

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT made as of the 25th day of November, 2010.

BETWEEN:

HOMBURG INVEST INC.

a corporation having an office and carrying on business in the
City of Calgary, in the Province of Alberta
(hereinafter called the "**Sublandlord**")

OF THE FIRST PART

- and -

SURGE ENERGY INC.

a corporation having an office and carrying on business in the
City of Calgary, in the Province of Alberta
(hereinafter called the "**Subtenant**")

OF THE SECOND PART

WHEREAS:

- A. By a lease dated the 11th day of October, 2005, made between The Cadillac Fairview Corporation Limited (the "**Landlord**") and North American Oil Sands Corporation ("**NAOSC**") as tenant (the "**lease**"), the Landlord leased to NAOSC for and during a term of four (4) years and eleven (11) months, from and including the 1st day of November, 2005, to and including the 30th day of September, 2010 (the "**Original Term**"), subject to and upon the terms, covenants and conditions contained in the lease, certain premises containing an aggregate Rentable Area of approximately twenty-four thousand, one hundred thirty-four (24,134) square feet, comprised of approximately twelve thousand, sixty-one (12,061) square feet of Rentable Area on the eighth (8th) floor and approximately twelve thousand, seventy-three (12,073) square feet of Rentable Area on the ninth (9th) floor (collectively, the "**Original Premises**"), of 635 – 8th Avenue S. W. (the "**Building**"), in the City of Calgary, in the Province of Alberta;
- B. By a lease amending agreement dated the 31st day of May, 2006 (the "**First Amending Agreement**"), the Landlord and NAOSC, as tenant, agreed to: (i) expand the Original Premises to include certain additional premises located on the seventh (7th) floor of the Building and comprising (a) a Rentable Area of approximately five thousand, seven hundred ninety-one (5,791) square feet (the "**First Expansion Premises**"), and (b) a Rentable Area of approximately two thousand, four hundred (2,400) square feet (the "**Second Expansion Premises**"), (ii) amend the Original Term of the lease to expire on June 30, 2018 (the "**Term**"), and (iii) otherwise amend the lease in accordance with the terms and conditions more particularly set forth in the First Amending Agreement;

- C. By a lease amending agreement dated the 24th day of November, 2006 (the "**Second Amending Agreement**") the Landlord and NAOSC agreed to: (i) further expand the premises leased by NAOSC to include certain additional premises located on the twelfth (12th) floor of the Building and comprising (a) a Rentable Area of approximately five thousand, one hundred thirty-five (5,135) square feet (the "**Third Expansion Premises**"), and (b) a Rentable Area of approximately six thousand, nine hundred fifty-two (6,952) square feet (the "**Fourth Expansion Premises**"), and (ii) to otherwise amend the lease in accordance with the terms and conditions more particularly set forth in the Second Amending Agreement;
- D. By a consent agreement dated the 5th day of September, 2007 (the "**Consent Agreement**") the Landlord consented to a Change in Control upon the terms and conditions more particularly set forth therein;
- E. By a lease amending agreement dated the 5th day of September, 2007 (the "**Third Amending Agreement**") the Landlord and NAOSC agreed to: (i) further expand the premises leased by NAOSC to include certain additional premises located on the seventh (7th) floor of the Building and comprising a Rentable Area of approximately three thousand, eight hundred seventy-three (3,873) square feet (the "**Fifth Expansion Premises**"), and (ii) to otherwise amend the lease in accordance with the terms and conditions as more particularly set forth in the Third Amending Agreement;
- F. By a lease amending agreement dated 17th day of December, 2007 (the "**Fourth Amending Agreement**") the Landlord and NAOSC agreed: (i) to further expand the premises leased by NAOSC to include certain additional premises located on the seventeenth (17th) floor of the Building and comprising a Rentable Area of approximately twelve thousand, seventy-eight (12,078) square feet (the "**17th Floor Premises**"), and certain additional premises located on the eighteenth (18th) floor of the Building and comprising a Rentable Area of approximately twelve thousand, seventy-seven (12,077) square feet (the "**18th Floor Premises**") (collectively the "**Sixth Expansion**"), and (ii) to otherwise amend the lease in accordance with the terms and conditions as more particularly set forth in the Fourth Amending Agreement;
- G. Pursuant to: (i) a Certificate of Amalgamation dated January 1, 2007, NAOSC and 1229754 Alberta Ltd. amalgamated and continued operating as NAOSC; (ii) a Certificate of Amalgamation dated January 1, 2008, NAOSC amalgamated with Statoil Canada Limited to form Statoil Canada Limited; and (iii) Statoil Canada Limited amalgamated with StatoilHydro Canada Exploration & Production Inc. on January 3, 2008, to form and continue operating as STATOILHYDRO CANADA LTD. (collectively, the "**Amalgamation**");
- H. By an agreement dated the 16th day of January, 2008 (the "**Consent to Amalgamation**"), and made between the Landlord, NAOSC, as tenant, and StatoilHydro Canada Ltd., as amalco, the Landlord granted its consent to the Amalgamation in accordance with the terms of the lease.
- I. By a lease amending agreement dated the 17th day of January, 2008 (the "**Fifth Amending Agreement**") the Landlord and the Assignor agreed: (i) to further expand the premises (the "**7th Expansion**") to include certain additional premises, located as follows: (a) the area located on the

