PARTNERSHIP DISSOLUTION AND CONVEYANCE AGREEMENT

THIS PARTNERSHIP DISSOLUTION AGREEMENT is made as of the 1st day of August, 2005.

AMONG:

1120403 ALBERTA LTD., a corporation incorporated under the laws of the Province of Alberta (**"403"**)

- and -

OLAF ENERGY LIMITED PARTNERSHIP, a limited partnership formed under the laws of the Province of Alberta (**"Olaf"**)

- and -

KRANG ENERGY HEAVY OIL PARTNERSHIP, a general partnership formed under the laws of the Province of Alberta (the **"Partnership"**)

WHEREAS Viking and Olaf are the only partners of the Partnership.

AND WHEREAS the Partners wish to wind up and dissolve the Partnership as provided for in Section 8.1(b) of the Partnership Agreement and, in the course thereof, distribute all of the Partnership Property to the Partners *in specie*, in accordance with the terms hereof.

AND WHEREAS the Partners intend that subsection 98(3) of the *Income Tax Act* (Canada) shall apply to the transactions described herein.

THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

ARTICLE I
INTERPRETATION

1.1 Definitions

In this Agreement and the recitals hereto, the following words and expressions have the following respective definitions:

(a) **"Agreement"** means this Partnership Dissolution and Conveyance Agreement, together with all schedules attached hereto, as may be amended from time to time;

(b) **"Applicable Law"** means:

(i) all applicable federal, provincial, local and municipal laws, statutes, by-laws, rules, regulations and orders; and

(ii) all applicable judgments, orders and decrees of all courts, arbitrators and Government Authorities and bodies exercising similar functions in actions or proceedings in which the person in question is a Party or by which it is bound or having application to the transaction or event in question;

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

(d) "**Business Day**" means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;

(e) "**Effective Date**" means August 1, 2005;

(f) "**ETA**" means the *Excise Tax Act* (Canada);

(g) "**Government Approvals**" means all authorizations, orders, permits, licences and approvals that are:

(i) necessary or required for the use, operation or ownership of the facilities, if any; and

(ii) issued pursuant to Applicable Law;

(h) "**Government Authority**" means any federal, provincial, state or local government or any department, agency, board or tribunal of, or established by such government which has jurisdiction over any of the Partnership Property;

(i) "**GST**" means the goods and services tax provided for in the ETA;

(j) "**Lands**" means the lands set out in Schedule "A" under the heading "Lease Description/Rights Held";

(k) "**Leased Substances**" means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);

(l) "**Liabilities**" means all legal obligations and liabilities of any kind or nature owing or accrued, whether absolute or contingent, ascertained or unascertained;

(m) "**Managing Partner**" means Olaf;

(n) "**Miscellaneous Interests**" means all property, assets, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, but only to the extent that such property, assets, interests and rights pertain

to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including without limitation any and all of the following:

(i) contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including without limitation all Government Approvals and all production and marketing contracts, gas purchase contracts, processing agreements, transportation agreements and agreements for the construction, ownership and operation of facilities;

(ii) fee simple rights to, and rights to enter upon, use or occupy, the surface of any lands which are or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, excluding any such rights that pertain only to a well or wells other than the Wells;

(iii) all records, books, documents, licences, reports and data which relate to the Petroleum and Natural Gas Rights and the Tangibles, or either of them;

(iv) the Wells, including the wellbores and any and all casing; and;

(v) the Seismic;

(o) "**Partners**" means, collectively, Viking and Olaf and "**Partner**" means either one of them;

(p) "**Partnership Agreement**" means the Partnership Agreement August 31, 2004, among Krang Energy Inc. and 1120403 Alberta Ltd., as amended and restated from time to time;

(q) "**Partnership Property**" means all of the Partnership's property, assets and liabilities, whether real, personal or intangible, of every kind and description and howsoever held by the Partnership as of the Effective Date, including, but not limited to:

