

NORTH VIRDEN-SCALLION UNIT AGREEMENT NO. 1

NORTH VIRDEN-SCALLION FIELD - MANITOBA.

THIS AGREEMENT made and entered into by and among those owners of Royalty Interests and Working Interests in the Unit Area of the North Virden-Scallion Field, in the Province of Manitoba, who execute this Agreement;

WHEREAS the parties to this Agreement own Royalty Interests and Working Interests within the Unitized Formation in the North Virden-Scallion Field, Manitoba;

AND WHEREAS for the purpose of more efficiently and economically developing, producing and operating the Unitized Formation and in order to prevent waste, and for the purpose of obtaining ultimately the maximum economic recovery of the Unitized Substances and of promoting conservation, and in order to afford to each of the parties to this Agreement the right to recover its fair and equitable share of Unitized Substances, it is deemed in the best interests of the parties hereto that the Unitized Formation be developed, produced and operated as a unit, all as hereinafter provided;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained it has been agreed upon by and between the parties hereto as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement, including the recitals, this Article and exhibits hereto, the terms hereinafter set forth in this Article shall have the following meanings:

1.1 "Effective Date" means the time referred to in Article XVII hereof.

1.2 "Leases" means, severally and collectively, the petroleum and

natural gas leases, natural gas leases, subleases, agreement to grant a lease and other agreements covering the lands set forth and more particularly described in Exhibit "A",

1.3 "Operating Agreement" means that certain Agreement entitled "North Virden-Scallion Unit Operating Agreement No. 1" as the same may be amended from time to time, made and entered into by and among the Working Interest Owners with respect to the development and operation of the Unitized Formation.

1.4 "Outside Substances" means all substances obtained from any sources other than the Unitized Formation for injection into the Unitized Formation.

1.5 "Petroleum Substances" means crude oil, natural gas, condensate, and all other hydrocarbons (except coal) and all fluids and substances associated therewith, or any of them, whether liquid, gaseous or mixed.

1.6 "Royalty Interest" means any interest, other than a Working Interest in, or right to receive a portion of, the Unitized Substances or a portion of the proceeds thereof, but shall not include the interest of any person, firm or corporation whose sole interest is as a purchaser of Petroleum Substances or any portion thereof after production.

1.7 "Royalty Owner" means an owner of a Royalty Interest.

1.8 "Spacing Unit" means the area allocated by the proper government authority for each well drilled for the purpose of producing the Petroleum Substances.

1.9 "Tract" or "Numbered Tract" means each parcel of land described as such and given a Tract number in Exhibit "A" and each parcel of land that may be from time to time added thereto pursuant to the provisions hereof.

- 1.10 "Tract Participation" is the percentage allocated to each Tract, as set forth opposite that Tract in Exhibit "A" hereto as the same may be, from time to time, revised, replaced, corrected or amended in accordance with the provisions hereof.
- 1.11 "Unit Area" means and comprises the lands set forth and described in Exhibit "A" and included within the boundaries of the solid black outline on the map attached hereto as Exhibit "B", excepting, however, those lands as shown cross-hatched on said Exhibit "B".
- 1.12 "Unit Operator" means the person who is designated for the time being to conduct operations under the provisions of the Operating Agreement.
- 1.13 "Unitized Formation" means the Virden and Scallion Formations underlying the Unit Area.
- 1.14 "Unitized Substances" means the Petroleum Substances that are within or are produced from the Unitized Formation.
- 1.15 "Virden and Scallion Formations" means the Virden and Scallion members of the Lodgepole Formation of the Mississippian Age. The Virden member consists of sub-members commonly known as the Crinoidal and Four Colites. The Scallion member is commonly known as the Cherty Zone.
- 1.16 "Working Interest" means the right in whole or in part to search for and produce the Unitized Substances, whether such right be derived from ownership in fee simple, from a petroleum and natural gas lease, natural gas lease, or other contract conferring such right, or from any other circumstances; and includes the interest of all parties to a carried interest agreement, but shall not include the interest of any person, firm or corporation whose services are engaged in the exploration of or production from the Unit Area and whose sole

interest therein is a fee or other payment for such services; PROVIDED, that with respect to any party hereto where such right is derived from ownership in fee simple, seven-eighths (7/8ths) of all production allocated to the owner of such right shall be deemed to have been received by virtue of a Working Interest, and such owner shall be subject to the same obligations as to the said seven-eighths (7/8ths) of the said production as are the other owners of Working Interests, and one-eighth (1/8th) of the production allocated to him shall be regarded as production allocated to him by virtue of a Royalty Interest and such owner shall be subject and entitled to the rights, privileges and obligations of owners of Royalty Interests to that extent.

1.17 "Working Interest Owner" means an owner of a Working Interest.

ARTICLE II

EXHIBITS

2.1 Attached hereto are the following exhibits incorporated in this Agreement by reference as though set forth at length herein:

- (a) Exhibit "A" describes the Tracts and sets forth the Tract Participations thereof with the names of the persons who are the owners of the Working Interest in such Tract.
- (b) Exhibit "B" is a map of the Unit Area on which the Tracts are numbered.

2.2 Reference to Exhibits. Whenever in this Agreement reference is made to an exhibit, such reference shall mean the exhibit as originally attached hereto, or if the exhibit has been revised, corrected or amended, it shall mean the latest revision, correction or amendment thereof.