nineteenth (19th) floor of the Building and comprising a Rentable Area of approximately twelve thousand seventy-five (12,075) square feet as shown outlined in heavy black on Schedule "B-8" attached to the Fifth Amending Agreement (the "**19th Floor Premises**");(b) the area located on the twentieth (20th) floor of the Building and comprising a (Rentable Area of approximately twelve thousand seventy-nine (12,079) square feet as shown outlined in heavy black on Schedule "B-9" attached to the Fifth Amending Agreement (the "**20th Floor Premises**"); (c) the area located on the twenty-first (21st) floor of the Building and comprising a Rentable Area of approximately twelve thousand seventy-six (12,076) square feet as shown outlined in heavy black on Schedule "B-10" attached to the Fifth Amending Agreement (the "**21st Floor Premises**"); and (d) the area located on the twenty-second (22nd) floor of the Building and comprising a Rentable Area of approximately eight thousand, eight hundred ninety-eight (8,898) square feet as shown outlined in heavy black on Schedule "B-11" attached to the Fifth Amending Agreement (the "**22nd Floor Premises**"); and (ii) to otherwise amend the Lease in accordance with the terms and conditions set forth in the Fifth Amending Agreement.

- J. On the 1st day of November, 2009 StatoilHydro Canada Ltd. changed its name to Statoil Canada Ltd. (the "**Tenant**").
- K. By Assignment of Lease agreement dated the 5th day of April, 2010 (the "**Assignment**") made between the Landlord, the Tenant as "Assignor" and the Sublandlord as "Assignee"; (i) the Tenant did assign its rights as tenant under the lease to the Sublandlord; (ii) the Landlord did consent to such assignment subject to the terms and conditions contained in the Assignment; and (iii) the Landlord, the Tenant and the Sublandlord agreed to further amend the lease, as amended, as provided in the Assignment;
- L. The Lease, as modified by the First Amending Agreement, the Second Amending Agreement, the Consent Agreement, the Third Amending Agreement, the Fourth Amending Agreement, the Consent to Amalgamation, the Fifth Amending Agreement and the Assignment is hereinafter referred to as the "**Head Lease**", a copy of which is attached hereto as Schedule "A".
- M. The Premises demised under the Head Lease consist of all of floors 7, 8, 9, 12, 17, 18, 19, 20, 21 and 22 of the Building.
- N. By Offer to Sublease Office Space dated October 28, 2010 and accepted by the Sublandlord November 23, 2010, as amended with the consent of the Sublandlord by waiver letter dated November 24th, 2010 (the "**Offer to Sublease**"), the Sublandlord agreed to sublease and demise to the Subtenant and the Subtenant agreed to sublease from the Sublandlord a portion of the Premises (the "**Subleased Premises**") containing twenty-four thousand one hundred and fifty-five (24,155) square feet of Rentable Area comprising all of the 20th and 21st floors of the Building.
- O. The Landlord has consented to the Offer to Sublease (the "**Landlord's Consent to Sublease**").

