

**SUBORDINATION AGREEMENT**  
(Subordinated Debt)

This Subordination Agreement made as of April 7, 2014 is made between Royal Bank of Canada in its capacities described in Section 7.13 hereof (the "**Agent**"), North West Redwater Partnership (the "**Borrower**") and Alberta Petroleum Marketing Commission (the "**Subordinated Creditor**").

RECITALS:

- A. The Beneficiaries have agreed to make loans or advances and otherwise extend credit to the Borrower pursuant to the terms of the Credit Agreement and may hereafter extend credit or provide cash management services to the Borrower pursuant to Lender Financial Instruments or Cash Management Documents.
- B. The Borrower intends to borrow money from and may hereafter become further indebted to the Subordinated Creditor.
- C. The Credit Agreement precludes the Borrower from having outstanding indebtedness owing to the Subordinated Creditor unless the Subordinated Creditor has subordinated its rights against the Borrower in accordance with the terms of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby conclusively acknowledged by each of the Parties, the Parties covenant and agree as follows:

**ARTICLE 1**  
**INTERPRETATION**

**1.1 Definitions**

In this Agreement, including in the recitals hereto, terms and expressions defined in the Credit Agreement shall have those meanings when used herein (unless otherwise defined herein), and in addition:

"**Agreement**" means this agreement, as the same may be amended, modified, supplemented or restated from time to time in accordance with the provisions hereof;

"**Beneficiaries**" means, collectively, the Lenders, the Hedging Affiliates (including any Former Lender and Affiliates thereof which have outstanding any Former Lender Financial Instrument Obligations), the Cash Manager and the Agent, and "**Beneficiary**" means any of the foregoing;

"**Borrower Indebtedness**" means, collectively, the Senior Debt and the Subordinated Debt;

"**Credit Agreement**" means the credit agreement made as of December 12, 2012 between the Borrower, the Agent and the Lenders relating to the establishment of certain credit facilities in favour of the Borrower, as amended pursuant to a first amending agreement made as of August

30, 2013, a second amending agreement made as of February 20, 2014 and by a third amending agreement made as of the date hereof;

**"Creditor Proceedings"** means:

- (a) any dissolution, winding-up, total or partial liquidation, adjustment or readjustment of debt, reorganization, compromise, arrangement with creditors, plan of arrangement, proposal, filing of a notice of intention to make a proposal or similar proceedings under Insolvency Laws of or with respect to the Borrower or its property or liabilities, in each case under any Insolvency Law;
- (b) any dissolution, winding-up, total or partial liquidation, adjustment or readjustment of debt, reorganization, compromise, arrangement with creditors, plan of arrangement or similar proceedings under the arrangement provisions of any applicable corporate law (in any case which involves the alteration, amendment, conversion, compromise, satisfaction or discharge of obligations of any or all creditors) of or with respect to the Borrower or its property or liabilities;
- (c) any bankruptcy, insolvency, receivership, interim receivership, petition or assignment in bankruptcy, or assignment for the benefit of creditors under any Insolvency Laws of or with respect to the Borrower;
- (d) any marshalling of assets and liabilities of the Borrower under any Insolvency Laws; or
- (e) any proceedings, or the initiation of any proceedings, in relation to any of the foregoing,

whether any of the foregoing is voluntary or involuntary, partial or complete, and includes any such proceedings initiated or consented to by the Borrower;

**"Default"** means:

- (a) any Default (for certainty, under and as defined in the Credit Agreement) or Event of Default; or
- (b) any Financial Instrument Demand for Payment (including under or in respect of any agreement, instrument or other document which evidences or relates to any outstanding Former Lender Financial Instrument Obligations).

**"Excluded Assignment"** means:

- (a) any assignment to APMC; and
- (b) any assignment to CNRL or any Affiliate thereof (which shall exclude, for certainty, the Borrower or any Subsidiary thereof), provided that, in the case of an assignment to an Affiliate of CNRL, the remaining unfunded obligations of such

Affiliate remain fully guaranteed by CNRL on the same basis as in effect on the date hereof;

**"Former Lender Financial Instrument Obligations"** means Financial Instrument Obligations owing to a Former Lender and its Affiliates under Lender Financial Instruments entered into while such Former Lender was a Lender under the Credit Agreement;

**"Insolvency Laws"** means the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-up and Restructuring Act* (Canada) or any other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, reorganization, receivership, insolvency, arrangement or similar laws of Canada or any other applicable jurisdiction from time to time that have become applicable to the Borrower or any of its properties or liabilities;

**"Loan Payment"** means any payment by the Borrower of or on account of indebtedness for borrowed money or other Debt owing to the Subordinated Creditor (whether made, paid or satisfied in or for cash, property or both);

