

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Agreement"), made and entered into effective as of January 1, 2007 (the "Effective Date"), by and between BP AMERICA PRODUCTION COMPANY ("BP"), a Delaware corporation, with an office at 501 Westlake Park Boulevard, Houston, Texas 77079, and TRUE NORTH ENERGY CORP. ("Company"), a Nevada corporation, with an office at 1200 Smith Street, 16th Floor, Houston, Texas 77002 (individually, a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, BP owns those certain oil, gas and mineral leases set forth in Exhibit "A" (the "Leases") covering the Contract Area; and

WHEREAS, subject to the terms, provisions and conditions set forth below, Company will pay a disproportionate 11.67% of the Drilling Costs for the BP America Production Company - A. Major Heirs No. 1 well (the "Initial Well") to be drilled at the location shown on the plat attached as Exhibit "C", and in return BP will assign to Company an 8.75% interest in the Initial Well and the BP Interests, all as further provided in this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter contained, to be kept and performed by the Parties, it is hereby agreed by and between the Parties as follows:

**ARTICLE I
DEFINITIONS**

Each capitalized term in this Agreement has the meaning given to it in this Article. All defined terms include the singular and the plural. All references to: Articles and Sections refer to Articles and Sections in this Agreement, and Exhibits refer to Exhibits attached to this Agreement.

1.1 "Additional Well" means a well, other than the Initial Well or a Substitute Well, drilled on the Contract Area after Company earns its proportionate share of the BP Interests in accordance with Section 4.1.

1.2 "Affiliate" of a Party means (i) the parent company thereof or (ii) any Person directly or indirectly controlled by, controlling, or under common control with that party (for the purposes of this definition, ownership of fifty percent (50%) or more of the stock, equity or property of such Person, or having the right to appoint fifty percent (50%) or more of the members or owner representatives of such Person are examples of forms of control).

1.3 "AFF" means an Authority for Expenditure prepared by a Party for the purpose of estimating the costs to be incurred in conducting an operation on a well subject to this Agreement and for providing such other information as may be specifically set forth elsewhere in this Agreement.

1.4 "Agreement" has the meaning given to it in the preamble.

1.5 "BP" has the meaning given to it in the preamble.

1.6 "BP Interests" means the Leases to the extent they are contained within the Contract Area.

1.7 "BP GROUP" means the following Persons, individually and collectively: BP and its Affiliates and the officers, directors, employees, agents, and representatives of all of those Persons.

1.8 "Carried Interests" has the meaning given to it in Section 5.7.

1.9 “Casing Point” means the time when (a) a well has been drilled to the Objective Zone, (b) all logs, tests, and evaluations have been completed and the results thereof have been furnished to the Parties, and (c) a recommendation has been made whether to run and set production casing and attempt to Complete the well as a producer or to abandon the well as a dry hole.

1.10 “Company” has the meaning given to it in the preamble.

1.11 “Complete” or “Completion” or “Completing” means a single operation intended to complete a well as a producer of oil and/or gas in one or more Zone(s), including, but not limited to, the setting of pipe/production lining and casing tie-back, installing tubing, wellhead and tree, perforating, plugging back, well stimulation, and testing.

1.12 “Completion Costs” means the actual costs and expenses incurred in Completing a well subject to this Agreement.

1.13 “Contract Area” means the geographic area (covering all depths) defined by the following Units, as they may be amended from time to time: (a) the 640-acre Moore Sams Field 18,100’ TUSC RA SUW, created by the State of Louisiana Office of Conservation Order No. 1063-A-1, effective November 29, 1979; (b) the 640-acre Moore Sams Field 18,100’ TUSC RA SUCC, created by the State of Louisiana Office of Conservation Order No. 1063-A-2, effective February 20, 1980; and (c) the 640-acre Moore Sams Field 18,100’ TUSC RA SUDD, created by the State of Louisiana Office of Conservation Order No. 1063-A-2, effective February 20, 1980. The “Contract Area”, as it exists now, is outlined in red on the plat attached as Exhibit “B”, but in the event of any conflict between the definition set forth in the preceding sentence and Exhibit “B”, the definition set forth in the preceding sentence shall govern and control.

1.14 “Data” means 3D seismic data, in whatever form (reels, paper, film, tape, magnetic or electronic, covering the Contract Area.

1.15 “Data Owner” means a Third Party who owns the Data.