(i) the Assets;

(ii) the balance of all bank accounts and all cash and cash equivalents maintained or held by or on behalf of the Partnership;

(iii) all amounts due to or receivable by the Partnership; and

(iv) all prepaid expenses and deposits;

(r) "**Party**" means 403, Olaf or the Partnership and "**Parties**" means all of them;

(s) "**Petroleum and Natural Gas Rights**" means all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title

Documents pertain to the Lands), including without limitation the interests set out in Schedule "A";

(t) **"Petroleum Substances"** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including without limitation sulphur;

(u) **"Seismic"** means all records, books, documents, licenses, reports and data associated with the Partnership seismic line or lines, including without limitation:

(i) all permanent records of basic field data including but not limited to, any and all microfilm or paper copies of seismic driller's reports, monitor records, observers reports and survey notes and any and all copies of magnetic filed tapes or conversions thereof;

(ii) all permanent records of the processed filed data including, but not limited to, any and all microfilm or paper copies of shot point maps, pre- and post-stacked record sections including amplitude, phase and structural displays, post-stack data manipulations including filters, migrations and wavelet enhancements, and any and all copies of final stacked tapes and any manipulations and conversions thereof; and

(iii) in the case of 3D seismic, in addition to the foregoing, all permanent records or bin locations, bin fold, static corrections, surface elevations and any other relevant information;

(v) **"Tangibles"** means, subject to any and all limitations and exclusions provided for in this definition, any facilities and any and all tangible depreciable property and assets other than such facilities which are located within, upon or in the vicinity of the Lands and which are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them or in connection with water injection or removal operations that pertain to the Petroleum and Natural Gas Rights, including without limitation any and all gas plants, oil batteries, buildings, production equipment, pipelines, pipeline connections, meters, generators, motors, compressors, treaters, dehydrators, scrubbers, separators, pumps, tanks, boilers, communication equipment, and all salvageable equipment pertaining to the Wells;

(w) **"Title Documents"** means, collectively, any and all certificates of title, leases, reservations, permits, licences, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements granting, reserving or otherwise conferring rights to (i) explore for, drill for, produce, take, use or market Petroleum Substances, (ii) share in the production of Petroleum

Substances, (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced, and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands;

(x) "**VHI**" means Viking Holdings Inc., a corporation governed by the laws of the Province of Alberta; and

(y) "**Wells**" means all wells which are, have been or may be used in connection with the Petroleum and Natural Gas Rights, including, without limitation, producing, shut-in, water source, water disposal and water injection wells.

1.2 Interpretation

Unless otherwise stated or the context otherwise necessarily requires, in this Agreement:

(a) references herein to any agreement or instrument, including this Agreement, shall be a reference to the agreement or instrument as varied, amended, modified, or supplemented or replaced from time to time;

(b) words importing the singular number only shall include the plural and vice versa;

(c) "including", "includes" and like terms means "including without limitation" and "includes without limitation";

(d) the headings of Articles, Sections, and Subsections in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;

(e) the terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement in its entirety and include any agreement supplemental hereto; and

(f) unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections, Subsections and Paragraphs are to Articles, Sections, Subsections and Paragraphs of this Agreement and references herein to Schedules are references to Schedules to this Agreement.

ARTICLE II
PARTNERSHIP PROPERTY AND LIABILITIES

2.1 Distribution of Partnership Property

Effective as of the Effective Date, the Partnership hereby conveys, transfers and assigns to the Partners, in proportion equal to their respective percentage interest in the Partnership, an undivided interest in each property comprising the Partnership Property and the Partners hereby accept from the Partnership, in proportion equal to their respective percentage interest in the Partnership, an undivided interest in each property comprising the Partnership Property.

2.2 Value of Partnership Property

The Parties agree that the fair market value of the Partnership Property shall be described and allocated as set forth in Schedule "B".

