

THIS AGREEMENT made the 10th day of November,
A.D. 1988.

BETWEEN:

THE CITY OF REGINA, a municipal corporation pursuant to the laws
of Saskatchewan

(hereinafter called "the City")

OF THE FIRST PART

AND:

CONSUMERS' CO-OPERATIVE REFINERIES LIMITED, a body corporate
having offices at Saskatoon, in the Province of Saskatchewan

OF THE SECOND PART

AND:

NEWGRADE ENERGY INC., a body corporate having offices at Regina,
in the Province of Saskatchewan

(hereinafter collectively called
"the Users")

OF THE THIRD PART

WHEREAS

- (i) the City owns and operates, as a public utility, certain works for the collection and treatment of sewage;
- (ii) the Users own and operate, and are in the process of constructing plants for the refinement and/or upgrading of petroleum on the lands described in Schedule "A";
- (iii) the Users have secured a permit for the construction and have applied for a permit for operation of an Effluent Pretreatment System;

- (iv) The Users have requested that the City accept and treat the Refinery's pretreated Industrial Effluent in the City's Sewerage Works;
- (v) the parties have agreed upon certain terms and conditions under which the City's Utility Service is to be supplied to the Refinery; and
- (vi) the City is empowered pursuant to The Urban Municipality Act, 1984 to provide the Refinery with the Utility Services.

NOW THEREFORE the parties, in consideration of the payments and mutual and respective covenants and undertakings to be kept and observed, agreed as follows:

ARTICLE 1 - DEFINITIONS

1.01 In this Agreement, including the preamble, the following words and terms shall have the respective meanings ascribed in this Article unless the context of their usage otherwise requires.

- (a) "Collection System" means sewer trunks or lines owned or operated by the City as part of its Sewerage Works and includes any expansion or modification thereof.
- (b) "Effluent" or "Industrial Effluent" means the sewage to be pretreated and thereafter discharged by the Users into the City's Sewerage Works.
- (c) "Permit" means that certain permit pursuant to which the City operates its treatment plant, or such renewal or subsequent permit as may be issued to the City pursuant to The Environmental Management and Protection Act.

- (d) "Pretreatment System" means that system constructed by the Users to be operated and maintained by the Users pursuant to the terms hereof, particulars of which system are set forth in Schedule "B" hereto.
- (e) "Refinery" means the petroleum processing plant located on the lands described in Schedule "A" and includes the operations of the Upgrader.
- (f) "Sewerage Works" means the sewerage Utility Service operated by the City and includes the collection system and the Treatment Plant.
- (g) "Sewer Use Bylaw" means City of Regina Bylaw 5601 and any amendments thereto hereinafter enacted and any bylaw which repeals and succeeds Bylaw 5601.
- (h) "Treatment Plant" means the City's treatment facility and all related systems and processes for the cleaning of sewage and includes any improvements, expansion or modification thereof.
- (i) "Utility Service" means the acceptance by the City of the Refinery pretreated Industrial Effluent.
- (j) "Upgrader" means the heavy oil upgrading facility of NewGrade Energy Inc.

ARTICLE 2 - SCHEDULES

2.01 The following schedules are attached hereto and form part of this Agreement.

- (a) Schedule A: showing Refinery lands;
- (b) Schedule B: showing details of the Pretreatment System;
- (c) Schedule C: showing maximum levels of substances or matter allowed in the Industrial Effluent.

ARTICLE 3 - REFINERY ACCESS TO SEWERAGE WORKS

- 3.01 In consideration of the payments to be made by the Users, but subject to Article 11 hereof, the City hereby agrees to accept into its collection system and treat the Effluent.
- 3.02 In consideration of the premises and the City's acceptance of the Industrial Effluent, the Users hereby covenant to make the payments described hereunder and to be bound by and observe the terms and conditions set forth or adopted by reference herein.

ARTICLE 4 - TERM

- 4.01 This Agreement shall remain in full force and effect until terminated by either party pursuant to terms hereof.