1.16 “Drilling Costs” means the actual costs and expenses incurred in drilling a well subject to this Agreement beginning with the initiation of preliminary site preparation activities through and including logging, testing and evaluating the well prior to recommending whether to attempt a Completion. Drilling Costs shall include, but shall not be limited to, the costs and expenses associated with permitting, preparing the site, drilling to the Objective Zone, and evaluating any Zone(s) in such well to which a Completion may be attempted, as well as any unplanned or unforeseen events such as fire, explosion, or loss of well control. Drilling Costs shall also include brokerage, abstracting, and reasonable attorney fees related to the preparation of drilling title opinions for such well. Drilling Costs shall not include the cost to plug and abandon any well, including a dry hole, and shall not include any Completion Costs.

1.17 “Estimated Drilling Costs” has the meaning given to it in Section 2.1.

1.18 “Effective Date” has the meaning given to it in the preamble.

1.19 “Exhibits” has the meaning given to it in Section 16.6.

1.20 “Force Majeure” has the meaning given to it in Section 9.1.

1.21 “Initial Well” has the meaning given to it in the recitals.

1.22 “Insurance Requirements” has the meaning given to it in Exhibit “G”.

1.23 “Leases” has the meaning given to it in the recitals.

1.24 “Objective Zone”, with respect to the Initial Well, means the base of the Tuscaloosa C-1 sand, being the stratigraphic equivalent of the base of the Tuscaloosa C-1 sand as seen at 18,484 feet (electrical log measurement) for the Amarex - Major Heirs No. 1 well, located in Section 47, Township 4 South, Range 10 East, Pointe Coupee Parish, Louisiana, or eighteen thousand, five hundred feet measured depth (18,500’ MD), whichever occurs first in the Initial Well. The term “Objective Zone”, with respect to any Substitute Well or Additional Well, means the deepest Zone to which the Substitute Well or Additional Well is proposed to be drilled as provided in the relevant AFE for such well.

1.25 “Operating Agreement” has the meaning given to it in Section 5.5.

1.26 “Partial Assignment” has the meaning given to it in Section 4.1.

1.27 “Partial Interest” has the meaning given to it in Section 4.2.

1.28 “Party” and “Parties” have the meaning given to them in the preamble.

1.29 “Person” means any individual or entity, in the broadest sense possible, including but not limited to a corporation, partnership, limited partnership, limited liability company, trust, trustee, association or unincorporated organization.

1.30 “Plants” has the meaning given to it in Section 5.6.

1.31 “Properties” mean all of BP’s right, title and interest (real or immovable, personal or movable, mixed, contractual or otherwise), as of the Effective Date, in, to and under or derived from the following:

- (a) the Leases, as well as the production of oil, gas or other hydrocarbon substances attributable thereto;
 - (b) all unitization, communitization and pooling declarations, orders and agreements (including all units formed by voluntary agreement and those formed under the rules, regulations, orders or other official acts of any governmental entity or tribal authority having jurisdiction) to the extent they relate to the Initial Well and any Additional Well, or the production of oil, gas or other hydrocarbon substances attributable thereto;
 - (c) all product sales contracts, processing contracts, gathering contracts, transportation contracts, easements, rights-of-way, servitudes, surface leases, subsurface leases, farm-in and farm-out contracts, areas of mutual interest, operating agreements, balancing contracts and other contracts, agreements and instruments to the extent they relate to the Initial Well and any Additional Well, or the production of oil, gas or other hydrocarbon and non-hydrocarbon substances attributable thereto;
 - (d) all personal or movable property, improvements, fixtures and other appurtenances, to the extent situated upon and exclusively used, or situated upon and held exclusively for use in connection with ownership, operation, maintenance or repair of the interests described in the Leases, or production of oil, gas or other hydrocarbon and non-hydrocarbon substances attributable thereto, including all wells (whether producing, shut-in, injection, disposal, water supply or plugged and abandoned), gathering and processing systems, platforms, buildings, pipelines, compressors, meters, tanks, equipment, machinery, tools, utility lines, permits, licenses, imbalances and suspense funds; and
 - (e) all partnerships (tax, state law or otherwise) affecting any of the items enumerated above.
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1.32 “Rig Release Date” has the meaning given to it in Section 3.2.

1.33 “Seismic Use Agreements” means those agreements between BP and the Data Owner governing BP’s rights and obligations concerning the Data.

1.34 “Substitute Well” means a well proposed within one (1) year of the Rig Release Date and drilled by BP within the Contract Area, all in accordance with Section 3.2.

1.35 “Third Party” means a Person other than a Party or an Affiliate of a Party.

1.36 “Unit” means a compulsory unit established by the Commissioner of the Office of Conservation within the State of Louisiana Department of Natural Resources pursuant to Chapter 39 of Part XIX of Title 43 of the Louisiana Administrative Code, as same may be amended from time to time.

