOR PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT THAT MAY BE BROUGHT OR INSTITUTED AGAINST IT.

6.8 ENTIRE AGREEMENT

This Agreement supersedes any conflicting provisions in any other agreements or instruments to which the Lenders are parties, with respect to the rights, duties and obligations of the Lenders to each other.

6.9 TIME OF THE ESSENCE

Time is of the essence of this Agreement.

6.10 SEVERABILITY

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6.11 ADMINISTRATIVE AGENTS AND PAYING AGENT ENTITLED TO BENEFITS OF SECTION 12 OF CREDIT AGREEMENTS

Each of the Administrative Agents, and the Paying Agent under the Canadian Credit Agreement, shall be entitled to the benefits of Section 12 of its Credit Agreement and also to the benefits of Section 12 of the other Credit Agreement as if it were the named "Administrative Agent" (or a named "Agent" in the case of the Canadian Credit Agreement) under such other Credit Agreement (provided that any payment under the indemnification provisions of Section 12.5 of either Credit Agreement relating to the collection of the Combined Obligations shall be shared by all Lenders as herein provided), in connection with the performance under this Agreement.

6.12 CERTAIN MATTERS RELATING TO COLLATERAL GENERALLY

If any collateral or security shall be taken in respect of any of the Combined Outstandings (other than Cover provided under either of the Credit Agreements and other than collateral rights in deposit accounts and other similar liquid assets held by any Lender in the normal course of business), the rights of the Lenders with regard to such collateral shall be exercised through a collateral agent to be selected by the Canadian Administrative Agent and the U.S. Administrative Agent and approved by the Combined Majority Banks. If any property shall be conveyed to the Canadian Administrative Agent (or the Paying Agent under the Canadian Credit Agreement) or the U.S. Administrative Agent or any Lender by deed-in-lieu of foreclosure or under similar arrangement for the satisfaction of any of the Combined Obligations, the property so acquired shall be appraised as of the date of acquisition, the appraised value shall be treated as a Reallocable Payment for purposes of Section 3 and the applicable Lender or Administrative

Agent or the Paying Agent, as the case may be, shall convey undivided interests in such property in lieu of the purchase and sale of participation interests provided for in Section 3.

6.13 JOINDER BY U.S. BORROWER, GUARANTOR AND CANADIAN BORROWER

The U.S. Borrower, the Guarantor and the Canadian Borrower consent to

the provisions of this Agreement, including without limitation the disclosure of information provided for herein, the sharing of payments provided for herein and the purchase and sale of participations in the U.S. Credit Agreement and the Canadian Credit Agreement provided for herein. The U.S. Borrower, the Guarantor and the Canadian Borrower agree to do all things and take all such actions as shall be reasonably necessary to give effect to the provisions of this Agreement. To the extent the application of the provisions hereof give rise to any liability for any withholding tax payments in connection with any payments made by the Canadian Borrower, the U.S. Borrower, the Guarantor or any other Relevant Party under either of the Credit Agreements, then (notwithstanding any provisions to the contrary set forth in either of the Credit Agreements), the Borrowers, jointly and severally, shall indemnify each of the applicable Lenders and shall hold each of the applicable Lenders harmless from and against any such liability; provided, however, that each of the Lenders (if so requested by the Borrower under its Credit Agreement through the Administrative Agent) will use good faith efforts to accommodate any reasonable request by such Borrower in order to avoid the need for, or reduce the amount of, such compensation so long as the request will not, in the sole opinion of the applicable Lender, be disadvantageous to such Bank.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date hereof by their respective officers thereunto duly authorized.

NOTICE PURSUANT TO TEX. BUS. & COMM. CODE Section 26.02

THIS AGREEMENT AND ALL OTHER LOAN DOCUMENTS (AS DEFINED IN THE RESPECTIVE CREDIT AGREEMENTS) EXECUTED BY ANY OF THE PARTIES BEFORE OR SUBSTANTIALLY CONTEMPORANEOUSLY WITH THE EXECUTION HEREOF TOGETHER CONSTITUTE A WRITTEN LOAN AGREEMENT AND REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

TEXAS COMMERCE BANK NATIONAL
ASSOCIATION, as Administrative
Agent under the U.S. Credit
Agreement and on behalf of the
U.S. Lenders

