ACTION NO.: 0901-16005

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

BETWEEN:

NATIONAL BANK OF CANADA

Plaintiff

-and-

ACTION ENERGY INC., NORTHERN GAS MARKETING, INC. AND GRIFFON PETROLEUM INC.

Defendants

FIRST REPORT OF THE RECEIVER OF ACTION ENERGY INC.

ERNST & YOUNG INC.

NOVEMBER 2, 2009

Ernst & Young

INTRODUCTION

1. Ernst & Young Inc. was appointed Receiver and Manager (the "Receiver") of the property, assets and undertaking (the "Assets") of Action Energy Inc. ("Action" or the "Company") pursuant to an Order (the "Appointment Order") of this Honourable Court dated October 28, 2009.

2. The Appointment Order authorized the Receiver, among other things, to carry on the business of the Company, to market and solicit offers to purchase the Assets of the Company, and to make such arrangements or agreements as deemed necessary by the Receiver.

3. The purpose of this first report (the "First Report") of the Receiver is to advise this Honourable Court with respect to:

    a) the activities of the Receiver for the period of October 28, 2009 to date;

    b) the Receiver's review and analysis with respect to the Letter of Intent from Westfire Energy Ltd. ("Westfire") dated October 15, 2009 (the "Westfire Letter of Intent") that proposed an acquisition of all Action's oil and natural gas assets together with certain tangibles and miscellaneous interests (the "Proposed Assets");

    c) the Receiver's analysis of the marketing efforts conducted by Action prior to the Receivership to solicit offers for the sale of the Assets; and

    d) the Receiver's analysis and recommendations with respect to Westfire's offer for substantially all of the Assets.

4. All references to currency in the First Report are in Canadian dollars.

BACKGROUND

5. Action is an oil and gas company engaged in the production, exploration, development and acquisition of natural gas and petroleum properties in the Provinces of Alberta and Saskatchewan. The head office of Action is located in Calgary, Alberta.

6. Action is a public company listed on the TSX Venture Exchange. Action is the successor, by amalgamation, of numerous predecessor corporations including High Plains Energy Inc., Powermax Energy Inc, and Rolling Thunder Exploration Ltd.

7. The Defendants, Northern Gas Marketing, Inc. ("Northern") and Griffon Petroleum Inc. ("Griffon") are each subsidiaries of Action and the Receiver understands these companies are inactive and have no material assets. Accordingly, Northern and Griffon are excluded from the October 28, 2009 Receivership Order.

8. Action's major producing interests include lands and facilities located in Alberta near Lloydminster and Teepee Creek and in Saskatchewan near Shackleton and Lake Alma. Action also has minor interests which are primarily located in Alberta near Gordondale, West Calais, and Lindbergh and in Southern Saskatchewan near Greater Shackleton, Russelton and Bienfait.

9. The Company operates approximately 172 producing wells which at the date of the Receivership were producing approximately 853 barrels of oil equivalent ("BOE") per day.

10. At the date of the Receivership, the Company had 13 full -time employees and 20 contract operators.

ACTIVITIES OF THE RECEIVER SINCE OCTOBER 28, 2009

Custody & Control

11. On October 28, 2009 the Receiver attended the leased head office premises of Action located at Suite 800, 350 – 7th Avenue S.W., Calgary, Alberta to meet with the Chief Executive Officer and employees of the Company in order to discuss the transition of operations from management to the Receiver.

12. In accordance with the Appointment Order, the Receiver froze the bank account of Action.

13. Action's insurance provider was notified of the Receiver's appointment. Action renewed its insurance policy on October 1, 2009 and the Receiver is currently reviewing the adequacy of the coverage provided under the existing policy.

Employees and Contract Employees

14. On October 28, 2009 Action employed 13 employees, including five members of senior management, and 20 contract operators. On October 29, 2009, the Receiver terminated the employment of four members of senior management and retained the remaining nine employees along with all the contract operators.

15. The Receiver has made short-term arrangements with the remaining employees to assist the Receiver in maintaining and stimulating well production, updating the accounting records, supporting the Receiver in its efforts to complete a sale of the Assets and performing various other tasks as required. The employees are expected to be retained until at least the end of December, 2009 to allow for the proposed transaction with Westfire (discussed below) and to assist the Receiver with the sale of Action's remaining assets.

16. At the time of the Receiver's appointment, Action employed 20 contract operators. The Receiver has contacted each contract operator and is in the process of formalizing arrangements with respect to retaining these contract operators in order to maintain operations of the Company. The arrangements between the Receiver and the contractors is on similar terms as Action had with the contract operators prior to the Receivership.

Employee Retention Plan

17. As a result of the Receivership proceedings, the employees of Action have expressed certain concerns about their employment situation, including the status of previously promised additional incentives Action had agreed to pay to certain employees upon the successful completion of a sale of all or substantially all of the Assets.

18. As discussed in further detail below, certain of Action's employees have assisted the Company in its prolonged marketing process and had agreed to such assistance on the understanding that they would receive their respective agreed upon bonus upon the completion of the transaction.

19. The ability of Action to continue operations in the normal course and to maximize value to the estate is dependent on the retention of its employees involved with the operations of the

petroleum and natural gas properties (the "Operations Employees") and to maintain and stimulate production levels.

20. Finding suitable replacements for departing Operations Employees without negatively impacting operations in the short-term would likely be difficult for the Receiver in the circumstances. In addition, given the expediency of the proposed sale of certain assets, the Receiver believes that retaining certain existing administrative staff is essential and will likely be more cost effective than contracting new staff.

21. As such, the Receiver has implemented a retention plan for certain of the remaining employees (the "Retention Plan"). The value of the Retention Plan is relatively nominal and is justified by the anticipated costs that would be incurred in employee replacement costs and the potential negative impact to operations associated with the departure of Operations Employees. A significant portion of the Retention Plan relates to the incentives that could be earned by Operations Employees to ensure that production and the value of the underlying assets are maintained during the Receivership.

22. The Receiver intends to formalize the terms of the Retention Plan such that any payment would only be earned and paid upon the earlier of a successful sale of all or substantially all of Action's assets or a date that the Receiver believes provides an appropriate time to deal with the Assets.

23. National Bank of Canada ("National"), the senior secured creditor to Action and the Plaintiff to the Receivership Order supports the general terms of the Retention Plan proposed by the Receiver.

Office Lease Agreement

24. Action has a lease agreement with Great-West Life Assurance Company, London Life Insurance Company, TPP Investment 1 Inc. and PSS Investment 1 Inc. (collectively, "Great-West Life") with respect to 16,889 square feet of office space located on the 8th floor of 350 – 7th Avenue S.W., Calgary, Alberta ("7th Avenue Location"). Action's lease with Great-West Life costs approximately $88,000 per month comprising leasing and operating costs.

25. Prior to the date of the Receivership, Action had taken certain steps to identify more appropriate and cost effective office space as its current space leased from Great-West Life was considerably more excessive than required to support Action's administrative needs. The Receiver understands that in the course of certain discussions with Westfire, Action became aware of certain office space that was currently leased by Westfire that Westfire was not using and that they did not require in the near term. Action negotiated a sublease arrangement with Westfire (the "Westfire Sublease") with respect to approximately 1,800 square feet of office space located on the 8th floor of 555 – 4th Avenue S.W., Calgary, Alberta (the "4th Avenue Location"). The Westfire Sublease is effective November 1, 2009 and the associated monthly leasing and operating costs of the Sublease are approximately $5,000 per month.

26. The Receiver understands the Westfire Sublease is based on a verbal agreement between Action and Westfire and the Receiver anticipates formalizing the arrangement in the next few days.

27. The Receiver reviewed the Great-West Life lease, the amount of office space required to operate the Receivership as well as the costs associated with relocating Action's head office, and determined that significant cost savings could be immediately achieved by vacating the 7th Avenue Location, terminating the Great-West Life lease and relocating to the 4th Avenue Location as contemplated in the Westfire Sublease.

28. Accordingly, the Receiver continued with Action's plans to vacate the 7th Avenue Location and to move to the 4th Avenue Location. The Receiver understands that the move to the 4th Avenue Location was completed on November 1, 2009 and that all remaining furniture should be removed from the 7th Avenue Location in the next few days. The Receiver intends to terminate the lease with Great-West Life.

29. The Receiver advises that the office space relating to the Westfire Sublease comprises stand-alone office space that is separate and distinct to Westfire's operations. Furthermore, Action has retained consultants to facilitate the move of the Company's computer servers and information technology systems ("IT") such that Action's IT systems will continue to operate on a stand alone basis.

DESCRIPTION OF ACTION'S PROCESS TO SOLICIT INTEREST IN ITS ASSETS PRIOR TO THE RECEIVERSHIP

30. As set out in the affidavit of Mr. Murray D'Angelo dated October 26, 2009 (the "October 29th D'Angelo Affidavit"), prior to the Receivership, Action had completed an extensive and protracted process to solicit offers from prospective parties interested in acquiring, recapitalizing or restructuring Action's operations and/or assets as summarized below.

National Bank Financial

31. In May, 2009, Action engaged National Bank Financial ("NBF") to review Action's strategic options, including the potential sale of its assets. The retention of NBF by Action was press released on May 20, 2009.

32. Based on written updates provided by NBF to Action, the Receiver understands that NBF completed an extensive marketing initiative with approximately 175 to 200 parties being contacted to determine if a party was interested in acquiring or recapitalizing Action (the "NBF Solicitation Process").The NBF Solicitation Process included establishing an online data room, working with Action's management to provide various technical presentations, follow up site visits and other subsequent meetings. The NBF Solicitation Process initially called for a bid deadline of June 29, 2009.

33. The NBF Solicitation Process resulted in the following:

    a) 24 parties executing confidentiality agreements;

    b) 22 parties accessing Action's online data room; and

    c) 12 technical presentations.

34. At the bid deadline in late June 2009, 11 bids had been received but these bids were insufficient to satisfy the indebtedness owing to National and were deemed insufficient by Action and none of the bids received were completed.

35. The Receiver understands that subsequent to the June 2009 bid deadline, NBF and Action continued discussions with interested parties to determine if any additional superior bids could be obtained. Certain interested parties submitted additional bids subsequent to the June 2009 bid deadline, however, no bids received were accepted by Action as no bid, or combination thereof, were sufficient to repay the secured debts owing to National.

Retention of Avonlea Ventures Inc.

36. Pursuant to a Memorandum of Understanding dated September 1, 2009 (the "Avonlea MOU"), Action retained Michael Steele of Avonlea Ventures Inc. ("Avonlea") to work as a Chief Restructuring Consultant.

37. Pursuant to the Avonlea MOU, Avonlea agreed to oversee restructuring, re-financing or sale initiatives that might include, "without limitation, a Plan of Arrangement, amalgamation, merger, takeover bid, reverse takeover bid, asset purchase, share purchase, joint venture or other business combination".

38. The Receiver understands that upon Action executing the Avonlea MOU, Avonlea's efforts included contacting numerous potential purchasers or merger candidates. Avonlea also pursued parties who might provide funds to Action in exchange for obtaining a gross overriding royalty from Action.

39. The Receiver understands that Avonlea approached an additional eight strategic parties who may be interested in acquiring Action's assets or participating in the restructuring and/or recapitalization of Action.