**"Parties"** mean the parties to this Agreement;

**"SDAs"** means, collectively, the Subordinated Debt Agreement (Base Obligation) and the Subordinated Debt Agreement (Additional Obligations), and **"SDA"** means either one of them individually;

**"Senior Debt"** means all present and future obligations, indebtedness, liabilities, covenants, agreements and undertakings of the Borrower and its Subsidiaries to any and all of the Beneficiaries under, pursuant or relating to the Senior Debt Documents, whether direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred or arising, and any ultimate unpaid balance thereof, including all Obligations, Cash Management Obligations and Lender Financial Instrument Obligations (including, for certainty, all Former Lender Financial Instrument Obligations) and whether the same are from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether the Borrower be bound alone or with others and whether as principal or surety, including all expenses paid or incurred by any of the Beneficiaries in endeavouring to collect or realize upon the foregoing;

**"Senior Debt Documents"** means, collectively, the Documents, the Lender Financial Instruments (and including, for certainty, any agreement, instrument or other document which evidences or relates to any outstanding Former Lender Financial Instrument Obligations) and the Cash Management Documents;

**"Subordinated Debt"** means, collectively, all present and future obligations, indebtedness, liabilities, covenants, agreements and undertakings of the Borrower to, owing to, or in favour of the Subordinated Creditor under, pursuant or relating to the Subordinated Debt Documents, including all Debt of the Borrower under, pursuant or relating to the Subordinated Debt Documents;

**"Subordinated Debt Agreement (Additional Obligations)"** means the subordinated debt agreement made as of the date hereof between the Borrower, as borrower, Alberta Petroleum Marketing Commission and Canadian Natural Upgrading Limited, as lenders, CNRL, as guarantor, and CNR, in respect of the Additional Obligations (under and as defined in in such subordinated debt agreement as in effect on the date hereof);

**"Subordinated Debt Agreement (Base Obligation)"** means the subordinated debt agreement made as of the date hereof between the Borrower, as borrower, Alberta Petroleum Marketing Commission and Canadian Natural Upgrading Limited, as lenders, CNRL, as guarantor, and CNR, in respect of Tranche 1 of the Class A Subordinated Debt Facility (under and as defined in such subordinated debt agreement as in effect on the date hereof) and Tranche 1 of the Class B Subordinated Debt Facility (under and as defined in such subordinated debt agreement as in effect on the date hereof);

**"Subordinated Debt Documents"** means the Subordinated Debt Agreement (Base Obligation) and the Subordinated Debt Agreement (Additional Obligations), together with any other agreement, instrument or other document evidencing, governing or relating to either SDA; and

**"Subordinated Rights"** means all rights, remedies and powers of the Subordinated Creditor pursuant to any agreement, instrument or other document evidencing, governing or relating to any Subordinated Debt or otherwise available to the Subordinated Creditor pursuant to applicable laws to enforce payment and performance of the Subordinated Debt.

## **1.2 Headings; Articles and Sections**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

## **1.3 Number; persons; including; successors**

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and other bodies corporate and governmental authorities and vice versa and words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by their context or by the words or phrases which precede or succeed them. References herein to any person shall, unless the context otherwise requires, include such person's successors and permitted assigns.

## **1.4 References to Agreements and Enactments**

Unless otherwise stated, references herein to any agreement, instrument, licence or other document shall be deemed to include reference to such agreement, instrument, licence or other

document as the same may from time to time be amended, modified, supplemented or restated; and reference herein to any enactment shall be deemed to include reference to such enactment as re-enacted, amended or extended from time to time and to any successor enactment.

## **ARTICLE 2**

### **SUBORDINATION, POSTPONEMENT AND PRIORITY**

#### **2.1 General**

Notwithstanding the terms of the agreements, instruments or other documents giving rise to the Borrower Indebtedness or Subordinated Rights, the time of default under or the dates of any advances or creation of the Borrower Indebtedness, the Parties agree that all and any of their rights in respect of the Borrower Indebtedness and the Subordinated Rights shall be governed by the terms of this Agreement.