2.3 Assumption of Partnership Liabilities

The Partners, in proportion equal to their respective percentage interest in the Partnership, do hereby assume all of the Liabilities of the Partnership effective as of the Effective Date.

2.4 No Representations or Warranties

The Partners acknowledge that they are receiving the Partnership's interest in and to the Partnership Property in the aforesaid manner on an "as is, where is" basis, without representation and warranty by the Partnership or any third party.

ARTICLE III
DISSOLUTION

3.1 Dissolution of Partnership

The Parties agree that the Partnership shall be dissolved and wound-up immediately following the transfer of the Partnership Property to, and the assumption of Liabilities by, the Partners as described in sections 2.1 and 2.3.

3.2 Information Returns

403 and VHI, on behalf of Olaf, shall file the annual information return for the Partnership and any other returns required to be filed under the *Income Tax Act* (Canada) and the ETA or any other applicable tax legislation in respect of the dissolution of the Partnership. 403 shall provide Olaf all information relating to the Partnership, in a suitable form, that is necessary for Olaf to prepare its Canadian income tax returns.

3.3 Corporate Filings

The Partners shall make the necessary filings with the Office of the Registrar of Corporations for the Province of Alberta, and any other jurisdiction in which the Partnership carried on its business activities, to report the dissolution of the Partnership and to cancel the Certificate of Partnership for the Partnership.

3.4 Retaining Records

The Managing Partner shall retain the general corporate records, the financial and accounting records and the income tax and goods and services tax returns of the Partnership that relate to or were created with respect to matters arising or relating to the period of time to and including the Effective Date.

relate to or were created with respect to matters arising or relating to the period of time to and including the Effective Date.

ARTICLE IV
TAX MATTERS

4.1 Income Tax Elections

(a) Each Partner agrees to prepare, execute and file a joint election with each other Partner in the form prescribed by subsection 98(3) of the *Income Tax Act* (Canada), and the corresponding provisions of any other applicable taxing statute or regulation, in the prescribed form and within the prescribed time limits.

(b) The Parties agree to prepare, file and elect jointly under subsection 22(1) of the *Income Tax Act* (Canada), and the corresponding provisions of any other applicable taxing statute or regulation, in the prescribed form and within the prescribed time limits, as to the transfer of the accounts receivable in respect of which an election may be made and to therein designate an amount equal to the net book value of such accounts receivable as at the date hereof as the consideration paid by the Partners for such accounts receivable.

(c) The Parties acknowledge that certain of the Liabilities may be in respect of amounts received for services not rendered or goods not delivered by the Partnership. The Parties agree that, to the extent that amounts in respect of services not rendered or goods not delivered are included in computing the Partnership's income under paragraph 12(1)(a) of the *Income Tax Act* (Canada) they will prepare, file and elect jointly pursuant to the provisions of subsection 20(24) of the *Income Tax Act* (Canada), and the corresponding provisions of any other applicable taxing statute or regulation, in the prescribed form and within the prescribed time limits.

4.2 Goods and Services Tax

The Parties will make a joint election under section 167 of the ETA so that the GST will not be payable on the transfer of the Partnership Property. The Parties will all execute the relevant GST form for the Effective Date to effect that election. 403 will file that form with its GST return for the reporting period in which the distribution occurs. 403 will provide Olaf and the Partnership with such supporting documentation as Olaf and the Partnership may reasonably request in order to confirm that such election has been made and properly filed. The Parties agree that the value of the interest of the Partnership in and to the Tangibles and to the Miscellaneous Interests, and the exemption of GST, is as set forth in Schedule "B". The GST registration number of 403 is [redacted]RT0001. The GST registration number of Olaf is [redacted]RT0001. The GST registration number of the Partnership is RT0001.

ARTICLE V
CONTRACTS, APPROVALS AND REAL PROPERTY

5.1 Assignment of Contracts

It is expressly understood and agreed that the benefit and obligations of all contracts to which the Partnership is a party are to be assigned to the Partners in proportion equal to such Partner's percentage interest in the Partnership effective as of the Effective Date.