NOW THEREFORE, THIS SUBLEASE WITNESSES that in consideration of these premises, other good and valuable consideration and the mutual covenants hereinafter contained, the Sublandlord and the Subtenant covenant and agree with each other as follows:

1. **DEFINITIONS**

Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Head Lease.

2. **DEMISE AND SUBLEASE**

The Sublandlord does hereby demise and sublease the Subleased Premises to the Subtenant and the Subtenant does hereby accept the demise and sublease of the Subleased Premises, subject to the rents, covenants, agreements and conditions set forth herein.

3. **CONDITION OF SUBLEASED PREMISES**

The Subtenant acknowledges and agrees that, except for Sublandlord's Work outlined in paragraph 13 below (if any), the Subtenant accepts the Subleased Premises "as is".

4. **SUBLEASE TERM**

The term of this Sublease (the "**Sublease Term**") shall commence February 1st, 2012 (the "**Sublease Commencement Date**") and end June 29th, 2018 (the "**Sublease Termination Date**"). Provided Subtenant is not then in material default Sublandlord shall grant Subtenant a license of occupancy for the Subleased Premises for the 30th day of June, 2018 and Subtenant shall pay to the Sublandlord an amount equal to one day of Rent. The Sublandlord and Subtenant expressly agree that the Sublease Term shall expire as above provided and the Subtenant shall have no further right to occupy the Subleased Premises, nor shall the Subtenant be entitled to any right to extend the Sublease Term or expand the size of the Subleased Premises without the prior written consent and approval of the Sublandlord.

5. **AREA**

The Sublandlord and Subtenant agree that the Rentable Area of the Subleased Premises is twenty-four thousand one hundred and fifty-five (24,155) square feet of Rentable Area.

6. **ANNUAL RENT**

The Subtenant hereby covenants and agrees to pay to the Sublandlord, or as the Sublandlord shall otherwise direct, in lawful money of Canada, net annual rent for the Subleased Premises ("**Annual Rent**") for and throughout the Sublease Term as follows:

<u>Period</u>	<u>Rate per Square Foot of Rentable Area</u>
February 1 st , 2012 through to June 29, 2018	\$14.00

Annual Rent shall be payable in advance in equal monthly instalments, without notice, and prorated for any partial months.

7. OPERATING COSTS AND REALTY TAXES

In addition to the Annual Rent, the Subtenant covenants and agrees that during the Sublease Term it will pay to the Sublandlord, or as the Sublandlord shall otherwise direct:

- (a) its proportionate share of Operating Costs and Taxes assessed against the Premises (as set forth in Article II of the Head Lease) calculated for the Subleased Premises in accordance with the provisions of the Head Lease, as amended hereby. For greater certainty, the Subtenant covenants and agrees that the Subtenant's proportionate share of Operating Costs and Taxes shall be calculated with reference to that fraction in which the total Rentable Area of the Subleased Premises is the numerator and the total Rentable Area of the Premises is the denominator (which fraction is herein called the **"Subtenant's Proportionate Share"**). Payments of Operating Costs and Taxes shall commence on the Sublease Commencement Date; and
- (b) all other amounts of Additional Rent pertaining to the Subleased Premises in accordance with the provisions of the Head Lease, including Tenant's Business Taxes.

Annual Rent, the Subtenant's Proportionate Share of Operating Costs and Taxes, Additional Rent and Parking Rent (as described in paragraph 12 below) are collectively referred to herein as **"Rent"**.

8. PAYMENT OF RENT

All payments of Rent payable hereunder shall be made by the Subtenant to the Sublandlord or as the Sublandlord directs.