#### **2.2 Subordination; Standstill**

So long as any Senior Debt is outstanding or any Credit Facility remains outstanding and until the Senior Debt shall have been indefeasibly paid in full and in cash, performed in full and finally satisfied:

- (a) the payment of all Subordinated Debt is postponed and subordinated to the indefeasible payment in full and in cash, performance in full and final satisfaction of all Senior Debt and the Subordinated Creditor will not directly or indirectly, accept from the Borrower, in any manner, directly or indirectly, payment of, or consideration for the reduction of, the whole or in part of the Subordinated Debt and if any such payment is received or made on the Subordinated Debt, such payment shall be held by the Subordinated Creditor in trust for the benefit of, and shall be promptly paid over in the form received (duly endorsed, if necessary, to the Agent) to, the Agent for the benefit of the applicable Beneficiaries; and
- (b) until the Senior Debt shall have been indefeasibly paid in full and in cash, performed in full and finally satisfied and the Credit Facilities have been cancelled, the Subordinated Creditor shall not (i) realize upon or otherwise exercise any Subordinated Rights or (ii) commence, consent to or join with any other creditor in commencing, any enforcement, receivership, bankruptcy, moratorium, reorganization, readjustment of debt, adjustment of debt, reorganization, compromise, arrangement or any dissolution, receivership, liquidation or other Creditor Proceedings with respect to the Borrower.

#### **2.3 Certain Covenants and Agreements of the Subordinated Creditor**

The Subordinated Creditor hereby covenants and agrees with the Agent on behalf of the Beneficiaries as follows:

- (a) the Subordinated Creditor shall not, and it shall not permit any of its Affiliates to, take, hold or have:

- (i) any Security Interest on, to or against any property, assets or undertaking of the Borrower or any Subsidiary thereof; and
  - (ii) any Guarantee of the Subordinated Debt from any Subsidiary of the Borrower;
- (b) in addition to and without limiting Section 2.3(a)(ii) above, the Subordinated Creditor shall not advance, hold or have outstanding any Debt owing to it from any Subsidiary of the Borrower;
- (c) the Subordinated Creditor shall not amend, modify, supplement, restate or terminate any Subordinated Debt Document (or provide any waiver or consent to like effect) in contravention of any of the Senior Debt Documents; provided that, notwithstanding the foregoing, with respect to the SDAs, the Subordinated Creditor shall not:
  - (i) amend, supplement or modify (or provide any waiver or consent to like effect) either of the SDAs if such amendment, supplement, modification, waiver or consent (as applicable): (A) effects any material change to the payment terms which makes the same less favourable to the Borrower, (B) would make the representations, covenants or events of default therein less favourable to, or more onerous on, the Borrower or any Subsidiary, (C) in the case of the Subordinated Debt Agreement (Base Obligation) only, would have or would reasonably be expected to have a "material adverse effect" as such term is defined in any Senior Debt Document, (D) in the case of the Subordinated Debt Agreement (Base Obligation) only, would be materially prejudicial to the interests of the Agent or the other Beneficiaries or (E) pertains to Part I.B.3 of Schedule "D" to the Subordinated Debt Agreement (Additional Obligations) or Part I.B.3 of Schedule "E" to the Subordinated Debt Agreement (Base Obligation); provided that, for certainty, any amendment increasing the Base Obligation Maximum Amount (under and as defined in the Subordinated Debt Agreement (Base Obligation)) shall, in all events, be permitted (but, for certainty, the foregoing proviso shall not apply to any decrease of the Base Obligation Maximum Amount after the same has been increased); or
  - (ii) terminate the Subordinated Debt Agreement (Base Obligation) prior to COD;
- (d) notwithstanding anything herein or in any other Senior Debt Document or in any Subordinated Debt Documents to the contrary, the Subordinated Creditor shall not receive or retain any payment on or in respect of (including any interest payment), or any repayment of, any Subordinated Debt and any such payment or repayment received in contravention of the foregoing provisions hereof shall not be retained by the Subordinated Creditor, but shall be held in trust for the benefit of, and shall be promptly paid over in the form received (duly endorsed, if necessary, to the Agent) to, the Agent for the benefit of the applicable Beneficiaries;

- (e) except with the prior written consent of the Agent (such consent to be provided in accordance with the Senior Debt Documents) and except for an Excluded Assignment, the Subordinated Creditor shall not, and shall not be entitled to, sell, assign or otherwise transfer any Subordinated Debt, Subordinated Debt Document or any Subordinated Rights; in addition, in all events (including, for certainty, in the case of an Excluded Assignment to CNRL or any Affiliate of CNRL except where the assignee or transferee, as the case may be, is already a party to a subordination agreement in favour of the Agent on the same terms as set forth herein), and without limiting the foregoing and as a condition precedent to any such consent by the Agent as aforesaid, the assignee or transferee, as the case may be, of any of the same shall have executed and delivered an agreement with the Agent agreeing to be bound hereby as a Subordinated Creditor and to have the provisions applicable to the Subordinated Creditor apply to such assignee or transferee, *mutatis mutandis*); and
- (f) notwithstanding anything herein or in any other Senior Debt Document or in any Subordinated Debt Document to the contrary, it shall not, nor shall it permit any Affiliate thereof to, exercise or otherwise assert any right, power or privilege of set-off which it may have (at law, in equity, under any agreement, instrument or other document or otherwise) for or in respect of any Subordinated Debt against any amount payable to the Borrower from time to time, including any amount payable, under or pursuant to the Processing Agreement to which the Subordinated Creditor is a party (including amounts payable pursuant to the DLA to which the Subordinated Creditor is a party), and the Subordinated Creditor hereby agrees that all payments required to be made hereunder to the Agent shall be made to the Agent without set-off, counterclaim, deduction or reduction of any nature or kind whatsoever.