40. Pursuant to these efforts, Action received an initial expression of interest from Westfire that ultimately resulted in the acceptance of the Westfire Letter of Intent dated October 15, 2009 that proposed an acquisition of the Proposed Assets for a purchase price in the sum of $30 million in cash.

The Westfire Letter of Intent

41. After consultation with National, the Receiver understands that Action accepted the Westfire Letter of Intent on October 15, 2009, a copy of which was attached to the October 29th D'Angelo Affidavit.

42. The terms of the Westfire Letter of Intent as accepted by Action included:

    a) purchase price of $30 million;

    b) the payment of a $2 million deposit;

    c) a $2 million break fee payable by Action in priority to any other claims if Action concludes an alternate sale or arrangement;

    d) certain due diligence conditions for the benefit of Westfire;

    e) the transaction contemplated was subject to the receipt of a Vesting Order from the Alberta Court of Queen's Bench; and

    f) a restructuring fee of 3% of the total price is to be paid by Westfire to Avonlea and deducted from the total purchase price.

43. The Proposed Assets did not include Action's receivables, working capital, or certain other corporate attributes.

RECEIVER'S ACTIONS WITH RESPECT TO THE WESTFIRE LETTER OF INTENT

44. The Receiver understands that subsequent to the signing of the Westfire Letter of Intent on October 15, 2009, Action and Westfire continued discussions and negotiations. During this period, Westfire completed its due diligence and the majority of the business issues relating to the Westfire Letter of Intent had been resolved.

45. Upon its appointment, the Receiver reviewed the solicitation processes completed by NBF and Avonlea, the offers that resulted from these processes and the terms and conditions contemplated in the Westfire Letter of Intent.

46. The Receiver advises that prior to its appointment as Receiver, Ernst & Young Inc. was retained by the National on August 4, 2009 as a consultant to assist National in assessing its position regarding Action's indebtedness owing to the bank (the "Consultant"). Action had also consented to Ernst & Young Inc. being retained as Consultant. Among other things, the Consultant completed certain financial analysis of Action, including an assessment of future cash flows, creditor analysis and a recovery analysis. The Consultant was also kept generally abreast of the progress of the various marketing and solicitation processes being completed by Action. Accordingly, upon issuance of the Receivership Order, the Receiver had very current knowledge of the status of Action's financial position, the results of its sale process and bids received to date.

WESTFIRE ASSET SALE AGREEMENT

47. The Receiver concluded that based on the results of the solicitation processes completed by Action, NBF and Avonlea, that the terms and conditions provided in the Westfire Letter of Intent were superior and completing a transaction with Westfire as contemplated in the Westfire Letter of Intent would provide the best chance of maximizing recovery to the estate and the estate's creditors.

48. The Receiver believes that Actions' Assets have been adequately exposed to the market given the following:

a) Action engaged a reputable financial advisor to conduct a thorough sales process during which approximately 200 parties were contacted, 24 confidentiality agreements were signed and 11 bids were obtained; and

b) Further to the NBF Solicitation Process, in early September 2009, Action retained Avonlea and eight additional parties were canvassed with respect to the acquisition of the Assets or the Company.

49. Furthermore, the purchase price contemplated in the Westfire Letter of Intent was superior to the bids received by Action, including a combination of the bids received, resulting from the Solicitation Process. Furthermore, the Receiver has reviewed certain technical valuation analysis which the Consultant had commissioned on the Proposed Assets which support the purchase price contemplated in the Westfire Letter of Intent.

50. Accordingly, the Receiver, with the assistance of Action's agent Avonlea, continued negotiations with Westfire with the intention to complete an asset sale agreement. The discussions and negotiations with Westfire resulted in the execution of a formal asset sale agreement (the "Westfire ASA") dated October 30, 2009. A copy of the Westfire ASA is attached as Appendix "A".

51. The main terms and conditions to the Westfire ASA include:

a) A purchase price of $30 million;

b) A deposit of $2 million equal to approximately 6.7% of the purchase price. The deposit has been received by the Receiver's counsel;

c) A $2 million non-completion amount or break fee is payable by the Receiver to Westfire if the Receiver concludes an alternate sale or arrangement;

d) The purchase all of the petroleum and natural gas properties of Action with the exception of the Red Willow, Gallahad, and Southwestern Saskatchewan Properties (the "Excluded Assets"). The Proposed Assets less the Excluded Assets are referred to as the "ASA Assets";

e) The transaction is effective November 1, 2009;

f) The scheduled closing date is December 18, 2009 (the "Closing Date");

g) The Westfire ASA is subject to certain potential adjustments including:

- Westfire can terminate the transaction if title defects valued at greater than 10% of the purchase price are uncured by the Closing Date; and

- adjustments for estimated costs and revenues apportioned as of the effective date of the transaction (November 1, 2009) with the exception of certain expenditures related to enhancing the production of the ASA Assets; and

- in the event that Action does not incur at least $300,000 of expenses approved by Westfire to enhance the production of the ASA Assets, the difference between the actual expenditures and $300,000 shall be credited to Westfire.

h) The conditions of Closing are set out in Article 5 of the Westfire ASA and require the Receiver to obtain Court approval;

i) The $2 million deposit is only refunded to Westfire in the event that the Vesting Order is not granted on or before November 30, 2009 (unless otherwise agreed) or there is a Material Adverse Effect (as defined in the Westfire ASA) and Westfire elects to terminate; and

j) The payment of $900,000 to Avonlea relating to the fees earned in connection with the Avonlea MOU.

RECEIVER'S COMMENTS ON THE WESTFIRE ASSET SALE AGREEMENT

52. The Receiver believes that the ASA Assets have been adequately exposed to the marketplace through the efforts of NBF and Avonlea as discussed above and that the purchase price contemplated in the Westfire ASA is superior to the other offers received to date and is supported by a valuation analysis reviewed by the Receiver that was completed by an independent third party.

53. The Receiver advises that National and its counsel have reviewed the terms and conditions of the Westfire ASA and support its approval.

54. The Receiver further advises that the Westfire ASA does not restrict the Receiver from pursuing alternative bids in an expedited manner. The Westfire ASA addresses the ability of the Receiver to pursue bids that are superior to that of the Westfire ASA (referred to as a "Superior Bid") in that that should the Receiver obtain a Superior Bid, a break fee will be payable by the Receiver to Westfire with the break fee payment being paid from the proceeds of closing a Superior Bid.

55. The Receiver advises that should this Honourable Court approve the Westfire ASA, the Receiver will immediately implement an expedited marketing process to determine if a Superior Bid can be obtained (the "Receiver's Marketing Process").

56. The Receiver's Marketing Process will be targeted towards parties that have previously submitted a bid on the Assets or have expressed interest in the assets. Given the time available, the Receiver does not anticipate advertising the Assets. The Receiver believes that the Receiver's Marketing Process is a sufficient mechanism to ensure that no higher bids exist given the extensive solicitation process completed by Action prior to the Receivership.

57. The Receiver's Marketing Process will commence immediately upon Court approval of the Westfire ASA and will continue for approximately three weeks. The Receiver intends to determine if a Superior Bid is available by November 20, 2009 with the intent that the Receiver will apply to Court by November 30, 2009, for a Vesting Order with respect to either the Westfire ASA or a Superior Bid, if any.

58. The Receiver has determined that the Westfire break fee of $2,000,000 is necessary to provide reasonable protection to Westfire and to allow the Receiver's Marketing Process. Westfire has completed its due diligence and while there are no financing conditions in the Westfire ASA, Westfire is concurrently pursuing financing initiatives based on the Westfire ASA, which places them at additional risk if a Superior Bid is obtained. In addition, Westfire is willing to assist the Receiver, to the extent required and requested by the Receiver, in managing the ongoing operations relating to the ASA Assets until the proposed closing, with Westfire receiving no remuneration for any such services other than receiving the break fee amount if the Westfire ASA is not closed. While the quantum of the break fee relative to the purchase price is at the higher end of the range of similar types of arrangements, the Receiver believes the proposed break fee is reasonable in the circumstances.

EXCLUDED ASSETS

59. As discussed above, the Westfire ASA does not include the Excluded Assets. The Excluded Assets comprise the following:

   a) Petroleum and natural gas properties in Alberta near Red Willow and Gallahad and in Southwestern Saskatchewan near Shackleton, Greater Shackleton, Russelton and Crane Lake with approximately 104 producing wells and approximately 140 boe/d of production;

   b) Accounts receivable are primarily composed of October petroleum and natural gas sales and outstanding joint-venture partner billings; and

   c) Certain corporate attributes including tax pools.

60. The Receiver intends to review the Excluded Assets and potential recoveries associated with these assets and will report to Court at a later date; however, the Receiver is optimistic that a structured sale of the Excluded Assets will result in additional recoveries to the estate in addition to the proceeds that would result from the closing of the Westfire ASA.

RECOMMENDATIONS

61. The Receiver recommends that the Westfire ASA be approved by this Honourable Court as this offer is the best offer received for the ASA Assets, the offer represents a fair value for the ASA Assets and will consequently provide for the greatest realization. In addition, the proposed Receiver's Marketing Process will allow a short period to determine if any Superior Bids exist.

All of which is respectfully submitted this 2nd day of November 2009.

ERNST & YOUNG INC.,
in its capacity as Receiver
of Action Energy Inc.

Deryck Helkaa, CA•CIRP
Senior Vice-President

Alex Corbett, MPAcc, CA
Manager

APPENDIX "A"

ASSET PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made this 30 day of October, 2009

BETWEEN:

ERNST & YOUNG INC., in its capacity as Receiver and Manager of the assets, undertakings and properties of **ACTION ENERGY INC.**, and not in its personal capacity (hereinafter called the "**Vendor**")

OF THE FIRST PART

- and -

WESTFIRE ENERGY LTD.,a body corporate having an office in the City of Calgary, in the Province of Alberta (hereinafter called the "**Purchaser**")

OF THE SECOND PART

WHEREAS the Vendor is a receiver appointed by the Court;

AND WHEREAS the Vendor has agreed to the sale of the Assets to the Purchaser and the Purchaser has agreed to purchase the Assets from the Vendor on the terms and conditions set forth herein;

NOW THEREFORE in consideration of the premises and the covenants and warranties herein contained, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals the Schedules and this Article 1, the following terms shall have the respective meanings hereby assigned to them:

(a) **"Abandonment and Reclamation Obligations"** means all obligations under common law, the Leases and the Regulations to:

   (i) abandon the Wells;

   (ii) decommission and remove the Tangibles, including foundations and related structures; and

   (iii) restore, remediate and reclaim the lands to which the same relate.

