

OFFSHORE STRATEGIC ENERGY AGREEMENT

This Agreement is entered into as of the 22nd day of June, 2006, between:

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NOVA SCOTIA,
REPRESENTED BY THE MINISTER OF ENERGY**

(hereinafter referred to as the "**Province**")

and

ENCANA CORPORATION

a corporation organized and existing under the laws of Canada

(hereinafter referred to as "**EnCana**")

WHEREAS:

- A. The Province and the Government of Canada entered into the Accord Agreement, one of the stated objectives of which is to recognize the right of Nova Scotia to be the principal beneficiary of the petroleum resources offshore Nova Scotia;
- B. The Parties agree that the development and production of Gas offshore Nova Scotia should be undertaken in a manner consistent with the provisions of the Accord Act and the Provincial Act;
- C. The Province has implemented as part of its public policy an Energy Strategy, one of the components of which is provision for Offshore Strategic Energy Agreements to be entered into by the Province with offshore project developers to reflect the Province's expectations in developing its offshore in light of market conditions facing proposed developments; and
- D. The Parties have worked collaboratively to address issues to facilitate the Deep Panuke Project for the benefit of the Province and EnCana.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties hereby agree as follows:

1. INTERPRETATION

1.1 In this Agreement, unless the context requires otherwise:

"2001 MOA" shall mean that certain Memorandum of Agreement, dated 27 April 2001, between the Province and EnCana (then known as PanCanadian Petroleum Limited);

"Accord Act" shall mean the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act, S.C. 1988, c. 28;

"Accord Agreement" shall mean the Canada-Nova Scotia Offshore Petroleum Resources Accord dated August 26, 1986;

“Agreement”	shall mean this Offshore Strategic Energy Agreement as may be amended from time to time in writing by the Parties;
“Allowed Capital Costs”	shall have the meaning ascribed to that term in the Regulations;
“Benefits Plan”	shall have the meaning ascribed to the term “Canada-Nova Scotia benefits plan” in the Accord Act;
“CNSOPB”	shall mean the Canada-Nova Scotia Offshore Petroleum Board established by the joint operation of the Accord Act and the Provincial Act;
“Confidentiality Protocol”	shall mean the protocol agreed to by the Parties on 22 July 2004 with respect to the sharing of confidential information;
“Deep Panuke Project”	shall mean the next Gas development project encompassing, but not exclusive to the Panuke Field Area;
“Development Plan Application”	shall mean an application for the approval of a development plan with respect to the Deep Panuke Project submitted pursuant to the Accord Act;
“Dollars”	shall mean the lawful currency of Canada;
“EnCana Project Sanction”	shall mean the approval of EnCana’s Board of Directors to the sanction of the Deep Panuke Project, including approval of full funding for the Deep Panuke Project;
“Engineering, Procurement and Management Activities”	shall mean those engineering, procurement and management activities described in Schedule “A” to this Agreement;
“Field Commencement Date”	shall have the meaning ascribed to that term in the Regulations;
“First Gas”	shall mean the time at which “Commercial Production” is achieved from the Deep Panuke Project pursuant to Section 63(1) of the Regulations;
“Funds”	shall have the meaning ascribed to it in Clause 3.6;
“Gas”	shall have the meaning ascribed to the term “gas” in the Accord Act;
“Gross Revenue”	shall have the meaning ascribed to it in Section 15 of the Regulations;

"Licences"

shall mean the following offshore licenses: Exploration License 2360 – Musquodoboit; Exploration License 2387 – Margaree; Exploration License 2357 – Grand Pre; PL 2902; Production License 2901 – Cohasset; and Significant Discovery License 2255H – Cohasset;

"Long Stop Date"

shall mean that day which is 365 days following the day that the consent of both the Minister of Energy for the Province and the Minister of Natural Resources for Canada have been received with respect to the approval of the Development Plan Application granted by the CNSOPB under the Accord Act;