2.3 Exhibits Considered Correct. Said Exhibits for all purposes of this Agreement shall be considered as correct unless and until they are revised, corrected or amended as herein provided.

2.4 Correcting Errors. In the event it appears, subsequent to the execution of this Agreement, that any error or mistake has been made in the preparation of an exhibit, Unit Operator may, and upon instructions of the Working Interest Owners shall, correct such error or mistake by revising, correcting or amending the exhibit, provided that such revision, correction or amendment shall not include any re-evaluation of previously established engineering or geological interpretations used in establishing Tract Participation.

2.5 Effective Date of Revision. Unless otherwise herein specifically provided, any revision, correction or amendment of exhibits, if made ninety (90) days or more after this Agreement becomes effective, shall be effective at 7:00 A.M. Central Standard Time, on the first day of the calendar month next succeeding such revision, correction or amendment, or on such subsequent date as is determined by the Working Interest Owners. Any revision, correction or amendment made prior to the Effective Date, or within ninety (90) days thereafter, shall be effective on the Effective Date.

2.6 Supplying of Exhibits. Each time that an exhibit is revised, corrected or amended, Unit Operator shall supply the Department of Mines and Natural Resources with two (2) copies thereof, and shall also supply each of the Working Interest Owners with such number of copies thereof as the Working Interest Owners shall require and each Working Interest Owner shall furnish each of his Royalty Owners, excepting the said Department, with a copy thereof,

2.7 As soon as possible after the Effective Date and as soon as possible after the expiry of ninety (90) days therefrom, Exhibits "A" and "B" to this Agreement shall be revised if necessary in order to show only the Tracts which have become subject thereto. In the event of such revision, the Tract Participation of the Tracts shall thereupon be increased proportionately

so that their summation equals one hundred (100%) per cent and such adjusted Tract Participations shall be set out in a revised Exhibit "A" and shall be effective from the Effective Date.

ARTICLE III

UNITIZATION

3.1 On and after the Effective Date and subject to all the terms and conditions of this Agreement, all of the interests of each Royalty Owner and of each Working Interest Owner in and to the Unitized Substances and in and to the Unitized Formation are hereby unitized, consolidated and integrated to the end that all operations for drilling and producing and all other operations in the Unitized Formation may be conducted without regard to the separate leases or boundary lines of separate Tracts within the Unit Area and as though the Unitized Formation were covered by a single lease which had been granted to one lessee by one individual who was the owner of the entire estate in the entire Unitized Formation and as if the said lease had been subject to all the terms and conditions of this Agreement.

3.2 The Unit hereby constituted shall be known as the "North Virden-
Scallion Unit No. 1".

ARTICLE IV

EFFECT OF UNIT

4.1 Amendment of Leases. On and after the Effective Date, the terms and provisions of the various Leases covering the respective Tracts are hereby amended to the extent necessary to make them conform to the terms and provisions of this Agreement and, the Leases as amended, shall continue in full force and effect.

4.2 Continuation of Leases. Operations, including drilling operations, conducted with respect to the Unitized Formation, or production of Unitized Substances shall, except for the purpose of determining payments to

Royalty Owners, be considered as operations upon or production from each Spacing Unit, or portion thereof, covered by each Lease, and such operations or production shall operate to continue in force and effect each Lease as if such operations had been conducted and a well had been drilled on and was producing from each Spacing Unit, or portion thereof, covered by each Lease.

4.3 Titles Unaffected by Unitization. Nothing herein shall be construed as a transfer of title to, or interest in, the Leases, Tracts or Unitized Formation or in the Unitized Substances before the production thereof.

ARTICLE V

AUTHORITY FOR OPERATIONS.

5.1 (a) The Royalty Owners do hereby authorize the Working Interest Owners to develop and operate the Unitized Formation without regard to the separate Leases or the boundary lines of separate Tracts within the Unit Area, and to drill, use and produce such wells as the Working Interest Owners deem advantageous to the Unitized Formation, to abandon such wells as they deem unnecessary or disadvantageous to the Unitized Formation and in general to do all other things that the Working Interest Owners deem advisable for the purpose of accomplishing the most efficient and most economical development and operation of the Unitized Formation. Without limiting the generality of the foregoing, the Working Interest Owners are hereby authorized to inject natural gas, water or other substances, or any combination of them, into the Unitized Formation, and to convert and use as injection wells any

wells now drilled or hereafter drilled into the Unitized Formation.

- (b) The Royalty Owners do hereby agree that the Unit Operator shall have and may exercise, subject to the terms of the Operating Agreement and during the time the Operating Agreement is in effect, the rights and powers herein given to the Working Interest Owners, or any of them.

ARTICLE VI

QUALIFICATION OF TRACTS

6.1 From and after the Effective Date the Unit Area shall be composed of the Tracts that are from time to time and at any time qualified as follows:

- (a) Each and all of those Tracts whose titles have been approved or accepted pursuant to Article XI hereof; and
- (b) As to which Working Interest Owners owning one hundred (100%) per cent of the Working Interest therein have executed this Agreement and the Operating Agreement and Royalty Owners owning one hundred (100%) per cent of the Royalty Interest therein have executed this Agreement; or
- (c) Any Tract qualified pursuant to paragraph (a) hereof, but which has not been qualified pursuant to paragraph (b) hereof, which has become qualified as a Tract on any basis which may be negotiated between the owners of a Working Interest in such Tract and the Working Interest Owners then parties to this Agreement and the Operating Agreement.