(b) **"Action"** means Action Energy Inc.;

(c) "**AFEs**" means the authorities for expenditure, operations' notices and mail ballots, if any, set out in Schedule "A"- Part IV under the heading "AFEs";

(d) "**Affiliate**" has the meaning attributed thereto in the *Business Corporations Act* (Alberta);

(e) "**Agreement**" means this document, together with the Schedules attached hereto and made a part hereof;

(f) "**Approval Order**" means an order to be granted by the Court which authorizes Vendor's execution of this Agreement, substantially in the form contained in Schedule "D" Part I of this Agreement;

(g) "**Assets**" means the Petroleum and Natural Gas Rights, the Tangibles, the Seismic Data and the Miscellaneous Interests ;

(h) "**Avonlea**" means Avonlea Ventures Inc.to whom a restructuring and referral fee is payable constituting 3% of the Purchase Price;

(i) "**Base Price**" means the Purchase Price but prior to any adjustments being made as provided herein;

(j) "**BOE**" means barrels of oil equivalent determined on the basis where six thousand cubic feet of natural gas (measured at standard temperature of 15 degrees Celsius and pressure of one atmosphere) is equivalent to one barrel of oil ;

(k) "**Claims**" means all claims against Action or its Affiliates or against the Assets of every nature of kind whatsoever and howsoever arising including, without limiting the generality of the foregoing, all encumbrances, liens, charges, pledges, mortgages and security interests, but excluding Permitted Encumbrances and any security for borrowings made by the Receiver;

(l) "**Closing**" means the exchange of Conveyance Documents on the Closing Date, the delivery by Purchaser of the Purchase Price, and the transfer of the Assets to the Purchaser and the Closing shall occur at the offices of Davis LLP at 1000, 250-2nd Street S.W. in the City of Calgary in the Province of Alberta;

(m) "Closing Date" means December 18, 2009 at the hour of 11:00 a.m. (local time) at which Closing is to occur as the same may be extended by agreement of the Parties, acting reasonably

(n) "**Court**" means the Court of Queen's Bench of Alberta;

(o) "**Deposit**" has the meaning specified in Article 3 herein;

(p) "**Effective Date**" means November 1st, 2009 at the hour of 12:01 A.M. local time;

(q) "**ERCB**" means the Energy Resources Conservation Board of Alberta and predecessors or successors thereof;

(r) "**Facilities**" means all production facilities(downstream of the wellhead of any Well) including flow lines, and any dehydration or other field processing or storage facilities located on the Lands, including the facilities described in Schedule "A" Part I;

(s) "**Governmental Authority**" means any government or political subdivision thereof, any agency of government appointed pursuant to the Regulations and any other body or agency having, or purporting to have, authority over the Lands , the Facilities or any operation or activity thereon or with respect thereto;

(t) "**GST**" means the goods and services tax payable pursuant to the *Excise Tax Act*, 1985 R.S.C., c. E-15, as amended, and the regulations thereunder;

(u) "**Lands**" means the lands set forth and described in Schedule "A" Part I, insofar as rights to the Petroleum Substances underlying those lands are granted by the Leases;

(v) "**Leases**" means the leases, licences, permits and other documents of title set forth and described in Schedule "A" Part I, by virtue of which the holder thereof is entitled to drill for, win, take, own or remove the Petroleum Substances within, upon or under the Lands or by virtue of which the holder thereof is deemed to be entitled to a share of Petroleum Substances removed from the Lands or any lands with which the Lands are pooled or unitized and includes, if applicable, all renewals and extensions of such documents and all documents issued in substitution therefore;

(w) **"Material Adverse Effect"** means any event, changes or effect that is materially adverse to the condition of the Assets, taken as a whole, and for this purpose a Material Adverse Effect shall be deemed to exist if the effect thereof is to reduce the value of the Assets by 10% (net of the proceeds of any insurance held for the benefit of the Purchaser) or more provided a Material Adverse Effect shall not include any material adverse event, change or effect resulting from changes in general economic conditions or conditions generally affecting the industries in which the Parties operate including, without limitation, fluctuations in the prices of petroleum, natural gas and related hydrocarbons and fluctuations in the demand for the Petroleum Substances that result from fluctuations in such prices;

(x) "**Miscellaneous Interests**" means the entire interest of Action in and to all property, assets and rights on or with respect to the Lands, other than the Petroleum and Natural Gas Rights and the Tangibles, to the extent such property, assets and rights pertain to the Petroleum and Natural Gas Rights or the Tangibles, or any rights relating thereto, including, without limitation of the generality of the foregoing, the entire interest of Action in:

(i) all contracts, agreements and documents, to the extent that they relate directly to the Petroleum and Natural Gas Rights or the Tangibles, including agreements for the sale, processing or transportation of Petroleum Substances;

(ii) all subsisting rights to enter upon, use and occupy the surface of any of the Lands, or any lands upon which any Tangibles are located or of any lands to be crossed in order to gain access to any of the Lands or the Tangibles;

(iii) all Wells including the wellbores, casing, production tubing and wellheads located on the Lands which may be used to produce Petroleum Substances from the Lands or otherwise serve the Lands; and

(iv) copies of engineering records, files, reports and data that, in the Vendor's reasonable judgement, relate directly to the Petroleum and Natural Gas Rights, any Well or the Tangibles, but excluding the Vendor's tax and financial records, economic evaluations.

Unless otherwise agreed in writing by the Parties, however, the Miscellaneous Interests shall not include agreements, documents or data to the extent that: (i) they pertain to Action's proprietary technology or interpretations; (ii) they are owned or licensed by third parties with restrictions on their deliverability or disclosure by Action to any assignee which is not an Affiliate of Action; or (iii) they are referred to specifically as exclusions in Schedule "A" Part I.

(y) **"Non-Completion Amount"** shall bear the definition given in Clause 4.1;

(z) **"Party"** means any Person bound by this Agreement.

(aa) **"Permitted Encumbrances"** means:

(i) all encumbrances, overriding royalties, net profits interests and other burdens identified in Schedule "A" Part I;

(ii) any Right of First Refusal or any similar restriction applicable to any of the Assets, as identified in Schedule "A" Part II;

(iii) the terms and conditions of the Leases, including, without limitation, the requirement to pay any rentals or royalties to the grantor thereof to maintain the Leases in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Leases;

(iv) the right reserved to or vested in any grantor, government or other public authority by the term of any Lease or by the Regulations to terminate any Lease;

(v) easements, rights of way, servitudes or other similar rights in land, including, without in any way limiting the generality of the foregoing, rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;

(vi) taxes on Petroleum Substances or the income or revenue therefrom, unless specifically excluded and governmental restrictions on production rates from the Wells or on operations being conducted on the Lands or otherwise affecting the value of any of the Assets, but excluding all such taxes incurred up to the Effective Date that have not been paid;

(vii) agreements for the sale of Petroleum Substances, which are terminable on thirty (30) days notice (without an early termination penalty or other cost) or which are identified in Schedule "A" Part III;

(viii) any authority under the Regulations and any rights reserved to or vested in any municipality or Governmental Authority to control or regulate any of the Assets in any manner;

(ix) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Action's share of the costs and expenses thereof which are not due or delinquent on the Effective Date or, if then due or delinquent are being contested in good faith by the Vendor on the Effective Date ;

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

(xi) agreements and plans relating to pooling or unitization of any of the Lands, provided that any unit agreement applicable to the Lands shall be identified in Schedule "A";

(xii) the agreements, identified in Schedule "A" Part III respecting the processing, treating or transmission of Petroleum Substances or the operation of Wells by contract field operators;

(xiii) provisions for penalties and forfeitures under agreements as a consequence of nonparticipation in operations, provided that any such penalties or forfeitures which apply to the Assets as a result of Action's or the Vendor's election not to, or failure to elect to, participate in a particular operation prior to the Effective Date shall be identified in Schedule "A" Part I; and

(xiv) liens granted in the ordinary course of business to a public utility, municipality or Governmental Authority with respect to operations pertaining to any of the Assets;

(bb) "**Person**" includes individuals, executors, administrators, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities;

(cc) "**Petroleum and Natural Gas Rights**" means the entire interest of Action in and to the Lands and, insofar as they pertain to the Lands and the Leases,or lands with which the Lands are pooled or unitized as set forth in Schedule "A" Part I;

(dd) "**Petroleum Substances**" means petroleum, natural gas, and related hydrocarbons and every other mineral or substance whether hydrocarbon or not, produced in association therewith, or any of them, the right to explore for which, or an interest in which, is granted pursuant to the Leases, but only insofar as they pertain to the Lands;

(ee) "**Pipelines**" means Action's interest in the pipelines identified in Schedule "A" Part I;

(ff) "**Prime Rate**" means the annual rate of interest designated as the base rate, by the main branch in Calgary of the National Bank of Canada for the determination of interest rates payable on Canadian dollar demand loans to its preferred commercial customers, as such rate may change from time to time;

(gg) "**Purchase Price**" means the amount payable by the Purchaser to the Vendor for the Assets pursuant to Clause 2.2, as adjusted as provided for herein;

(hh) "**Receiver**" means Ernst & Young Inc., in its capacity as Receiver and Manager of the assets, undertakings and properties of Action, appointed by the Court under action number 0901-16005 on October 28, 2009 (the "**Receivership Order**") to facilitate the sale of the Assets:

(ii) "**Regulations**" means all statutes, laws, rules, orders and regulations in effect from time to time and made by any Governmental Authority;

(jj) "**Right of First Refusal**" means any preferential right to purchase any of the Assets, held by a Third Party and identified on Schedule "A" Part II hereto to which the provisions of Article 9 shall apply;

(kk) "**Seismic Data**" means, all of Action's proprietary two dimensional ("**2D**") and three dimensional ("**3D**") seismic and geophysical data, including reproducible copies of all field tapes; all final processed stacked tapes, including migrations; segP1 format survey floppy disk and all basic field data, including shot point maps, observer reports, driller reports, computer printed survey audits, and monitor records; and, in the case of 3D seismic, the 3D surveys, bin disks, and bin maps as set out in Schedule "C" to this Agreement;

(ll) **"Specific Conveyances"** means all conveyances, assignments, transfers, registerable transfers, novations, notice of assignments and other documents and instruments that are reasonably required or desirable to convey, assign and transfer the Assets of the Purchaser and to novate the Purchaser in the place and stead of Action with respect to the Assets It shall be the responsibility of the Purchaser to prepare (at its sole cost and expense) and present at Closing for execution by Vendor (in form and substance satisfactory to Vendor, acting reasonably), all of the Specific Conveyances deemed necessary by Purchaser to transfer Action's interest in and to the Assets after Closing;

(mm) **"Tangibles"** means the entire interest of Action, whether leased or owned, in and to all tangible depreciable property, real property (other than the Leases) and assets that are:

(i) located in or on the Lands and used, or intended for use, in connection with production, processing, gathering, storage, treatment or transportation operations respecting the Petroleum Substances, including, without limitation, the Wells, the Facilities and the Pipelines,; and

(ii) any additional items or equipment, whether located on or off the Lands that are related to the Assets including any rental equipment (but, with respect to rental equipment, limited to Action's right to convey its lessee's interest therein and, in any event, excluding any proprietary information technology owned by Third Parties and licensed to Action); and

(iii) any additional items or equipment, whether located on or off the Lands that are indicated in Schedule "A" Part I to be specifically included as Tangibles;

(nn) **"Third Party"** means any Person other than the Vendor and Purchaser, ;

(oo) **"Title Defect"** means a defect or discrepancy in or affecting the title of Action in and to any of the Assets, other than as specifically disclosed herein or in Schedule "A", which is sufficiently material and adverse to the enforcement of title that it would not be acceptable to a knowledgeable, prudent purchaser buying similar oil and gas properties, acting reasonably;

(pp) **"Vesting Order"** means an order to be granted by the Court which, vests title to the Assets in Purchaser, free and clear of all Claims, substantially in the form contained in Schedule "D" Part II to this Agreement s;

(qq) **"Wells"** means the Action's entire interest in all producing, suspended, abandoned, shut-in, injection, disposal and other wells located on the Lands or any lands pooled or unitized therewith, including, without limitation, the wells listed in Schedule "A" Part I.