5.2 Governmental Approvals

The Partners acknowledge that the Government Approvals are held in the name of, or are currently being transferred into the name of, VHI for the benefit of the Partnership. Upon the conveyance of the Partnership Property hereunder, the Partners further acknowledge that the Government Approvals shall continue to be held in the name of, or be transferred into the name of, VHI and VHI shall hold same for the benefit of 403 and Olaf.

5.3 Real Property

The Partners acknowledge that legal title to all Partnership Property that is comprised of real property is registered in the name of, or are currently being transferred into the name of, the VHI for the benefit of the Partnership. Upon the conveyance of the Partnership Property hereunder, the Partners further acknowledge that the legal title to such Partnership Property shall continue to be held by VHI for the benefit of 403 and Olaf, each as to an undivided interest that is equal to their respective percentage interest in the Partnership.

ARTICLE VI
POWER OF ATTORNEY

6.1 Grant of Power of Attorney

The Partnership and Olaf hereby constitute and appoint VHI, its successors and assigns, the true and lawful attorney of the Partnership, 403 and Olaf for and in the name of or otherwise on behalf of the Partnership, 403 and Olaf, as the case may be, with full power of substitution to do and execute all acts, deeds, matters and things whatsoever necessary for the assignment, transfer and conveyance of the Partnership Property and assumption of the Liabilities.

6.2 Effect of Dissolution

The power of attorney set forth in this Agreement is granted by the Partnership, 403 and Olaf to VHI in contemplation of the dissolution of the Partnership and the aforementioned power of attorney shall not be revoked by the dissolution of the Partnership. The proper officers and directors of VHI, or any one of them, are authorized and directed to do all things and to execute and deliver all documents necessary or desirable for the distribution of the Partnership Property, the assumption of the Liabilities and the dissolution of the Partnership.

ARTICLE VII
MISCELLANEOUS

7.1 Further Assurances

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

7.2 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. No amendments shall be made to this Agreement unless in writing, executed by the Parties. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the transactions set forth herein and expresses the entire agreement of the Parties with respect thereto.

7.3 Subrogation

The assignment and conveyance to be effected by this Agreement is made with full right of substitution and subrogation of the Partnership in and to all covenants, representations, warranties and indemnities previously given or made by others in respect of the Assets or any part or portion thereof.

7.4 Governing Law

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

7.5 Enurement and Assignment

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

7.6 Time of Essence

Time shall be of the essence in this Agreement.

7.7 Notices

The addresses for service and the fax numbers of the Parties shall be as follows:

403 - 400, Calgary Place
330 - 5th Avenue SW
Calgary, AB T2P 0L4
Fax: (403) 260-6066

Olaf - 400, Calgary Place
330 - 5th Avenue SW
Calgary, AB T2P 0L4
Fax: (403) 260-6066

The Partnership - 400, Calgary Place
330 - 5th Avenue SW
Calgary, AB T2P 0L4
Fax: (403) 260-6066

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

(a) By personal service on a Party at the address of such Party set out above, in which case the item so served shall be deemed to have been received by that Party when personally served;

(b) By facsimile transmission to a Party to the fax number of such Party set out above, in which case the item so transmitted shall be deemed to have been received by that Party when transmitted; or

(c) Except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a Party at the address of such Party set out above, in which case the item so mailed shall be deemed to have been received by that Party on the third Business Day following the date of mailing.

A Party may from time to time change its address for service or its fax number or both by giving written notice of such change to the other Party.

7.8 Invalidity of Provisions

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

7.9 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver of any provision of this Agreement, including without limitation, this section, shall be effective otherwise than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of the Party making such waiver.

