

SERVICES AGREEMENT

THIS AGREEMENT made on the _____ day of _____, 2004.

BETWEEN:

GOVERNMENT OF YUKON, as represented by the Deputy Minister of Energy, Mines and Resources ('Yukon')

AND:

NATIONAL ENERGY BOARD, a federal board established pursuant to the National Energy Board Act ('NEB')

BACKGROUND

- A. Yukon wishes to contract for services to be provided by the NEB.
- B. The NEB has the requisite expertise and staff to provide the contracted services.
- C. The NEB wishes to perform the contracted services for Yukon.
- D. Paragraph 12(1)(b) and subsection 26(4) of the *National Energy Board Act*, R.S., 1985, c. N-7 as amended from time to time, authorizes the NEB to perform services for Yukon and provide advice to Yukon with respect to energy matters and sources of energy.
- E. Yukon has the legislative authority, administration and control of oil and gas on Yukon lands.

IN CONSIDERATION of the mutual promises and agreements set out herein, the Parties agree as follows:

ARTICLE 1 – THE AGREEMENT

1.0 The Agreement

- 1.1 The Parties agree that this agreement together with the attached schedules and any other annexes to be attached hereto, shall be read together and collectively constitute the whole agreement between the Parties (the 'Agreement').

ARTICLE 2 - DEFINITIONS

2.0 Definitions

- 2.1 In this Agreement

“Business Unit” means a business unit of the NEB in which an employee of the NEB works who provides Services to Yukon.

“Decisions” mean decisions in relation to the administration of oil and gas by Yukon.

“Decision Documents” mean written Decisions.

“Direct Hours” are hours that are directly applied to a specific commodity or serviced agency or group for the purpose of cost recovery by the NEB.

“Disbursements” mean incidental expenses incurred by NEB employees in the course of providing services to Yukon to the extent that such expenses are payable to compensate NEB employees for expenses incurred by them in the course of their employment and to the extent that such expenses or allowances are payable to those employees by the NEB’s rules respecting such payments.

“Overhead Hours” are hours that can not be allocated to a specific commodity or serviced agency or group. Overhead Hours are recorded by the NEB TIME system as “non-specific.”

“Party” means either Yukon or the NEB and their respective representatives, as the case may be, and “Parties” means both of them and their respective representatives.

“Records” mean any records and work product and includes books, documents, maps, drawings, photographs, letters, vouchers, notes, papers, correspondence, memorandum, plan, diagram, pictorial or graphic work, film, microfilm, sound recording, videotape, machine readable record, and any other documentary material, regardless of physical form or characteristics, and any copy thereof.

“Services” mean those services provided for in the attached Schedule ‘A’.

“Yukon Oil and Gas Laws” mean enactments made by the Legislature of Yukon or the Parliament of Canada in respect of oil and gas matters in the Yukon, and all regulations, orders and directions made pursuant to those enactments.

ARTICLE 3 - SERVICES

- 3.1. NEB will provide to Yukon, as required from time to time, with the Services of NEB employees in accordance with this Agreement.

ARTICLE 4- PAYMENT

Calculation of Payments

- 4.1 Yukon will pay the NEB for the Services according to the following calculations:
 - 4.1.1 Time of each NEB employee in providing Services will be recorded.