## **2.4 Distribution to Creditors**

Upon any payment or distribution of assets of the Borrower (of any kind or character, whether in cash, property or securities) to its creditors upon any dissolution, winding-up, total or partial liquidation, readjustment of debt, reorganization, compromise, adjustment of debt, arrangement with creditors, or similar proceedings of the Borrower or its property, or in any bankruptcy, insolvency, receivership, assignment for the benefit of creditors, marshalling of assets and liabilities of the Borrower, or other Creditor Proceedings, or in the event of any bulk sale of any of its assets within the bulk transfer provisions of any Applicable Laws, or proceedings in relation to any of the foregoing, whether any of the foregoing is voluntary or involuntary, partial or complete:

- (a) all of the Senior Debt shall first be indefeasibly paid in full and in cash, performed in full and finally satisfied before the Subordinated Creditor shall be entitled to receive or retain any payment or distribution of or in respect of Subordinated Debt from the Borrower or any receiver, receiver-manager, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution or in respect of such proceedings or under or in respect of any of the Subordinated Rights;

- (b) until all of the Senior Debt is indefeasibly paid in full and in cash, performed in full and finally satisfied, the Subordinated Creditor irrevocably authorizes the Agent to file on behalf of the Subordinated Creditor any and all claims, proofs of debt, petitions, consents, and other documents in respect of such proceedings or under or in respect of any of the Subordinated Debt and the Subordinated Rights; and
- (c) any payment or distribution of assets of the Borrower of any kind or character, whether in cash, property or securities, to which the Subordinated Creditor would be entitled in respect of the Subordinated Debt or the Subordinated Rights, shall be paid by the Borrower or by any receiver, receiver-manager, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, directly to the Agent for the benefit of the applicable Beneficiaries to the extent necessary to satisfy and indefeasibly pay in full and in cash, perform in full and finally satisfy all of the Senior Debt before any payment or distribution is made to the Subordinated Creditor or any representative thereof.

## **2.5 Power of Attorney**

Without limiting the foregoing and in addition thereto, and to the extent permitted by applicable law, the Subordinated Creditor irrevocably authorizes the Agent to do, make, execute, deliver and file on behalf of the Subordinated Creditor a claim, proof of claim, direction to pay, petition, consent, and other documents in respect of Creditor Proceedings. The Subordinated Creditor hereby irrevocably constitutes and appoints any officer for the time being of the Agent as the true and lawful attorney of the Subordinated Creditor, with full power of substitution, to exercise all Subordinated Rights and to exercise any and all rights of the Subordinated Creditor in connection with any Creditor Proceedings, including to do, make, execute, deliver and file any and all of the foregoing in connection with the Creditor Proceedings (such power of attorney is a power coupled with an interest and shall survive the legal incapacity of, and any bankruptcy, insolvency, receivership, dissolution, liquidation, reorganization, winding up or other analogous proceedings in respect of, the Subordinated Creditor and extends to its successors and assigns). The foregoing authorization and power of attorney shall include the right to vote and approve on behalf of the Subordinated Creditor any plan of arrangement, reorganization, proposal, liquidation, compromise, or any other step, action or proceeding under, pursuant or relating to any Creditor Proceedings, all as the Agent may consider appropriate in its sole discretion (and having regard to those considerations as the Agent deems appropriate and, for certainty, without having any responsibility or liability to the Subordinated Creditor).

## **2.6 Trust**

Notwithstanding Section 2.4, if upon any such dissolution, winding-up, liquidation, readjustment, reorganization, compromise, adjustment of debt, arrangement with creditors or similar proceedings in respect of the Borrower or in any bankruptcy, insolvency, receivership, assignment for the benefit of creditors, marshalling of assets and liabilities of the Borrower, or other Creditor Proceedings, or in the event of any bulk sale of any of its assets within the bulk transfer provisions of any Applicable Laws, or proceedings in relation to any of the foregoing, whether any of the foregoing is voluntary or involuntary, partial or complete (including any acts



or proceedings related to the Subordinated Rights), any payment or distribution of assets of the Borrower of any kind or character, whether in cash, property or securities, shall be received by the Subordinated Creditor or any representative thereof before all the Senior Debt is indefeasibly paid in full and in cash, performed in full and finally satisfied, such payment or distribution shall be held by the Subordinated Creditor (or such representative) in trust for the benefit of, and shall be promptly paid over in the form received (duly endorsed, if necessary, to the Agent) to, the Agent for the benefit of the applicable Beneficiaries.