By: _____
Robert C. Mertensotto,

Senior Vice President

CHEMICAL BANK OF CANADA, as
Administrative Agent under the
Canadian Credit Agreement and
on behalf of the Canadian Lenders

By: _____
Name: _____
Title: _____

JOINDER:

SEAGULL ENERGY CORPORATION
(as Borrower under the U.S. Credit
Agreement and as a guarantor in respect
of the Canadian Credit Agreement)

By: _____
Robert M. King,
Vice President, Corporate
Development and Treasurer

SEAGULL ENERGY CANADA LTD.
(as Borrower under the Canadian
Credit Agreement)

By: _____
Robert M. King,
Vice President

Exhibit 2.8

BANKERS' ACCEPTANCE No. _____

To_____ Due_____ _____, 19___
Bank

_____ _____ days after date (without grace)
Address

ACCEPTED

For value received pay to the order of the undersigned drawer the sum of $_____ Dollars

_____
Payable At

$
==========

_____

_____ Value Received, and Charge to the Account of:

_____ SEAGULL ENERGY CANADA LTD.

For_____ Per:_____

_____
Authorized Signature

_____
Authorized Signature

EXHIBIT K
to
Credit Agreement
(front)

SEAGULL ENERGY CANADA LTD.

Per:_____

EXHIBIT K
to
Credit Agreement
(reverse)

Exhibit 2.9

GUARANTEE

THIS GUARANTEE (this "Guarantee") dated as of December 30, 1993 is executed and delivered by SEAGULL ENERGY CORPORATION, a Texas corporation ("Guarantor") to CHEMICAL BANK OF CANADA, as Administrative Agent ("Administrative Agent") for itself and Banks (as defined in the hereinafter identified Credit Agreement) under the Credit Agreement (as hereinafter defined).

ARTICLE 1

Section 1.1. Definitions. As used in this Guarantee, these terms shall have these respective meanings:

Borrower means Seagull Energy Canada Ltd., a corporation organized under the laws of the Province of Alberta, Canada.

Credit Agreement means the Credit Agreement dated concurrently herewith executed among Borrower, Chemical Bank of Canada, as Arranger and Administrative Agent, The Bank of Nova Scotia, as Paying Agent and as Co-Agent, Canadian Imperial Bank of Commerce, as Co-Agent, and the Banks, as it may be amended, supplemented, restated or replaced from time to time.

Debt means the sum of (a) all debt (principal, interest or other) evidenced by the Notes, the Letter of Credit Liabilities, the Reimbursement Obligations, or any of the foregoing, and all other obligations incurred under or arising pursuant to or in connection with the Credit Agreement or any of the Loan Documents, (b) all obligations and indebtedness ("Interest Rate Obligations") of Borrower to any one or more of the Banks or an Affiliate of a Bank (and if Interest Rate Obligations are owed to an Affiliate of a Bank, the references to "Bank" or "Banks" shall, where the context permits, be deemed to include such Affiliate) in connection with any program for interest rate protection permitted under the Credit Agreement or otherwise approved in writing by the Majority Banks and (c) all obligations and indebtedness ("Contract Obligations") of Borrower to any one or more of the Banks under any contract for sale for future delivery of commodities (whether or not the subject commodities are to be delivered), hedging contract, forward contract, swap agreement, futures contract or other similar agreement permitted under the Credit Agreement or otherwise approved in writing by the Majority Banks. The Debt includes interest and other obligations accruing or arising in connection with the foregoing after (a) commencement of any case under any bankruptcy or similar laws by or against any Obligor or (b) the obligations of any Obligor shall cease to exist by operation of law or for any other reason. The Debt

also includes all reasonable attorneys' fees and any other

expenses incurred by any Agent in negotiating, monitoring or enforcing the Loans, the Notes, the Bankers' Acceptances, the Letter of Credit Liabilities, the Reimbursement Obligations, the Interest Rate Obligations, the Contract Obligations or any of the Loan Documents or defending against any claims arising directly or indirectly in respect of or on account of any of the Debt.

Obligor means any person or entity now or hereafter primarily or secondarily obligated to pay all or any part of the Debt, including Borrower and Guarantor.

Unless redefined in this Guarantee, any capitalized term used in this Guarantee has the meaning ascribed to it in the Credit Agreement.