9. SALES TAXES

The Rent to be paid by the Subtenant to the Sublandlord is exclusive of any Sales Taxes, as defined in the Head Lease, (herein called **"G.S.T."**), exigible on the Rent, and the Subtenant shall pay to the Sublandlord concurrently with and in addition to the Rent payable hereunder an amount equal to the G.S.T. and any other such tax applicable thereon.

10. SUBTENANT'S FIXTURING PERIOD

Provided the Subtenant has met the requirements outlined in the Head Lease for the Subtenant to be entitled to commence Subtenant's Work (as described in paragraph 15 below) and provided the Subtenant has provided the Sublandlord with a signed copy of this Sublease, the Deposit and proof of Subtenant's Insurance and provided the Tenant has vacated the Subleased Premises, the Sublandlord will provide the Subtenant access to Subleased Premises during a fixturing period commencing April 1st, 2011 and ending January 31st, 2012 (the **"Subtenant's Fixturing Period"**) for the purpose of performing the Subtenant's Work.

Should the Sublandlord be delayed in providing the Subtenant access to the Subleased Premises (by reason other than delay caused by the Subtenant), then (i) the Subtenant's Fixturing Period shall be three hundred six (306) days commencing the date the Sublandlord provides access to the Subleased Premises to the Subtenant; and (ii) the Sublandlord shall not be liable to the Subtenant for any damage or loss resulting therefrom. At all times throughout the Subtenant's Fixturing Period, the Subtenant shall be subject to and shall comply with all provisions of this Sublease and all applicable provisions of the Head Lease, except that during the Subtenant's Fixturing Period, the Subtenant shall not be obligated to pay Rent.

and the "Commencement Date" will immediately commence after this date

11. EARLY OCCUPANCY PERIOD

Provided that (i) this Sublease has been executed and delivered by the Subtenant; (ii) there is then no unremedied event of default by the Subtenant under this Sublease; (iii) the Subtenant's Work has been completed; and (iv) the Landlord is in possession of an occupancy permit from the City of Calgary for the Subtenant's Work within the Subleased Premises, the Subtenant will be permitted to occupy the Subleased Premises prior to the end of the Subtenant's Fixturing Period and to conduct the Subtenant's business from the Subleased Premises (the date the Subtenant first commences to conduct business from the Subleased Premises prior to the end of the Subtenant's Fixturing Period herein called the "**Early Occupancy Date**" and the period of time between the Early Occupancy Date and the end of the Subtenant's Fixturing Period herein called the "**Early Occupancy Period**").

During the Early Occupancy Period the Subtenant shall be subject to and shall comply with all provisions of this Sublease and all applicable provisions of the Head Lease except that the Subtenant shall not be responsible for the payment of Rent.

12. PARKING

Upon the Early Occupancy Date, the Subtenant shall license, from the Sublandlord or directly from the Landlord if so requested by the Sublandlord, thirteen (13) parking spaces in aggregate or one (1) parking space for every one thousand seven-hundred fifty square feet of Rentable Area of the Subleased Premises (rounded down in the event of fractional spaces), whichever is less. Three (3) of the parking spaces shall be reserved parking spaces in the underground parking facility of the Building. The remaining parking spaces shall be random parking spaces within the parking facility currently known as "Centennial Parkade". All parking spaces shall be provided upon and subject to all applicable provisions of the Head Lease as if the Subtenant was the Tenant named therein. If requested by the Sublandlord the Subtenant will enter into any required license agreement directly with the Landlord. All amounts payable by the Subtenant for such parking stalls ("**Parking Rent**") shall be the same amounts as provided in the Head Lease.

13. SUBLANDLORD'S WORK

The Subtenant acknowledges that the Sublandlord has no obligation to provide any work, services or improvements of any nature or kind to or within the Subleased Premises.

14. SUBTENANT'S WORK

The Subtenant shall, at its own risk and expense, cause to be completed prior to the Sublease Commencement Date, in a good workmanlike manner within the Subleased Premises, all Leasehold Improvements, work and alterations required to be made to the Subleased Premises (the "**Subtenant's Work**"), in accordance with all applicable provisions of the Head Lease and in accordance with the reasonable requirements of the Sublandlord.