1.37 “Well Information” has the meaning give to it in Section 2.2

1.38 “Zone” or “Zone(s)” means a stratum of earth containing or thought to contain a common accumulation of oil and/or gas separately producible from any other common accumulation of oil and/or gas.

ARTICLE II DRILLING AND COMPLETING THE INITIAL WELL

2.1 BP has commenced drilling operations for the Initial Well, and, except as provided elsewhere in this Agreement, BP shall continue drilling the Initial Well with due diligence to the Objective Zone and perform all logging and testing operations to which the Parties agree. Company shall pay 11.67% of the Drilling Costs of the Initial Well, regardless of whether the Initial Well is successfully drilled to the Objective Zone. BP has estimated that Drilling Costs will be approximately FOURTEEN MILLION, EIGHT HUNDRED SIXTY TWO THOUSAND DOLLARS (\$14,862,000) (the “Estimated Drilling Costs”) for the Initial Well. Company shall pay its share of Estimated Drilling Costs, being ONE MILLION, SEVEN HUNDRED THIRTY FOUR THOUSAND, THREE HUNDRED NINETY FIVE DOLLARS (\$1,734,395), at execution of this Agreement via wire transfer according to the wiring instructions set forth in Exhibit “I”, but Company will pay its share of actual Drilling Costs in accordance with this Article II and Section 5.4.

2.2 When and if Casing Point is reached in the Initial Well, BP shall give written notice to Company of such occurrence, and such notice shall state whether BP proposes to attempt to Complete the Initial Well as a producer, whether in the Objective Zone or in a shallower Zone, or to abandon the Initial Well as a dry hole. The notice shall be accompanied by all well information and data set forth in Exhibit “D” (the “Well Information”), unless such information has been previously furnished to Company.

- (A) If BP reaches Casing Point and proposes to Complete the Initial Well as a producer, whether in the Objective Zone or in a shallower Zone, such notice shall also include a completion AFE. The completion AFE shall include, at a minimum, an estimate of Completion Costs for the Initial Well. Company shall have forty-eight (48) hours (exclusive of Saturday, Sunday and holidays) from receipt of the notice to elect, by written notice, whether it will participate in accordance with Section 2.3. BP shall not Complete the Initial Well until Company has notified BP in writing whether or not it will participate or until forty-eight (48) hours (exclusive of Saturday, Sunday and holidays) have elapsed since Company’s receipt of BP’s notice. Failure to respond within the time period allowed shall be deemed to be an election not to participate in the Completion of the Initial Well.
 - (B) If BP reaches Casing Point and proposes to abandon the Initial Well as a dry hole, (i) BP shall plug and abandon the Initial Well in accordance with Section 2.6, and (ii) Company shall have no right or option to takeover the Initial Well.
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2.3 If BP proposes to Complete the Initial Well and Company timely elects to participate in such Completion attempt in accordance with Section 2.2(A), Company shall pay 8.75% of the Completion Costs associated with the Initial Well and 8.75% of the cost of any newly acquired surface equipment associated with the Initial Well beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment, piping, and metering devices).

2.4 If BP proposes to Complete the Initial Well and Company elects not to participate in such Completion attempt, or is deemed not to participate, BP may nonetheless continue with such operation and carry Company's proportionate part of Completion Costs. If the Completion attempt is ultimately not successful, BP shall abandon the Initial Well in accordance with Section 2.6 or propose to Complete the Initial Well in another Zone under the provisions of Section 2.2 (and Company shall be given another election to participate in such newly proposed Completion). If the Completion attempt results in the production of oil and/or gas in paying quantities, the Initial Well shall be operated by BP at the expense and for the account of BP and other parties who agreed to participate in the Completion attempt. By electing not to participate in any Completion attempt, or being deemed not to participate in any Completion attempt, Company shall be deemed to have relinquished to BP, and BP shall own and be entitled to receive, all of Company's interest in the Initial Well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, windfall profits, and excise taxes, royalty, overriding royalty and other interests payable out of or measured by the production from the Initial Well accruing with respect to such interest until it reverts), shall equal the total of the following:

- (A) twenty six and one-quarter percent (26.25%) of the Completion Costs associated with the Initial Well and twenty six and one-quarter percent (26.25%) of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment, piping and metering devices) (*i.e.*, 300% non-consent penalty on a non-promoted basis); and
- (B) eight and three quarters percent (8.75%) of the cost of operation of the Initial Well commencing with first production and continuing until Company's interest shall revert to it in accordance with this Section 2.4 (*i.e.*, 100% non-consent penalty on a non-promoted basis).