ARTICLE 2

Section 2.1. Execution of Loan Documents. Borrower has executed and delivered the Notes and the other documents evidencing the Debt to Agents and Banks, and the Debt is secured by certain of the liens, security interests, collateral assignments and other security devices created, evidenced or carried forward by the Loan Documents.

Section 2.2. Consideration. In consideration of the credit and financial accommodations contemplated to be extended to Borrower by Agents and Banks pursuant to the documents evidencing the Debt, the other Loan Documents or otherwise, which Guarantor has determined will substantially benefit it directly or indirectly, and for other good and valuable consideration, the receipt and sufficiency of which Guarantor hereby acknowledges, Guarantor executes and delivers this Guarantee to Administrative Agent with the intention of being presently and legally bound by its terms.

ARTICLE 3

Section 3.1. Payment Guarantee. Guarantor, as a primary obligor and not as a surety, unconditionally guarantees to Administrative Agent for the ratable benefit of Banks the full, prompt and punctual payment of the Debt when due (whether at its stated maturity, by acceleration or otherwise) in accordance with the Loan Documents. This Guarantee is irrevocable, unconditional and absolute, and if for any reason all or any portion of the Debt shall not be paid when due, Guarantor will immediately pay the Debt to Paying Agent or other Person entitled to it, in U.S. Dollars or in Canadian Dollars, whichever currency or currencies in which the Debt is then

denominated, regardless of (a) any defense, right of set-off or counterclaim which any Obligor may have or assert, (b) whether any Agent or any other Person shall have taken any steps to enforce any rights against any Obligor or any other Person to collect any of the Debt, and (c) any other circumstance, condition or contingency.

Section 3.2. Application of Payments or Prepayments. The parties hereto agree that any payment or prepayment by Borrower or any other Person against the Debt shall be deemed paid in such order and manner as Administrative Agent shall determine in its sole discretion.

Section 3.3. Obligations Not Affected. Guarantor's covenants, agreements and obligations under this Guarantee shall in no way be released, diminished, reduced, impaired or otherwise affected by reason of the happening from time to time of any of the following things, for any reason, whether by voluntary act, operation of law or order of any competent governmental authority and whether or not Guarantor is given any notice or is asked for or gives any further consent (all requirements for which, however arising, Guarantor hereby WAIVES):

(a) release or waiver of any obligation or duty to perform or observe any express or implied agreement, covenant, term or condition imposed in any of the Loan Documents or by applicable law on any Obligor or any party to the Loan Documents.

(b) extension of the time for payment of any part of the Debt or any other sums payable under the Loan Documents, extension of the time for performance of any other obligation under or arising out of or in connection with the Loan Documents or change in the manner, place or other terms of such payment or performance.

(c) settlement or compromise of any or all of the Debt.

(d) renewal, supplementing, modification, rearrangement, amendment, restatement, replacement, cancellation, rescission, revocation or reinstatement (whether or not material) of any part of any of the Loan Documents or any obligations under the Loan Documents of any Obligor or any other party to the Loan Documents.

(e) acceleration of the time for payment or performance of any Debt or other obligation under any of the Loan Documents or exercise of any other right, privilege or remedy under or in regard to any of the Loan Documents.

(f) failure, omission, delay, neglect, refusal or lack of diligence by any Agent or any other Person to assert, enforce, give notice of intent to exercise--or any other notice with respect to--or exercise any right, privilege, power or remedy conferred on any Agent or any other Person in any of the Loan Documents or by law or action on the part of any Agent or any other Person granting indulgence, grace, adjustment, forbearance or extension of any kind to any Obligor or any other Person.

(g) release, surrender, exchange, subordination or loss of any security or lien priority under any of the Loan Documents or in connection with the Debt.

(h) release, modification or waiver of, or failure, omission, delay, neglect, refusal or lack of diligence to enforce, any guaranty, pledge, mortgage, deed of trust, security agreement, lien, charge, insurance agreement, bond, letter of credit or other security device, guaranty, surety or indemnity agreement whatsoever.

(i) taking or acceptance of any other security or guaranty for the payment or performance of any or all of the Debt or the obligations of any Obligor.

(j) release, modification or waiver of, or failure, omission, delay, neglect, refusal or lack of diligence to enforce, any right, benefit, privilege or interest under any contract or agreement, under which the rights of any Obligor have been collaterally or absolutely assigned, or in which a security interest has been granted, to any Agent or any Bank as direct or indirect security for payment of the Debt or performance of any other obligations to--or at any time held by--any Agent or any Bank.