15. APPLICATION OF HEAD LEASE

The Subtenant confirms that it has reviewed the Head Lease and covenants and agrees that to the extent amended herein, all of the terms and conditions contained in the Head Lease (save for the length of the term set forth therein, the amount of rent, any right of first refusal or first offer, any improvement allowance, any option to renew and any other rights which are personal in nature and have not been specifically granted to the Subtenant by the provisions hereof), shall apply to the use and occupation of the Subleased Premises by the Subtenant, *mutatis mutandis* with reference therein to:

- (a) Landlord to be deemed to mean Sublandlord;
- (b) Tenant to be deemed to mean Subtenant;
- (c) Demised Premises to be deemed to mean the Subleased Premises;
- (d) Lease to be deemed to mean this Sublease;
- (e) Term to be deemed to mean the Sublease Term;

and, along with all of the paragraphs set out in this Sublease, shall be the complete terms and conditions of this Sublease.

16. AMENDMENTS TO HEAD LEASE

The Subtenant acknowledges that the Sublandlord intends to enter into further and additional subleases for portions of the Premises with parties other than the Subtenant (herein called "**New Subleases**"). The Sublandlord will require the consent of the Landlord to each New Sublease which consent may require further or additional amendments to the Head Lease. The Subtenant acknowledges and agrees that the Sublandlord may from time to time be required, in respect of New Subleases and the consent of the Landlord thereto, to enter into further amending agreements with the Landlord. Provided such further amending agreements do not in any way affect the obligations of the Subtenant under this Sublease or the Head Lease or the Landlord's Consent to Sublease with respect hereto, the Sublandlord may enter into such amending agreements without obtaining the consent of the Subtenant. Notwithstanding the foregoing, any termination of or amendments of the Head Lease which in any way affect the obligations of the Subtenant will require the consent of the Subtenant, such consent not to be unreasonably withheld or delayed.

17. SUBTENANT'S COVENANTS

The Subtenant covenants and agrees with the Sublandlord as follows:

- (a) it will pay to the Sublandlord (or as the Sublandlord directs) the Rent due hereunder without any deduction, set-off or abatement, except as otherwise set out herein;
- (b) except as same have been replaced by the provisions of this Sublease or amended in the attached copy of the Head Lease, it will perform all of the terms, covenants and conditions on the part of the Sublandlord to be observed and performed under the provisions of the Head Lease as they relate to the Subleased Premises;
- (c) it will use and occupy the Subleased Premises solely as general business offices;
- (d) Except for occurrences resulting from the negligence or willful misconduct of the Landlord, the Tenant or the Sublandlord or those for whom the Landlord, the Tenant or the Sublandlord are responsible at law, the Subtenant shall be liable for and shall indemnify the Landlord, the Tenant and the Sublandlord from and against all claims, actions, damages, liabilities and expenses arising out of any breach, default or failure of the Subtenant to perform its covenants, obligations and agreements herein contained or in connection with loss of life, personal injury, damage to property, or any other loss, damage or injury, whether or not of a nature related to the foregoing arising from any occurrence on the Subleased Premises; or from the occupancy or use of the Subleased Premises by the Subtenant or occasioned wholly or in part by an act or omission of the Subtenant, its agents, servants, employees or contractors or by anyone permitted by the Subtenant to be in the Subleased Premises or any other party for whom in law the Subtenant is responsible, occurring or accruing during the Term. In case the Sublandlord, without fault on its part, is made a party to litigation begun by or against the Subtenant, excepting a *bona fide* action by the Subtenant against the Sublandlord, the Subtenant will protect and hold harmless the Sublandlord and will pay all costs, expenses and reasonable legal fees incurred or paid by the Sublandlord in connection with any such litigation. The Subtenant will also pay all costs, expenses and reasonable legal fees incurred by the Sublandlord in enforcing the covenants, obligations and agreements of the Subtenant under this Sublease. Any obligation of the Subtenant to indemnify the Landlord, the Tenant or the Sublandlord hereunder, shall survive the termination of this Sublease in respect of every happening during the Sublease Term; and
- (e) The Subtenant acknowledges that the Sublandlord has no direct obligation to perform the obligations of the Landlord under the Head Lease.