Any Tract qualified after the Effective Date, but within ninety (90) days thereof, shall be deemed to have been qualified as and from the Effective Date.

ARTICLE VII

TRACT PARTICIPATION

7.1 The Tract Participation of each Tract as of the Effective Date is shown in Exhibit "A" hereto and was determined by adding one-half (1/2) of

each of the following:

(a) a current production factor:

such factor is the percentage calculated by dividing the oil production of the Tract for the six-month interval January 1 to June 30, 1960, inclusive, by the total oil production of all Tracts for the same period, multiplied by 100%; and

(b) An average monthly oil production factor penalized for water production:

such factor is arrived at by:

- i) determining average monthly oil production of the Tract by dividing its cumulative oil production to June 30, 1960, inclusive, by the number of full months since the well in such Tract first went on production.
- ii) dividing the average monthly production of the Tract by the total of average monthly oil productions for all the Tracts.
- iii) calculating a fractional water cut for the Tract by dividing the water production for the six-month interval January 1, 1960 to June 30, 1960, inclusive, by the sum of the water and oil production for the same period.
- iv) multiplying the fraction obtained in (ii) for the Tract by the fraction one minus the water cut appropriate to the Tract determined in (iii).
- v) dividing the product obtained in (iv) for the Tract by the sum of all the products obtained in (iv) for all the Tracts multiplied by 100%. Such percentage calculated for the Tract is the average monthly oil production factor penalized for water production.

The total of the Tract Participation for all Numbered Tracts shall at all times equal one hundred (100%) per cent.

ARTICLE VIII

ALLOCATION OF PRODUCTION

8.1 Allocation to Tracts. All Unitized Substances produced and saved shall be apportioned among and allocated to the several Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances are produced, as set forth in Exhibit "A". The amount of Unitized Substances so allocated to each Tract, and only that amount regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall for all intents, uses and purposes, be deemed to have been produced from such Tract.

8.2 Delivery of Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the Working Interest Owners entitled thereto. Such Working Interest Owners shall have the right to construct, maintain and operate within the Unit Area all necessary facilities for taking production in kind provided the same are so constructed, maintained and operated as not to interfere with unit operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same.

8.3 Distribution within Tracts. The Unitized Substances allocated to each Tract shall be distributed by the Working Interest Owners among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Agreement not been entered into, and with the same legal force and effect. The Royalty Owners agree to accept royalty calcu-

lated on the allocated production in full settlement, satisfaction and discharge of the obligation of any Working Interest Owner or Owners to make royalty payments on Unitized Substances under the respective Leases or other instruments.

8.4 Failure to Take in Kind. To the extent that any party entitled to take and receive in kind any portion of the Unitized Substances shall fail to take or otherwise adequately dispose of the same currently as and when produced, then so long as such conditions continue, Unit Operator, as agent and for the account and at the expense of such party, shall, in order to avoid curtailing the operations of the Unit Area, dispose of such production and the account of such party shall be charged therewith as having received the same. The proceeds, if any, of the sale of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. The authority of the Unit Operator to enter into contracts for the sale of such production shall be limited to contracts that are limited in time to the minimum needs of the industry. Any Working Interest Owner not taking in kind may revoke at will the Unit Operator's authority hereunder by taking in kind all of its share of production not previously contracted for sale.

8.5 Royalty on Outside Substances. If any Outside Substance is injected into the Unitized Formation, any like substance contained in Unitized Substances subsequently produced and sold or used for other than operations hereunder, shall be deemed to be an Outside Substance until the volume of such Outside Substance injected into the Unitized Formation is recovered. No payments shall be due or payable to Royalty Owners on any substance which is deemed to be an Outside Substance.

ARTICLE IX

USE OR LOSS OF UNITIZED SUBSTANCES

9.1 Use of Unitized Substances. Working Interest Owners may use as much of the Unitized Substances as they deem necessary for the operation

and development of the Unitized Formation, including, but not limited to, the injection into the Unitized Formation and in the operation of any plant or plants handling Unitized Substances. No royalty or other payment shall be payable in respect thereto or in respect to Unitized Substances unavoidably lost. Such Unitized Substances so used, injected or lost shall be excluded in allocating production.

ARTICLE X

ENLARGEMENT OF UNIT AREA

10.1 Application for Enlargement. If a well capable of production of Petroleum Substances from any part of the Virden or Scallion Formations is drilled and completed in a Spacing Unit outside the boundaries of the Unit Area, any person or persons having the right to search for and produce such Petroleum Substances and having the right to appropriate such Petroleum Substances either for such person or persons or for others, may apply to the Working Interest Owners to enlarge the Unit Area to include the Virden and Scallion Formations underlying such Spacing Unit.

10.2 Approval of Enlargement of Unit Area and Re-calculation of Tract Participation. Upon the approval by the affirmative vote of the Working Interest Owners, as in the Operating Agreement provided, of the admission of any such Spacing Unit into the Unit Area, the Working Interest Owners shall give such Spacing Unit a Tract Participation and the Unit Operator shall thereupon assign a number to such Spacing Unit and upon such Spacing Unit becoming qualified as in Article VI hereof provided, the expressions "Tract" and "Unit Area" whenever used herein shall be deemed to include such Tract or Tracts. The Tract Participation of each Tract within the Unit Area excluding the Tract so added, shall be re-calculated and revised by multiplying the Tract Participation of each Tract immediately prior to such enlargement by the difference between one hundred (100%) per cent and the Tract Participation assigned to the Tract so admitted.