"Nova Scotia Person Hour"

shall mean any hour of work performed within or outside the Province of Nova Scotia during the six (6) months prior to and at any time after a person becomes ordinarily resident in Nova Scotia as defined by the Elections Act (Nova Scotia) and "Nova Scotia Person Hours" shall be construed accordingly;

"Nova Scotia Trunkline"

shall have the meaning ascribed to the term "Nova Scotia trunkline" in Section 40 of the Accord Act;

"Panuke Field Area"

shall mean the area covered by the next declaration of Significant Discovery under Section 74 of the Accord Act, that includes any portion of the area covered by PL2902;

"Parties"

shall mean the parties to this Agreement and a "Party" shall be construed accordingly;

"Person Hours"

shall mean one hour of work performed in Nova Scotia by any person or one hour of work performed outside Nova Scotia by a person ordinarily resident in Nova Scotia as defined by the Elections Act (Nova Scotia) and "Person Hours" shall be construed accordingly;

"Pipeline Back-In"

shall mean the opportunity given to the Province pursuant to Section 40 of the Accord Act;

"PL 2902"

shall mean Production Licence 2902 issued by the CNSOPB, as it exists at the date of this Agreement, and without limiting the generality of the foregoing, specifically shall not include any subsequent amendment related to the geographic area covered by the term of the license itself;

"Provincial Act"

shall mean the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act, S.N.S. 1987, c. 3; and

“Regulations”

notwithstanding Clause 1.2, shall mean the Offshore Petroleum Royalty Regulations made under the Offshore Petroleum Royalty Act S.N.S. 1987, c.9 O.I.C. 1999-337 (June 17, 1999), as they exist as at the date of this Agreement.

- 1.2 References to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).
- 1.3 References herein to Clauses, Schedules and Appendices are to clauses in, and schedules and appendices to, this Agreement unless the context requires otherwise and the Schedules and Appendices to this Agreement shall be deemed to form part of this Agreement.
- 1.4 The expressions “Province” and “EnCana” shall, where the context permits, include their respective successors and permitted assigns.
- 1.5 The headings are inserted for convenience only and shall not affect the construction of this Agreement.
- 1.6 Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing a gender include every gender.
- 1.7 The term “including” or any variation thereof means “including, without limitation” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.
- 1.8 The Parties hereto acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party shall not be applicable in the interpretation of this Agreement.

2. PURPOSE OF AGREEMENT

This Agreement sets out the commitments and obligations agreed to by the Province and EnCana in order to facilitate the development of the Deep Panuke Project.

3. ENCANA’S COMMITMENTS REGARDING NOVA SCOTIA BENEFITS

- 3.1 EnCana is committed to providing opportunities for Nova Scotian and Canadian companies through employment, procurement and contracting on an internationally competitive basis, with full and fair opportunity for Nova Scotians, and first consideration to Nova Scotians where competitive on a best value basis, in compliance with Section 45 of the Accord Act.
- 3.2 EnCana recognizes the right of the Province to be the principal beneficiary of the Nova Scotia offshore as set out in Section 1 of Accord Agreement.
- 3.3 In addition to establishing processes to provide full and fair opportunities for Nova Scotians and first consideration where competitive, EnCana shall undertake additional commitments to provide specific industrial and employment opportunities to a total of not less than one million three

hundred and fifty thousand (1,350,000) Person Hours, which will include not less than eight hundred and fifty thousand (850,000) Nova Scotia Person Hours, and which, subject to Clause 3.5, are allocated as follows:

