

January 29, 2004

Pacific Coast Offshore Oil and Gas Association
PO Box 166
Prince Rupert, BC V8J 3P6

Attention: Mr. Shane Deinstadt

This letter confirms the agreement between Her Majesty the Queen in Right of the Province of British Columbia represented by the British Columbia Offshore Oil and Gas Team ("the Province") and the Pacific Coast Offshore Oil and Gas Association (the "Organization") in respect of the Project, on the terms set out below (the "Agreement").

1. PROJECT

- 1.1 The Organization will carry out and complete the project described in Appendix 1 (the "Project") in accordance with the budget set out in Appendix 2.

2. REPRESENTATIONS AND WARRANTIES

- 2.1 The Organization represents and warrants that it has the authority to enter into this Agreement and to carry out and complete the Project. The Organization acknowledges that the Province is relying on these representations and warranties in entering into this Agreement and in paying the Province's Contribution to the Organization.

3. ELIGIBLE COSTS

- 3.1 "Eligible Costs" are those costs and expenses described in the budget attached in Appendix 2, and incurred by the Organization in carrying out and completing the Project.

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4. PROVINCE'S CONTRIBUTION

- 4.1 The Province will provide \$129,563.24 to the Organization for the Project, (the "Province's Contribution") subject to the terms of this Agreement.
- 4.2 In no circumstances whatsoever is the Province obligated to provide any funding to the Organization in excess of the Province's Contribution.
- 4.3 The Organization will use the Province's Contribution only for the purpose of defraying Eligible Costs.

5. PAYMENT

- 5.1 The Province will pay the Province's Contribution to the Organization as set out below, within 30 days of receipt from the Organization, of the documents and or actions referred to below:
 - a) \$64,781.62 following receipt of an executed copy of this Agreement;
 - b) \$32,390.81 following the first Project information session and a joint review of results of the first session by the Province and PCOOGA.
 - c) \$19,434.49 following the last Project information session and providing an informal interim report to the Province.
 - d) \$12,956.32 following receipt of the financial statement referred to in section 11.1(b) and a final Project report, both in a form satisfactory to the Province.

6. TERM OF THE AGREEMENT

- 6.1 This Agreement is for a term commencing upon the receipt by the Province of a fully executed copy of this Agreement and ending on the Project Completion Date.

7. PROJECT COMPLETION DATE

- 7.1 The Organization will complete the Project on or before April 30, 2004 (the "Project Completion Date").

8. INDEPENDENT RELATIONSHIP

- 8.1 Neither the Organization nor its servants, agents or employees will be the servant, employee, or agent of the Province.
- 8.2 The Organization will not, in any manner whatsoever, commit or purport to commit the Province:
- (a) to the payment of money to any person, firm, or corporation; or
 - (b) to take or refrain from taking any action of any kind whatsoever.

9. REPORTS

- 9.1 The Organization will:
- (a) fully inform the Province's Representatives in the manner prescribed by them of the work done and to be done by the Organization in connection with the Project as set out in Appendix 1; and
 - (b) immediately advise the Province of any expected cost overruns and/or delays in completing the Project, in accordance with section 13.2 This provision will not restrict the Province's entitlement to limit its obligations under, or terminate, this Agreement.

10. INSPECTION

- 10.1 The Organization will permit the Province's representatives at all reasonable times to inspect, examine and review any and all accounting records, findings, data, prints, specifications, drawings, working papers, reports, documents and all audio, visual and print material whether complete or otherwise that have been produced, received or acquired by the Organization as a result of the Project.
- 10.2 At the request of the Province, the Organization will provide the Province a copy of all of its completed documents and materials used in or in support of the Project.
- 10.3 If the Organization does not complete the Project, the Organization will permit the Province to copy all accounting records, findings, data, prints, specifications, drawings, working papers, reports, documents and all audio, visual and print material whether complete or otherwise that have been produced, received or acquired by the Organization as a result of the Project.

11. ACCOUNTING/AUDIT

11.1 The Organization will:

- (a) maintain financial records in accordance with generally accepted accounting principles, and
- (b) provide a financial statement of the Project audited by an independent auditor recognized in the Province of British Columbia, no later than April 30, 2004.