10.3 Preparation of New Exhibits. The Unit Operator shall replace or prepare revised Exhibits "A" and "B" so that these Exhibits conform in all respects to the enlarged Unit Area and the re-calculated Tract Participations.

10.4 Effective Time of Enlargement. Any enlargement of the Unit Area and any adjustment of Tract Participations and made pursuant to the foregoing provisions of this Article, shall become effective at 7:00 A.M. Central Standard Time on the first day of the calendar month following the approval of the Working Interest Owners and the qualification of such Tract as in Section 10.2 hereof provided.

10.5 No Retroactive Adjustment of Unitized Substances. It is expressly understood and agreed that there shall never be any retroactive adjustment of the Unitized Substances, of the proceeds derived from the sale thereof, of operating costs or expense, or of royalty, overriding royalty or other payments on production of the Unitized Substances or out of proceeds from the sale thereof by reason of any enlargement of the Unit Area, or by reason of any adjustment of the Tract Participations pursuant to the foregoing provisions of this Article.

ARTICLE XI

APPROVAL OF TITLES

11.1 Titles Committee. There shall be a Titles Committee appointed by Working Interest Owners which shall examine the titles to all Tracts in the Unit Area. Each Working Interest Owner in the Unit Area shall upon request submit to the Titles Committee a current historical search of title, together with original or true copies of all Leases, assignments and other contracts and all other title data and information (including title opinions) as may be requested by the Titles Committee affecting the title to its Tracts within the Unit Area. In the event that the Titles Committee is of the opinion that it cannot unanimously approve the title to any Tract it shall so advise the party purporting to own the Working Interest in said Tract and give such party a reasonable period of time in which to cure such title at its own expense and if such party is

unable to cure such title within such period of time, the Titles Committee may, with the consent of the party purporting to own such Working Interest, refer such title to a firm of solicitors for an opinion and the cost thereof shall be charged one-half to the party purporting to own such Working Interest, and one-half to the other Working Interest Owners in accordance with their respective Tract Participations; PROVIDED, HOWEVER, that if such firm of solicitors approves the title to such Tract then the cost thereof shall be charged to the Working Interest Owners in accordance with their respective Tract Participations. The following Tracts shall be deemed to be qualified in accordance with the requirements of paragraph (a) of Section 6.1 hereof;

- (a) the titles to which are found to be acceptable to the Titles Committee or the said firm of solicitors, and which are finally approved by the Working Interest Owners; and
- (b) the titles to which are not approved as above provided and in respect of which the Working Interest Owner or Owners of such Tract have indemnified all other Working Interest Owners from time to time parties to this Agreement in a form satisfactory to the Working Interest Owners then parties to this Agreement and the Operating Agreement, other than those Working Interest Owners owning the title in dispute, in respect to any liability whatsoever that may result from such inclusion.

11.2 Subsequent Failure of Title. If the title of any Working Interest Owner to any Tract falls or is cancelled such Tract shall, upon Unit Operator, being advised of such failure or cancellation, be excluded from the Unit Area unless any other party hereto is held or declared to own such Working Interest in which event such party shall be bound by all the terms and conditions of this Agreement and the Operating Agreement with respect to such Interest. If such party is a Royalty Owner it shall promptly execute three (3) copies of the Operating Agreement. If the person declared to own such Working

Interest executes three (3) copies of this Agreement and the Operating Agreement, or counterparts or ratifications thereof, within ninety (90) days of the exclusion of such Tract from the Unit Area, then such Tract shall be re-included in the Unit Area as of 7:00 A.M. Central Standard Time, on the first day of the calendar month next succeeding such execution or ratification.

ARTICLE XII

FILING

12.1 The Unit Operator shall file this Agreement, and any revision, correction or amendment of the exhibits, with the Department of Mines and Natural Resources for the Province of Manitoba and with the appropriate Land Titles Office for the Province of Manitoba in accordance with the provisions of The Mines Act.

ARTICLE XIII

DISPUTES

13.1 Disputes as to Title to Working Interest. If there is now or should hereafter be any dispute involving the Working Interest in a Tract then any party concerned shall immediately give written notice thereof to the Unit Operator and upon the receipt of such written notice the production of the Unitized Substances allocated to the Tract or Tracts affected by the dispute shall, if possible, be sold by Unit Operator at not less than the prevailing market prices, and the proceeds, after deduction of all costs and expenses payable under the terms of the Operating Agreement, without payment of interest or penalty on sums withheld, shall be held in trust by Unit Operator pending an order or direction of any court of competent jurisdiction, or the final settlement of the controversy, whereupon the proceeds of production held by Unit Operator and further production of the Unitized Substances allocated to such Tract or Tracts, or the proceeds thereof, shall be delivered in accordance with the terms of the judgment or settlement in the matter; PROVIDED, that should Unit Operator not be furnished with written notice of dispute as herein

provided, and as a consequence does not hold in trust the said proceeds, the parties concerned in the dispute shall indemnify and save the Unit Operator harmless in respect of any claim or liability arising from such failure to give written notice and failure to hold said proceeds in trust as herein provided.