1.2 Schedules

The following Schedules are attached hereto and made part of this Agreement:

(a) Schedule "A", which includes:

Part I the Lands
Tangibles, Wells, Facilities & Pipelines

Part II Rights of First Refusal

Part III Marketing and Rental Agreements

Part IV AFE's

Part V Lawsuits/Claims/Environmental Notices

(b) Schedule "B", which is the form of the certificate to be provided by Purchaser pursuant to Article 5;

(c) Schedule "C" which identifies the Seismic Data; and

(d) Schedule "D" Part I which is the Approval Order and Part II which is the Vesting Order ..

1.3 References

The references "hereunder", "herein" and "hereof" refer to the provisions of this Agreement, and references to Articles, Clauses, Subclauses, Paragraphs or Subparagraphs herein refer to Articles, Clauses, Subclauses, Paragraphs or Subparagraphs of this Agreement. Any reference to time shall refer to Mountain Standard Time or Mountain Daylight Savings Time during the respective intervals in which each is in force.

1.4 Headings

The headings of the Articles, Clauses, Schedules and any other headings, captions or indices herein are inserted for convenience of reference only and shall not be used in any way in construing or interpreting any provision hereof.

1.5 Singular/Plural

Whenever the singular or masculine or neuter is used in this Agreement or in the Schedules, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires.

1.6 Use Of Canadian Funds

All references to "dollars" or "$" herein shall refer to lawful currency of Canada unless the contrary is specified or provided for elsewhere in this Agreement.

1.7 Derivatives

Where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.

1.8 Interpretation If Closing Does Not Occur

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

1.9 **Conflicts**

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

ARTICLE 2
PURCHASE AND SALE

2.1 **Agreement Of Purchase And Sale**

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

2.2 **Allocation Of Purchase Price**

The monetary consideration payable by the Purchaser for the Assets is THIRTY MILLION DOLLARS ($30,000,000.00), and shall be allocated among the Assets as follows:

To Petroleum and Natural Gas Rights	$23,280,000.00
To Tangibles	$5,819,999.00
To Avonlea	$900,000.00
To Miscellaneous Interests	$ 1.00
BASE PRICE	$30,000,000.00

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

2.4 There shall be added to the Purchase Price an amount equal to interest on the Base Price calculated at the Prime Rate plus 1% from the Effective Date until the Closing Date.

2.5 On or before Closing, the Parties shall meet and attempt, in good faith, to agree on any adjustments to be made to the Purchase Price to reflect any expenses paid prior to the Effective Date by Action, all or part of which are attributable to any period or periods commencing on the Effective Date, the benefit of which will be enjoyed by the Purchaser. If such agreement is reached, the Purchase Price shall be adjusted upwards to reflect the benefit enjoyed by Purchaser.

2.6 The Parties acknowledge that that portion of the Purchase Price payable to Avonlea will be paid to, or for the account of, Avonlea at Closing by the Purchaser.

2.7 Joint Election

The Parties agree to make a joint successor election under section 66.7 of the *Income Tax Act* (Canada) in respect of all of the cumulative resource tax accounts of Action as permitted thereunder. Each Party agrees to complete and file such elections in the form and within the time periods prescribed or specified under such Act so as to transfer such cumulative resource tax pools from Action to Purchaser to the maximum extent permitted under such Act.

2.8 GST

At Closing, Purchaser shall be solely responsible for all sales taxes, transfer taxes, fees, charges, levies or similar assessments which may be imposed by any Governmental Authority and pertaining to its acquisition of the Assets or to the circulation and registration of the Specific Conveyances. The Purchase Price does not include GST. Vendor (to the extent required) and Purchaser agree to prepare and execute GST Form 44 in respect of the Assets to the effect that no GST shall be payable thereon. Purchaser shall file GST Form 44 within the limits prescribed in the *Excise Tax Act*. If GST is payable in respect of the purchase of the Assets pursuant hereto, Purchaser shall be responsible for the payment of, and shall indemnify and save harmless Vendor and the Receiver in respect of, the GST and all interest and penalties payable pursuant to the *Excise Tax Act* in respect thereof. The GST registration number of Action is 13481 6651 RT0001. The GST registration number of Purchaser is 86817 6942.

ARTICLE 3
DEPOSIT

3.1 Payment of Deposit

Upon execution and delivery of the non-binding letter of intent dated October 16, 2009, the Purchaser has paid by wire transfer, bank draft or solicitors trust cheque or in immediately available funds to Purchaser's Counsel as a non-refundable deposit, unless otherwise specified herein, against the payment of the Purchase Price, the amount of $2,000,000.00 (the "**Deposit**"); and:

(a) Forthwith after execution by Purchaser of this Agreement, the Deposit shall be paid to Vendor's Counsel;

(b) Vendor's Counsel shall hold the Deposit in an interest bearing account on behalf of the Parties, subject to the terms hereof on execution of this Agreement;

(c) if Closing occurs, the Deposit together with the interest actually earned thereon, shall be applied to payment of the Purchase Price

(d) if Closing does not occur due to Purchaser's failure to tender payment of the Purchase Price on the Closing Date (in which event Vendor shall have the right, on written notice to Purchaser, to terminate this Agreement), the Deposit, together with interest thereon shall immediately become the sole property of the Vendor or

(e) if Closing does not occur due to the following reasons:

    (i) the Vesting Order is not granted on or before November 30, 2009 or such later date, if any,as may be agreed between the Vendor and the Purchaser; or

(ii) there is a Material Adverse Effect with respect to the Assets and the Purchaser elects to terminate this Agreement therefore,

the Deposit plus the interest actually earned thereon, shall be returned to the Purchaser and the Parties shall be released from all of their obligations hereunder.

3.2 Deposit as Damages

The Parties agree that the amount of the Deposit constitutes their genuine estimate of all damages that will be suffered by Vendor or Purchaser as a result of Closing not occurring and that Vendor's retention ,or payment to Purchaser, of the Deposit together with payment of any applicable Non-Completion Amount as provided in Article 4 shall constitute liquidated damages to, and be the sole remedy of, the Vendor or the Purchaser, as the case may be, as a result of Closing not occurring.

ARTICLE 4
NON-COMPLETION AMOUNT

4.1 Non-Completion Amount Payable in Addition to Deposit Forfeiture

Should Closing not occur and this Agreement terminate due to the acceptance by the Vendor or the Court of a competing offer to purchase the Assets and the successful closing of the sale contemplated by Vendor's acceptance of such offer (the "**Third Party Sale**"), the Vendor shall pay the Purchaser a Non-Completion Amount of $2,000,000.00 (the "**Non-Completion Amount**") in immediately available funds to an account designated by the Purchaser. The Vendor's liability for the Non-Completion Amount shall arise immediately upon termination of this Agreement as an amount due and payable to the Purchaser from the proceeds of the Third Party Sale..

The Parties agree that the Non-Completion Amount shall not constitute a penalty or fee but rather is intended as a liquidated damages amount that is intended to reimburse the Purchaser for its time, efforts and costs (including opportunity costs) by entering this Agreement and attempting to complete the transactions contemplated herein. The Vendor forever waives any rights it may have to raise a defence that the Non-Completion Amount is excessive or punitive. The Purchaser shall be entitled to the benefit of and be granted a charge on the Assets as security for the payment of the Non-Completion Amount that will rank in priority to all other Third Parties with Claims against Action or the Assets.

ARTICLE 5
CONDITIONS OF CLOSING

5.1 Required Consents

It is a condition precedent to Closing that any and all approvals required under the Regulations and any and all material consents of Third Parties required to permit the transactions to be completed shall have been obtained or that such approval or consent requirement shall have been waived or otherwise lapsed. It is a condition precedent to Closing that any and all Rights of First Refusal shall have been waived, expired or exercised as provided in Article 9 Each of the Parties shall use all reasonable efforts to obtain any such consent. Notwithstanding the foregoing, the Parties acknowledge that the consent of buyers under production sale agreements may not be obtainable until after Closing and that the acquisition of such consents shall not be a condition precedent to Closing.

5.2 Court Approval

The Receiver will seek approval of the Court to Complete the transactions contemplated by this Agreement, within a reasonable time after execution of this Agreement by the Parties, including the payment of the Non-Completion Amount, if earned, all as required by the Receivership Order. The obligations of the Parties to complete the transactions contemplated by this Agreement are subject to the condition, which is for the benefit of both Parties , that on or prior to Closing the Vendor shall have obtained the Approval Order and the Vesting Order and no stay or appeal of either order or application to vary either order will be in effect or filed as at the Closing Date. Should this condition not be satisfied, this Agreement will terminate on the Closing Date and Vendor shall return the Deposit together with interest actually earned thereon to Purchaser whereupon neither Party shall have any further obligation hereunder to the other Party.

5.3 Purchaser's Conditions

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

(a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and as of the Closing Date

(b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been duly and timely performed in all material respects;

(c) Purchaser shall be satisfied, acting reasonably that no Material Adverse Effect to the Assets shall have occurred between the Effective Date and the Closing date;

(d) Purchaser shall not have received any written notification from the ERCB that the ERCB will refuse to recognize the Purchaser as the owner of the Assets or will refuse to approve the transfer of any applicable licenses or permits relating to the Assets, should Closing occur;

(e) Vendor shall have provided the nominees of the Purchaser with reasonable access to the Vendor's records and documents pertaining to the Assets pursuant to Article 10, in order to confirm Action's title to the Assets; and

(f) Vendor shall have performed or complied in all material respects with each of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Closing Date;

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Closing Date, the Purchaser may rescind this Agreement by written notice to Vendor. If Purchaser rescinds this Agreement in accordance with this Clause 5.1, each of Purchaser and Vendor shall be released and discharged from all obligations hereunder except as provided in Article 13.

5.4 Efforts to Fulfil Conditions of Closing

Vendor shall proceed diligently and in good faith and use diligent commercial efforts to satisfy and comply with and assist in the satisfaction and compliance with the conditions precedent specified in Clause 5.3. If there is a condition precedent that is to be satisfied or complied with prior to the Closing Date, and if, by the time the condition precedent is to be satisfied or complied with, the Vendor fails to notify the Purchaser whether or not the condition precedent has been satisfied or complied with, the condition precedent shall be conclusively deemed to have been satisfied or complied with.

5.5 Waiver of Conditions

The conditions in Clause 5.2 are for the sole benefit of the Purchaser. The Purchaser may waive any of them, in whole or in part, by written notice to the Vendor, without prejudice to any of the rights of the Purchaser , including, without limitation, reliance on or enforcement of the representations, warranties or covenants which are preserved and pertain to conditions similar to the condition so waived. However, the Purchaser may not waive the existence and operation of any Right of First Refusal or, without the concurrence of the Vendor, any required consent of a third party to the Vendor's disposition of any of the Assets.

Failure to Satisfy Conditions

In the event any of the conditions in Clause 5.2 has not been satisfied at or before the Closing Date and such condition has not been waived by the Party for the benefit of which such condition has been included, such Party may terminate this Agreement by written notice to the other Party. However a Party may not terminate this Agreement in such manner after Closing and its remedies thereafter, if any, with respect to the failure to satisfy such condition shall be limited to damages.