2.5 Company shall bear its proportionate part, being eight and three quarters percent (8.75%), of any severance, production and gathering taxes and any other taxes imposed or measured by the volume or value of production from the Initial Well, including, but only by way of illustration, excise taxes and windfall profit taxes, whether enacted by federal, state or local authority.

2.6 The Initial Well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling the Initial Well. Company's proportionate share of the cost, risk and expense to plug and abandon the Initial Well shall be eight and three quarters percent (8.75%).

ARTICLE III SUBSTITUTE WELLS

3.1 If, prior to reaching Casing Point in the Initial Well, BP should encounter geological or mechanical conditions which render further operations impracticable or economically infeasible, in the sole reasonable opinion of BP, BP shall (i) give written notice of such occurrence to Company, and (ii) such notice shall state whether BP proposes to attempt to Complete the Initial Well in a shallower Zone or to abandon the Initial Well as a dry hole.

- (A) If BP proposes to Complete the Initial Well without reaching the Objective Zone, such notice shall also include a completion AFE. The completion AFE shall include, at a minimum, an estimate of Completion Costs for the Initial Well. Company shall have forty-eight (48) hours (exclusive of Saturday, Sunday and holidays) from receipt of the notice to elect, by written notice, whether it will participate in accordance with Section 2.3. BP shall not Complete the Initial Well until Company has notified BP in writing whether or not it will participate or until forty-eight (48) hours (exclusive of Saturday, Sunday and holidays) have elapsed since Company's receipt of BP's notice. Failure to respond within the time period allowed shall be deemed to be an election not to participate in the Completion of the Initial Well. If BP proposes to Complete the Initial Well and Company elects not to participate in such Completion attempt, or is deemed not to participate, BP may nonetheless continue with such operation and carry Company's proportionate part of Completion Costs in accordance with Section 2.4.
- (B) If BP proposes to abandon the Initial Well as a dry hole, (i) BP shall plug and abandon the Initial Well in accordance with Section 2.6, and (ii) Company shall have no right or option to takeover the Initial Well.

3.2 If BP does not drill the Initial Well to the Objective Zone, Company shall have the right, but not the obligation, for a period of one (1) year from the date the drilling rig used to drill the Initial Well is removed from the well site location for the Initial Well (the "Rig Release Date"), to participate in the drilling of a Substitute Well. BP shall have no obligation to drill a Substitute Well, and Company shall have no right to propose a Substitute Well. If and when BP elects to drill a Substitute Well, BP shall provide Company with an AFE for the Substitute Well. The AFE for the Substitute Well shall include, at a minimum, the surface and bottomhole location of the Substitute Well, the Objective Zone, and the estimated costs for the Substitute Well as a dry hole and as a producer. Company shall have thirty (30) days from receipt of such written notice to elect whether it shall participate in such Substitute Well. Failure to respond within the time period allowed shall be deemed to be an election not to participate in the Substitute Well.

3.3 If BP proposes to drill a Substitute Well and Company timely elects to participate in such Substitute Well in accordance with Section 3.2, such Substitute Well shall be treated for all purposes herein as the Initial Well (including, but not limited to, Company's obligation to pay 11.67% of the Drilling Costs for such Substitute Well), except that the Objective Zone for such Substitute Well shall be governed by the AFE for such Substitute Well.

3.4 If Company elects not to participate in a Substitute Well, or is deemed not to participate in a Substitute Well, this Agreement shall terminate except as provided in Sections 6.2, 6.3, 6.4, and 6.5.

ARTICLE IV EARNING RIGHTS

4.1 When and if the Initial Well is drilled to the Objective Zone and successfully Completed as a well capable of producing oil and/or gas in paying quantities, BP shall assign to Company, by partial assignment in the form attached hereto as Exhibit "E" (the "Partial Assignment"), an eight and three quarters percent (8.75%) working interest in the Initial Well and an eight and three quarters percent (8.75%) interest in the BP Interests.

4.2 If the Initial Well is not drilled to the Objective Zone, for any reason, but the Initial Well is successfully Completed as a well capable of producing oil and/or gas in paying quantities, BP shall assign to Company, by partial assignment in the form of the Partial Assignment, an eight and three quarters percent (8.75%) working interest in the Initial Well and an undivided eight and three quarters percent (8.75%) interest in the BP Interests, but limited as to the geographic boundaries of the Unit in which the Initial Well is located and further limited as to those depths between the surface and the stratigraphic equivalent of the deepest Zone penetrated in the Initial Well (the "Partial Interest"). BP and Company shall conduct operations with respect to such Initial Well as if they have entered into the Operating Agreement until such well or a Substitute Well is drilled to and successfully Completed in the Objective Zone or until this Agreement is terminated; provided, however, if this Agreement is to be terminated without Company earning its proportionate share of the BP Interests in accordance with Section 4.1, then the Parties shall enter into an operating agreement in the form of the Operating Agreement except that the contract area of such operating agreement shall be limited to the Partial Interest.