- (a) EnCana agrees to perform Engineering, Procurement and Management Activities which shall comprise not less than six hundred and twenty-three thousand (623,000) Person Hours;
- (b) The Parties recognize that EnCana will require the use of an offshore supply vessel and a standby vessel. EnCana will contract for the service of two offshore supply vessels, leased on a multi-year charter, with options to renew. Subject to Clause 3.5, EnCana agrees to complete construction of one of these vessels in Nova Scotia. The construction of such vessel shall comprise not less than three hundred and sixty thousand (360,000) Person Hours;
- (c) EnCana agrees to perform design, procurement, and fabrication activities with respect to subsea trawl over protection structures for the subsea well locations on the Deep Panuke Project which shall comprise not less than thirty thousand (30,000) Person Hours;
- (d) EnCana agrees to perform receiving, handling, double jointing, coating and shipping activities with respect to a twenty-two inch (22") export line which shall comprise not less than thirty-seven thousand (37,000) Person Hours;
- (e) EnCana agrees to perform design, procurement and fabrication activities with respect to accommodations unit(s) for the Mobile Offshore Production Unit in Nova Scotia which shall comprise not less than two hundred and eighty thousand (280,000) Person Hours;
- (f) EnCana agrees to perform design, procurement and fabrication activities for a flare boom unit for the Mobile Offshore Production Unit in Nova Scotia which shall comprise not less than twenty thousand (20,000) Person Hours.

3.4 In addition to the commitments set out in Clause 3.1 and 3.3, EnCana shall, upon the condition set out in Clause 6.1 being fulfilled, commit financial and human resources to facilitate the development of the capability of an onshore drilling rig manufacturing operation in Nova Scotia. Further, for a period commencing on the date the condition set out in Clause 6.1 is fulfilled and ending on the earlier of three (3) years thereafter or the manufacturing of the first five (5) rigs by such operation, EnCana shall support the establishment of the drilling rig operation through the contribution of up to \$1 million per rig for each of the first five rigs manufactured. EnCana shall provide to the Province quarterly reports with respect to its activities under this Clause 3.4.

3.5 It is acknowledged that each of the commitments set out in Clause 3.3 shall be undertaken and shall be fulfilled no later than three (3) months following First Gas; provided, however, that should EnCana determine that it is not practicable to undertake any of such commitments it reserves the right to substitute alternative initiatives of equivalent value based on Person Hours, subject to agreement of the Province, which agreement will not be unreasonably withheld. It is agreed by the Parties that all of the actual Person Hours relating to the initiatives committed to in Clauses 3.3(a) through (g), and such alternative initiatives that may be substituted therefor (which shall be also fulfilled no later than three (3) months following First Gas), shall be counted for the purpose of satisfying the total Person Hours commitment set out in Clause 3.3. Further, it is agreed that not fulfilling the number of Person Hours specified for any such individual initiative shall be of no effect so long as the said total is fulfilled.

- 3.6 EnCana shall pay to the Province an amount equal to 0.5% of the Gross Revenue from the Deep Panuke Project, over the life of the Deep Panuke Project, to establish funds administered by the Province for the purpose of research and development, education and training, disadvantaged groups and such other benefits expenditures related to research and development, education and training and disadvantaged groups as may be required by the CNSOPB in an approved Benefits Plan pursuant to Section 45 of the Accord Act (the "Funds"). For greater certainty, the Province agrees that any expenditures paid by EnCana pursuant to conditions imposed by the CNSOPB on the approval of the Benefits Plan, or otherwise required by any law of Canada in force as of the date of this Agreement or any law of the Province of Nova Scotia, and accepted by the CNSOPB as an expenditure with respect to Section 45 of the Accord Act shall be deemed to be, and credited as, amounts paid to the Province with respect to the Funds. The Funds shall be calculated and paid as follows:

- (a) EnCana agrees to commence the initial payments of the Funds in the calendar year following EnCana Project Sanction.
- (b) During the development phase of the Deep Panuke Project (before First Gas), the Funds will be paid on an annual basis, no later than March 31 of each year, based on 0.5% of the Allowed Capital Cost ("C") in the previous calendar year. The annual development phase expenditure ("DPE") for Funds will be calculated as follows:

$$DPE = 0.005 \times C$$

- (c) During the production phase of the Deep Panuke Project (after First Gas), the Funds will be paid on an annual basis, no later than March 31 of each year, based on 0.5% of the Gross Revenue ("GR") from the previous calendar year. For the first ten years of the production phase, a deduction will be taken based on 10% of the total development phase expenditures ("TDPE"). The annual production phase expenditure ("PPE") will be calculated as follows:

$$PPE = (0.005 \times GR) - (TDPE \times 0.1), \text{ for the first 10 years of the production phase, and;}$$

$$PPE = 0.005 \times GR \text{ after the first 10 years of the production phase.}$$

- 3.7 The Province agrees to consult with EnCana prior to the distribution of any monies from the Funds, and will recognize EnCana's contribution to the Funds in any distribution.
- 3.8 Nothing contained in Clause 3.6 shall be taken to limit or constrain the authority of the CNSOPB to establish a Benefits Plan for the Deep Panuke Project in accordance with the Accord Act.