ARTICLE 6
MAINTENANCE OF BUSINESS

6.1 Assets To Be Maintained In Proper Manner

The Vendor shall continue to maintain the Assets in a proper and prudent manner in accordance with good oil field practice and the Regulations until Closing. The Vendor shall maintain insurance respecting the Assets during the period between the Effective Date and the Closing date Provided Closing occurs, the proceeds of any such insurance shall be the property of the Purchaser.

6.2 Material Commitments

(a) Until Closing, the Vendor shall not (except as otherwise contemplated in this Agreement) , without the prior written consent of the Purchaser:

(i) voluntarily assume any obligation or commitment with respect to the Assets, where the Vendor's share of the expenditure associated with such obligation or commitment is estimated to exceed $25,000.00 provided that Vendor agrees to use reasonable efforts to expend, during the period commencing on the Effective Date and terminating on the Closing Date, up to $300,000.00 in activities on the Lands, such activities to be subject to the prior review and approval of Purchaser, to enhance the production of Petroleum Substances from the Lands. Any amount expended on such activities shall not be reimbursed to Vendor under this Agreement and, should the actual expenditures be less than $300,000.00, the difference shall be credited to the Purchaser and comprise an adjustment to the Purchase Price otherwise payable under Article 2;

(ii) surrender or abandon any of the Assets;

(iii) amend any agreement or enter into any new agreement respecting the Assets other than renewals, in the ordinary course of business, of agreements in effect on the Effective Date;

(iv) propose or initiate the exercise of any right (including bidding rights at Crown sales, rights under area of mutual interest provisions and rights of first refusal) or option relative to, or arising as a result of the ownership of the Assets, or propose or initiate any operations on the Lands which have not been commenced or committed to by the Vendor as of the earlier of the date of this Agreement or the Effective Date, if such exercise or option would result in either an obligation of the Purchaser hereunder after the Effective Date or a Material Adverse Effect on the value of any of the Assets;

(v) sell, transfer or otherwise dispose of the Assets, or any of them, subject to the provisions of Article 9; or

(vi) grant a security interest or any encumbrance with respect to any of the Assets other than as permitted by the Receivership Order to secure Receiver's borrowings.

However, the Vendor may assume such obligations or commitments and propose or initiate such operations or exercise any such right or option without the prior consent of the Purchaser, if the Vendor reasonably determines that such expenditures or actions are necessary for the protection of life or property, in which case the Vendor shall promptly notify the Purchaser of such intention or actions and the Vendor's estimate of the costs and expenses associated therewith.

(b) If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in an obligation of the Purchaser pursuant to Subclause 6.2(a), the following Paragraphs shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

(i) the Vendor shall promptly give notice of the Proposal to the Purchaser, including with such notice the particulars of such Proposal in reasonable detail;

(ii) the Purchaser shall, not later than forty-eight (48) hours prior to the time the Vendor is required to make its election with respect to the Proposal, advise the Vendor, by notice, whether it wishes the Vendor to exercise its rights with respect to the Proposal on behalf of and at the sole cost of the Purchaser, provided that failure of the Purchaser to make such election within such period shall be deemed to be an election by the Purchaser to participate in the Proposal;

(iii) the Vendor shall make the election authorized by the Purchaser with respect to the Proposal within the period during which the Vendor may respond to the Proposal; and

(iv) the election by the Purchaser not to participate in any Proposal required to preserve the existence of any of the Assets shall not entitle the Purchaser to any reduction of the Purchase Price in the event that the Vendor's interest therein is terminated as a result of such election, and such termination shall not constitute a failure of the Vendor's representations and warranties pertaining to such Assets, notwithstanding Clause 7.2.

6.3 Maintenance Of Assets Until Novations Completed

Following Closing and to the extent that the Purchaser must be, and has not then been, novated into operating agreements or other agreements governing any of the Assets, the following provisions shall apply with respect to such Assets from the Effective Date until the novation has been effected:

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

(b) the Vendor shall forthwith provide to the Purchaser all authorizations for expenditure, notices, specific information and other documents the Vendor receives with respect to the Assets, and shall respond to such authorizations for expenditure, notices, information and other documents pursuant to the written instruction of the Purchaser, if received on a timely basis, provided that the Vendor may (but shall not be obligated to) refuse to follow instructions which it reasonably believes to be unlawful, unethical or in conflict with an applicable contract; and

(c) the Vendor shall forthwith deliver to the Purchaser all revenues, proceeds and other benefits received by the Vendor with respect to the Assets, less the share of the applicable lessor royalties, operating costs, treating, processing and transportation expenses and those other costs and expenses directly associated with the Assets and the production of Petroleum Substances, provided that the Vendor shall not be permitted to deduct from such revenues, proceeds and other benefits any other costs and expenses it incurs as a result of such delivery to the Purchaser.

6.4 Vendor Deemed Agent Of Purchaser

(a) Insofar as the Vendor maintains the Assets and takes actions with respect thereto on behalf of the Purchaser pursuant to this Article, the Vendor shall be deemed to have been the duly authorized agent of the Purchaser hereunder. The Purchaser ratifies all actions taken by the Vendor or refrained from being taken by the Vendor pursuant to the terms of this Article 6 in such capacity during such period, with the intention that all such actions shall be deemed to be those of the Purchaser.

(b) Insofar as the Vendor participates in either operations or the exercise of rights or options as the agent of the Purchaser pursuant to this Article, the Vendor may require the Purchaser to secure the costs to be incurred by the Vendor on behalf of the Purchaser pursuant to such election in such manner as may be reasonably appropriate in the circumstances.

(c) The Purchaser shall indemnify the Vendor and its directors, officers, servants, agents or employees against all liabilities, losses, costs (including legal costs on a solicitor client basis), claims or damages which the Vendor or its directors, officers, servants, agents or employees may suffer or incur as a result of maintaining the Assets as the agent of the Purchaser pursuant to this Article, insofar as such liabilities, losses, costs, claims or damages are not a direct result of the gross negligence or wilful misconduct of the Vendor or its directors, officers, servants, agents or employees. An action or omission of the Vendor or its directors, officers, servants, agents or employees shall not be regarded as gross negligence or wilful misconduct, however, to the extent it was done or omitted to be done in accordance with the instructions of or with the concurrence of the Purchaser.

6.5 Restriction On Purchaser's Proposal Of Operations

Prior to Closing and except to the extent provided in this Article or permitted under an operating agreement, unit agreement or other agreement to which the Vendor is a party as of the Effective Date, the Purchaser shall not, without the written consent of the Vendor, propose to the Vendor, or request the Vendor to propose to others, the conduct of any operations on the Lands or the exercise of any right or option respecting the Assets.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES OF PARTIES

7.1 Vendor's Representations And Warranties

The Vendor represents and warrants to the Purchaser that:

(a) **Standing**: The Vendor is the duly appointed Receiver and Manager of the assets, undertakings and properties of Action

(b) **Requisite Authority**: The Vendor has the requisite capacity, power and authority to execute this Agreement and to perform the obligations to which it thereby becomes subject, provided that Vendor shall have no liability for the discharge by it of any obligation hereunder unless and until the Approval Order has been granted;

(c) **Execution and Enforceability**: This Agreement has been validly executed and delivered by the Vendor, and this Agreement and all other documents executed and delivered on behalf of the Vendor hereunder shall, subject to approval of the Court, constitute valid and binding obligations of the Vendor enforceable in accordance with their respective terms and conditions;

(d) **Residency for Tax Purposes**: Action is not a non resident of Canada within the meaning of the *Income Tax Act* (Canada);

(e) **No Finders' Fees**: The Purchaser shall not have any responsibility for any obligation or liability, contingent or otherwise, for brokers' or finders' fees, if any, incurred by the Vendor with respect to the transactions herein.;

7.2 Purchaser's Representations And Warranties

The Purchaser represents and warrants to the Vendor that:

(a) **Standing**: The Purchaser is a corporation, duly organized, valid and subsisting under the laws of its jurisdiction of incorporation, and duly registered and authorized to carry on business in each jurisdiction in which the Lands are located;

(b) **Requisite Authority**: The Purchaser has the requisite capacity, power and authority to execute this Agreement and the Conveyance Documents and to perform the obligations to which it thereby becomes subject;

(c) **No Conflict**: The execution and delivery of this Agreement and the completion of the purchase of the Assets in accordance with the terms of this Agreement are not and will not be in violation or breach of, or be in conflict with:

(i) any term or provision of the charter, by-laws or other governing documents of the Purchaser; or

(ii) the Regulations or any judicial order, award, judgement or decree applicable to the Purchaser;

(d) **Execution and Enforceability**: The Purchaser has taken all actions necessary to authorize the execution and delivery of this Agreement and, as of the Closing Date, the Purchaser shall have taken all actions necessary to authorize and complete the purchase of the Assets in accordance with the provisions of this Agreement. This Agreement has been validly executed and delivered by the Purchaser, and this Agreement and all other documents executed and delivered on behalf of the Purchaser hereunder shall constitute valid and binding obligations of the Purchaser enforceable in accordance with their respective terms and conditions;

(e) **Residency for Tax Purposes**: The Purchaser is not a non resident of Canada within the meaning of the *Income Tax Act* (Canada);

(f) **No Sales Commission**: The Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees with respect to the transactions herein for which the Vendor shall have any responsibility;

(g) **Purchaser As Principal**: The Purchaser is acquiring the Assets in its capacity as a principal, and is not purchasing the Assets for the purpose of resale or distribution to a Third Party; and

(h) **Well Licences**: The Purchaser satisfies all qualification requirements of all Governmental Authorities to purchase, to take a transfer of and to hold the Assets, including without limitation, the requirements of the ERCB to have the licences for the Wells and Facilities transferred to Purchaser.

7.3 Survival Of Representations And Warranties

Each Party acknowledges that the other may rely on the representations and warranties made by such Party pursuant to Clause 7.1or 7.2, as the case may be. Subject to Subclause 6.2(b)(iv), the representations and warranties in Clauses 7.1 and 7.2 shall be true on the Effective Date and on the Closing Date, and such representations and warranties shall continue in full force and effect and shall survive the Closing Date for a period of one (1) year, for the benefit of the Party for which such representations and warranties were made. In the absence of fraud, however, no claim or action shall be commenced with respect to a breach of any such representation or warranty, unless, within such period, written notice specifying such breach in reasonable detail has been provided to the Party which made such representation or warranty.

7.4 No Merger

The representations and warranties in Clauses 7.1 and 7.2 shall be deemed to apply to all Specific Conveyances conveying any of the Assets from Action to the Purchaser. There shall not be any merger of any of such representations or warranties in such Specific Conveyances, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

7.5 No Additional Representations Or Warranties By Vendor

(a) The Vendor expressly negates any representations or warranties, whether written or verbal, made by the Vendor, its agents, servants or employees except as expressly stated in Clause 5.1 and in particular, without limiting the generality of the foregoing, the Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated (orally or in writing) to the Purchaser or any of its employees, agents, consultants or representatives. The Assets shall be purchased on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by the Vendor, express or implied, arising at law, by statute or in equity or otherwise with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by the Vendor, express or implied, arising at law, by statute or in equity or otherwise with respect to:

(i) the value of the Assets;

(ii) the quality, condition, fitness, merchantability or serviceability of the Assets;

(iii) the suitability of the Assets use for any purpose; or

(iv) compliance with Regulations.