12. APPROPRIATION

12.1 Notwithstanding any other provision of this Agreement, the payment of money by the Province to the Organization is subject to:

- (a) there being sufficient monies available in an appropriation, as defined in the Financial Administration Act (the Financial Administration Act and every amendment made to that Act being collectively called the "Act"), in any fiscal year or part thereof when any payment of money by the Province to the Organization falls due pursuant to this agreement, to make that payment; and
- (b) Treasury Board, as defined in the Act, not having controlled or limited expenditure, pursuant to the Act, under any appropriation referred to in the preceding paragraph.

13. DEFAULT AND REMEDIES/REPAYMENT

13.1 The Organization will be in default of this Agreement if:

- (a) it breaches any provision of this Agreement, or fails to fulfill any of its obligations set out in Appendix I; or
- (b) if the audited statement required above contains a denial of opinion or adverse opinion.

13.2 If the Organization is in default, or if the Organization believes that there is a reasonable likelihood that it will be in default, it will notify the Province immediately. After the Province receives that notice the Parties will meet as soon as practicable to review the situation.

- 13.3 Notwithstanding the requirement to meet set out in section 13.2, the Province may, at any time, at its discretion:
- (a) withhold any amounts otherwise payable under this Agreement;
 - (b) require the Organization to take reasonable steps to remedy the default;
 - (c) take other steps the Province deems appropriate; or
 - (d) terminate this Agreement.
- 13.4 Notwithstanding sections 13.1-13.3, if for any reason, the Project is not completed to the satisfaction of the Province, the Organization will repay to the Province the amount of the Province's Contribution paid to the Organization by the Province under this Agreement within 30 days of receipt by the Organization of a written request for repayment from the Province.
- 13.5 If the total Eligible Costs of the Project, as determined by the Province, are less than the amount of the Province's Contribution paid by the Province to the Organization under this Agreement, the Organization will repay that difference to the Province within 30 days of receipt by the Organization of a written request for payment of that difference from the Province.

14. PROVINCIAL REPRESENTATIVE

- 14.1 Any person designated by me from time to time as the Provincial Representative, may act for the Province with respect to communications, and all matters arising under this Agreement with respect to the Project. Until you are advised to the contrary, Steven Simons, attached to the BC Offshore Oil and Gas Team, is the Provincial Representative.

15. NOTICES

- 15.1 Where in this Agreement any notice or other communication is required to be given by any of the Parties, it will be made in writing. It will be effectively given:
- (a) by delivery to the address of the party set out below, on the date of delivery;
or,
 - (b) by pre-paid registered mail, to the address of the party set out below, on the fifth business day after mailing; or
 - (c) by facsimile, to the facsimile number of the party, mentioned in this agreement, on the date the facsimile is sent.

The address and facsimile numbers of the parties are:

Province:

BC Offshore Oil and Gas Team
Ste 250 – 1675 Douglas Street
Victoria, BC V8W 2G5
Fax: (250) 356-0582

Organization:

Pacific Coast Offshore Oil and Gas Association
PO Box 166
Prince Rupert, BC V8J 3P6
Fax: (250) [REDACTED]

The address or facsimile number set out above may be changed by notice in the manner set out in this section.

16. AMENDMENTS

16.1 This Agreement may only be amended by the agreement in writing of both Parties.

17. INDEMNITY

17.1 The Organization will indemnify and save harmless the Province from and against any and all losses, claims, damages, actions, causes of action, cost and expenses that the Province may sustain, incur, suffer or be put to by reason of any act or omission of the Organization, or by any servant, employee, or agent of the Organization carrying out or completing the Project.

18. APPENDICES

18.1 Appendices 1 and 2 are part of this Agreement.

ACCEPTANCE

Please confirm your acceptance of the terms and conditions of this Agreement, by dating and executing all three copies of this Agreement in the space and manner indicated below and returning two copies to me, free of any conditions, at your earliest convenience. You may retain one copy for your records. Note that in signing or executing below, you are committing to an agreement, which is binding on the Pacific Coast Offshore Oil and Gas Association.