## **2.7 Application of Proceeds**

All payments and distributions received by the Subordinated Creditor in respect of the Subordinated Debt or Subordinated Rights, to the extent received in or converted into cash and paid over to the Agent hereunder for the benefit of the applicable Beneficiaries, may be applied by the Agent first to the payment of any and all expenses (including legal fees and expenses on a solicitor and his own client basis and on the basis of a full indemnity) paid or incurred by the Agent in enforcing the provisions hereof or in endeavouring to collect or realize upon any of the Senior Debt, and any balance thereof shall, solely as between the Subordinated Creditor and the applicable Beneficiaries, but subject to the Credit Agreement, be applied by the applicable Beneficiary to the payment of the Senior Debt until indefeasibly paid in full and in cash, performed in full and finally satisfied in such order of application as the applicable Beneficiary may from time to time select; and, notwithstanding any such payments or distributions received by the applicable Beneficiaries in respect of the Subordinated Debt or Subordinated Rights and so applied by the applicable Beneficiaries toward the payment of the Senior Debt, the Subordinated Creditor shall be subrogated, without recourse, representation and warranty to the then existing rights of the applicable Beneficiaries, if any, in respect of the Senior Debt subject to the provisions of Section 2.8.

## **2.8 Restriction on Subrogation**

The Subordinated Creditor shall not have or exercise any rights which it may acquire, if any, by way of subrogation or contribution under or in connection with this Agreement until this Agreement has ceased to be effective in accordance with Section 5.1. If any amount is paid to the Subordinated Creditor on account of such subrogation or contribution rights at any time before this Agreement has ceased to be effective in accordance with Section 5.1, such amount shall be held in trust by the Subordinated Creditor for the benefit of the Beneficiaries and shall be promptly paid to the Agent for the benefit of the Beneficiaries.

# **ARTICLE 3**

## **ACKNOWLEDGEMENTS OF SUBORDINATED CREDITOR; FURTHER COVENANTS; REPRESENTATIONS AND WARRANTIES**

### **3.1 Absolute Obligations**

This Agreement shall operate and apply, and shall remain in full force and effect, in all events and circumstances and the obligations of the Subordinated Creditor hereunder shall be absolute, irrevocable and unconditional in all events and circumstances. In addition to and without limiting the foregoing, this Agreement shall remain in full force and effect and the obligations of

the Subordinated Creditor hereunder shall be absolute, irrevocable and unconditional irrespective of:

- (a) any change in the time, manner or place of payment of, or in any other term of, any of the Senior Debt, the Senior Debt Documents, or any other amendment or waiver of or any consent to departure from any of the Senior Debt or the Senior Debt Documents;
- (b) any release or amendment or waiver of or consent to departure from any covenant, agreement or undertaking of any person respecting any of the Senior Debt or the Senior Debt Documents;
- (c) any merger, consolidation, amalgamation, dissolution, winding-up, liquidation or termination of the existence of the Agent, any other Beneficiary or the Subordinated Creditor into or with any other person or any other change of its identity or capacity;
- (d) any (i) liquidation, winding-up, bankruptcy, dissolution, compromise, proposal, arrangement, plan of reorganization or other event or proceeding relating to, or which might affect the existence, obligations, creditors, assets, business or affairs of, (ii) change or changes in the name of, or (iii) amalgamation, consolidation, merger or reorganization of any kind of, or with respect to, the Borrower or any Subsidiary thereof;
- (e) in addition to and not in limitation of Section 3.1(d) above, any Creditor Proceedings;
- (f) any Applicable Laws or any defence, claim or right of any Party which would effect a result contrary to the terms in this Agreement; or
- (g) any impossibility or impracticality of performance or *force majeure*, any act of any Governmental Authority, or any other circumstance which might constitute a defence available to, or a discharge of, the Borrower in respect of the Senior Debt or the Senior Debt Documents.