(b) Without restricting the generality of the foregoing, the Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of the Vendor's interests in the Assets and the state and condition thereof and that it has relied solely on such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.

(c) Except with respect to the representations and warranties in Clause 7.1 or in the event of fraud, the Purchaser forever releases and discharges the Vendor and its directors, officers, servants, agents and employees from any claims and all liability to the Purchaser or the Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to the Purchaser by the Vendor or its directors, officers, servants, agents or employees prior to or pursuant to this Agreement, including, without limitation, any evaluations, projections, reports and interpretive or non factual materials prepared by or for the Vendor, or otherwise in the Vendor's possession.

ARTICLE 8
LIABILITY AND INDEMNIFICATION

8.1 Responsibility Of Purchaser

Provided that Closing has occurred, the Purchaser shall:

(a) be liable to the Vendor for all losses, costs, damages and expenses whatsoever which the Vendor may suffer, sustain, pay or incur; and

(b) indemnify and save the Vendor and its directors, officers, servants, agents and employees harmless from and against all claims, liabilities, actions, proceedings, demands, losses, costs, damages and expenses whatsoever which may be brought against or suffered by the Vendor, its directors, officers, servants, agents or employees or which they may sustain, pay or incur;

as a direct result of any matter or thing arising out of, resulting from, attributable to or connected with the Assets and occurring or accruing subsequent to the Effective Date or arising from the breach of any representation, warranty or covenant of the Purchaser contained in this Agreement, except any losses, costs, damages, expense, claims, liabilities, actions, proceedings and demands to the extent that the same either are reimbursable by insurance maintained by the Vendor or are caused by the gross negligence or wilful misconduct of the Vendor, its directors, officers, servants, agents, employees or assigns. The responsibility prescribed by this Clause, however, does not provide either an extension of any representation or warranty contained in Clause 7.2 or an additional remedy for the Purchaser's breach of such a representation or warranty.

8.2 Assets Acquired On "As Is" Basis

Notwithstanding the foregoing provisions of this Article, the Purchaser acknowledges that it is acquiring the Assets on an "as is" basis, as of the Effective Date. The Purchaser acknowledges that it is familiar with the condition of the Assets, including the past and present use of the Lands and the Tangibles, that the Vendor has provided the Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of the Purchaser (insofar as the Vendor could reasonably provide such access) and that the Purchaser is not relying upon any representation or warranty of the Vendor as to the condition, environmental or otherwise, of the Assets, except as is specifically made pursuant to Clause 7.1. Provided that Closing has occurred, the Purchaser further agrees that, as of the Effective Date, it shall:

(a) be solely liable and responsible for any and all losses, costs, damages and expenses which the Vendor may suffer, sustain, pay or incur; and

(b) indemnify and save the Vendor and its directors, officers, servants, agents and employees harmless from any and all claims, liabilities, actions, proceedings, demands, losses, costs, damages and expenses whatsoever which may be brought against or suffered by the Vendor, its directors, officers, servants, agents or employees or which they may sustain, pay or incur;

as a direct result of any matter or thing arising out of, resulting from, attributable to or connected with acts or omissions pertaining to environmental damage or contamination or other environmental problems pertaining to the Assets, however or by whomever the same occurred, whether such claims, demands, losses, costs, risks or expenses arose prior or subsequent to the Effective Date including any matters relating to:

(a) surface, underground, air, groundwater or surface contamination;

(b) the abandonment or plugging of any Wells;

(c) the Abandonment and Reclamation Costsof any part of the Assets;

(d) the breach of any Regulations, as the same relate to the environment, in effect at any time; or

(e) the removal of or failure to remove any foundations, structure or equipment from the Lands.

Once Closing has occurred, the Purchaser shall be solely responsible for all of the foregoing environmental liabilities respecting the Lands, the Abandonment and Reclamation of the Wells and the reclamation of the Lands as between the Vendor and the Purchaser, and hereby releases the Vendor from any claims the Purchaser may have against the Vendor with respect to all such liabilities and responsibilities, except for any claims which the Purchaser may have for the breach of a representation or warranty made by the Vendor pursuant to Clause 7.1.

8.3 No Merger Of Legal Responsibilities

The liabilities and indemnities created in this Article shall be deemed to apply to, and shall not merge in, all and any Specific Conveyances conveying any of the Assets from Action to the Purchaser, notwithstanding the terms of such Specific Conveyances, the Regulations or any rule of law or equity to the contrary, and all such rules are hereby waived.

8.4 Substitution And Subrogation

Insofar as is possible, each Party shall have full rights of substitution and subrogation in and to all covenants, representations and warranties by others previously given or made in respect of the Assets or any of them.

8.5 Responsibility Extends To Legal Costs

Notwithstanding any provision to the contrary contained in this Article, references to costs in the liability and indemnification obligations prescribed by Clauses , 8.1 and 8.2 shall be deemed to include reasonable legal costs on a solicitor client basis.

ARTICLE 9
RIGHTS OF FIRST REFUSAL

9.1 Preferential Right Of Purchase

(a) If any of the Assets are subject to a preferential right of purchase or similar restriction, or if the disposition herein requires the consent of any Third Party, the Vendor shall promptly serve all notices as are required under such preferential purchase or consent provision and advise the Purchaser in writing which of the Assets are subject to preferential rights of purchase or other similar restriction. Unless otherwise agreed by the Purchaser, each such notice shall include a request for a waiver of any preferential or similar right to purchase any of the Assets and for the granting of any consent that may be required.

(b) The Purchaser shall provide to the Vendor the value placed by the Purchaser, for the purposes of this purchase, on any of the Assets with respect to which the Vendor is required to give notice pursuant to this Clause. Should any Third Party elect to exercise its preferential right of purchase, that portion of the Assets shall be deemed to be removed from the definition of Assets and the description of the Assets contained in Schedule A Part I shall be deemed to be amended to exclude such Assets, such Assets shall not be conveyed to the Purchaser and the Purchase Price shall be reduced by an amount equal to the bona fide value allocated to such Assets by the Purchaser and the GST and any other applicable taxes based on the Purchase Price, if any, shall be reduced accordingly. Notwithstanding the foregoing, Purchaser shall be liable to Vendor for any amount of the Purchase Price allocated by it to any Lands subject to a Right of First Refusal which is determined, following any arbitration by the Third Party holding such right, to be in excess of the fair market value of the Lands subject to such right.

9.2 Operatorship And Third Parties

Nothing in this Agreement shall be interpreted as any assurance by the Vendor that the Purchaser will be able to serve as operator with respect to any of the Assets in which interests are held by Third Parties, whether or not such Assets are presently operated by the Vendor.

ARTICLE 10
PURCHASER'S REVIEW

10.1 Vendor To Provide Access

The Vendor shall, subject to the Regulations and all contractual and fiduciary obligations and limits:

(a) provide the Purchaser and its nominees reasonable access to Action's records, files and documents directly relating to the Assets, for the purpose of the Purchaser's review of the Assets and Action's title thereto, including, without limitation, the Leases and applicable operating agreements, unit agreements, overriding royalty agreements and production sale contracts; and

(b) provide the Purchaser and its nominees with a reasonable opportunity to inspect the Assets at the Purchaser's sole cost, risk and expense, insofar as the Vendor can reasonably provide such access to the Assets.

10.2 Title Defects

(a) The Purchaser shall conduct its review of Action's title to the Assets with reasonable diligence. Not later than ten (10) days prior to the Closing Date, the Purchaser shall give the Vendor written notice of the Title Defects which the Purchaser does not waive. Such notice shall specify such Title Defects in reasonable detail, the Assets directly affected thereby and the Purchaser's requirements for the rectification or curing thereof. The Vendor shall thereupon diligently make reasonable efforts to cure such Title Defects not later than two (2) days prior to the Closing Date or shall ensure that such Title Defects are cured pursuant to the Vesting Order.

(b) Insofar as the Title Defects described in the Purchaser's notice have not been cured to the Purchaser's reasonable satisfaction, but subject to Clause 0 with respect to prior Third Party rights and required consents, the following shall apply:

   (i) the Purchaser may elect to waive such uncured Title Defects and proceed with Closing;

   (ii) where the cumulative value of the Title Defects amounts to less than ten percent (10%) of the Purchase Price, the Purchaser shall complete the purchase of the Vendor's interest in and to the Assets without adjustment of the Purchase Price on account of such defects or omissions; or

      (A) where the cumulative Title Defect amounts in respect of all uncured Title Defects is equal to or greater than ten percent (10%) of the Purchase Price , Purchaser shall elect in its sole discretion on or before the Closing Date to grant a further period of time in which the Vendor may use commercially reasonable efforts to cure or remove or cause to be removed the uncured Title Defects, or

(iii) if the portion of the Purchase Price applicable to the Assets directly affected by the applicable uncured Title Defects is ten (10%) or more of the Purchase Price, as determined by agreement of the Parties, then either Party may elect to terminate this Agreement.

However, failure of the Purchaser to make an election pursuant to Subclause 10.2(b) at or before the Closing Date shall be deemed to be its election to waive the Title Defects and to Close under this Agreement on the Closing Date.

ARTICLE 11
THIS ARTICLE INTENTIONALLY DELETED

ARTICLE 12
EXCLUSIVITY

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12.1 -Solicitation and Permitted Negotiations with Third Parties

From and after the date hereof, the Vendor shall be entitled to authorize or permit any of its Representatives to, directly or indirectly, solicit, initiate or encourage (including by way of furnishing information) or participate in or take any action to facilitate any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to a Take-over Proposal from any Person, and engage in any discussion, negotiations or inquiries relating thereto and accept any Take-over Proposal; and, in consideration of Vendor's obligations under Article 4: may:

(a) engage in discussions or negotiations with a Third Party who seeks to participate in such discussions or negotiations and may furnish to such Third Party information concerning the Assets that has previously been provided to, or is in the possession of, Purchaser with the view of effecting a Take-Over Proposal;

(b) in furtherance of the foregoing, the Vendor may disclose to any such Third Party any confidential information including, but not limited to, the terms and provisions of this Agreement; and

(c) upon the closing of a Take-over Proposal acceptable to the Vendor, this Agreement shall terminate and Purchaser's sole right shall be to receive, from the proceeds of sale payable under the Take-over Proposal, the Non-Completion Amount.;

In this Article 12 "**Take-over Proposal**" means a proposal or offer (verbal or written) by a Third Party (other than by Purchaser or an Affiliate of Purchaser), whether or not subject to a due diligence condition, to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the Assets or to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the outstanding securities of Action, whether by way of an arrangement, amalgamation, merger, consolidation or other business combination, by means of a sale of shares, sale of assets, tender offer or exchange offer or similar transaction involving Action, including any single or multi-step transaction or series of related transactions that are structured to permit such Third Party to acquire beneficial ownership of all or a material portion of the Assets or to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the outstanding securities of Action (in all cases other than the transactions contemplated by this Agreement).