(k) death, legal incapacity, disability, voluntary or involuntary liquidation, dissolution, sale of any collateral, marshaling of assets and liabilities, change in corporate or organizational status, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt or other similar proceedings of or affecting any Obligor or any of the assets of any Obligor, even if any of the Debt is thereby rendered void, unenforceable or uncollectible against any other Person.

(l) occurrence or discovery of any irregularity, invalidity or unenforceability of any of the Debt or Loan Documents or any defect or deficiency in any of the Debt or Loan Documents, including the

unenforceability of any provisions of any of the Loan Documents because entering into any such Loan Document was ultra vires or because anyone who executed them exceeded their authority.

(m) failure to acquire, protect or perfect any lien or security interest in any collateral intended to secure any part of the Debt or any other obligations under the Loan Documents or failure to maintain perfection.

(n) failure by any Agent or any other Person to notify--or timely notify--Guarantor of any default, event of default or similar event (however denominated) under any of the Loan Documents, any renewal, extension, supplementing, modification, rearrangement, amendment, restatement, replacement, cancellation, rescission, revocation or reinstatement (whether or not material) or assignment of any part of the Debt, release or exchange of any security, any other action taken or not taken by any Agent or any other Person against any Obligor or any other Person or any direct or indirect security for any part of the Debt or other obligation of Borrower, any new agreement between any Agent and/or any Bank and any Obligor or any other Person or any other event or circumstance. Neither any Agent nor any Bank has any duty or obligation to give Guarantor any notice of any kind under any

circumstances whatsoever with respect to or in connection with the Debt or the Loan Documents.

(o) occurrence of any event or circumstances which might otherwise constitute a defense available to, or a discharge of, any Obligor, including failure of consideration, fraud by or affecting any Person, usury, forgery, breach of warranty, failure to satisfy any requirement of the statute of frauds, running of any statute of limitation, accord and satisfaction and any defense based on election of remedies of any type.

(p) receipt and/or application of any proceeds, credits or recoveries from any source, including any proceeds, credits, or amounts realized from exercise of any of Agents' rights, remedies, powers or privileges under the Loan Documents, by law or otherwise available to any Agent or any Bank.

(q) occurrence of any act, error or omission of any Agent or any other Person, except behavior which is proven to be in bad faith to the extent (but no further) that the Guarantor cannot effectively waive the right to complain.

Section 3.4. Waiver of Certain Rights and Notices. Guarantor hereby WAIVES and RELEASES all right to require marshalling of assets and liabilities, sale in inverse order of alienation, notice of acceptance of this Guarantee and of any liability to which it applies or may apply, notice of the creation, accrual, renewal, increase, extension, modification, amendment or rearrangement of any part of the Debt, presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of intent to accelerate, notice of acceleration and all other notices and demands, collection, suit and the taking of any other action by any Agent or any Bank.

Section 3.5. Not a Collection Guarantee. This is an absolute guarantee of payment, and not of collection, and Guarantor WAIVES any right to require that any action be brought against any Obligor or any other Person, or that any Agent or any Bank be required to enforce or exhaust any of its rights, benefits or privileges under any of the Loan Documents, by law or otherwise; provided that nothing herein shall be construed to prevent any Agent or any Bank from exercising and enforcing at any time any right, benefit or privilege which it may have under any Loan Document or by law from time to time, and at any time, and Guarantor agrees that Guarantor's obligations hereunder are--and shall be--absolute, independent and unconditional under any and all circumstances. Should any Agent or any Bank seek to enforce Guarantor's obligations by action in any court, Guarantor WAIVES any requirement, substantive or procedural, that such Agent or such Bank pursue any foreclosure action or that a judgment first be sought or rendered against any Obligor or any other Person or that any Obligor or any other Person be joined in such cause or that a separate action be brought against any Obligor or any other Person. Guarantor's obligations under this Guarantee are several from those of any other Obligor or any other Person, and are primary obligations concerning which Guarantor is the

principal obligor. All waivers in this Guarantee or any of the Loan Documents shall be without prejudice to any Agent or any Bank at its option to proceed against any Obligor or any other Person, whether by separate action or by joinder. Guarantor agrees that this Guarantee shall not be discharged except by payment of the Debt in full, complete performance of all obligations of the Obligors on the Debt and termination of the obligation--if any--to make any further advances under the Loan Documents or extend other financial accommodations to any Obligor.