### **3.2 Dealings by Beneficiaries**

Notwithstanding anything in this Agreement, the Subordinated Creditor acknowledges and agrees that the Agent and the applicable Beneficiaries shall be entitled to:

- (a) lend monies, provide cash management services, enter into hedging arrangements or otherwise extend credit or accommodations to the Borrower as part of the Senior Debt;
- (b) agree to any change in, amendment to, waiver of, or departure from, any term of any Senior Debt Document including, without limitation, any amendment, renewal, restatement or extension of any Senior Debt Document, or increase in

the payment or other obligations of the Borrower under any Senior Debt Document;

- (c) take any Security Interests from the Borrower and its Subsidiaries;
- (d) grant time, renewals, extensions, releases, discharges or other indulgences or forbearances to the Borrower in respect of Senior Debt;
- (e) waive timely and strict compliance with or refrain from exercising any rights under or relating to any Senior Debt;
- (f) accept or make any compositions, arrangements, plans of reorganization or compromises with the Borrower and its Subsidiaries as the Beneficiaries (or any of them) may deem appropriate in connection with any Senior Debt;
- (g) change, whether by addition, substitution, removal, succession, assignment, grant of participation, transfer or otherwise, any of the Beneficiaries, including the Agent;
- (h) acquire, give up, vary, exchange, release, discharge or otherwise deal with or fail to deal with any Security Interests relating to the Senior Debt, or allow the Borrower, its Subsidiaries or any other person to deal with any property which is subject to such Security Interests, all as the Agent and the other Beneficiaries may deem appropriate; or
- (i) abstain from taking, protecting, securing, registering, filing, recording, renewing, perfecting, insuring or realizing upon any Security Interests for any Senior Debt; and no loss in respect of any of the Security Interests received or held for and on behalf of the Beneficiaries, whether occasioned by fault, omission or negligence of any kind, whether of the Agent or any of the Beneficiaries or otherwise, shall in any way limit or impair the liability of the Subordinated Creditor or the rights of the Agent and the other Beneficiaries under this Agreement;

all of which may be done without notice to or consent of the Subordinated Creditor and without impairing, releasing or otherwise affecting any obligations of the Subordinated Creditor hereunder or any rights of the Agent and the other Beneficiaries hereunder.

### **3.3 Subordinated Debt Default**

The Subordinated Creditor shall promptly give the Agent written notice of the occurrence of a default or event of default in respect of the Subordinated Debt of which the Subordinated Creditor is actually aware.

### **3.4 Agreement Not to Challenge**

The Subordinated Creditor shall not at any time challenge, dispute or contest the validity or enforceability of any of the Senior Debt or the Senior Debt Documents (including this Agreement) or the perfection of the Security Interests constituted by any of the Senior Debt

Documents, nor shall the Subordinated Creditor at any time challenge, dispute or contest the validity or enforceability of the subordination and postponement provided for herein or take any action whereby the subordination and postponement contemplated hereby may be prejudiced.

### **3.5 Representations and Warranties**

The Subordinated Creditor hereby represents and warrants to the Agent and the other Beneficiaries that:

- (a) it is by statute an agent of the Province of Alberta for all purposes, such that all obligations of Alberta Petroleum Marketing Commission under this Agreement constitute legal, valid and binding obligations of the Province of Alberta;
- (b) the Subordinated Creditor has all necessary power and authority to enter into this Agreement and to perform the obligations of the Subordinated Creditor hereunder;
- (c) the execution, delivery, observance and performance on its part of this Agreement has been duly authorized by all necessary action;
- (d) the Subordinated Creditor has duly executed and delivered this Agreement; and
- (e) this Agreement constitutes a valid and legally binding obligation of the Subordinated Creditor, enforceable against the Subordinated Creditor in accordance with its terms.

## **ARTICLE 4 ACKNOWLEDGEMENT OF THE BORROWER**

### **4.1 Acknowledgement**

The Borrower hereby acknowledges and agrees that:

- (a) it authorizes the Agent, the other Beneficiaries and the Subordinated Creditor to share with each other any information possessed by them relating to the Borrower Indebtedness and to payments received by the Agent, the other Beneficiaries and the Subordinated Creditor in respect thereof;
- (b) this Agreement shall not modify, relieve or release it from any of its Borrower Indebtedness or performance obligations under the agreements, instruments or other documents giving rise to the Subordinated Rights;
- (c) it is a party hereto solely for the purpose of providing the acknowledgements and agreements set forth herein and does not, and is not intended to, derive any benefits hereunder; and
- (d) it consents to the terms of this Agreement and agrees to comply with, and to not act contrary to, the terms of this Agreement.

## **ARTICLE 5 TERMINATION**

### **5.1 Termination**

The provisions hereof shall in all respects be a continuing agreement and shall remain in full force and effect until: (a) the indefeasible payment in full and in cash, performance in full and final satisfaction of the Senior Debt; (b) the cancellation of all of the Credit Facilities; and (c) the termination of all Senior Debt Documents.