18. SUBLANDLORD'S COVENANTS

The Sublandlord covenants and agrees with the Subtenant as follows:

- (a) upon payment by the Subtenant of the Rent and other charges payable by the Subtenant

pursuant to this Sublease and the performance, discharge and observance by the Subtenant of its covenants and agreements contained herein, the Subtenant shall be entitled to possess and enjoy the Subleased Premises peaceably for the Sublease Term, without any interruption or disturbance from the Sublandlord or any other person or persons lawfully claiming by, from or under it;

- (b) that the Sublandlord will comply with, perform, discharge and observe all of the terms, agreements, obligations and covenants, as tenant, pursuant to the Head Lease, except to the extent where same are the responsibility and obligation of the Subtenant pursuant to the terms of this Sublease;
- (c) that it will take such commercially reasonable steps to cause to be performed all of the terms, covenants and conditions on the part of the Landlord to be observed and performed under the provisions of the Head Lease;
- (d) at the cost of the Subtenant, to enforce for the benefit of the Subtenant the covenants and obligations of the Landlord under the Head Lease to ensure that the Landlord observes and performs those covenants and obligations under the Head Lease (including, without limitation, the provision by the Landlord of utilities, HVAC service, lighting, security, janitorial service and the making of repairs) with respect to the Subleased Premises and to act reasonably in the exercise of any right that the Sublandlord has with respect to the Subleased Premises;
- (e) upon the Subtenant's reasonable request from time to time, to keep the Subtenant fully informed as to the status of actions of the Sublandlord and the Landlord's observance and performance of its obligations under the Head Lease that affect the Subleased Premises and provide copies of relevant documentation with respect thereto;
- (f) to promptly provide to the Subtenant copies of all notices received by the Sublandlord from the Landlord in respect of the Head Lease that affect the Subleased Premises; and
- (g) at the cost of the Subtenant in accordance with the Head Lease, to provide reasonable assistance to the Subtenant in obtaining any approvals or consents from the Landlord that are required by the Subtenant from time to time under the Head Lease and to give any notices that are reasonably requested to be given in respect of the Subleased Premises.

19. SUBTENANT'S INSURANCE

All insurance required to be obtained by the Sublandlord pursuant to the Head Lease in respect of the Subleased Premises shall be obtained by the Subtenant at its sole cost and shall name both the Landlord and the Sublandlord as additional insureds in each instance the Landlord is required to be so named pursuant to the Head Lease and shall waive any rights of subrogation which the insurer may have against both the Landlord and the Sublandlord and those for whom the Landlord and Sublandlord are at law responsible in each instance such waiver is required in favour of the Landlord pursuant to the Head Lease. Where any insurer is required by the provisions of the Head Lease to provide the Landlord with any notice regarding such insurance, including any notice of cancellation, lapse, non-renewal or material change

adverse to the interests of the Landlord, such insurance shall require the insurer to provide similar notice to the Sublandlord. The Subtenant shall provide the Sublandlord and the Landlord with certificates setting out the particulars of such policy, prior to taking possession of the Subleased Premises and from time to time thereafter upon request by either the Landlord or the Sublandlord.

20. NET SUBLEASE

The Subtenant hereby acknowledges, confirms and agrees that it is the intention of the Sublandlord and the Subtenant that, except as expressly set out herein, this Sublease shall be a completely net Sublease for the Sublandlord and that, subject to the provisions contained in the Sublease, the Sublandlord shall not be responsible during the Sublease Term for any obligations, losses, charges, expenses, or outlays of any nature and kind whatsoever arising from or relating to the Subtenant's use and occupation of the Subleased Premises or the contents thereof and that the Subtenant shall pay all charges, impositions and expenses of every kind and nature relating to its use and occupation of the Subleased Premises and covenants with the Sublandlord accordingly. The Subtenant further acknowledges and agrees that the Sublandlord shall have all rights and remedies against the Subtenant in respect of this Sublease as though the Sublandlord was the landlord named in the Head Lease and the Subtenant was the tenant named in the Head Lease, *mutatis mutandis*, subject to the matters which are expressly dealt with in this Sublease.