13.2 Provision for Bond. Should the right of any Working Interest Owner to take delivery of its share of production of the Unitized Substances in kind be suspended through the operation of the terms of the next preceding clause then the Working Interest Owner so affected may post a bond, of an amount and in a form satisfactory to the other Working Interest Owners, with the Unit Operator or furnish other satisfactory security to ensure payment or delivery to the proper party and thereafter such Working Interest Owner shall again have all of the rights of a Working Interest Owner in respect to such production.

13.3 Disputes as to Title to Royalty Interest. If there is now or should hereafter be any dispute with respect to the ownership of any Royalty Interest in a Tract, then all production allocated to such Tract in respect to the Royalty Interest concerned shall be sold and the proceeds thereof shall be held in trust by the ~~Working Interest Owner~~ liable for payment thereof without payment of interest on sums withheld, pending an order or direction of any court of competent jurisdiction or the final settlement of the controversy, whereupon such proceeds shall be delivered in accordance with the terms of the judgment or settlement in the matter. The payment of any royalty by the Working Interest Owner in accordance with the terms of such final judgment or settlement shall be conclusive and binding upon the parties to this Agreement.

ARTICLE XIV

RATIFICATION OF LEASES

14.1 Except where an action involving a Lease covering a Tract has been commenced when this Agreement and the Operating Agreement become effective, each Royalty Owner does hereby agree that the Leases, insofar as they relate to

the Unitized Formation, are hereby in all respects adopted, ratified and confirmed as modified or revised by this Agreement and that no default exists with respect thereto.

ARTICLE XV

TRANSFERS

15.1 Any disposition of an interest owned by any party hereto with respect to any Tract shall be made expressly subject to this Agreement and shall cover the whole or an undivided interest, but not a divided interest in any Tract. For the purposes of this Agreement disposition shall include sale, assignment, transfer, lease, sub-lease, conveyance, parting with possession, whether by Tract or otherwise or any transaction of a similar nature howsoever. No such disposition shall be binding for any purpose upon any party hereto other than the party so conveying the same, until 7:00 A.M. Central Standard Time of the first day of the calendar month next succeeding the date of the execution and delivery of three (3) counterparts of this Agreement, in the case of a Royalty Interest, and three (3) counterparts of this Agreement and the Operating Agreement, in the case of a Working Interest, to the Unit Operator, by such Assignee and the receipt by Unit Operator of a certified copy of the instrument evidencing such change in ownership.

ARTICLE XVI

IN GENERAL

16.1 All of the terms and provisions of this Agreement shall extend to, be binding upon and enure to the benefit of the respective heirs, devisees, legal representatives, successors and assigns of the parties hereto.

16.2 Each party hereto covenants that during the existence of this Agreement such party shall not resort to any action at law or in equity to partition the Unit Area or the facilities used in the development or operation thereof, and to that extent waives the benefits of all laws authorizing such partition.

16.3 It is not the intention of the parties hereto to create a partnership or an association in the nature of a partnership. The duties and obligations of the parties hereto are intended to be separate and not joint or collective, and nothing contained in this Agreement or in any agreement made pursuant hereto ever shall be construed to create a partnership or association or to impose a partnership duty, obligation or liability with respect to any one or more of the parties hereto.

16.4 Nothing in this Agreement shall be construed as providing directly or indirectly for any co-operative or joint sale or marketing of Unitized Substances.

16.5 It is understood and agreed that this Agreement of itself shall never be construed as imposing upon any Royalty Owner any obligation to pay for any development or operating expense.

16.6 Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by his existing agreement with any Working Interest Owner with the express stipulation that if, by reason of this Agreement such information is not available, the nearest approximation or equivalent of such information shall be made available.

16.7 Neither Unit Operator nor any party hereto shall be deemed to be in default with respect to non-performance of its obligations hereunder other than obligations for the payment of money if and so long as such non-performance is due, in whole or in part, to strikes, lockouts, or other industrial disturbances, fire, explosion, tempest, floods, acts of God or the Queen's enemies, laws, governmental orders, rules and regulations, inability to obtain the necessary material or equipment in open market, or any other cause (whether similar or dissimilar to those enumerated) beyond the reasonable control of the

party affected; PROVIDED that lack of finances shall in no event be deemed to be a cause beyond the party's control; and PROVIDED FURTHER that performance shall be begun or resumed within a reasonable time after such cause has been removed.

16.8 This Agreement, the Leases and all operations hereunder shall at all times be subject to all applicable laws, governmental orders, rules and regulations and neither this Agreement nor any of the Leases shall expire or be terminated in whole or in part by reason of the failure of the Unit Operator or any Working Interest Owner to comply herewith if compliance is prevented by, or if failure is the result of any such law, order, rules or regulations, nor in such event shall the Unit Operator or any Working Interest Owner be held liable in damages.

16.9 Each party executing this Agreement admits and represents to each other party hereto that it has read this Agreement, that it has noted and understands the contents thereof, that no oral representations or oral promises have been made to it as an inducement for its executing this Agreement, that the sole and only consideration expected by it or promised to it is found expressed within this written Agreement, that if any such oral promise or oral representation has been made to it, it is not relying thereon and same does not constitute any inducement for its executing this Agreement, and that it and each party hereto is bound only in the manner and to the extent herein stipulated.

16.10 The index at the front hereof and the captions or headings preceding the various parts of this Agreement are inserted and included solely for convenience and never shall be considered or given any effect in construing this Agreement, or any part of this Agreement, or in connection with the duties, obligations or liabilities of the parties hereto, or in ascertaining the intent

of the parties hereto if any question of intent should arise; it being the intention of the parties hereto that this Agreement shall be construed as a whole.