Section 3.6. Subrogation. Guarantor agrees that it shall not be entitled to exercise any rights of subrogation to any Agent's or any Bank's rights against any Obligor or any other Person or any collateral or offset rights held by any Agent or any Bank for payment of the Debt until final

termination of this Guarantee.

Section 3.7. Reliance on Guarantee. All extensions of credit and financial accommodations heretofore or hereafter made by any Agent or any Bank under or in respect of the Debt or Loan Documents shall be conclusively presumed to have been made in acceptance of this Guarantee.

Section 3.8. Demands are Conclusive. A certificate submitted to Guarantor by any Administrative Agent setting forth the basis for any demand by Administrative Agent hereunder shall constitute a demand hereunder and shall be conclusive, absent manifest error, as to the matters therein stated, including the amount due.

Section 3.9. Joint and Several. If any Person makes any guaranty of any of the obligations guaranteed hereby or gives any security for them, Guarantor's obligations hereunder shall be joint and several with the obligations of such other Person pursuant to such agreement or other papers making the guaranty or giving the security.

Section 3.10. Payments Returned. Guarantor agrees that, if at any time all or any part of any payment previously applied by any Agent or any Bank to the Debt is or must be returned by any Agent or any Bank--or recovered from any Agent or any Bank--for any reason (including the order of any bankruptcy court), this Guarantee shall automatically be reinstated to the same effect as if the prior application had not been made, and, in addition, Guarantor hereby agrees to indemnify Agents and Banks against, and to save and hold Agents and Banks harmless from any required return by any Agent or any Bank--or recovery from any Agent or any Bank-- of any such payment because of its being deemed preferential under applicable bankruptcy, receivership or insolvency laws, or for any other reason.

ARTICLE 4

Guarantor warrants and represents as follows:

Section 4.1. Relationship to Borrower. Guarantor has determined that its liability and obligation under this Guarantee may reasonably be expected to substantially benefit Guarantor directly or indirectly, and Guarantor's board of directors has made that determination. Borrower and Guarantor are mutually dependent on each other in the conduct of their respective businesses and are, and do business together with the other Subsidiaries of Guarantor as, an integrated business enterprise involved in the development, exploration, production, marketing and transportation of oil, gas and other minerals. The

maintenance and improvement of Borrower's financial condition is vital to sustaining the business of Guarantor and the transactions contemplated in the Credit Agreement produce distinct and identifiable financial and economic direct or indirect benefits to Guarantor. Such identifiable benefits include the availability of the proceeds of the Revolving Credit Loans to Guarantor on an as needed basis by way of intercompany loans and/or capital contributions for general corporate or other purposes. Guarantor has had full and complete access to the underlying papers relating to the Debt and all other papers executed by any Obligor or any other Person in connection with the Debt, has reviewed them and is fully aware of the meaning and effect of their contents. Guarantor is fully informed of all circumstances which bear upon the risks of executing this Guarantee and which a diligent inquiry would reveal. Guarantor has adequate means to obtain from Borrower on a continuing basis information concerning Borrower's financial condition, and is not depending on any Agent or any Bank to provide such information, now or in the future. Guarantor agrees that neither any Agent nor any Bank shall have an obligation to advise or notify Guarantor or to provide Guarantor with any data or information. The execution and delivery of this Guarantee is not a condition precedent (and neither any Agent nor any Bank has in any way implied that the execution of this Guarantee is a condition precedent) to any Agent's or any Bank's making, extending or modifying any loan or any other financial accommodation to or for Guarantor.

Section 4.2. Proceedings. No bankruptcy or insolvency proceedings are pending or contemplated by or--to the best of Guarantor's knowledge--against Guarantor.

ARTICLE 5

Section 5.1. Term. Subject to the automatic reinstatement provisions of Article 3 above, this Guarantee shall terminate and be of no further force or effect upon full payment of the Debt, complete performance of all of the obligations of the Obligors under the Loan Documents and final termination of the obligation--if any--to make any further advances under the Loan Documents or to provide any other financial accommodations to any Obligor.