ARTICLE 5 - PAYMENT

- 5.01 The Users shall for the entire term hereof pay to the City, as and when due, such payments as are established in the Sewer Use Bylaw for Effluent of the same class (as determined in the said Bylaw) as that discharged by the Users.

ARTICLE 6 - PRETREATMENT OF EFFLUENT

- 6.01 The Users agree that all Effluent discharged into the Sewerage Works shall be pretreated in the Pretreatment System so that the Industrial Effluent discharged into the Sewerage Works conforms with the specifications stated in Schedule "C".
- 6.02 The Users agree to maintain the Pretreatment System to the extent required to bring the Effluent within the specifications stated in Schedule "C".

6.03 The Pretreatment System shall be constructed and maintained with a storage capacity sufficient to allow the Users to prevent, for forty-eight (48) hours, the discharge of Effluent into the Sewerage Works.

ARTICLE 7 - TESTING, SAMPLING AND REPORTING

7.01 The Users shall for the term hereof and at no cost to the City monitor the Effluent for the purpose of ensuring compliance with the specifications stated in Schedule "C".

7.02 For the first twelve (12) months of the term, starting from the date of commencement of Upgrader operations and the discharge of Effluent therefrom, the Users shall monitor:

- (a) by continuous sampling for flow, pH, conductivity, temperature and dissolved oxygen;
- (b) twice weekly on a "flow proportional twenty-four (24) hour composite sample" parameters of total phenols, oil and grease (total and mineral fractions), sulphides, ammonia, phosphorous, suspended solids and biochemical oxygen demand (BOD5); and
- (c) at least quarterly on a "flow proportional twenty-four (24) hour composite sample" trace elements of aluminum, arsenic, barium, boron, cadmium, chromium, copper, cyanide, iron, lead, manganese, mercury, molybdenum, nickel, selenium, silver and zinc.

7.03 For the second twelve (12) months of the term, the Users shall monitor the same properties at the same frequency, except for trace elements monitoring, which may be conducted twice only during the year, once in summer and once in winter.

7.04 Monitoring schedules may be relaxed, by agreement of the parties, following the expiration of the above twenty-four (24) months. In the event the parties are unable to agree on an appropriate schedule, the Users shall effect monitoring in accordance with the requirements reasonably determined by the City, having regard to the number or extent of excursions from the specifications stated in Schedule "C", the extent to which substances approach said specifications, the volumes of Effluent discharged from time to time by the Refinery or such other factors as may legitimately cause concern for the operation of the Sewerage Works.

7.05 The Users shall, within fifteen (15) days from the end of each month, deliver, at no cost to the City, all results of monitoring or testing required hereunder.

7.06 Notwithstanding anything contained in this Article 7, the City may at any reasonable time enter upon the Refinery lands and/or buildings for purposes of conducting independent sampling tests or to observe monitoring and sampling by the Users. Any City servant or agent shall produce upon demand proper and sufficient identification which shall be accepted by the Refinery as sufficient authority for the conduct of tests and such City servant or agent shall in conducting any test be accompanied, at the Users option, by an authorized representative of the Refinery. Any City servant or agent shall observe all plant rules in effect at the Refinery. Except in the case of deliberate act, the Users shall not be responsible for any injury to or death of such City servant or agent.

7.07 Notwithstanding anything contained in this Article 7 the Users shall immediately report to the City full details of any known excursion from the specifications stated in Schedule "C" in Effluent discharged into the Sewerage Works.

ARTICLE 8 - ALLOWABLE VOLUMES OF EFFLUENT

8.01 The parties contemplate, at the time of execution hereof, that the Users shall discharge approximately one million (1,000,000) imperial gallons of Effluent per day. The Users shall notify the City in advance if they propose to discharge Effluent in excess of one million five hundred thousand (1,500,000) imperial gallons in any twenty-four (24) hour period, and shall refrain from discharging any amount in excess of the said one million five hundred thousand (1,500,000) gallons unless the City expressly consents thereto.