21. ASSIGNMENT AND SUBLETTING

The Subtenant shall not be permitted to assign this Sublease or to sub-sublease the Subleased Premises or any portion thereof without the Sublandlord's prior written approval, which approval shall not be unreasonably withheld, and the approval of the Landlord under the Head Lease.

22. ALTERATION OF AND RESTORATION OF SUBLEASED PREMISES

At any time after occupancy of the Subleased Premises by the Subtenant, the Subtenant, at its sole risk and expense, shall be responsible for any alterations to the Subleased Premises provided that no alteration shall be made and no work done within or to the Subleased Premises without the Subtenant first having submitted the plans, working drawings and specifications therefore to the Sublandlord and the Landlord and having obtained the prior written approval from the Sublandlord and Landlord in accordance with and in the manner provided in the Head Lease. The Subtenant shall comply with all the terms and conditions of such approval.

On expiry or earlier termination of the Sublease Term, the Subtenant shall comply with all provisions of the Head Lease pertaining to the removal by the Subtenant of furniture, equipment, Leasehold Improvements and Wiring from the Subleased Premises and the restoration of any damage caused by such removal provided the Subtenant shall not be obligated to remove any pre-existing Leasehold Improvements nor any alterations, Leasehold Improvements or Wiring completed or installed by the Subtenant in accordance with all applicable provisions of the Head Lease and with the consent and approval of both the Landlord and Sublandlord.

23. DEFAULT

In addition to the rights and remedies of the Sublandlord at law or as contained in the Head Lease, the parties agree that:

- (a) if the Subtenant does not pay to the Landlord the amounts required to be paid pursuant to the provisions of this Sublease, then the Sublandlord may make all such payments on behalf of the Subtenant, who shall forthwith reimburse the Sublandlord for all such payments, together with any costs and expenses incurred in connection therewith including interest as set forth in the Head Lease. In the event of any such non-payment by the Subtenant, the Sublandlord may take the same steps for the recovery of all such amounts as the Landlord may have for the recovery of Rent in arrears under the terms of the Head Lease, *mutatis mutandis*; and
- (b) if the Subtenant is in default of any of its covenants hereunder (other than its covenant to pay Rent), the Sublandlord may take such steps and do or cause to be done such things as may be necessary to remedy and correct the defaults and may thereupon charge its total costs and expenses incurred in respect thereof to the Subtenant who hereby covenants and agrees to pay the same forthwith and the Subtenant hereby covenants that any and all such costs and expenses incurred by the Sublandlord and unpaid by the Subtenant shall be recoverable by the Sublandlord as if the same were, and in the same manner as, Rent reserved and in arrears under the terms of this Sublease; if the Sublandlord shall be entitled to, and shall elect to make a re-entry as provided for in the Head Lease, the re-entry or other action so taken shall not be deemed to relieve the Subtenant of its obligation to pay Rent and other monies payable as Rent or otherwise in accordance with the provisions hereof, all of which shall continue to accrue and be payable until such time as the Sublandlord is able to re-let the Subleased Premises or otherwise deal with the same in such manner that it would not sustain any loss should the Subtenant thereafter fail to pay the Rent and other monies payable as Rent or otherwise under this Sublease.