ARTICLE V JOINT OPERATIONS

5.1 BP does not own but has a limited non-exclusive right to use the Data in accordance with the Seismic Use Agreements. Under the Seismic Use Agreements, BP may not sell, assign, copy, transfer, display, exhibit or in any way reveal the Data, except as authorized by and in compliance with the provisions of the Seismic Use Agreements. Therefore, Company's access to the Data shall be limited, and may be prohibited all together upon execution of this Agreement, unless Company obtains the consent or otherwise enters into a seismic license or seismic use agreement with the Data Owner. **BP does not represent or warrant in any way, and expressly disclaims any representations or warranties, of any kind, express, implied or otherwise, that it owns the Data or otherwise has the right to provide all or any portion of the Data to Company.**

5.2 BP shall deliver to Company the Well Information derived from or attributable to the Initial Well and any Substitute Well and Additional Well, if such Well Information is acquired, obtained, or performed by BP.

5.3 The Initial Well and each Substitute Well and Additional Well shall be under the exclusive control of BP and the operation thereof shall be conducted in a prudent and workmanlike manner. BP shall conduct all its activities under this Agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall BP have any liability to Company for losses sustained or liabilities or obligations incurred except such as may result from BP's gross negligence or willful misconduct.

5.4 Except as otherwise specifically provided in this Agreement, BP shall promptly pay and discharge expenses incurred in drilling the Initial Well and each Substitute Well and Additional Well pursuant to this Agreement and shall charge Company with its proportionate shares upon the expense basis provided in Exhibit "C" to the Operating Agreement, whether or not such Operating Agreement has been executed by the Parties. BP shall keep an accurate record, in accordance with generally accepted accounting principles, showing expenses incurred and charges and credits made and received.

5.5 When and if the Initial Well is drilled to the Objective Zone and successfully Completed as a well capable of producing oil and/or gas in paying quantities, BP and Company shall enter into an operating agreement attached hereto as Exhibit "F" (the "Operating Agreement") covering the Contract Area. The Operating Agreement shall be executed contemporaneously with the Partial Assignment but shall be effective on October 1, 2006. The Operating Agreement shall apply to all Additional Wells. **In the event of any conflict between the Operating Agreement and this Agreement, this Agreement shall govern.**

5.6 Unless Company elects by thirty (30) days' prior written notice to BP either to take in kind or to separately dispose of its share of oil, gas and other hydrocarbons, BP shall in good faith, to the extent it can do so, cause Company's share of production from the Initial Well and each Substitute Well and Additional Wells to be marketed and sold to either a Third Party or to an Affiliate of BP in a commercially reasonable manner, which terms shall not be less than on the same terms and conditions as BP's share of production from such wells are sold. It is recognized by the Parties that BP, or its predecessor, has provided at its cost or made arrangements with Third Parties to provide certain facilities beyond the wellhead (the "Plants") needed for producing, storing, separating, gathering, treating, processing and delivering production from the Initial Well and each Substitute Well and Additional Well. It is agreed that BP will continue to make the Plants (as they or any contractual arrangements related thereto may be modified, changed or upgraded) proportionately available to handle BP, Company and Third Party production from the Contract Area. It is understood that a proportionate share of the cost of maintaining and operating the Plants, including depreciation or rental in lieu of depreciation and actual Third Party costs, whether on a cash fee basis or on a retained volume basis, will be allocated to the Parties on a "throughput" basis (being that portion of such costs relating to the production volumes from the Initial Well or, if drilled, any Substitute Well or Additional Well, as each may bear to the total production volumes handled by the Plants, including any Third Party or BP volumes not produced from the Initial Well or, if drilled, any Substitute Well or Additional Well). **Nothing herein shall be construed to impart, transfer or convey any ownership interest in the Plants to Company.**

5.7 If any lands within the Contract Area (other than those lands covered by the Leases) contain an interest which is unleased or leased to a Third Party and such interest must be carried in order to conduct operations consistent with this Agreement (such Third Party interest being a "Carried Interest"), Company shall bear eight and three quarters percent (8.75%) of the Carried Interests in order to conduct such operations.