- 4.1.2 Time will be recorded on an hourly basis with 15-minute intervals being the smallest unit recorded.
- 4.1.3 Hourly rate for each NEB employee shall be determined in accordance with attached Schedule 'B' to this Agreement and will be marked up by 33% to cover costs of accommodation and employee benefits of federal employees.
- 4.1.4 Hourly rate for an NEB employee as marked up in 4.1.3 will be multiplied by the number of hours recorded for Services provided by that employee.
- 4.1.5 The NEB will bill Yukon quarterly the calculated cost referred to in 4.1.4.
- 4.1.6 The NEB will bill Yukon quarterly for Disbursements paid or payable by the NEB to NEB employees to the extent that the Disbursements are related to the provision of Services by those employees.
- 4.1.7 The NEB will determine and bill to Yukon in the last quarter charges for overhead hours for the year as follows:
 - 4.1.7.1 For each Business Unit, the NEB will determine the total hours worked and the total Direct Hours worked in that Business Unit;
 - 4.1.7.2 The NEB will calculate the total Overhead Hours by subtracting the total Direct Hours from the total hours worked for the Business Unit;
 - 4.1.7.3 The NEB will calculate the ratio of Direct Hours providing Services to the total Direct Hours worked for the Business Unit;
 - 4.1.7.4 The NEB will determine the annual Overhead Hours to be billed to Yukon by multiplying the total Overhead Hours of the Business Unit for the year as calculated in 4.1.7.2 by the ratio calculated in 4.1.7.3;
 - 4.1.7.5 The NEB will calculate the average hourly rate of the Business Unit by dividing the total annual salary expenditures of the Business Unit for the year by the total number of hours reported by the Business Unit;
 - 4.1.7.6 The calculated average hourly rate referred to in 4.1.7.5 will be marked up by 33% to cover costs of accommodation and employee benefits of federal employees;
 - 4.1.7.7 The calculated annual charges for Overhead Hours is the product of 4.1.7.4 times 4.1.7.6.

Invoices

- 4.2 The NEB will invoice Yukon on a quarterly basis or at other times mutually agreed to by the NEB and Yukon. In any event, the NEB will invoice the Yukon for all Services performed in a fiscal year by March 31 of that fiscal year and provide Yukon with such invoice within 14 days thereafter.

Invoice Information

- 4.3 Invoices provided by the NEB will show, or be accompanied by documentation sufficient to show:
- 4.3.1 the identity of each NEB employee providing the Services billed for;
 - 4.3.2 the organizational unit of the NEB in which that employee is employed;
 - 4.3.3 the number of hours of Services provided by that employee in the billing period;
 - 4.3.4 the hourly rate applicable to that employee;
 - 4.3.5 the nature of the Services provided by that employee;
 - 4.3.6 the specific project (if any) for which the Services were provided; and
 - 4.3.7 the month in which Services were performed.

ARTICLE 5- SERVICE PARAMETERS

Applicable Laws

- 5.1 Services provided by NEB pursuant to this Agreement will be provided in accordance with Yukon Oil and Gas Laws, and any other laws of general application in Yukon.

Spending Limits

- 5.2 The aggregate amount for which Yukon may be made responsible under this Agreement in respect of any fiscal year will not exceed the amount included in Yukon's budget for that fiscal year for the purpose of paying amounts invoiced to Yukon by NEB under this Agreement, subject to the following:
- 5.2.1 before each subsequent fiscal year, Yukon shall notify the NEB of the amount so included in Yukon's budget for that fiscal year.

Priority Services

- 5.3 Yukon may request the NEB to perform services of a particular kind in a particular instance on a priority basis and in such a case the NEB will use its best efforts to accommodate the request on terms that are mutually agreeable.

Other Services

- 5.4 The NEB agrees to perform other services not provided for in Schedule 'A' as required from time to time by Yukon.
- 5.4.1 The terms and conditions of these other services will be negotiated by Yukon and the NEB.
 - 5.4.2 Article 4 (Payment) will apply with respect to these other services as though they were Services.

Time Limits

- 5.5 Where a time limit is set out in the Yukon Oil & Gas Laws in relation to Services to be provided by the NEB, Yukon will use its best efforts to provide NEB with the required documentation and information, as soon as possible after receipt of the same, to the NEB address and position set out in 10.13. Upon receipt of such information, the NEB will use its best efforts to perform the Services within the time limits set out in the Yukon Oil and Gas Laws.

Independent Contractor

- 5.6 The relationship of NEB and Yukon in performing the Services under this Agreement is that of an independent contractor. Nothing in this Agreement is to be construed as creating an agency, partnership or joint venture relationship between Yukon and NEB or an employer/employee or master/servant relationship between Yukon and any NEB employees.