24. DEPOSIT

The Sublandlord acknowledges receipt of the sum of Two Hundred and Five Thousand Dollars (\$205,000.00) paid by the Subtenant as a deposit which deposit is to be applied to the first two (2) month's Rent and GST due under this Sublease. The balance of the deposit shall be held by the Sublandlord as security (the "**Security Deposit**") for the faithful performance by the Subtenant of all of the provisions of this Sublease to be performed or observed by the Subtenant. If the Subtenant fails to pay Rent or otherwise defaults with respect to any provision of this Sublease, the Sublandlord may use, apply or retain all or any portion of the Security Deposit for the payment of any Rent in default, or for the payment of any other expense which the Sublandlord may incur by reason of the Subtenant's default, or to compensate the Sublandlord for any loss or damage which the Sublandlord may suffer thereby. If the Sublandlord chooses to use or apply all or any portion of the Security Deposit, the Subtenant shall within ten (10) days after demand thereof deposit cash with the Sublandlord in any amount sufficient to restore the Security Deposit to amount immediately prior to such application. The Sublandlord shall not be required to keep the Security Deposit separate from its general accounts. If the Subtenant performs all of

the Subtenant's obligations hereunder, the Security Deposit, or so much thereof as has not theretofore been applied by the Sublandlord, shall be applied to the last months Rent and GST due under this Sublease. No trust relationship is created herein between the Sublandlord and the Subtenant with respect to the Security Deposit.

25. NOTICES

- (a) Any notices or demands of any kind which are required to be given under this Sublease shall be in writing and shall be delivered to the address set out below or transmitted by facsimile to the number set out below for the party to whom it is delivered or transmitted, in the case of the Sublandlord, addressed to it at:

Homburg Invest Inc.

c/o Homburg L.P Management Incorporated

225 – 4000 – 4th Street SE

Calgary, Alberta

T2G 2W3

Fax: (403) 272 – 4113

Attention: Mr. Jim Caldwell

and in the case of the Subtenant, addressed to it at:

Surge Energy Inc.

2300 – 635 – 8th Avenue S.W.

Calgary, Alberta

T2P 3M3

Fax: (403) 930-1011

Attention: Mr. Max Lof, Chief Financial Officer

or such other address or number as a party may from time to time advise the other party by notice in writing. Any such notice, if delivered, shall be conclusively deemed to have been given and received at the time of such delivery. Any such notice, if transmitted by facsimile, shall be deemed to have been given and received the next following business day.

- (b) The Rent and all other amounts to be paid by the Subtenant to the Sublandlord shall be paid to the Sublandlord at its address set forth above or to such other person or persons at such place or places as the Sublandlord may from time to time designate in writing.

26. GENERAL

- (a) Subject to the provisions of this Sublease respecting assignment, this Sublease shall enure to the benefit of and be binding upon the Sublandlord and the Subtenant and their respective successors and permitted assigns.

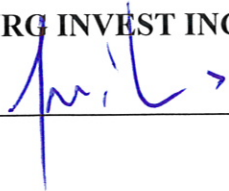
- (b) In the event that there is any conflict between the terms of the Head Lease and the terms and conditions contained in this Sublease, then the terms and conditions contained in this Sublease shall govern.
- (c) This Sublease shall be construed in accordance with and governed by the laws of the Province of Alberta.
- (d) This Sublease may be executed in counterparts and when each party has executed a counterpart, each of such counterparts shall be deemed to be an original and all of such counterparts when taken together shall constitute one and the same agreement.
- (e) This Sublease or a counterpart hereof may be executed and transmitted by fax or email, with transmission confirmed as complete, and if so executed and transmitted, this Sublease shall be for all purposes as effective and binding upon such party as if such party had delivered an originally executed document.
- (f) Time will be of the essence in this Sublease.

27. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties in respect of this Sublease and there are no other warranties, representations, terms, conditions or collateral agreements, express or implied, between the parties in respect thereof.

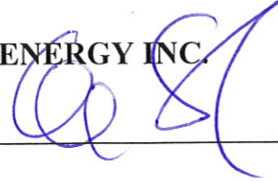
IN WITNESS WHEREOF the parties hereto have executed this Sublease as of the day first above written.

HOMBURG INVEST INC.

Per: 

Per: _____

SURGE ENERGY INC.

Per: 

Per: _____



SCHEDULE "A"

HEAD LEASE