7.10 Counterpart Execution

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

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

1120403 ALBERTA LTD.

Per: _____
Name:
Title:

OLAF ENERGY LIMITED PARTNERSHIP, by its general partner, **VIKING HOLDINGS INC.**

Per: _____
Name:
Title:

KRANG ENERGY HEAVY OIL PARTNERSHIP, by its managing partner, **OLAF ENERGY LIMITED PARNTERSHIP,** by its general partner, **VIKING HOLDINGS INC.**

Per: _____
Name:
Title:

SCHEDULE "A"

to the Partnership Dissolution and Conveyance Agreement dated August 1, 2005 among 1120403 Alberta Ltd., Olaf Energy Limited Partnership and Krang Energy Heavy Oil Partnership

LANDS AND PETROLEUM AND NATURAL GAS RIGHTS

SCHEDULE "B"

to the Partnership Dissolution and Conveyance Agreement dated May 1, 2005 among 1120403 Alberta Ltd., Olaf Energy Limited Partnership and Krang Energy Heavy Oil Partnership

FAIR MARKET VALUE AND ALLOCATION

To Petroleum and Natural Gas Rights	$ [redacted]
To Tangibles	$ [redacted]
To Miscellaneous Interests	$ [redacted]
TOTAL (FMV)	$ [redacted]

NOTICE OF DISSOLUTION OF PARTNERSHIP AND CANCELLATION OF CERTIFICATE

NOTICE IS HEREBY GIVEN OF:

1. The dissolution of **KRANG ENERGY HEAVY OIL PARTNERSHIP**, formed pursuant to the provisions of the *Partnership Act* (Alberta), and registered in the Office of the Registrar of Corporations on the 31st day of August, 2004 under registration number PT11251204.

2. The cancellation of the Certificate of Partnership for **KRANG ENERGY HEAVY OIL PARTNERSHIP** effective August 1st, 2005.

IN WITNESS WHEREOF this notice has been executed by all of the partners of **KRANG ENERGY HEAVY OIL PARTNERSHIP** effective as of the 1st day of August, 2005.

PARTNER:

1120403 ALBERTA LTD.

Per: _____

PARTNER:

OLAF ENERGY LIMITED PARTNERSHIP, by its general partner, **VIKING HOLDINGS INC.**

Per: _____

Filed with Alberta Registries
by Macleod Dixon LLP
AUG 0 2 2005
Initials CK

Dissolve Trade Name/Partnership - Proof of Filing

Amendment Date: 2005/08/02

KRANG ENERGY HEAVY OIL PARTNERSHIP - PT11251204 is dissolved as of 2005/08/01 and updated on 2005/08/02

Service Request Number:	7576846
Registration Number:	PT11251204
Trade Name / Partnership Name:	KRANG ENERGY HEAVY OIL PARTNERSHIP
Type of Business:	TO EXPLORE FOR, DRILL FOR, DEVELOP, OWN, ADMINISTER, MAINTAIN, PRODUCE AND OPERATE PETROLEUM, NATURAL GAS AND RELATED HYDROCARBONS AND ALL OTHER MINES AND MINERALS.
Trade Name / Partnership Status:	Dissolved
Dissolution Date:	2005/08/01

Partner

Partner Status:	Inactive
Partner Type:	Legal Entity
Corporate Access Number:	2011204035
Last Name / Legal Entity Name:	1120403 ALBERTA LTD.
Street:	#900, 635 - 8TH AVENUE S.W.
City:	CALGARY
Province:	ALBERTA
Postal Code:	T2P 3M3
Declarant of Dissolution:	Y

Partner Status:	Inactive
Partner Type:	Legal Entity
Corporate Access Number:	209402239
Last Name / Legal Entity Name:	KRANG ENERGY INC.
Street:	#900, 635 - 8TH AVENUE S.W.
City:	CALGARY
Province:	ALBERTA
Postal Code:	T2P 3M3

Registration Authorized By: KAREN UEHARA (CGK)
SOLICITOR