4. THE PROVINCE'S COMMITMENTS

- 4.1 The Province hereby agrees, subject only to the issuance of a production licence or production licences with respect to the Panuke Field Area, that the royalties with respect to EnCana's share in such production licence(s) shall be calculated in accordance with the Regulations as supplemented and amended by the following:
- (a) The Panuke Field Area is designated by the Minister pursuant to Section 62(d) of the Regulations as a high-risk exploration area;

- (b) The Province agrees that the terms of the 2001 MOA are amended such that the five hundred million Dollars (\$500,000,000) designated costs referred to in the 2001 MOA is no longer restricted to PL 2902, but rather is extended to the Panuke Field Area;
 - (c) Schedule "B" sets out the costs, as at 30 April 2006, incurred with respect to the Licences. Without limiting the ability of EnCana to make further claims for Allowed Predevelopment Costs incurred subsequent to 30 April 2006, the Province agrees the costs set out in Schedule "B", including those allowable under Section 62(d) of the Regulations, are treated as Allowed Predevelopment Costs for the Panuke Field Area. It is acknowledged by the Parties that nothing in this Clause 4.1(c) is intended to limit the audit rights of the Province under the Regulations with respect to the verification and reasonableness of such costs; and
 - (d) The Return Allowance and Net Royalty Tiers (terms used in this Clause 4.1(d) shall have the meaning ascribed to them in the Regulations) shall be:
 - (i) Secondary Return Allowance- $Y=0.125$;
 - (ii) Final Return Allowance – $Z=0.25$; and
 - (ii) 72(1)(g)(i) shall read "32.5% of the Net Revenue of the Interest Holder for the Field for that Month, or".
- 4.2 Amendments made to the Regulations after the date of this Agreement will not affect the provisions described herein or the royalties payable by EnCana, or the calculation thereof, or any amounts provided for in this Agreement, subject to the ability of the Minister to enact technical amendments to the Regulations (not relating to market conditions or prices) to close loopholes that are contrary to the combined intent of the provisions of this Agreement and the Regulations and result in the royalty payable by EnCana being materially reduced.
- 4.3 The Province agrees that at any time up until the Long Stop Date it shall at the request of any interest holder in one or more production licences in the Deep Panuke Project, enter into an agreement with respect to costs and royalties on the same terms and conditions as described in Clause 4.1.
- 4.4 The Province agrees that:
- (a) It :
 - (i) Will publicly support the Deep Panuke Project during the regulatory approval process and, for greater certainty, agrees that it will not withhold its consent to the approval of the CNSOPB to the Development Plan Application;
 - (ii) Will implement its commitment to concurrent regulatory and environmental assessment approvals as outlined in a Memorandum of Understanding between the Governments of Canada, Nova Scotia, the NEB and the CNSOPB entitled Memorandum of Understanding on Effective, Coordinated and Concurrent Environmental Assessment and Regulatory Processes for the Offshore Petroleum Development in the Nova Scotia Offshore Area through participation in the Coordinating Committee and the establishment of project specific timelines as outlined therein; and