16.11 The execution of this Agreement by any Working Interest Owner or Royalty Owner shall not have the effect of recognizing the title of any other Working Interest Owner or Royalty Owner that may execute this Agreement.

16.12 This Agreement may be executed in as many counterparts as deemed necessary, or it may be joined in or ratified by any party or parties by executing a counterpart or ratification thereof, and when thus executed on a counterpart or by a ratification shall have the same effect as if said party or parties actually had joined in executing one and the same document.

16.13 Any party hereto who is the grantor of any easement, right-of-way, surface lease, right of entry or other surface right within the surface boundary of the Unit Area whenever the use of such surface right becomes necessary for unit operations, hereby expressly consents to such grants being assigned by the grantee thereof to the Unit Operator.

16.14 Whenever the singular or masculine or neuter is used in this Agreement the same shall be construed as meaning the plural or feminine or body politic or corporate and vice versa where the context or the parties hereto so require.

16.15 It shall not be necessary for parties owning both Working Interest and Royalty Interest to execute this Agreement in both capacities in order to commit both classes of interests. Execution hereof by any such party in one capacity shall also constitute execution in the other capacity. Execution or ratification hereof by any party shall make the entire interest of such party as the same may exist at any time or from time to time subject to all of the terms of this Agreement.

ARTICLE XVII

EFFECTIVE DATE

17.1 The unitization provided for in this Agreement shall become effective at 7:00 A.M. Central Standard Time on the first day of the first calendar month following the date on which _____ per cent or more of the Tracts have become qualified as such, in accordance with the provisions of Article VI hereof; PROVIDED that if this Agreement has not become effective in the manner herein provided, or if not approved by the Conservation Board on or before the _____ day of _____, A.D. 1960, this Agreement shall thereupon terminate and be at an end.

ARTICLE XVIII

TERM

18.1 Subject to the provisions of Article XVII hereof, this Agreement shall become binding upon each party hereto when said party executes and delivers three (3) copies thereof to the Unit Operator and it shall enure to the benefit of, and be binding upon their respective heirs, executors, administrators, successors or assigns. This Agreement shall remain in full force and effect until all wells for the production of Unitized Substances in the Unit Area have been abandoned, plugged or otherwise disposed of; PROVIDED, HOWEVER, that this Agreement shall be terminated at such time as the Operating Agreement is terminated.

18.2 Upon termination of this Agreement the further development and operation of the Unit Area as a unit shall be abandoned, unit operations shall cease and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts.

18.3 The Working Interest Owners shall advise their respective Royalty Owners of the termination of this Agreement within thirty (30) days of such termination.

IN WITNESS WHEREOF the corporate parties hereto have hereunto
affixed their corporate seals, attested by the signatures of their proper
officers in that behalf, and the other parties hereto have hereunto affixed
their hands and seals, both as of the day and year written immediately below
their respective signatures.

Date: _____

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NORTH VIRDEN-SCALLION UNIT OPERATING AGREEMENT NO. 1

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NORTH VIRDEN-SCALLION UNIT OPERATING AGREEMENT NO. 1

NORTH VIRDEN-SCALLION FIELD - MANITOBA

THIS AGREEMENT made and entered into by and among such owners of Working Interests in the Unit Area of the North Virden-Scallion Field, Manitoba, as execute this Agreement;

WHEREAS the parties have entered into an agreement known as the North Virden-Scallion Unit Agreement No. 1, which agreement provides, inter alia, for the parties hereto entering into a further agreement to provide for the development and operation of the Unit so formed.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the mutual covenants and agreements herein and in the said Unit Agreement set forth, the parties hereto have agreed together as follows:

ARTICLE I

DEFINITIONS

1.1 The definition of terms in the Unit Agreement are adopted for all purposes of this Agreement, except where such terms are herein specifically defined.

1.2 As used in this Agreement, including the recitals, this Article and exhibits hereto, the terms hereinafter set forth in this Article shall have the following meanings:

- (a) "Accounting Procedure" means the rules, provisions and conditions set forth and contained in Exhibit "C".
- (b) "Common Account" means the account set up and maintained by Unit Operator on behalf of the Working Interest Owners as provided in Article VIII hereof.

- (c) "Effective Date" means the time referred to in Article XVIII hereof.
- (d) "Participating Interest" means the ratio that the total Tract Participations of each Working Interest Owner bears to the total Tract Participations of all Working Interest Owners and expressed as a percentage as set forth in Exhibit "D".
- (e) "Unit Agreement" means that agreement entitled "North Virden-Scallion Unit Agreement No. 1" made and entered into by and among the parties hereto and the Royalty Owners.
- (f) "Unit Facilities" means all tangible property of every kind, nature and description (excepting Unitized Substances, Unit Operated Wells, rental equipment and Unit Operator's exclusively owned equipment) in the possession of Unit Operator under this Agreement acquired from a Working Interest Owner pursuant to the provisions of Article X hereof, together with all facilities and equipment purchased, constructed or acquired by Unit Operator pursuant to this Agreement.
- (g) "Unit Operated Well" shall mean all wells (including wells drilled for the production of Unitized Substances, wells drilled for the purpose of producing water only, wells drilled for the purpose of water disposal and wells drilled for the purpose of pressure maintenance operations or secondary recovery operations) in the possession of Unit Operator under this Agreement, whether acquired from a Working Interest Owner or drilled by Unit Operator pursuant to the terms of this Agreement, but excluding Unit Facilities in and on the said wells.
- (h) "Well" means any well within the Unit Area which has been drilled to the Virden and Scallion formations for the production of Petroleum Substances which at some time since such drilling has produced a

minimum of three (3) barrels of oil per day for at least one-month's duration.