ARTICLE 6

Section 6.1. Binding on Successors; No Assignment by Guarantor. All guaranties, warranties, representations, covenants and agreements in this Guarantee shall bind the successors and assigns of Guarantor and shall benefit Agents and Banks and their respective successors and

assigns, and any holder of any part of the Debt. Guarantor shall not assign or delegate any of its obligations under this Guarantee or any of the Loan Documents without Administrative Agent's and the Banks' express prior written consent.

Section 6.2. Subordination of Borrower's Obligations to Guarantor. Guarantor agrees that if, for any reason whatsoever, Borrower now or hereafter becomes liable, obligated or indebted to Guarantor, all such liabilities, obligations and indebtedness, together with all interest thereon and fees and other charges in connection therewith, and all liens, security interests, charges and other security devices, shall at all times, be second, subordinate and inferior in right of payment, in lien priority and in all other respects to the Debt and all liens, collateral assignments, security interests and other security devices securing the Debt.

Section 6.3. Waiver of Suretyship Rights. By signing this Guarantee, Guarantor WAIVES each and every right to which it may be entitled by virtue of any suretyship law, including any rights it may have under applicable laws to require that any action or proceeding be commenced against Borrower or any other Person as a condition to the institution of any action or proceeding relating to the obligations of Guarantor hereunder.

Section 6.4. Amendments in Writing. This Guarantee shall not be changed orally but shall be changed only by agreement in writing signed by Guarantor and Administrative Agent. Any waiver or consent with respect to this Guarantee shall be effective only in the specific instance and for the specific purpose for which given. No course of dealing between the parties, no usage of trade and no parole or extrinsic evidence of any nature shall be used to supplement or modify any of the terms or provisions of this Guarantee.

Section 6.5. Notices. Any notices or other communications required or permitted to be given hereunder shall be given or made by telex, telegraph, telecopy (confirmed by mail), mail, cable or other writing and telexed, telecopied, telegraphed, cabled, mailed or delivered to the intended recipient at the address set forth below for such recipient or at such other address as shall be designated by such recipient in a notice to the other parties hereto given in accordance with this Section :

If to Guarantor:

Seagull Energy Corporation
1001 Fannin, Suite 1700

Houston, Texas 77002
Attention: Treasurer

If to Administrative Agent:

Chemical Bank of Canada,
as Administrative Agent
100 Yonge Street, Suite 90
Toronto, Ontario CANADA M5C 2W1
Attention: Mr. David McGorman

Except as may be otherwise provided herein, all notices and other communications shall be deemed to have been duly received when transmitted by telex or telecopier during regular business hours, delivered to the telegraph or cable office, or personally delivered or, in the case of a mailed notice, three (3) days after deposit in the United States mail, postage prepaid, certified mail with return receipt requested (or upon actual receipt, if earlier), in each case given or addressed as aforesaid. Actual notice, however and from whomever given or received, shall always be effective when received.

Section 6.6. Gender; "Including" is Not Limiting; Section Headings. The masculine and neuter genders used in this Guarantee each includes the masculine, feminine and neuter genders, and the singular number includes the plural where appropriate, and vice versa. Wherever the term "including" or a similar term is used in this Guarantee, it shall be read as if it were written "including by way of example only and without in any way limiting the generality of the clause or concept referred to." The headings used in this Guarantee are included for reference only and shall not be considered in interpreting, applying or enforcing this Guarantee.

Section 6.7. Right of Setoff. Guarantor hereby agrees with and consents to the provisions of Section 11.4 of the Credit Agreement. Without limiting the generality of the foregoing, Guarantor consents to the granting of the security interest in and the collateral transfer of all of the deposits, funds or property of Guarantor or Indebtedness of any Bank to Guarantor for the purposes set forth in Section 11.4 of the Credit Agreement.

Section 6.8. Venue. This Guarantee is performable in Calgary, Alberta, Canada, which shall be a proper place of venue for suit on or in respect of this Guarantee. Guarantor irrevocably agrees that any legal proceeding in respect of this Guarantee shall be brought in the courts of the Province of Alberta and the courts of appeal therefrom (collectively, the "Specified Courts"). Guarantor hereby irrevocably submits to the nonexclusive jurisdiction of such courts.