5.8 At all times while this Agreement is in effect, Company shall carry insurance of the types and in the minimum amounts set forth in Exhibit "G". All such insurance set forth in Exhibit "G" shall specifically name BP as an additional insured or provide that the insurer shall waive all rights of subrogation against BP.

ARTICLE VI TERM AND TERMINATION

6.1 Except as provided in Sections 6.2, 6.3, 6.4, and 6.5, this Agreement shall terminate one (1) year from the Rig Release Date, if such has not been terminated sooner pursuant to the provisions hereof.

6.2 Notwithstanding Section 6.1, if the Initial Well is drilled to the Objective Zone and successfully Completed as a well capable of producing oil and/or gas in paying quantities, this Agreement shall continue for so long as the Operating Agreement remains in full force and effect.

6.3 Notwithstanding Section 6.1, this Agreement shall remain in full force and effect for so long as Company participates in the drilling of a Substitute Well in accordance with Section 3.2.

6.4 Notwithstanding anything in this Agreement to the contrary, if Company earns a Partial Interest in the Initial Well and the BP Interests pursuant to Section 4.2, the Parties shall first enter into an operating agreement in the form of the Operating Agreement, except that the contract area of such operating agreement shall be limited to the Partial Interest, prior to termination of this Agreement.

6.5 Notwithstanding anything in this Agreement to the contrary, the expiration or termination of this Agreement shall not release any of the Parties from any obligation or liability which accrued prior to such expiration or termination (including the costs to plug and abandon the Initial Well and any Substitute Wells and Additional Wells) or which, by the terms hereof, is intended to survive such expiration or termination, including but not limited to Articles I, X, XI, XII, XIII, XIV, XV, and XVI and Sections 5.1 and 5.6, which terms shall survive indefinitely.

ARTICLE VII
ASSIGNMENT; PREFERENTIAL RIGHTS

7.1 The rights and obligations created by this Agreement may not be assigned by Company, in whole or in part, without first obtaining BP's written consent under this Agreement, such consent not to be unreasonably withheld. If BP consents to an assignment by Company of all or part of its rights and obligations under this Agreement, it is nevertheless understood and agreed that any such consent shall not relieve Company of its primary liability for the performance of and compliance with the terms and provisions hereof, and shall not have the effect nor be construed to have the effect of waiving this limitation as to future, further, or additional assignments. Any assignment of the rights and obligations under this Agreement by Company without the consent of BP shall be voidable by BP.

7.2 Notwithstanding anything to the contrary in any other agreement, including the Operating Agreement, should Company desire to sell all or any part of its interest in the Initial Well, the BP Interests, or any Substitute Well or Additional Well, Company shall promptly give written notice to BP, with full information concerning its proposed disposition, which shall include the name and address of the prospective transferee (who must be ready, willing and able to purchase), the purchase price, a legal description sufficient to identify the property, and all other terms of the offer. BP shall then have an optional prior right, for a period of fifteen (15) days after receipt of such written notice, to purchase for the stated consideration on the same terms and conditions the interest which Company proposes to sell.

ARTICLE VIII
NOTICE

8.1 All notices and other communications required or desired to be given hereunder must be in writing and sent (properly addressed as set forth below) by (a) certified or registered U.S. mail, return receipt requested, with all postage and other charges fully prepaid, (b) hand or courier delivery, or (c) facsimile transmission. Date of service by mail and delivery is the date on which such notice is received by the addressee and by facsimile is the date sent (as evidenced by fax machine generated confirmation of transmission); provided, however, if such date received is a Saturday, Sunday or legal holiday, then date of receipt will be on the next date that is not a Saturday, Sunday or legal holiday, and if a facsimile is received after 5:00 pm local time, then date of receipt will be the next date that is not a Saturday, Sunday or legal holiday. Each Party may change its address by notifying the other Party in writing of such address change, and the change will be effective thirty (30) days after such notification is received by the other Party.