ARTICLE 6- DELEGATION

Delegation

- 6.1 The Minister of Energy, Mines and Resources and any other Minister or officers of Yukon authorized to do so under the laws of Yukon may delegate to NEB employees the powers and duties conferred or imposed on those respective Ministers and officers by such laws.

Decision

- 6.2 Any delegatee authorized pursuant to 6.1 may make operational Decisions incidental to and consistent with Schedule 'A' and issue Decision Documents in the course of exercising and performing delegated powers and duties referred to in 6.1, but otherwise the Services provided by a delegatee to Yukon will be of an advisory nature only.

ARTICLE 7 - INDEMNIFICATION

- 7.1 Subject to 7.2 and 7.3, each Party (the "Indemnifying Party") will hold harmless the other Party and the other Party's employees, agents, and officers from any and all third party claims, demands and actions for which the Indemnifying Party is legally responsible, including those arising out of negligence or wilful acts of the Indemnifying Party, its employees, agents, or officers.
- 7.2 In no event, including with respect to the responsibility and liability of each Party under 7.1, will a Party be liable for any claim for special, punitive, incidental, indirect or consequential loss or damage (including loss of profits, data, business or goodwill), from all causes of action of any kind, including contact, tort, or otherwise, even if advised of the likelihood of such damages occurring.

- 7.3 To the fullest extent permitted by applicable law, the total aggregate liability to Yukon by NEB under this Agreement, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranties, failure of essential purpose or otherwise, will be limited to the fees paid by Yukon to the date such liability was incurred, and in any event, to no more in the aggregate than the spending limit determined pursuant to 5.2.

Compromise of Claims

- 7.4 Each Party agrees to consult with the other Party prior to negotiating, settling or compromising any claims under this section.

ARTICLE 8- RECORDS

Records

- 8.1. All Records created by NEB employees in the course of exercising and performing delegated powers and duties referred to in 6.1 and delivered or otherwise provided by the NEB to Yukon in the course of providing Services become and remain the property of and become and remain in the custody and control of Yukon.
- 8.2. The records referred to in 8.1. will not be disclosed by NEB employees without the written consent of Yukon.
- 8.3 At reasonable times and on reasonable notice, the NEB shall provide access to the Yukon and any of its representatives to any of the Records described in 8.1 or relating to the recording of or payment for Services and shall provide copies of such Records to Yukon and to any representatives on a cost recovery basis.

Continuing Obligation

- 8.4 The obligations of the NEB and NEB employees under 8.1 survive the expiration or termination of this Agreement.

ARTICLE 9- DISPUTE RESOLUTION

- 9.1 Any dispute relating to this Agreement and the Services performed or to be performed will be referred to the Chair of the Cost Recovery Liaison Committee (CRLC) and to the Director, Oil and Gas Management Branch, Department of Energy, Mines and Resources, Government of Yukon for joint consideration and resolution.
- 9.2 The resolution of disputes will be in accordance with the NEB Dispute Management Process which was developed by the NEB as a requirement for the implementation of the federal External Charging Policy.
- 9.3 Failing resolution of a dispute pursuant to 9.1 and 9.2, the Parties may pursue whatever remedies are available to the Parties pursuant to this Agreement or available at law.

ARTICLE 10 - GENERAL

No Adverse Presumption in Case of Ambiguity

- 10.1 There shall be no presumption that any ambiguity in this Agreement be resolved in favour of either of the Parties. For greater certainty, the *contra proferentum* rule shall not be applied in any interpretation of this Agreement.

No Implied Obligations

- 10.2 No implied terms or obligations of any kind by or on behalf of either of the Parties shall arise from anything in this Agreement. The express covenants and agreements contained in this Agreement and made by the Parties are the only covenants and agreements upon which any rights against either of the Parties may be founded.