- (i) "Salt Water Disposal Well" means a well drilled for the purpose of, or converted to, salt water disposal.

ARTICLE II

EXHIBITS

2.1 The following exhibits are incorporated herein by reference:

- (a) Exhibits "A" and "B" of the Unit Agreement.
- (b) Exhibit "C" attached hereto and made a part hereof is the Accounting Procedure. In the event of any conflict between this Agreement and Exhibit "C", this Agreement shall prevail.
- (c) Exhibit "D" attached hereto and made a part hereof, shows each Working Interest Owner's Participating Interest.

2.2. Reference to Exhibits. Whenever in this Agreement reference is made to any of the said exhibits such reference shall mean said exhibits as originally attached hereto, or if the same have been revised, corrected or amended it shall mean the latest revision, correction or amendment thereof.

2.3 Exhibits Considered Correct. Said exhibits for all purposes of this Agreement shall be considered correct until they are revised, corrected or amended as herein provided.

2.4 Correcting Errors. In the event it appears at any time and from time to time subsequent to the execution of this Agreement that any error or mistake has been made in the preparation of an exhibit, Unit Operator may, or upon receiving the instructions of the Working Interest Owners shall, correct any such mistake by revising, correcting or amending the exhibit, provided that such revision, correction or amendment shall not include any re-evaluation of previously established engineering or geological interpretations used in establishing Tract Participations.

2.5 Supplying of Exhibits. Each time that an exhibit is revised, corrected or amended Unit Operator shall supply each of the Working Interest Owners with such number of copies thereof as the Working Interest Owners shall require.

ARTICLE III

CONFIRMATION OF UNIT AGREEMENT

3.1 The Unit Agreement is hereby incorporated herein by reference and made a part of this Agreement. In the event of any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall prevail.

ARTICLE IV

INTENT AND PRESSURE MAINTENANCE
OPERATIONS

4.1 The Working Interest Owners shall develop and operate the Unitized Formation for obtaining production of Unitized Substances and in particular the construction of facilities for the injection of gas, water and/or other substances, and secondary recovery or pressure maintenance operations by means of the injection of gas, water and other substances, or any of them, into the Virden and Scallion formations shall be commenced within a reasonable time after the Effective Date of this Agreement, and shall in good faith be continued for so long and to such extent as the Working Interest Owners may deem it to be reasonably justified in an effort to increase the ultimate economic recovery of Unitized Substances.

ARTICLE V

UNIT OPERATOR

5.1 The California Standard Company is hereby designated Unit Operator and The California Standard Company hereby accepts this designation as Unit Operator.

5.2 Powers and Duties of Unit Operator. Unit Operator shall, sub-

ject to the provisions of this Agreement, and orders, directions and regulations given or imposed by the Working Interest Owners, as herein provided:

- (a) Have exclusive charge, management and control of the development, operation and production of the Unitized Formation, and shall have the right and duty to conduct all operations in connection therewith including, but not limited to, the following: the drilling, operating, maintaining, repairing, suspension and abandonment of all Unit Operated Wells whether for production, injection or water supply, including wells drilled after the date the Unit Agreement becomes effective and wells taken over under the provisions of this Agreement; and the installation, construction and operation of Unit Facilities of whatsoever character necessary or convenient for the conduct of operations hereunder.
- (b) Conduct operations in a good and workmanlike manner and in the absence of specific instructions from the Working Interest Owners, shall have the right and duty to act in accordance with what a prudent operator would do under the same or similar circumstances.
- (c) Keep, within the Province of Alberta, true and correct books, accounts and records of its operations hereunder, and shall furnish to each party hereto, on or before the fifteenth (15th) day of each calendar month, a statement of the amount of production from the Unitized Formation, sales and inventory during the preceding calendar month.
- (d) Keep the lands and leases within the Unit Area free from liens and encumbrances occasioned by its operations, excepting the lien of Unit Operator granted hereunder and excepting liens in connection with which there is a bona fide dispute.

(e) Freely consult with the parties hereto and keep them advised of all matters arising in connection with such operations, which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall furnish to the parties hereto such reports in connection with Unit Operations as the Working Interest Owners may direct.

5.3 Unit Operator shall fix the number of, hire and dismiss and pay and supervise all employees required for the operations hereunder and shall determine the hours of labour and compensation to be paid to such employees. Such employees shall be the employees solely of Unit Operator.

5.4 Unit Operator shall let all contracts for the drilling, reworking, deepening or plugging back of, or other operations in connection with any Unit Operated Well on a competitive basis at the usual rates and terms prevailing in the area; PROVIDED, HOWEVER, that Unit Operator shall have the right to use its own equipment in carrying out such drilling, reworking, deepening, plugging back of, or other operations in connection with any Unit Operated Well in which event the charge therefor shall not exceed the prevailing rates and terms customary and usual in the area in contracts with independent contractors doing work of the same or a similar nature.