### **5.2 Reinstatement**

This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment or performance of the Senior Debt is rescinded, reversed, nullified, rendered void or voidable or must otherwise be restored, refunded, returned or unwound for any reason, all as though such payment had not been made or such performance had not occurred.

## **ARTICLE 6 CONTINUING SUBORDINATION**

### **6.1 Continuing Subordination**

This Agreement shall create a continuing subordination and shall:

- (a) be binding upon the Subordinated Creditor and its successors and assigns; and
- (b) enure, together with the rights and remedies of the Agent and the other Beneficiaries hereunder, to the benefit of and be enforceable by the Agent and the other Beneficiaries and their successors and assigns for their benefit and for the benefit of any other person entitled to the benefit of any Senior Debt Documents from time to time, including any permitted assignee or participant of some or all of the Senior Debt Documents.

### **6.2 Other Obligations Not Affected**

The subordination provided for herein is in addition to and not in substitution for any other agreement or any other security by whomsoever given or at any time held by the Agent or the other Beneficiaries in respect of the Senior Debt, and the Agent and the other Beneficiaries shall at all times have the right to proceed against or realize upon all or any portion of any other agreement or any security or any other monies or assets to which the Agent and the other Beneficiaries may become entitled or have a claim in such order and in such manner as the Agent and the other Beneficiaries in their sole discretion may deem appropriate.

### **6.3 Acknowledgement of Documentation**

The Subordinated Creditor hereby acknowledges that it is familiar with and understands the terms of the Senior Debt Documents. The Subordinated Creditor shall ensure that the Borrower provides such copies as the Subordinated Creditor wishes to receive of all amendments,

modifications or supplements to any of the aforementioned documents and of any other Senior Debt Documents which are executed in the future pursuant to which Senior Debt may arise. None of the Agent or the other Beneficiaries shall in any manner have any obligation to ensure such receipt nor shall lack of receipt in any way affect the absolute, irrevocable and unconditional nature of the Subordinated Creditor's obligations hereunder in respect of the Senior Debt thereby created or arising.

## **ARTICLE 7 MISCELLANEOUS**

### **7.1 Assignments and Participations by Beneficiaries**

The Beneficiaries may, from time to time without notice to or consent of the Subordinated Creditor, assign or transfer or grant participations in respect of any or all of the Senior Debt or any interest therein in accordance with the Senior Debt Documents; and, notwithstanding any such assignment or transfer or grant of a participation or any subsequent assignment or transfer thereof or grant of a participation therein, the Subordinated Creditor acknowledges that such Senior Debt shall be and remain Senior Debt for the purposes hereof, and every immediate and successive assignee or transferee of, or participant in, any of the Senior Debt or of any interest therein shall, to the extent of the interest of such assignee, transferee or participant in the Senior Debt, be entitled to the full rights and benefits hereof.

### **7.2 Assignment by Subordinated Creditor or Borrower**

Except with the prior written consent of the Agent (such consent to be provided in accordance with the Senior Debt Documents), the Borrower shall not assign all or any portion of its obligations under this Agreement, and any attempted assignment of any such obligations shall be null and void. Except in accordance with Section 2.3(e), the Subordinated Creditor shall not assign all or any portion of its Subordinated Debt, the Subordinated Debt Documents or the Subordinated Rights.

### **7.3 Accounts**

The accounts and records of the Agent and the Lenders shall constitute, in the absence of manifest error, conclusive and binding evidence of the Senior Debt.

### **7.4 Further Assurances**

Each Party agrees to execute and deliver all deeds, documents, instruments and assurances (including discharges) as may be reasonably required by another Party from time to time (but at the expense of the Borrower) to reflect, confirm or give to the terms hereof and to provide such information regarding the Borrower Indebtedness and the Subordinated Rights as may be reasonably requested from time to time.

### **7.5 Severability**

Any provision of this Agreement which is or becomes prohibited or unenforceable in any jurisdiction does not invalidate, affect or impair the remaining provisions hereof in such

jurisdiction and any such prohibition or unenforceability in any jurisdiction does not invalidate or render unenforceable such provision in any other jurisdiction.

## **7.6 Amendments; Waivers**

- (a) No provisions of this Agreement may be amended, waived, discharged or terminated orally nor may any breach of any of the provisions of this Agreement be waived or discharged orally, and any amendment, waiver, discharge or termination of this Agreement may only be made in writing signed by the Agent on behalf of the Beneficiaries, or by the Beneficiaries, and if such amendment is intended to bind the Subordinated Creditor, by the Subordinated Creditor.
- (b) No failure on the part of the Agent or any other Beneficiary to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof unless specifically waived in writing, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
- (c) Any waiver of any provision of this Agreement or consent to any departure by the Agent therefrom shall be effective only in the specific instance and for the specific purpose for which given and shall not in any way be or be construed as a waiver of any future requirement.