ARTICLE 9 - TEMPORARY RETENTION OF EFFLUENT

9.01 The Users shall, upon request by the City, temporarily discontinue the discharge of Effluent into the Sewerage Works for up to forty-eight (48) hours where rainfall makes imminent an overloading or backup of the Sewerage Works.

9.02 The Users shall, upon request by the City, temporarily discontinue the discharge of Effluent into the Sewerage Works where an excursion from the Effluent parameters, specified in Schedule "C", has occurred at the Refinery and the City wishes to contain or otherwise address the presence of the unacceptable Effluent or determine if the cause of the excursion has been identified and remedied by the Users. The City shall in all

cases act promptly if it requests the Users to retain Effluent pursuant to this Section 9.02. If an excursion from the Effluent parameters has occurred, the Users shall act promptly to determine and remedy the cause of the excursion.

ARTICLE 10 - QUALITY OF EFFLUENT

10.01 Subject to the operation of Article 12 herein, the City shall accept the Effluent for so long as the said Effluent conforms to the specifications stated in Schedule "C".

ARTICLE 11 - DISCONTINUATION OF SERVICES

11.01 The City may discontinue the provision of Utility Services to the Users if:

- (a) the Users neglect or fail to make payments for the Utility Services as provided herein;
- (b) subject to Section 11.02, the Users cause, or allow or suffer to allow, the discharge of Effluent not in conformity with the specifications stated in Schedule "C" into the Sewerage Works;
- (c) the Users fail or refuse to maintain or operate its Pretreatment System to specifications stated in Schedule "B";
- (d) The Users fail or refuse to monitor Effluent quality as required herein or fail to report all monitoring results within the times provided; or
- (c) the Users fail to temporarily withhold Effluent as required herein.

It is expressly acknowledged by the City that several months may be required, next following the Users commencement of operations of the Upgrader, to standardize and perfect the Pretreatment System and monitoring thereof. The City, therefore, agrees that it shall not, within twelve (12) months of the commencement of operations of the Upgrader, discontinue Sewerage Works services pursuant to subsections 11.01(b), (c) or (d) unless:

- (f) pretreatment plant upsets are chronically repeated and the Users fail to seek bona fide solutions to the excursions, or
- (g) the excursions in quality from the specifications stated in Schedule "C" create an imminent danger to the Sewerage Works, public health or the environment.

11.02 In the event of a breach or non-observance of any covenant, agreement, proviso or condition on the part of the Users to be kept, observed or performed and such breach or non-observance shall not have been remedied within sixty (60) days after written notice thereof to the Users by the City (or if such breach or non-observance is not capable of being remedied within the said sixty (60) days and the Users refuse or neglect to promptly take such measures as may in fact be taken and complete the remedy with due dispatch), then the City may, after twelve (12) months advance written notice to such effect, discontinue the provision of Utility Services to the Users, provided that if the continued provision of Utility Services to the Users during the twelve (12) months preceding the effective date of discontinuance would constitute an imminent danger to the

Sewerage Works, public health or the environment then the City may, upon giving to the Users fourteen (14) days' written notice, terminate the provision of Utility Service to the Users notwithstanding that the twelve (12) month notice provided aforesaid has not expired.

ARTICLE 12 - PROVINCIAL ORDER

- 12.01 This Agreement and the rights of the parties hereunder are and shall for the entire term be subject to all lawful orders made pursuant to provincial statute and regulations. Without restricting the generality of the foregoing, it is expressly provided that any order of Sask Water pursuant to The Water Corporation Act with respect to the operation, maintenance, repair, extension or alteration of the City's Sewerage works shall prevail over any inconsistent provision hereof.
- 12.02 In the event any order, requirement or condition of the City's permit, lawfully imposed pursuant to The Environmental Management and Protection Act, has the effect of increasing the stringency of effluent treatment requirements, then the City may amend the appropriate parameters of Effluent pretreatment specifications stated in Schedule "C" hereto; provided that any such amendment shall be of a general application to all Industrial Service consumers which discharge into the Sewerage System waste containing the particular substance in respect of which the specifications of Schedule C were amended, having due regard to volumes and nature of effluent discharged into the Sewerage Works by respective consumers.