Interpretation

- 10.3 The division of this Agreement into articles, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only.
- 10.4 Schedules 'A' and 'B' attached hereto form part of this Agreement.

Amendments and Waivers

- 10.5 This Agreement may be amended at any time by the written consent of the Parties as executed by their duly authorized representatives.
- 10.6 A waiver, forgiveness or forbearance by either Party of the strict performance by the other Party of any covenant or other provision of this Agreement shall be in writing, and will not of itself constitute a waiver of any subsequent breach of that covenant or provision or any other covenant or provision thereof. The failure of a Party to require the fulfilment of any obligation by the other Party or to exercise any rights herein will not constitute a waiver or acquiescence or surrender of those obligations or rights.

Term

- 10.7 This Agreement will terminate upon the expiration of five years from the date of execution unless the Parties agree, in writing, to renew the Agreement for successive terms upon the same terms and conditions.

Termination

- 10.8 This Agreement may be terminated by either Party on its giving at least three months notice in writing to the other Party.

Yukon Not Fettered

- 10.9 Nothing in this Agreement shall derogate or otherwise fetter the ability of the Yukon to regulate, administer, manage or otherwise deal with oil and gas and all attendant matters thereto.

No Conflicting Interest

10.10 The NEB warrants that it has no conflict of interest in carrying out the Services to this Agreement. Should such a conflict arise during the term of this Agreement, the NEB shall disclose it immediately to Yukon and the Parties shall discuss such conflict with a view to achieving a mutually satisfactory arrangement.

Application of Yukon *Financial Administration Act*

10.11 This Agreement is subject to the provisions of the *Financial Administration Act*, RSY 2002, c. 87, as amended from time to time, and in particular any payment under this Agreement is subject to an appropriation of money for that purpose by the Legislature of Yukon.

Use of Rental Vehicles

10.12 The Parties agree that in the performance of Services, NEB employees will not use their own personal vehicles but will only use rental vehicles and will obtain full insurance coverage during the use of such rental vehicles.

Notices

10.13 Any notice or other communication required to be given under this Agreement will be made in writing and will be delivered personally, sent by fax, electronic communication or by first class prepaid mail to the addresses listed below.

If to Yukon:

Director, Oil and Gas Management Branch
Department of Energy, Mines and Resources (K-12)
Government of Yukon
P.O. Box 2703
Whitehorse, Yukon Y1A 2C6
Phone: (867) 667 5026
Fax: (867) 393 6262

If to NEB:

Chief Operating Officer
444 – Seventh Avenue SW
Calgary, Alberta
T2P 0X8
Fax: (403) 292-5503

Receipt of Notice

10.14 The date of receipt of any notice shall be deemed to be:

- 10.14.1 if personally delivered or sent by courier, the date of delivery;
- 10.14.2 if sent by certified or ordinary mail, 7 business days after mailing;
and

10.14.3 if sent by electronic communications or fax, 24 hours after the time of transmission, excluding from the calculation, weekends and public holidays.

Time of the Essence

10.15 Time is of the essence in this Agreement.

Law of the Agreement

10.16 This Agreement will be construed and interpreted in accordance with the applicable territorial and federal laws.

Counterparts

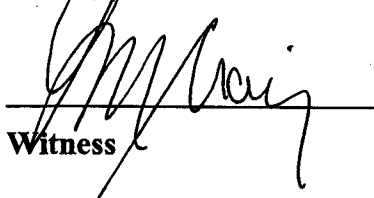
10.17 This Agreement may be executed in counterparts, each of which will be deemed as an original and all of which constitute one and the same document.