## **7.7 Notice**

Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by facsimile or other electronic means of communication addressed to the respect Parties as follows:

To the Borrower:

North West Redwater Partnership  
2800, 140 – 4<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3N3

Attention: Director, Finance and Information Systems  
Facsimile: (403) 398-0924

To the Agent:

Royal Bank of Canada  
4<sup>th</sup> Floor, 20 King Street West  
Toronto, Ontario  
M5H 1C4

Attention: Manager, Agency Services Group  
Facsimile: (416) 842-4023

To the Subordinated Creditor:

Alberta Petroleum Marketing Commission  
300, 801-6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3W2

Attention: Richard Masson  
Facsimile: (403) 297-5468

or to such other address or telecopy number as any of the Parties may from time to time notify the others in accordance with this Section. Any demand, notice or communication made or given by personal delivery or by facsimile or other electronic means of communication during normal business hours at the place of receipt on a Banking Day shall be conclusively deemed to have been made or given at the time of actual delivery or transmittal, as the case may be, on such Banking Day. Any demand, notice or communication made or given by personal delivery or by facsimile or other electronic means of communication after normal business hours at the place of receipt or otherwise than on a Banking Day shall be conclusively deemed to have been made or given at 9:00 a.m. (Calgary time) on the first Banking Day following actual delivery or transmittal, as the case may be.

#### **7.8 Governing Law**

This Agreement is conclusively deemed to be made under, and for all purposes to be governed by and construed in accordance with, the laws of the Province of Alberta and of Canada applicable therein. The Parties hereby irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta for all matters arising out of or relating to this Agreement or any of the transactions contemplated hereby.

#### **7.9 Enurement**

This Agreement shall be binding upon the Parties and their respective successors and assigns.

#### **7.10 Time of Essence**

Time shall be of the essence with respect to this Agreement.

#### **7.11 Paramountcy**

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Subordinated Debt Documents, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

#### **7.12 Entire Agreement**

This Agreement contains the entire agreement between the Parties with respect to the matters herein contained and there are no other representations, warranties, covenants or collateral



agreements between any of the Parties in connection therewith other than as expressly herein provided.

### **7.13 Agent Execution**

Royal Bank of Canada is entering into this Agreement in its capacity as agent under the Credit Agreement and as agent for and on behalf of each of the Beneficiaries (including, for certainty, Royal Bank of Canada and the other Lenders, and including any Hedging Affiliate of a Lender in its capacity as a counterparty to any Lender Financial Instrument with the Borrower or a Subsidiary thereof, and the Cash Manager).

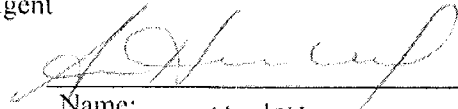
### **7.14 Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or by sending a scanned copy by electronic mail shall be as effective as delivery of a manually executed counterpart of this Agreement.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF each Party has duly executed this Agreement as of the date and year first above written.


ROYAL BANK OF CANADA,  
as Agent

Per:   
Name: Ann Hurley  
Title: Manager, Agency


**BORROWER:**

**NORTH WEST REDWATER  
PARTNERSHIP,  
by its general partners  
CANADIAN NATURAL UPGRADING  
LIMITED**

By: \_\_\_\_\_

  
Name: Steve W. Lant  
Title: President

By: \_\_\_\_\_

  
Name: Bruce E. McGrath  
Title: Corporate Secretary

**NWU LP,  
by its general partner:  
1726702 ALBERTA LTD.**

By: \_\_\_\_\_

Name:  
Title:

By: \_\_\_\_\_

Name:  
Title:

**BORROWER:**

**NORTH WEST REDWATER  
PARTNERSHIP,  
by its general partners  
CANADIAN NATURAL UPGRADING  
LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

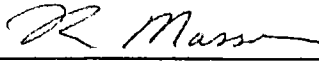
By: \_\_\_\_\_  
Name:  
Title:

**NWU LP,  
by its general partner:  
1726702 ALBERTA LTD.**

By: \_\_\_\_\_  
Name: Gary Lee  
Title: Secretary

By: \_\_\_\_\_  
Name: Larry Vadori  
Title: Senior Vice President of Strategy  
and Corporate Development

**ALBERTA PETROLEUM MARKETING  
COMMISSION**

By:   
Name: RICHARD MASSON  
Title: CEO