ARTICLE 13 - TERMINATION

- 13.01 This Agreement may be terminated and brought to an end by the Users at any time, upon written notice to such effect. The said notice shall state the effective date of said termination and the City may discontinue the Utility Services on the said date.
- 13.02 This Agreement shall be terminated effective as of the day that the City enacts a general bylaw to regulate and control a class of industrial consumers of the Utility Service to which the Users are properly added in the Bylaw, provided that the Users shall be permitted to the use of the Utility System, subject to the same regulation and control with respect to tolerances of effluent as other members of the said class.

ARTICLE 14 - SALE OF REFINERY

- 14.01 In the event that the Users sell the Refinery or Upgrader on terms which permit the same to be operated on the Refinery lands, the Users shall advise the purchaser of this Agreement with the City.

ARTICLE 15 - GENERAL

- 15.01 The captions, section numbers and article numbers appearing in this Agreement are inserted for convenience only and in no way define, limit, construe or describe the scope or intent of such clauses or articles; such captions, section numbers or article numbers shall not in any way other than for reference purposes affect the interpretation or construction hereof.

- 15.02 The words "hereof", "herein" and "hereunder" and similar expressions used in any section or subsection of this Agreement relate to the whole of this Agreement and not to that specific section or subsection, unless otherwise expressly provided. The use of the neuter singular pronoun to refer to either party is and is deemed to be a proper reference even though the parties may be an individual, partnership or corporation.
- 15.03 If any part of this Agreement is held invalid in whole or in part by any court of competent jurisdiction, the City shall forthwith adopt a sewerage use bylaw as contemplated by Section 13.02 and until the adoption of such bylaw, the City shall take no steps to prohibit the discharge of Effluent into the Sewerage Works except in the circumstances contemplated in subsection 11.01(g). The parties agree that any decision, aforesaid, shall not invalidate this section of this Agreement.
- 15.04 No waiver shall be inferred or implied by any forbearance by either party hereto or anything done or omitted to be done by either with respect to a default, breach or non-observance save only as express waiver in writing and then only to the extent expressly stipulated and necessary to give effect to such express waiver. A written notice shall not be deemed to be a waiver of a continuing or subsequent breach or of either party's rights hereunder, unless expressly stated to the contrary.
- 15.05 Any notice, direction or other communication required or permitted pursuant to this Agreement shall be in writing unless the context otherwise requires. Notices may be delivered in person or by prepaid registered mail, addressed:

In the case of the City:

Office of the City Clerk
Queen Elizabeth II Court
P.O. Box 1790
Regina, Saskatchewan
S4P 3C8

In the case of the Users:

Consumers' Co-operative Refineries Limited
9th Avenue North
P.O. Box 260
Regina, Saskatchewan
S4P 3A1

Attention: Refinery Manager

or to such other alternative address in Saskatchewan as either party may by notice from time to time advise, and if mailed as provided above shall be deemed to be given no later than the third business day after the date of such mailing.

If postal service is or is likely to be delayed by strike or other interruption of services, notices shall be delivered in person.

- 15.07 This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto or by their successors or permitted assigns; provided that the City hereby nominates its Director of Municipal Engineering to grant such consents as are contemplated herein and to agree to monitoring schedules referred to in Article 7.
- 15.08 Times is of the essence.
- 15.09 This Agreement shall be governed by and construed in accordance with the laws of Saskatchewan.

15.10 The parties mutually acknowledge that the within Agreement shall be adopted by bylaw, before execution of the parties hereto. The said bylaw shall provide that any provision hereof which conflicts or is inconsistent with any provision of the Sewer Use Bylaw shall be deemed to supercede and take priority over the conflicting bylaw provision. In all other respects, the Sewer Use Bylaw continues to apply to the Users.

15.11 This Agreement shall enure to the benefit of and be binding upon the parties, their respective successors and permitted assigns.