- (iii) Excepting only the specific directed work identified in the Clause 3.3, acknowledges and supports EnCana's right to contract on an internationally competitive basis, with full and fair opportunity for Nova Scotians, and first consideration where competitive on a best value basis, in compliance with Section 45 of the Accord Act.
- (b) Provided the Development Plan Application and associated Benefits Plan filed with the regulatory authorities in furtherance of the Deep Panuke Project regulatory approval process includes the commitments contained in this Agreement, and is consistent with the requirements imposed under the Accord Act, the Province shall intervene in the regulatory process to publicly support the Deep Panuke Project.
- (c) EnCana agrees that on or before the date it files the project description for the Deep Panuke Project with the Canadian Environmental Assessment Agency it will provide the Province with a written offer (which, *inter alia*, will be subject to such Nova Scotia Trunkline being required for the development of the Deep Panuke Project) to acquire on a commercial basis an interest in any Nova Scotia Trunkline from the offshore production facility of the Deep Panuke Project in accordance with the Pipeline Back-In. The Province agrees to declare its decision with respect to the acquisition of an ownership interest in such Nova Scotia Trunkline, or to provide a waiver to EnCana declining participation in such Nova Scotia Trunkline within thirty (30) days after receipt of the said written offer. For certainty, any dispute under this Clause 4.4(c) shall be resolved under the dispute resolution provisions of Clause 17.

5. OTHER COMMITMENTS

5.1 The Parties agree that they:

- (a) Recognize the CNSOPB as the sole regulator of the Deep Panuke Project with respect to development and production operations;
- (b) Recognize the NEB as the sole regulator of any sales gas pipeline from the Deep Panuke Project offshore production facility to the connection to an onshore pipeline or other onshore facility, or any tap-in connection to the SOEP sub sea pipeline. For greater certainty, and without the Province relinquishing any claim of jurisdiction that it has with respect to other pipelines, and without any acknowledgment by EnCana of such claim, the Province agrees that it will permit the NEB to be the sole regulator of any such sales gas pipeline or tap-in connection for the purposes of the Nova Scotia Pipeline Act;
- (c) Acknowledge the authority and autonomy of the Responsible Authorities identified in the Draft Work Scope for the Comprehensive Study of Deep Panuke Offshore Gas Project, and commit to the streamlined process outlined therein; and
- (d) Will work jointly with to improve the benefits reporting process.

5.2 The Province agrees that EnCana has satisfied the undertakings set out in subsections 4(a), (b), (c) and (d) of the 2001 MOA as at the date of this Agreement and, therefore, that EnCana qualifies for the designations and treatments set out in paragraphs 2 and 3 of the 2001 MOA. Further, the Province agrees that EnCana's obligations set out in subsections 4(a), (b), (c) and (d) of the 2001 MOA are hereby extinguished; provided, however, that the obligations set out in subsections 4(b) and (d) shall be applicable until 31 December 2010 to EnCana, as operator of an

offshore licence, when utilizing the drilling unit known as the Eirik Raude in offshore Nova Scotia.

6. CONDITIONS TO THE OBLIGATIONS OF THE PARTIES

- 6.1 The Province's obligations under this Agreement are subject to the approval of the Governor-In-Council of the Province.
- 6.2 Except for the obligations stipulated in Clauses 3.4 and 4.4(c), EnCana's obligations under this Agreement are subject to EnCana Project Sanction.

7. TERMINATION

- 7.1 This Agreement shall take effect upon the date first written above and shall terminate:
 - (a) At 11:59 p.m. on 30 June 2006, in the event that the condition set out in Clause 6.1 has not been fulfilled by that time; or
 - (b) At 11:59 p.m. on the Long Stop Date, in the event that EnCana Project Sanction has not been achieved by that time;

unless otherwise extended by the mutual agreement in writing of the Parties.

- 7.2 If the Development Plan Application submitted to the CNSOPB by EnCana contains an estimate of the P-50 recoverable reserves for the Deep Panuke Project that is one (1) trillion cubic feet (TCF) or more, the Province shall be entitled for a period of thirty (30) days after such submission to elect by notice to request EnCana to renegotiate the terms an Offshore Strategic Energy Agreement. Upon the Province giving notice of such election, this Agreement shall terminate.

8. COMMUNICATION

The Parties agree to coordinate all communication concerning the entering into of this Agreement to ensure compliance with general government and corporate compliance requirements under applicable Securities legislation.