IN WITNESS WHEREOF each of the Parties has executed this Agreement by its duly authorized representatives on 6th day of April, 2003. *Handwritten initials*

**Government of Yukon, as represented
by the Deputy Minister of Energy,
Mines and Resources**

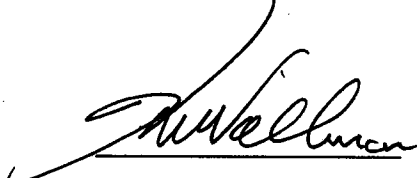


Deputy Minister

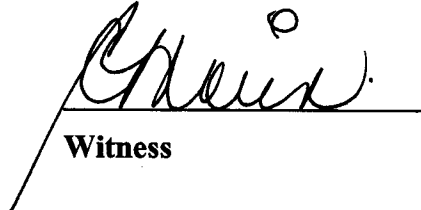


Witness

National Energy Board



Chairman



Witness

SCHEDULE "A"

The following services will be provided by the Operations Business Unit of the NEB. As necessary, specialist support from the Commodities and Applications Business Unit may also be used from time to time.

CATEGORY #1: Land Issuance

DESCRIPTION:

- Distribution and Receipt of Nomination and Bid Packages
- Resource Assessment of Nominations
- Geological Evaluation of Bids
- Provision of Environmental and Technical Advice

CATEGORY #2: Geophysical/Geological Operations

DESCRIPTION:

- Application Review and Recommendation of Approval
- Operational Inspections and Reporting
- Monitoring Programs
- Data Management and Follow Up
- Provision of Environmental and Technical Advice

CATEGORY #3: Drilling Operations

DESCRIPTION:

- Application Review and Recommendation of Approval
- Preapproval Inspections
- Start Up Monitoring
- Operational Inspections and Reporting
- Monitoring Programs
- Data Management and Follow Up
- Provision of Environmental and Technical Advice

CATEGORY #4: Well, Pipeline and Facility Operations

DESCRIPTION:

- Review Program
- Inspection

- Reporting
- Data Management and Follow Up
- Provision of Environmental and Technical Advice

CATEGORY #5: Pipeline and Facility Applications

DESCRIPTION:

- Application Review and Recommendation for Approval
- Construction Monitoring and Inspections
- Start Up Monitoring
- Reporting
- Data Management and Follow Up
- Provision of Environmental and Technical Advice

CATEGORY #6: Applications for Well, Pipeline and Facility Modifications and Schemes

DESCRIPTION:

- Application Review and Recommendation for Approval
- Construction Monitoring and Inspections
- Start Up Monitoring
- Reporting
- Data Management and Follow Up
- Provision of Environmental and Technical Advice

CATEGORY #7: Designation and Regulation of Production

DESCRIPTION:

- Fields, Pools and Zones
- Prorationing of Production
- Pooling and Unitization
- Provision of Environmental and Technical Advice

CATEGORY #8: Emergency Response and Accident Investigation

DESCRIPTION:

- Inspection & Enforcement

- Reporting
- Data Management and Follow Up
- Provision of Environmental and Technical Advice

CATEGORY #9: Geological Assessments

DESCRIPTION:

- Reservoir Studies
- Geological Studies
- Petrophysical Studies
- Provision of Environmental and Technical Advice

CATEGORY #10: Economic Evaluations

DESCRIPTION:

- Performance Monitoring
- Economic Development Proposals
- Resource Development Economic Studies
- Provision of Environmental and Technical Advice

CATEGORY #11: Information Flow

DESCRIPTION:

- Records Receipt
- Records Storage
- Records Transfer
- Provision of Environmental and Technical Advice

SCHEDULE "B"

NEB LEVEL	HOURLY RATE
16	\$69.75
15	62.92
14	58.15
13	51.69
12	52.61
11	48.05
10	43.88
09	38.92
08	34.52
07	30.61
06	26.11
05	23.16
04	18.16
03	16.11
02	14.29
01	12.68

The "Hourly Rate" is calculated on the basis of the 4th step or average salary range as at March 31, 1998, for each NEB employee level divided by 220 days and 7 hours per day. The Schedule will be amended by the NEB from time to time to reflect salary increases in effect at the NEB. Yukon agrees to pay the amounts set out in amended Schedules upon receipt of notification of the amendment.