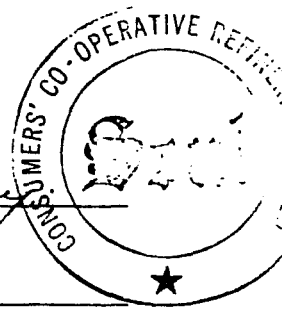
IN WITNESS WHEREOF the parties have hereunto executed this Agreement under seal, as attested by the signatures of their proper signing officers in such regard the date and year first above written.

THE CITY OF REGINA

Douglas R. Archer
Mayor
A. Day
City Clerk

CONSUMER'S CO-OPERATIVE
REFINERIES LIMITED

Per: [Signature]
[Signature]



NEWGRADE ENERGY INC.

[Signature]
Per: [Signature]
[Signature]

West of the South Western Limit of Roadway on Plan PF 2360 and North of the Northern limit of Parcel A on Plan EX 4175.

Sixthly: - Out of the South West Quarter, all that portion described as follows: commencing at the South East corner of the Quarter Section; thence Northerly along the Eastern boundary 1,098 feet; thence Westerly parallel with the South boundary 793 feet; thence Southerly parallel with the Eastern boundary to the Southern boundary; thence Easterly along the Southern boundary to the point of commencement. Seventhly: - Out of the North West and South West Quarters, all that portion shown as Parcel B on Plan FM 1873. Eighthly: - Out of the North West and South West Quarters, all that portion shown as Parcel C on Plan 72R27590. Minerals Included.

6. Block "G", in the City of Regina, in the Province of Saskatchewan, in the Dominion of Canada, according to a plan of Record in the Land Titles Office for the Regina Land Registration District as No. 72R27589. Excepting thereout: all mines and minerals by virtue of the registration of said Plan 72R27589.
7. All that portion of the Original Road Allowance lying South of the South Easterly limit of the Grand Trunk Pacific Branch Lines Company's Railway Right of Way as shown on a Plan of Record in the Land Titles Office for the Regina Land Registration District as No. CG 4875 and adjacent to the West boundary of the South West Quarter of Section 4, in Township 18, in Range 19, West of the Second Meridian, in the Province of Saskatchewan, in the Dominion of Canada. Minerals in the Crown.
8. All that portion of the road allowance lying North of and adjacent to the North East Quarter of Section 32 and the North West Quarter of Section 33, both in Township 17, in Range 19, West of the Second Meridian, in the Province of Saskatchewan, in the Dominion of Canada, which lies East of a straight line joining the point of intersection of the South Easterly limit of the Canadian National Railway Right of Way as said Right of Way as shown on a Plan of Record in the Land Titles Office for the Regina Land Registration District as No. CG 4875 and the Northerly limit of the road allowance with the point of intersection of the North Easterly limit of Ninth Avenue North as said Avenue is shown on a Plan of Record in the said Land Titles Office as No. 66R35050 with the Southerly limit of the said road allowance and West of the radial production North Easterly of the North Westerly limit of McDonald Street as said Street as shown on a Plan of Record as No. 70R03788. Minerals in the Crown.
9. All those portions of the South East and South West Quarters of Section 5, Township 18, Range 19, West of the Second Meridian, Saskatchewan, shown as Parcel "D" on Plan 81-R-18925. Minerals Included.

SCHEDULE "B"

DESCRIPTION OF FACILITIES

System Description

The existing Wastewater System has been revamped such that it is able to accommodate the increased effluent rates as a result of the Upgrader, as well as produce an acceptable quality of wastewater for discharge to the City Sanitary Sewer.

The system is shown on the process Flow Diagram, Drawing Number 730300-46-4-001 attached.

The existing gravity flow wastewater streams including storm water, existing oily process water, cooling tower blowdown, marketing area wastewater, new cooling tower blowdown, oily water from the tank farm and laboratory wastewater are being routed to a new API sump and then pumped into the front end of the API Separator. The existing zeolite softener backwash stream and boiler blowdown will be pumped directly into the front end of the API Separator.

All pump pedestal wastewater and oily water drained from the process equipment is routed to the oily water drain system. The oily water drains collection sump collection sump collects all the oily water from all the new units and pumps the oily water directly into the front end of the API Separator.