9. WAIVER

No failure or delay by either of the Parties in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by either of the Parties of any breach by the other Party of any provisions hereof shall be deemed to be a waiver of any subsequent breach of that or any other provision hereof.

10. ENTIRE AGREEMENT AND AMENDMENTS

- 10.1 This Agreement sets out the entire agreement and understanding between the parties in respect of the matters set forth herein and supersedes all prior agreements, understandings or arrangements (whether oral or written) relating to the matters set forth herein which shall cease to have any

further force or effect; provided, however, that the following agreements shall survive and continue to bind the Parties after the execution of this Agreement:

- (a) the Confidentiality Protocol;
- (b) the 2001 MOA, as supplemented and amended by this Agreement.

10.2 No change, modification or alteration of this Agreement shall be valid unless the same is made in writing and signed by both of the Parties; and no course of dealing between the Parties shall be construed to alter the terms hereof.

11. FURTHER ASSURANCE

The Province and EnCana shall do and execute or procure to be done and executed all such further acts, deeds, things and documents as may be necessary to give effect to the terms of this Agreement.

12. NOTICES

Each notice, demand or other communication given or made under this Agreement shall be in writing and delivered or sent to the relevant Party at its address or fax number set out below (or such other address or fax number as the addressee has by five (5) days' prior written notice specified to the other Party):

To the Province: **Her Majesty the Queen in Right of the Province of Nova Scotia**
As represented through the Minister of Energy
5151 George Street, Suite 400
Halifax, NS B3J 3P7

To EnCana: **EnCana Corporation**
P.O. Box 2850
150 – 9th Avenue SW
Calgary, AB T2P 2S5
Fax Number: +1 403-645-3517
Attention: Vice President, Atlantic Canada

Any notice, demand or other communication so addressed to the relevant Party shall be deemed to have been delivered (a) if given or made by letter, when actually delivered to the relevant address and (b) if given or made by fax, when received by the addressee as confirmed by a transmission confirmation from the sender's fax machine.

13. SEVERABILITY

If any provision of this Agreement or the application thereof to any legal entity or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other legal entities or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law. Notwithstanding the foregoing, the Parties shall negotiate in good faith to attempt to agree on the terms of a mutually satisfactory provision to replace any invalid or unenforceable provision and, in any event, if a Party is economically disadvantaged by the invalidity or unenforceability of such provision, the other

Party shall compensate such disadvantaged Party to the extent that it has been economically disadvantaged.

14. GOVERNING LAW

This Agreement and the legal relationships established by or otherwise arising in connection with this Agreement shall be governed by and construed in accordance with the laws having application in the Province of Nova Scotia, including the Proceedings against the Crown Act R.S.N.S. 1989, c. 360.

15. DEFAULT

Without limiting any other remedies that may be available to the Parties, it is acknowledged that a Party may claim for damages arising out of any breach of this Agreement by the other Party.

16. NO ACTIONS BY THIRD PARTIES

It is not the intention of either the Province or EnCana to confer a benefit on third parties pursuant to this Agreement, nor is it the intent of the Province or EnCana that third parties have the right to claim benefits from, or to compel performance by, the Province or EnCana under this Agreement.

17. SETTLEMENT OF DISPUTES

17.1 Consultation

The Parties shall first endeavour in good faith to resolve through mutual consultation among the Parties without involving any third party any disputes or differences which may arise out of or in connection with or in relation to matters referred to in the subject matter of this Agreement, the performance or non-performance of this Agreement or the validity, application or interpretation of this Agreement or any provision thereof, within thirty (30) days after written notice by one Party to the other Party.