The Province recognizes that the Project is a positive and valuable contribution to the promotion of economic development in British Columbia I look forward to receipt of your confirmation.

Yours truly,

Jack Ebbels, Deputy Minister
British Columbia Offshore Oil and Gas Team
Ministry of Energy and Mines

Executed this ____ day of _____, 2004.

Agreed to this ____ day of _____, 2004

Pacific Coast Offshore Oil and Gas Association

Shane Deinstadt

APPENDIX 1

Attached to and forming part of the
Contribution Agreement
between
the British Columbia Offshore Oil and Gas Team
and
Pacific Coast Offshore Oil and Gas Association

The Pacific Coast Offshore Oil and Gas Association will:

- Design a three-hour information and education session suitable to the general public covering the topic of Offshore Oil and Gas including, but not limited, to such topics as:
 - Resource and resource potential including information relevant to basins off the west coast of British Columbia.
 - Environmental considerations including facts on seismic surveying, oil spill protection, coexistence with other ocean based industries, etc.
 - Industry facts on the phases of offshore oil and gas exploration, discovery, development, and decommissioning timelines.
 - Offshore technology.
 - Role of regulation or rules under which an industry might operate, including the role of environmental assessment and role of public consultation.
 - Local direct and indirect benefits and opportunities.
- Conduct up to eight community based public education and information sessions (sessions) on the offshore oil and gas industry.
- Conduct the sessions in North Coast and Queen Charlotte communities of Prince Rupert, Terrace, Kitimat, Masset, Port Clements, and Queen Charlotte City.
- Conduct the sessions in the communities of Port Simpson and Kitkatla at the invitation of the community.
- Conduct first session by or near March 1, 2004.
- Conclude last session by or near March 30, 2004.
- Conduct joint review with BC Offshore Oil and Gas Team following first session and before second session.
- Provide the Province with an informal interim report after the last session.

- Conduct sessions in such a way as to allow for ease of access and free admission to the general public.
- Moderate the sessions in order to allow attendees to participate in information exchange.
- Advertise the sessions using local media and networks.
- Make information available to communities post session via hard copy hand out material available at the information sessions, and subsequently in a community service center (i.e., post office, Chamber of Commerce, library) and the PCOOGA web site.
- Make every effort to work in conjunction with local community representatives in planning and scheduling sessions.
- Provide a feedback mechanism for public attendees.
- Review each session based on feedback and adjust the delivery and/or information accordingly.
- Provide a final Project report to the Offshore Oil and Gas Team within 30 days of the delivery of the final session.

APPENDIX 2

Project Budget for Community Information Sessions

Speaker Costs:

Six Speakers \$ [redacted] per day per speaker for ten days ([redacted]) \$ [redacted]
Travel expenses for six speakers to and from northwest \$ [redacted]

Accommodations six presenters:

Ten nights @ \$ [redacted] per night x 6 speakers ([redacted]) \$ [redacted]
Meals @ 10 days @ \$ [redacted] per day for 6 speakers ([redacted]) \$ [redacted]

Facilitator and Recorder:

Facilitator Cost @ \$ [redacted] per day x 8 days ([redacted]) \$ [redacted]
Recorder Cost @ \$ [redacted] per day x 8 Days ([redacted]) \$ [redacted]
(Facilitator and recorder not necessary on travel days 1or 10)
Eight nights @ \$ [redacted] per night x 2 ([redacted]) \$ [redacted]
Meals @ \$ [redacted] per persons for 8 days x 2 ([redacted]) \$ [redacted]

Transportation to Communities around the Northwest
For six speakers plus facilitator and recorder:

Van Rental \$ [redacted]
Air Charter \$ [redacted]

Administration Cost:

Rental of halls, coordinator/administrator and support service fees, equipment rentals (sound and projector and related equip.), advertising, photocopying, development and hand out packages, final report, and miscellaneous items: \$ [redacted]

Total Budget: \$ **129,563.24**