ARTICLE 13
CONFIDENTIALITY

13.1 Purchaser's Obligation To Maintain Information as Confidential

Information respecting the Assets shall be retained in confidence and used only for the purposes of this Agreement and shall not be disclosed, used, dealt with or exploited by Purchaser for any other purpose, provided that upon Closing, the Purchaser's rights to use or disclose such information shall be subject only to any operating, unit or other agreements that may apply thereto. Any additional information obtained as a result of such access which does not relate to the Assets shall continue to be treated as confidential and shall not be disclosed, used, dealt with or exploited by the Purchaser without the prior written consent of the Vendor. However, the restrictions on disclosure and use of information in this Agreement shall not apply to information to the extent it:

(a) is or becomes publicly available through no act or omission of the Purchaser or its consultants or advisors;

(b) is subsequently obtained lawfully from a third party, which, after reasonable inquiry, the Purchaser does not know to be bound to the Vendor to restrict the use or disclosure of such information; or

(c) is already in the Purchaser's possession at the time of disclosure, without restriction on disclosure.

However, specific items of information shall not be considered to be in the public domain merely because more general information respecting the Assets is in the public domain.

13.2 Consultants And Advisors Bound

If the Purchaser employs consultants, advisors or agents to assist in its review of the Assets pursuant to Article 10, the Purchaser shall be responsible to the Vendor for ensuring that such consultants, advisors and agents comply with the restrictions on the use and disclosure of information set forth in this Article 13.

ARTICLE 14
WAIVER

14.1 Waiver Must Be In Writing

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

ARTICLE 15
ASSIGNMENT

15.1 Assignments Before Closing

Prior to Closing, neither Party may assign its interest in or under this Agreement or to the Assets without the prior written consent of the other Party, except as may be required by the Vendor to comply with its obligations respecting any Right of First Refusal, as provided in Article 9.

15.2 Assignments By Purchaser After Closing

No assignment, transfer or other disposition of this Agreement or all or any portion of the Assets by the Purchaser after Closing shall relieve the Purchaser from its obligations to the Vendor herein. The Vendor shall have the option to claim payment or performance of such obligations from the Purchaser or the assignee or transferee, and to bring proceedings in the event of default against either or all of them, provided that nothing herein shall entitle the Vendor to receive duplicate payment or performance of the same obligation.

ARTICLE 16
NOTICE

16.1 Service Of Notice

Notwithstanding anything to the contrary contained herein, all notices required or permitted hereunder shall be in writing. Any notice to be given hereunder shall be deemed to be served properly if served in any of the following modes:

(a) personally, by delivering the notice to the Party on which it is to be served at that Party's address for service. Personally served notices shall be deemed to be received by the addressee when actually delivered as aforesaid, provided that such delivery shall be during normal business hours on any day other than a Saturday, Sunday or statutory holiday in Alberta. If a notice is not delivered on such a day or is delivered after the addressee's normal business hours, such notice shall be deemed to have been received by such Party at the commencement of the addressee's first business day next following the time of the delivery;

(b) by telecopier or facsimile (or by any other like method by which a written message may be sent) directed to the Party on which it is to be served at that Party's address for service. A notice so served shall be deemed to be received by the addressee when actually received by it, if received within normal business hours on any day other than a Saturday, Sunday or statutory holiday in Alberta or at the commencement of the next ensuing business day following transmission if such notice is not received during such normal business hours; or

(c) by mailing it first class (air mail if to or from a location outside of Canada) registered post, postage prepaid, directed to the Party on which it is to be served at that Party's address for service. Notices so served shall be deemed to be received by the addressee at noon, local time, on the earlier of the actual date of receipt or the fourth (4th) day (excluding Saturdays, Sundays and statutory holidays in Alberta) following the mailing thereof. However, if postal service is (or is reasonably anticipated to be) interrupted or operating with unusual delay, notice shall not be served by such means during such interruption or period of delay.

16.2 Addresses For Notices

The address for service of notices hereunder of each of the Parties shall be as follows:

VENDOR:
Ernst & Young Inc.
c/o Davis LLP
1000, 250 2nd Street S.W.
Calgary, Alberta T2P 0C1
Attention: Larry Robinson, Q.C.

PURCHASER:
Westfire Energy Ltd.
c/o Burnet Duckworth & Palmer
1400, 350 – 7th Avenue S.W.
Calgary, Alberta T2P 2Y3
Attention: Doug Nishimura

16.3 Right To Change Address

A Party may change its address for service by notice to the other Party, and such changed address for service thereafter shall be effective for all purposes of this Agreement.

ARTICLE 17
PUBLIC ANNOUNCEMENTS

17.1 Approval Required for Press Releases

(a) The Parties shall cooperate with each other in relaying to Third Parties information concerning this Agreement and shall receive written approval from the other Party of all press releases and other releases of information prior to publication which approval may not be unreasonably withheld. However, nothing in this Clause shall prevent a Party from furnishing any information to any Governmental Authority or to the public, insofar only as is required by the Regulations or securities laws applicable to such Party, provided that a Party which proposes to make such a public disclosure shall, to the extent reasonably possible, provide an officer of the other Party with a draft of such statement a sufficient time prior to its release to enable such other Party to review such draft and advise that Party of any comments it may have with respect thereto.

(b) Notwithstanding Subclause 17.1(a), the Vendor shall be permitted to disclose information pertaining to this Agreement and the identity of the Purchaser, to the extent required to enable the Vendor to fulfil its obligations pertaining to preferential rights of purchase and other third party rights, in accordance with Article 9 and such disclosure as Vendor believes is necessary or advisable to obtain the Receivership Order and the Vesting Order..

17.2 Signs And Notification To Governmental Authorities

Following Closing, the Vendor may remove any signs which indicate the Action's ownership or operation of the Assets. If the Purchaser will be the operator of the Assets, it shall be the responsibility of the Purchaser to erect or install any signs required by Governmental Authorities which pertain to the Assets. In addition, the Purchaser shall be responsible for advising Governmental Authorities, contractors, suppliers and other affected Third Parties of the Purchaser's interest in the Assets, subject to Article 5 and Article 9.

ARTICLE 18
MISCELLANEOUS PROVISIONS

18.1 Further Assurances

At the Closing Date and thereafter as may be necessary, the Parties shall execute, acknowledge and deliver such instruments and take such other actions as may be reasonably necessary to fulfil their respective obligations under this Agreement.

Purchaser shall provide Vendor with reasonable access to, and Vendor may retain or subsequently obtain from Purchaser copies or photocopies of, any of the documents comprised in Miscellaneous Interests that it considers necessary to enable it to comply with any laws or the requirements of any authority or to conduct audits relating to the period prior to the Closing Date. Such right of access shall terminate Twenty-Four (24) months after the Closing Date.

18.2 Governing Law

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

18.3 Time

Time shall be of the essence in this Agreement

18.4 No Amendment Except In Writing

Subject to Clause 16.3, this Agreement may be amended only by written instrument executed by the Vendor and the Purchaser.

18.5 Consequences Of Termination

If this Agreement is terminated in accordance with its terms prior to Closing, then except for the provisions of Article 13 and Article 3 and Article 4 and the covenants, warranties, representations or other obligations breached prior to the time at which such termination occurs, the Parties shall be released from all of their obligations under this Agreement. If this Agreement is so terminated, the Purchaser shall promptly return to the Vendor all materials delivered to the Purchaser by the Vendor hereunder, together with all copies of them that may have been made by or for the Purchaser.

18.6 Supersedes Earlier Agreements

This Agreement supersedes all other agreements between the Parties with respect to the Assets and expresses the entire agreement of the Parties with respect to the transactions contained herein.

18.7 **Enurement**

Subject to the provisions of Article 15, this Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF the Parties have duly executed this Agreement.

ERNST & YOUNG INC., in its capacity as Receiver and Manager of the assets, undertakings and properties of Action Energy Inc. and not in its personal capacity.	**WESTFIRE ENERGY LTD.**
Per: ______________________	Per: ______________________
•	•
Per: ______________________	Per: ______________________
•	•

This is SCHEDULE "A" – PART I to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc., as Vendor, and Westfire Energy Ltd. as Purchaser

LAND SCHEDULES

Schedule "A" is not attached because of bulk.
Copies available on request from the Receiver.

This is SCHEDULE "A" - PART II to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc. as Vendor, andWestfire Energy Ltd., as Purchaser

RIGHTS OF FIRST REFUSAL

Schedule "A" is not attached because of bulk.
Copies available on request from the Receiver

This is SCHEDULE "A" – PART III to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc., as Vendor, and Westfire Energy Ltd., as Purchaser

MARKETING AGREEMENTS/ RENTAL AGREEMENTS

Schedule "A" is not attached because of bulk.
Copies available on request from the Receiver

This is SCHEDULE "A" – PART IV to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc., as Vendor and Westfire Energy Ltd. as Purchaser

AUTHORIZATIONS FOR EXPENDITURE

Schedule "A" is not attached because of bulk.
Copies available on request from the Receiver

This is SCHEDULE "A" – PART V to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc., as Vendor and Westfire Energy Ltd. as Purchaser

LAWSUITS/ CLAIMS /ENVIRONMENTAL NOTICES

Schedule "A" is not attached because of bulk.
Copies available on request from the Receiver

This is SCHEDULE "B" to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc., as Vendor, and Westfire Energy Ltd., as Purchaser

(VENDOR'S/PURCHASER'S) OFFICER'S CERTIFICATE

RE: Article 7 of the Agreement of Purchase and Sale ("Agreement") dated • between Action Energy Inc. as Vendor, and Westfire Energy Ltd. as Purchaser.

Unless otherwise stated, the definitions provided for in the Agreement are adopted in this Certificate.

I, (• Name), (• Position) of (• Name of party) (• "the Vendor" or "the Purchaser") hereby certify that as of the date of this Certificate:

1. Each of the covenants, representations and warranties of the (• Vendor/Purchaser) contained in Article 7 of the Agreement was true and correct in all material respects as of the Effective Date and is true and correct in all material respects as of the Closing Date.

2. This Certificate is made for and on behalf of the (• Vendor/Purchaser) and is binding upon it, and I am not incurring and will not incur any personal liability whatsoever with respect to it.

3. This Certificate is made with full knowledge that the (• Vendor/Purchaser) is relying on the same for the Closing of the transactions contemplated by the Agreement.

IN WITNESS WHEREOF I have executed this Certificate this ____ day of ____________, 2009.

• (Name of Vendor/Purchaser)

Per: ________________________________

•

This is SCHEDULE "C" to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc., as Vendor, and Westfire Energy Ltd., as Purchaser

SEISMIC DATA

Schedule "C" is not attached because of bulk.
Copies available on request from the Receiver

This is SCHEDULE "D" – PART I to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc., as Vendor, and Westfire Energy Ltd., as Purchaser

Action No. 0901-16005

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

NATIONAL BANK OF CANADA

Plaintiff

- and -

ACTION ENERGY INC., NORTHERN GAS MARKETING INC. and GRIFFON PETROLEUM INC.

Defendants

Before The Honourable Madam Justice B.E.C. Romaine In Chambers	))))	At the Courts Centre, in the City of Calgary, in the Province of Alberta, on Thursday, the 5th day of November, 2009.