All storm water which falls inside the process units will be directed to an oily storm water system which is to be collected in the oily storm water pond.

The oily storm water pond will also collect surface drainage from the northwest and southwest area of the plot, including the area in the vicinity of the new tank farm addition. Water collected in the new dyked tank areas will not be routed to the oily storm water pond.

The oily storm water from this pond is pumped via the oily storm water sump pump to the front end of the API Separator. Clean storm water can be pumped to the existing Service Water Reservoir, or storm water reservoir.

The new desalter effluent and demin plant effluent will be pumped to the front end of the API Separator.

The API Separator will process all wastewater and subsequently pump the effluent to the First Stage of the Aerated Effluent Holding Pond via a new equalization basin or to the service water reservoir. Wastewater from the Third Stage Effluent Holding Pond will then be pumped to the new site collection manhole and sump for discharge to the City of Regina.

The existing 15" sanitary sewer will be abandoned in place beyond the Ring Road and the remainder will be tied up into the new discharge line from the Refinery and subsequently to the new 30" Sanitary Trunk Sewer. Hence, the combined sanitary and wastewater effluent will flow via a 18" sewer line to connect with the City of Regina Sewer System at the Ring Road.

In the wastewater holding ponds the water will undergo treatment prior to discharge to the City Sanitary Sewer. The treatment is designed to meet the quality objectives in Schedule "C". The system designed to meet these objectives is pond aeration and is described as follows:

Pond Aeration is achieved with a submerged diffused bubbler system. The total retention time required in the aerated ponds is expected to be eleven (11) days. The system should provide sufficient oxygen supply and mixing in the ponds to ensure adequate reduction of BOD, sulphides and phenols. The proposed system is to be capable of withstanding shock loadings and peak hydraulic loadings including the 48 hour emergency holdback period requested by the City.

A continuous Sampling and Testing Package is installed at the Third Stage Effluent Holding Pond pumphouse on the line to the Site Collection Manhole and Sump. The composite sample will include the pond effluent and exclude site sanitary effluent. Laboratory testing is to be performed on a regular basis to ensure that effluent guidelines will be met.

SCHEDULE "C"

1.	pH	Units	5.5 to 9.0	
2.	Total Phenols	mg/l	1.0	Average
			2.0	Maximum
3.	Oil & Grease - Total	mg/l	100.0	Maximum
	- Mineral	mg/l	15.0	Maximum
4.	Sulphides	mg/l	1.0	Maximum
5.	Ammonia Nitrogen	mg/l	25.0	Maximum
6.	Phosphorous - as Phosphate	mg/l	10.0	Maximum
7.	Suspended Solids	mg/l	300.0	Maximum
8.	BOD5	mg/l	300.0	Maximum
9.	Temperature	Deg.C	50	Maximum
10.	Trace Elements - Total			
	- Aluminum	mg/l	1.0	Maximum
	- Arsenic	mg/l	0.05	Maximum
	- Barium	mg/l	5.0	Maximum
	- Boron	mg/l	0.5	Maximum
	- Cadmium	mg/l	0.05	Maximum
	- Chromium	mg/l	0.25	Maximum
	- Copper	mg/l	0.1	Maximum
	- Cyanide	mg/l	0.05	Maximum
	- Iron	mg/l	1.5	Maximum
	- Lead	mg/l	0.25	Maximum
	- Manganese	mg/l	1.0	Maximum
	- Mercury	mg/l	.0005	Maximum
	- Molybdenum	mg/l	0.05	Maximum
	- Nickel	mg/l	0.125	Maximum
	- Selenium	mg/l	0.1	Maximum
	- Silver	mg/l	0.25	Maximum
	- Zinc	mg/l	0.25	Maximum
11.	- Dissolved Oxygen	mg/l	2.0	Minimum
12.	- Volume (Daily)	Ml/d	4.6	Normal Aver.
		Ml/d	6.9	Maximum

Notes: mg/l = milligrams per liter
 Ml/d = Megaliters per day