FOR COMPANY:

True North Energy Corp.
1200 Smith Street, 16th Floor
Houston, Texas 77002
Fax No.: (832) 553-7244

FOR BP:

BP America Production Company
501 Westlake Park Boulevard
Houston, Texas 77079
Attention: Tuscaloosa Area Land Negotiator
Fax No.: (281) 366-4519

ARTICLE IX
FORCE MAJEURE

9.1 If either Party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Agreement, upon such Party giving notice and reasonably full particulars of such Force Majeure in writing to the other Party within a reasonable time after the occurrence of the cause relied upon, the obligations of such Party, upon giving said notice, so far as such Party's ability to perform such obligations are materially affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, and the cause of the Force Majeure as far as possible shall be remedied with all reasonable dispatch. The term "Force Majeure" means one or a set of circumstances such as an act of God, strike, lockout or other industrial disturbances, act of the public enemy, war, terrorism, blockade, riot, lightning, fire, storm, freezing, flood, explosion, governmental action, delay, restraint or inaction (whether said government's jurisdiction or authority be actual or assumed), including without limitation, governmental action or inaction relating to the permitting of wells, and any other cause, circumstance or condition (except financial) whether of the kind herein enumerated or otherwise, not reasonably within the control of the Party claiming Force Majeure. The above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts or other labor difficulty by acceding to the demands of opponents therein when such course is inadvisable in the discretion of the Party claiming Force Majeure.

ARTICLE X
RELATIONSHIP OF THE PARTIES; TAX PARTNERSHIP

10.1 This Agreement does not create, and shall not be construed to create, a partnership, association, joint venture or fiduciary relationship of any kind or character between the Parties, and shall not be construed to impose any duty, obligation, or liability arising from such a relationship by or with respect to any Party.

10.2 For federal and state income tax purposes only, the Parties shall be governed by the terms and provisions of the Badger Prospect Tax Partnership provisions attached as Exhibit "H".

ARTICLE XI
ENTIRE AGREEMENT AND CORPORATE AUTHORITY

11.1 When executed by the duly authorized representatives of Company and BP, this Agreement shall constitute the entire agreement between the Parties regarding the subject matter herein and shall supersede and replace any and all other writings, understandings, letters of intent or memorandums of understanding entered into or discussed prior to the execution date hereof.

11.2 The Parties hereto represent that, as of the date of the execution hereof, they are corporations duly authorized, validly existing and in good standing under the laws of the state of their incorporation and are qualified and authorized to do business in the State of Louisiana and that all requisite corporate power and authority to duly execute, deliver and effectuate this Agreement have been duly obtained.

ARTICLE XII
LAWS AND REGULATIONS; GOVERNING LAW

12.1 Each Party shall comply with and conduct its operations hereunder in accordance with the Leases, and if applicable, assignment(s) and other agreements relating to the Properties, and all applicable laws, ordinances, rules, regulations, and orders of all federal, state and local governmental authorities having jurisdiction over the operations.

12.2 This Agreement and all matters pertaining hereto shall be governed by and construed under the laws of the State of Louisiana, except to the extent that the conflict of law rules of said state would require that the laws of another state would govern its validity, construction, or interpretation.

ARTICLE XIII
DISCLAIMERS AND LIMITATION OF LIABILITY

13.1 BP hereby expressly disclaims any and all representations and warranties associated with the Properties, express, statutory, implied or otherwise, including without limitation: (a) warranty of title, except as expressly provided in the Partial Assignment, (b) existence of any and all prospects, (c) geographic, geologic or geophysical characteristics associated with any and all prospects, (d) existence, quality, quantity or recoverability of hydrocarbon and non-hydrocarbon substances associated with the Properties, (e) costs, expenses, revenues, receipts, accounts receivable, accounts payable, suspense fund or gas imbalances associated with the Properties, (f) contractual, economic or financial information and data associated with the Properties, (g) continued financial viability or productivity of the Properties, (h) environmental or physical condition of the Properties, (i) federal or state income or other tax consequences associated with the Properties, (j) absence of patent or latent defects, (k) safety, (l) state of repair, (m) merchantability, and (n) fitness for a particular purpose; and Company (on behalf of itself and its Affiliates and each of their officers, directors, agents, employees, successors and assigns) irrevocably waives any and all claims it may have against BP GROUP with respect to the matters set forth in this Section 13.1.

13.2 Each of the Parties expressly waives and agrees not to seek indirect, consequential, punitive or exemplary damages of any kind with respect to any dispute arising out of or relating to this Agreement or breach hereof.

13.3 Company: (a) waives all rights in redhibition pursuant to Louisiana Civil Code Articles 2520, *et seq.*; (b) acknowledges that this express waiver shall be considered a material and integral part of this Agreement and the consideration thereof; and (c) acknowledges that this waiver has been brought to the attention of Company, has been explained in detail and that Company has voluntarily and knowingly consented to this waiver of warranty of fitness and warranty against redhibitory vices and defects for the Properties.