17.2 Arbitration

- (a) Failing such amicable settlement as provided for in Clause 17.1, any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, interpretation, application, performance or non-performance shall be referred to and finally resolved by arbitration in Toronto, Ontario by a tribunal of three (3) arbitrators in accordance with the Arbitration Rules of the International Chamber of Commerce then applicable, which rules are deemed to be incorporated by reference in this Clause 17.2; provided, however, that the Parties may agree in writing to refer any disputes for binding arbitration before a single arbitrator.
- (b) The arbitration tribunal shall be appointed by mutual agreement of the Parties in dispute, and failing agreement, pursuant to the ICC Arbitration Rules. The arbitration tribunal shall conduct its session and render its decision in English. Subject to Clause 17.3 below, the decision of the arbitration tribunal shall be final and binding upon the Parties and may be entered in any court of competent jurisdiction and used as a basis for judgement thereon in any state or legal jurisdiction.

- (c) The costs and expenses of arbitration proceedings conducted under this Clause 17 shall be borne by the Parties incurring such costs.

17.3 Appeal

- (a) In the event that a Party in good faith believes that the arbitration tribunal has materially erred in law, such Party is entitled to appeal against the decision of the arbitration tribunal to the Nova Scotia Supreme Court.
- (b) Subject to Clause 17.3(a) above, the Parties shall not be entitled to commence or maintain any action in any court of law upon any matter in dispute arising out of this Agreement except for the enforcement of an arbitral award granted pursuant to this Clause 17.

18. TRANSFER AND ASSIGNMENT

This Agreement shall be binding on and enure to the benefit of each Party and its respective successors and permitted assigns. The Parties agree that EnCana shall be entitled upon notice to the Province to assign its rights and obligations under this Agreement at its sole discretion; provided, however, that such assignment shall not be effective unless the assignee expressly agrees therein to respect and comply with the terms and conditions of this Agreement and be responsible for all obligations and liabilities resulting therefrom.


19. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by the Parties on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument. Delivery by any Party of an executed counterpart of this Agreement to another Party by fax shall be deemed to be sufficient delivery of this Agreement by that Party.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have caused this Agreement to be executed as of the date first written above:


ENCANA CORPORATION

Per:


 John K. Brannan
 Managing Director, Frontier and
 International New Ventures
 EnCana Corporation

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NOVA SCOTIA

Per:


 The Honourable Bill Dooks
 Minister of Energy
 Province of Nova Scotia

SCHEDULE "A"**ENGINEERING, PROCUREMENT AND MANAGEMENT ACTIVITIES**

Item no	Description	Person Hours
1	EnCana Management Team - Engineering	
2	EnCana Management Team - Project Management/Procurement	
3	Design & Procurement - Subsea Protection Structures	
4	Design & Procurement - Landfall tie-in to M & NP	
5	Design & Procurement telecomm equipment	
6	Design & Procurement - PIMMS (Process/Production Monitoring System)	
7	Design - metering systems for sales, production, test, and discharge	
8	Procurement - 22" dia export line to shore	
9	Geotechnical survey technical support	
10	Environmental Engineering	
11	Regulatory & Certifying Authority engineering	
12	Preparation of Detailed Safety Case	
13	Design & Procurement - Drilling & Completions	
Sub-total		<u>583,000</u>
14	Placement of 10 Nova Scotians in technical professions within the successful contractor's offices or facilities in the key areas of engineering, project controls, IT/IS, Planning, QA/QC, Cost Control, or Change Management	40,000
Total		623,000

SCHEDULE "B"**ALLOWED PREDEVELOPMENT COSTS TO 30 APRIL 2006****Allowed PreDevelopment Costs (As of April 30, 2006)**

	Dollars
Discovery Well and Delineation Drilling (Note 1)	Confidential
Unsuccessful Exploration – Panuke F-09	Information
Unsuccessful Exploration – Dominion J-14 (Note 2)	Deleted per
Project Management, Engineering and Studies	S. 21(1)
Geophysical Acquisition, Interpretation and Subsurface	FOIPOP
Evaluation	
	<hr/>
	425,382,272

Note 1: Includes costs related to the drilling of the following wells:

Panuke PP3C, Panuke M-79, Panuke H-08, Panuke PI1A/B, Margaree F-70, MarCoh D-41

Note 2: Dominion J-14 well costs to be included in total only if well location is inside the boundary of Panuke Field Area or if specifically agreed to by the Minister under Section 62 (d) of the Regulations.