Guarantor hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to any Loan Document brought in any Specified Court, and hereby further irrevocably waives any claims that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Guarantor further (1) agrees to designate and maintain an agent for service of process in Calgary, Alberta, Canada in connection with any such suit, action or proceeding and to deliver to Administrative Agent evidence thereof and (2) irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered mail, return receipt requested, postage prepaid, to Guarantor at its address as provided in this Guarantee or as otherwise provided by governing law. Nothing herein shall affect the right of any Agent or any Bank to commence legal proceedings or otherwise proceed against Guarantor in any jurisdiction or to serve process in any manner permitted by applicable law. Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE APPLICABLE LAWS OF THE PROVINCE OF ALBERTA AND OF CANADA FROM TIME TO TIME IN EFFECT.

Section 6.9. Survival. The representations, covenants and agreements set forth in this Guarantee shall continue and survive until final termination of this Guarantee.

Section 6.10. Rights Cumulative; Delay Not Waiver. Any Agent's or any Bank's exercise of any right, benefit or privilege under any of the Loan Documents or any other papers or at law or in equity shall not preclude the concurrent or subsequent exercise of any of any Agent's or any Bank's other present or future rights, benefits or privileges. The remedies provided in this Guarantee are cumulative and not exclusive of any remedies provided by law, the Loan Documents or any other papers. No failure by any Agent or any Bank to exercise, and no delay in exercising, any right under any Loan Document or any other papers shall operate as a waiver thereof.

Section 6.11. Severability. If any provision of this Guarantee is held to be illegal, invalid or unenforceable under present or future laws, the legality, validity and enforceability of the remaining provisions of this Guarantee shall not be affected thereby, and this Guarantee shall be liberally construed so as to carry out the intent of the parties to it.

Section 6.12. Entire Agreement. THIS GUARANTEE EMBODIES THE ENTIRE AGREEMENT AND UNDERSTANDING AMONG GUARANTOR, AGENTS AND BANKS WITH RESPECT TO ITS SUBJECT MATTER AND SUPERSEDES ALL PRIOR CONFLICTING OR INCONSISTENT AGREEMENTS, CONSENTS AND UNDERSTANDINGS RELATING TO SUCH SUBJECT MATTER. GUARANTOR ACKNOWLEDGES AND AGREES THAT THERE IS NO ORAL AGREEMENT AMONG GUARANTOR,

AGENTS AND BANKS WHICH HAS NOT BEEN INCORPORATED IN THIS GUARANTEE.

Section 6.13. Usury Not Intended; Saving Provisions. Notwithstanding any provision to the contrary contained in any Loan Document, it is expressly provided that in no case or event shall the aggregate of any amounts accrued or paid pursuant to this Guarantee which under applicable laws are or may be deemed to constitute interest ever exceed the maximum nonusurious interest rate permitted by applicable laws of the Province of Alberta or the applicable laws of Canada, whichever permit the higher rate. In this connection, Guarantor, Agents and Banks stipulate and agree that it is their common and overriding intent to contract in strict compliance with applicable usury laws. In furtherance thereof, none of the terms of this Guarantee shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the maximum rate permitted by applicable laws. No Guarantor shall ever be liable for interest in excess of the maximum rate permitted by applicable laws. If, for any reason whatever, such interest paid or received during the full term of the applicable indebtedness produces a rate which exceeds the maximum rate permitted by applicable laws, Agents or Banks, as the case may be, shall credit against the principal of such indebtedness (or, if such indebtedness shall have been paid in full, shall refund to the payor of such interest) such portion of said interest as shall be necessary to cause the interest paid to produce a rate equal to the maximum rate permitted by applicable laws. All sums paid or agreed to be paid to any Agent or any Bank for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread in equal parts throughout the full term of the applicable indebtedness, so that the interest rate is uniform throughout the full term of such indebtedness. The provisions of this Section shall control all agreements, whether now or hereafter existing and whether written or oral, among Guarantor, Agents and Banks.

Section 6.14. Acknowledgement of Terms of Credit Agreement Binding Upon Guarantor. Guarantor acknowledges and agrees to the covenants, agreements, representations, warranties and other provisions of the Credit Agreement which refer to the "Parent".

THIS GUARANTEE is executed as of the date first above written.

SEAGULL ENERGY CORPORATION

By: _____

Robert M. King,
Vice President, Corporate
Development and Treasurer