13.4 To the extent applicable to the Properties, Company hereby waives the provisions of the Louisiana Unfair Trade Practices and Consumer Protection Law (La. R.S. 51:1402, *et seq.*). Company warrants and represents that it: (a) is experienced and knowledgeable with respect to the oil and gas industry generally and with transactions of this type specifically; (b) possesses ample knowledge, experience and expertise to evaluate independently the merits and risks of the transactions herein contemplated; and (c) is not in a significantly disparate bargaining position.

ARTICLE XIV NOT CONSTRUED AGAINST DRAFTER

14.1 The Parties acknowledge that they have had an adequate opportunity to review each and every provision contained in this Agreement, including the opportunity to submit the same to legal counsel for review and comment. Based on said review and consultation, the Parties agree with each and every term contained in this Agreement. Based on the foregoing, the Parties agree that the rule of construction that a contract be construed against the drafter, if any, shall not be applied in the interpretation and construction of this Agreement.

ARTICLE XV CONSPICUOUSNESS OF PROVISIONS

15.1 The Parties acknowledge that the provisions contained in this Agreement that are set out in “bold” satisfy any requirement at law or in equity that provisions contained in a contract be conspicuously marked or highlighted.

ARTICLE XVI MISCELLANEOUS PROVISIONS

16.1 The terms and conditions of this Agreement (including the Exhibits) shall be binding upon and inure to the benefit of the Parties and their successors and permitted assigns, and the terms, covenants and conditions shall be covenants running with the Properties and with each transfer or assignment of the Properties, or portion thereof.

16.2 If any provision of this Agreement is declared invalid or unenforceable, such declaration shall not affect the validity of the other provisions of this Agreement, which other provisions shall continue and remain in full force and effect.

16.3 This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

16.4 The article headings in this Agreement are inserted for convenience and identification only, and are in no way intended to describe, interpret, define, extend or limit the scope or intent of this Agreement or any provisions hereof.

16.5 This Agreement may be amended, modified, changed, altered or supplemented only by written instrument (not electronic) duly executed by the parties hereto which specifically refers to this Agreement.

16.6 The following constitute all of the exhibits to this Agreement (the “Exhibits”) and are attached hereto and incorporated by reference herein:

Exhibit “A”	Lease Schedule
Exhibit “B”	Map of the Contract Area
Exhibit “C”	Plat of the Initial Well
Exhibit “D”	Well Information Requirements
Exhibit “E”	Form of Partial Assignment
Exhibit “F”	Form of Operating Agreement
Exhibit “G”	Insurance Requirements
Exhibit “H”	Badger Prospect Tax Partnership Provisions
Exhibit “I”	Wiring Instructions

EXECUTED by the Parties on the date(s) indicated in the acknowledgments below, but effective as of the Effective Date.

BP AMERICA PRODUCTION COMPANY

/s/ Peter Wroe Foster

Witness

Peter Wroe Foster

Full Name (Typed or Printed)

/s/ Craig Alan
Carley

Witness

Craig Alan Carley

Full Name (Typed or Printed)

By: /s/ Stacey J. Garvin

Stacey J. Garvin
Attorney-in-Fact

TRUE NORTH ENERGY CORP.

/s/ Peter Wroe Foster

Witness

Peter Wroe Foster

Full Name (Typed or Printed)

/s/ Craig Alan
Carley

Witness

Craig Alan Carley

Full Name (Typed or Printed)

By: /s/ John I. Fohnovic

Name: John I. Fohnovic
Title: President and Chief Executive Officer

ACKNOWLEDGMENTS

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this 7th day of February, 2007, before me appeared STACEY J. GARVIN, to me personally known, who, being by me duly sworn, did say that he is Attorney-in-Fact for BP AMERICA PRODUCTION COMPANY, and that said instrument was signed on behalf of said corporation.

Given under my hand and seal this 7th day of February, 2007

My Commission Expires:

/s/ Teresa L. Bowerman

Notary Public, State of Texas

Teresa L. Bowerman

(NOTARY SEAL OF TERESA L. BOWERMAN)

Name (Typed or Printed)

131239-6

Notary's Identification Number

STATE OF TEXAS §
 §
COUNTY/PARISH OF HARRIS §

On this 7th day of February, 2007, before me appeared John I. Folnovic, to me personally known, who, being by me duly sworn, did say that he or she is President and Chief Executive Officer of or for TRUE NORTH ENERGY CORP., and that said instrument was signed on behalf of said corporation.

Given under my hand and seal this 7th day of February, 2007

My Commission Expires:

/s/ Teresa L. Bowerman

Notary Public, State of Texas

Teresa L. Bowerman

(NOTARY SEAL OF TERESA L. BOWERMAN)

Name (Typed or Printed)

131239-6

Notary's Identification Number
