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Our reference: BO4371.1

Peace River Regional District
P.O. Box 810
Dawson Creek, BC
V1G 4H8
Attention : Faye Salisbury



Subject: Water Supply License Agreement

Attached is the executed copy of the Water Supply License Agreement for your files.

If you have any questions regarding this agreement please contact me at (403) 237-2842 or at brian.e.zimmer@esso.ca

Yours truly,

IMPERIAL OIL RESOURCES


/ Brian E Zimmer
Joint Venture Representative

WATER SUPPLY LICENSE AGREEMENT

BETWEEN

IMPERIAL OIL RESOURCES,
an Alberta limited partnership registered
to carry on business in the Province
of British Columbia

("Imperial Oil")

AND

PEACE RIVER REGIONAL DISTRICT Incorporated under the
Local Government Act R.S.B.C. 1996, c. 323, and having an office at
Box 810 - 1981 Alaska Avenue, Dawson Creek, BC V1G 4H8

(the "Regional District")

WHEREAS:

- A. Imperial Oil operates a Water Injection Pump Station (the "Plant") in the Peace River Regional District on land legally described as LSD 15-26-84-14 W6M.
- B. For the purpose of operating the Plant, and for incidental domestic purposes, Imperial Oil uses water which it draws through a pipeline (the "Pipeline") from wells (the "Wells") located near the Peace River some distance from the Plant.
- C. In addition to the use of water referred to in recital B, Imperial Oil has been allowing the public to draw water, for a variety of purposes including domestic purposes, from a connection located at the Plant site (the "Current Public Supply Connection").
- D. In view of the regulatory regime applicable to the supply of water to the public, including the *Drinking Water Protection Act*, S.B.C. 2001 c. 9, and in view of common law liability exposure as a water supplier, Imperial Oil intends to cease supplying water to the public.
- E. The Regional District wishes to ensure that the supply of water to the public continues and has requested that Imperial Oil confer upon it the rights necessary to allow the Regional District to draw water from the Wells, and to use the Pipeline, for that purpose.
- F. The Regional District has also requested that Imperial Oil allow it to supply water for industrial and other purposes to Canadian Crude Separators, which is constructing a Waste Recycling Facility on land located near the Imperial Oil Plant.

NOW THEREFORE in consideration of the terms and conditions set out below and other good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

Definitions

1. In this agreement:

"Current Public Supply Connection" has the meaning given to it in Recital C;

"Effective Date" means January 1, 2005;

"Pipeline" has the meaning given to it in Recital B;

"Regional District Supply Site" means the lands shown as such on Schedule A;

"Regional District Water Supply System" means the water supply system from which water is delivered to users at or from the Regional District Supply Site;

"Wells" has the meaning given to it in Recital B; and

"Well Site" means the site at which the Wells are located, which is shown as the Well Site on Schedule A.

Responsibilities of the Parties

2. As of the Effective Date, Imperial Oil will use its reasonable efforts to deliver, and continue to supply, fresh water to the Regional District, through its existing pipeline system, to the Current Public Supply Connection. Also as of the Effective Date, the Regional District will assume all responsibility for the delivery of fresh water to the public both through the Current Public Supply Connection and through the Regional District Supply Site.

Grant of License

3. Imperial Oil hereby grants to the Regional District a non-exclusive license to use the Well Site, the Pipeline and related facilities for the purpose of drawing water from the Wells through the Pipeline to the Regional District Supply Site and delivering that water for any purpose to the public and other users at or from the Regional District Supply Site.

Withdrawal Permit

4. Imperial Oil and the Regional District will work together to ensure that the Regional District acquires its own water withdrawal permit and to ensure that such permit is exercised through Imperial Oil's pipeline and related facilities. Until such time as the Regional District acquires its own water withdrawal rights, Imperial Oil shall, to the extent it is permitted to do so, make water available to the Regional District out of its water withdrawal permit.

Operation Costs

5. Imperial Oil will transport the Regional District's water at no cost to the Regional District.

Construction of Buildings and Other Works

6. The Regional District will be solely responsible for designing and constructing the Regional District Supply Site and any and all facilities and improvements it deems necessary for the supply of water to the public.

Agency

7. The Regional District will, in the supply of water to the public, act on its own behalf and, at no time, will it act as agent for Imperial Oil.

Compliance with Enactments

8. In connection with the supply of water by it under this Agreement, the Regional District may do all things necessary at the Well Site, the Current Public Supply Connection or the Regional District Supply Site to ensure that water supplied to the public complies with the *Drinking Water Protection Act*, S.B.C. 2001, c. 9 (the "Act") and all other applicable enactments.

Control of Water Supply System

9. The Regional District acknowledges that for the purpose of the Act, the Regional District has sole responsibility for the operation of the Regional District Water Supply System and for complying with the Act and all other enactments applicable to the operation of that system.

Water Quality

10. Imperial Oil makes no representation or warranty whatsoever as to the quality of water to be obtained by the Regional District under this Agreement or as to its suitability for domestic or any other use.

Water Volumes

11. To the extent that the Regional District's water allocation is taken out of Imperial's water quota, such allocation shall not exceed 180 m³/day. The Regional District shall report volumes received on a monthly basis and report such volumes on the first day of each month to the Imperial Oil Field Office.

Temporary Service

12. Until the date that the Regional District Water Supply System is operational, the Regional District may use the Current Public Supply Connection for the purposes set out in Section 2 and the Regional District may allow the public to receive water from that site provided that Imperial Oil continues its Plant operations. Until the date that the Regional District Water Supply System is operational, the provisions of this Agreement shall apply as if the Current Public Supply Connection was located at the Regional District Supply Site.

Discontinuance of Plant Operations

13. If for any reason Imperial Oil suspends or discontinues its Plant operations or use of the Pipeline, the parties will enter into good faith negotiations for the continued use or the transfer of the pipeline and related facilities to the Regional District for a nominal cost.

Force Majeure

14. Imperial Oil will not be in default of its obligations under this Agreement if it is unable to perform those obligations by reason of any cause beyond its control.

Repair and Maintenance

15. The Regional District acknowledges that the performance of obligations by Imperial Oil will be subject to normal business interruptions as well as scheduled, and unscheduled, repair and maintenance of the Pipeline and related facilities. Imperial Oil will endeavour to give the Regional District reasonable notice of any interruption in the delivery of water.

Assignment of Interest

16. The Regional District will only assign the interests conferred by this Agreement with the consent of Imperial Oil.

Termination

17. This Agreement will remain in place until terminated by one of the parties, upon giving the other party six months' notice of the intention to terminate the Agreement.

Execution

18. This Agreement may be executed in counterpart.

Executed by IMPERIAL OIL RESOURCES by its authorised signatory this 2 day of JUNE, 2005

[Redacted Signature]

Name: BRIAN ZIMMER
JOINT VENTURE REPRESENTATIVE

Executed by PEACE RIVER REGIONAL DISTRICT by its authorised signatories this 2 day of JUNE, 2005.

[Redacted Signature]

Name: _____

[Redacted Signature]

Name: _____

Schedule A Proposed Imperial Tankloader Facility Site Plan