ORDER

UPON the application of Ernst & Young Inc. in its capacity as Receiver and Receiver and Manager (the "**Receiver**") of Action Energy Inc. ("**Action**"); **AND UPON** reading the First Report of the Receiver dated November 2, 2009, filed, and the Asset Purchase and Sale Agreement dated October 30, 2009 between the Receiver and Westfire Energy Ltd. (the "**ASA**") attached thereto; **AND UPON** hearing counsel for the Receiver and counsel for other interested parties; **AND UPON** it appearing that the ASA is in the best interests of Action and its creditors;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. Service of notice of this application and the supporting materials is deemed to be good and sufficient, and the time for service is abridged to the time actually given;

Defined Terms

2. All capitalised terms not defined herein shall have the meanings defined in the First Report of the Receiver and the ASA (as applicable);

Approval of the Transaction

3. The ASA is commercially reasonable and is hereby authorised and approved. The Receiver is hereby authorised and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the terms of the ASA.

4. The Receiver is hereby authorised and directed to perform or cause to be performed the covenants of the ASA substantially in accordance with its terms, subject to such amendments as the Receiver and the Purchaser may approve which do not materially and adversely affect the terms therein;

5. The Non-Completion Amount and the security interest granted in support thereof in the ASA are commercially reasonable and are hereby authorised and approved;

6. The Receiver shall be at liberty to apply for an Order vesting title to the assets subject to the ASA in the Purchaser prior to the Closing Date if the Receiver reasonably believes that the Closing will occur and a Third Party Sale is not anticipated;

Miscellaneous

7. This Honourable Court hereby requests the aid and recognition of any court or administrative body in any province of Canada, the Federal Court of Canada, any administrative tribunal or other court constituted pursuant to the Parliament of Canada or any of its provinces or territories and any federal or state court or administrative body in the United States of America or any other foreign courts or any administrative body or other tribunal to act in aid of and to be complimentary to this Court in carrying out the terms of this Order;

8. The Receiver is at liberty to reapply for further advice, assistance and direction as may be necessary to give full force and effect to the terms of this Order.

J.C.C.Q.B.A.

ENTERED this _____ day of November, 2009.

Clerk of the Court of Queen's Bench

Action No. 0901-16005

IN THE COURT OF QUEEN'S BENCH
OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

NATIONAL BANK OF CANADA

Plaintiff

- and -

ACTION ENERGY INC., NORTHERN GAS MARKETING INC. and GRIFFON PETROLEUM INC.

Defendants

ORDER

DAVIS LLP
Barristers & Solicitors
1000 - 250 2nd St. SW
Calgary, Alberta
T2P 0C1

Larry B. Robinson, Q.C.
Phone: 403.698.8715
Fax: 403.697.6609
File No. 38689-00001

This is SCHEDULE "D" – PART II to an Agreement of Purchase and Sale dated •, 2009 between Ernst & Young Inc., in its capacity as Receiver-Manager of Action Energy Inc., as Vendor, and Westfire Energy Ltd., as Purchaser

Action No. 0901-16005

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

NATIONAL BANK OF CANADA

PLAINTIFF

- and -

ACTION ENERGY INC., NORTHERN GAS MARKETING INC. and GRIFFON PETROLEUM INC.

DEFENDANTS

Before The Honourable ____ Justice	)	At the Courts Centre, in the City of Calgary, in
____________________	)	the Province of Alberta, on _____day, the ____
	)	day of _____, 20___.
In Chambers	)	

ORDER

UPON the application of Ernst & Young Inc. in its capacity as Receiver and Receiver and Manager (the "Receiver") of Action Energy Inc. ("Action"); **AND UPON** reading the First Report of the Receiver dated _______, 2009, filed, and the Asset Purchase and Sale Agreement dated October 30, 2009 between the Receiver and Westfire Energy Ltd. (the "ASA") attached thereto; **AND UPON** hearing counsel for the Receiver and counsel for other interested parties; **AND UPON** it appearing that the ASA is in the best interests of Action and its creditors; **AND UPON** noting the Order of the Honourable _____________ approving the ASA granted _________, 2009;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. Service of notice of this application and the supporting materials is deemed to be good and sufficient, and the time for service is abridged to the time actually given;

Defined Terms

2. All capitalised terms not defined herein shall have the meanings defined in the First Report of the Receiver and the ASA (as applicable);

Vesting Provisions

3. Upon Closing, all of Action's right, title, interest, estate and equity of redemption in and to the Assets shall, without further instrument of transfer or assignment, vest in the Purchaser in accordance with and as contemplated by the ASA absolutely and forever, free and clear of and from any and all claims by, through, or under Action, and free and clear of and from any and all estate, right, title, interest, and liens, including but not limited to, claims, hypothecs, mortgages, charges, liens (whether contractual, statutory or otherwise), security interests, assignments, actions, levies, taxes (including any unpaid property taxes in respect of the Assets), judgments, writs of execution, trusts or deemed trusts (whether contractual, statutory or otherwise), options, agreements, disputes, debts, easements, covenants, caveats, encumbrances or other rights, limitations or restrictions of any nature whatsoever including, without limitation, any rights or interests of any creditors of Action whether or not they have attached or have been perfected, registered or filed, whether secured or unsecured or otherwise, whether liquidated, unliquidated or contingent (all of the foregoing being collectively referred to hereinafter as "the Claims"), excepting only the Permitted Encumbrances, and whether such Claims came into existence prior to, subsequent to, or as a result of any previous order of this Court, by or of all persons or entities of any kind whatsoever, including, without limitation, all individuals, firms, corporations, partnerships, joint ventures, trusts, unincorporated organizations, governmental and administrative bodies, agencies, authorities or tribunals and all other natural persons or corporations, whether acting in their capacity as principals or as agents, trustees, executives, administrators or other legal representatives (collectively, the "Claimants"), including for greater certainty and without limiting the generality of the foregoing: (i) the Claims held by or in favour of the individuals and entities served (either directly or through their solicitors) with this Application; and (ii)

the beneficiary of any Claims created or provided for pursuant to any previous Order of this Court in these proceeding;

4. The Purchaser shall, by virtue of the completion of the transaction, have no liability of any kind whatsoever to any Claimants in respect of any Claims any of the Claimants may have against Action;

5. Other than a certified copy of this Order and a letter from Davis LLP, counsel to the Receiver, authorising the use of this Order (the "Authorisation Letter"), no further authorisation or approval or other action by any governmental authority or regulatory body exercising jurisdiction over the Assets shall be required for the Closing and post-Closing implementation of the transaction contemplated in the ASA;

Discharge of Registrations

6. The Receiver is authorised and directed to deliver to the Purchaser at Closing a general conveyance and specific conveyances signed by the Receiver in the manner provided for in Paragraph 8 of this Order, and upon filing of a certified copy of this Order and the Authorisation Letter, together with any applicable registration fees, the appropriate government authorities are hereby directed to register such transfers, discharges, discharge statements or conveyances, as may be required to convey clear title to the Assets to the Purchaser except for Permitted Encumbrances. Without limiting the foregoing:

   (a) the Registrars of the North and South Alberta Land Registration Districts (the "Registrars") shall, notwithstanding subsection 191(1) of the *Land Titles Act*, R.S.A. 2000, c. L-4 (Alberta), as amended, cancel and discharge the claims registered against the interests of Action in respect of freehold properties located in the Province of Alberta and, without limiting the generality of the foregoing, the Registrars shall cancel and discharge the claims identified in Schedule 1 to this Order. For greater and further certainty, the Registrars shall not cancel and discharge the registration of any claims registered against the estates or interests other than the estate or interest of Action; and

(b) the Ministry of Energy for Alberta acting pursuant to section 99 of the *Mines and Minerals Act*, R.S.A. 2000, c. M-17 (Alberta), as amended and sections 36 and 47 of the *Builders' Lien Act*, R.S.A. 2000, c. B-7 (Alberta), as amended, is hereby directed to cancel and discharge the claims registered against the estate or interest of Action in and to the Assets located in the Province of Alberta including, and without limiting the generality of the foregoing, the Minister of Energy shall cancel and discharge the claims identified in Schedule 2 to this Order. For further certainty, the Minister of Energy shall not cancel and discharge the registration of such builders' liens, security interests or builders' lien statements registered against estates or interests other than the estate of interest of Action;

Proceeds to Stand in Place

7. The net proceeds of the sale of the Assets shall stand in the place and stead of the Assets and all Claims not identified as Permitted Encumbrances shall, to the extent that they are not paid from the net sale proceeds or otherwise, cease to be attached to or encumber or otherwise form a lien or a claim against the Assets and shall attach to the net sale proceeds with the same validity, priority and in the same amounts, and subject to the same defences, that existed when the Claims attached to the Assets.

Miscellaneous

8. Any transfers, assignments, or other conveyances in respect of the Assets to be registered at any Land Titles Office, Alberta Energy or any other government agency, shall be deemed to be validly executed if signed in the following manner:

Ernst & Young Inc., in its capacity as Receiver and Receiver and Manager of Action Energy Inc., and not in its personal capacity.

Per: ______________________

9. The transaction contemplated in the ASA shall not be void or voidable and shall not constitute nor shall be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other challengeable or reviewable transaction under the

Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended or any other applicable federal or provincial legislation, and the transaction, or any actions taken in connection therewith, shall not constitute conduct meriting an oppression remedy;

10. Nothing in this Order shall prejudice any person's *in personam* claim against Action;

11. This Honourable Court hereby requests the aid and recognition of any court or administrative body in any province of Canada, the Federal Court of Canada, any administrative tribunal or other court constituted pursuant to the Parliament of Canada or any of its provinces or territories and any federal or state court or administrative body in the United States of America or any other foreign courts or any administrative body or other tribunal to act in aid of and to be complimentary to this Court in carrying out the terms of this Order;

12. The Receiver is at liberty to reapply for further advice, assistance and direction as may be necessary to give full force and effect to the terms of this Order.

____
J.C.C.Q.B.A.

ENTERED this _____ day of _________, 2009.

____
Clerk of the Court of Queen's Bench

Schedule 1

Schedule 2

Action No. 0901-16005

IN THE COURT OF QUEEN'S BENCH OF ALBERTA JUDICIAL DISTRICT OF CALGARY

BETWEEN:

NATIONAL BANK OF CANADA

PLAINTIFF

- and -

ACTION ENERGY INC., NORTHERN GAS MARKETING INC. and GRIFFON PETROLEUM INC.

DEFENDANTS

ORDER

DAVIS LLP
Barristers & Solicitors
1000 - 250 2nd St. SW
Calgary, Alberta
T2P 0C1

Larry B. Robinson, Q.C.
Phone: 403.698.8715
Fax: 403.697.6609
File No. 38689-00001

Action No. 0901-16005

IN THE COURT OF QUEEN'S BENCH
OF ALBERTA

JUDICIAL DISTRICT OF CALGARY

BETWEEN:

NATIONAL BANK OF CANADA

Plaintiff

- and -

ACTION ENERGY INC., NORTHERN GAS MARKETING INC. and GRIFFON PETROLEUM INC.

Defendants

FIRST REPORT OF THE RECEIVER OF ACTION ENERGY INC.

DAVIS LLP
Barristers & Solicitors
1000 - 250 2nd St. SW
Calgary, Alberta
T2P 0C1

Larry B. Robinson, Q.C.
Phone: 403.698.8715
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