5.5 In addition to any expenditures which Unit Operator is specifically authorized to make, Unit Operator is authorized to make an expenditure not in excess of Ten Thousand (\$10,000.00) Dollars in respect to any single undertaking without the approval of the Working Interest Owners; provided that the approval of the Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary

expenditures required therefor and for completing, testing and equipping the same, including necessary flowlines, separators and lease tankage, and provided that in the event of emergencies, Unit Operator may, without approval of the Working Interest Owners, take such action and make such expenditures for the Common Account as it may deem necessary in order to protect the life or property of its employees, the parties hereto, the Royalty Owners, or the public; PROVIDED, HOWEVER, that within ten (10) days after taking any such action or making such expenditures, Unit Operator shall advise the Working Interest Owners of such action and expenditures.

5.6 Unit Operator shall continue to have all the rights, duties and liabilities of a Working Interest Owner in addition to its rights, duties and liabilities as Unit Operator as long as it continues to own a Working Interest in the Unit Area.

5.7 Unit Operator:

- (a) shall forthwith cease to act as Unit Operator in the event that it should become bankrupt or insolvent, or make any general assignment for the benefit of creditors;
- (b) may be removed as Unit Operator by written notice of such removal from those Working Interest Owners, other than Unit Operator, who own at least eighty-five (85%) per cent of the remaining Participating Interests;
- (c) may resign at any time upon ninety (90) days' written notice to the Working Interest Owners.

5.8 In the event of a removal or resignation of Unit Operator pursuant to subparagraphs (b) or (c) of Section 5.7, Unit Operator shall not be

released from its duties and obligations hereunder until 7:00 A.M. of the first day of the calendar month following the expiration of ninety (90) days from the date of delivery of notice of such removal or resignation unless a successor Unit Operator shall have been designated by the Working Interest Owners, and shall have assumed the duties of Unit Operator prior to the expiration of said period.

5.9 At the effective time of the release from its duties of any Unit Operator, or upon the selection of a successor Unit Operator, the preceding Unit Operator shall surrender possession of, and deliver to, the successor Unit Operator the exclusive charge, management and control of the development, operation and production of the Unitized Formation and all Unit Operated Wells, Unit Facilities, common funds in the possession of the Unit Operator and all production, if any, which has not theretofore been delivered in kind, copies of all pertinent books of account and records of the unit operations and all documents, agreements and other papers relating thereto. Upon the transfer and delivery thereof, the preceding Unit Operator shall be released and discharged from and the successor Unit Operator shall assume all duties and obligations of the Unit Operator hereunder except the unsatisfied duties and obligations of the preceding Unit Operator accrued prior to the effective time of the change of Unit Operator and for which the preceding Unit Operator shall, notwithstanding its release or discharge, continue to remain liable.

5.10 Forthwith upon the removal or resignation of the Unit Operator, or at any time when there is no Unit Operator, the Working Interest Owners shall select a successor Unit Operator to take office contemporaneously with the effective time of the release from its duties of Unit Operator. If any successor Unit Operator is not a Working Interest Owner its selection as Unit

Operator shall require the unanimous consent and agreement of the Working Interest Owners.

ARTICLE VI

POWERS AND DUTIES OF THE
WORKING INTEREST OWNERS

6.1 All matters arising pursuant to this Agreement and the Unit Agreement shall, unless otherwise herein specifically provided, be determined and decided by the Working Interest Owners acting through their representatives by concurring vote of not less than three (3) Working Interest Owners owning at least sixty-five (65%) per cent of the Participating Interests and such vote shall be binding upon all the Working Interest Owners; PROVIDED that the vote of any one Working Interest Owner shall not serve to defeat any matter unless such Working Interest Owner is supported by at least one other Working Interest Owner.

6.2 The Working Interest Owners reserve to themselves collectively all rights, powers, privileges and duties granted or reserved by them in the Unit Agreement and this Agreement not herein specifically delegated to Unit Operator. Without limiting the generality of the foregoing, the Working Interest Owners hereby reserve to themselves the following rights and powers:

- (a) To approve or disapprove Tracts for acceptance into the Unit Area and to consider and deal with any proposed enlargement of the Unit Area pursuant to the provisions of Article X of the Unit Agreement and, without limiting the generality of the foregoing, to further determine the Tract Participation to be allocated to any Tract accepted into the Unit Area. Notwithstanding anything elsewhere herein contained, the Working Interest Owners shall

act upon and determine matters coming before them under this paragraph (a) of Section 6.2 by concurring vote of not less than four (4) Working Interest Owners owning at least eighty-five (85%) per cent of the Participating Interests and such vote shall be binding upon all parties; PROVIDED that the vote of any one Working Interest Owner shall not serve to defeat any matter unless such Working Interest Owner is supported by at least one other Working Interest Owner.

- (b) To instruct Unit Operator concerning all unit operations for the production of Unitized Substances.
- (c) To approve or disapprove the drilling of additional wells to the Unitized Formation either for the production of Unitized Substances or for injection purposes.
- (d) To approve or disapprove the sale to any Working Interest Owner of, and relinquish possession of, any Unit Operated Well and any Unit Facilities in, or used in connection therewith, which are not needed for unit operations where such Working Interest Owner desires such well for production from other than the Unitized Formation, and approve or disapprove the purchase from any Working Interest Owner, for unit operations, of any well and all equipment used in connection therewith which such Working Interest Owner desires to relinquish to Unit Operator and which the Working Interest Owners consider desirable for unit operations. In each case Unit Operator shall negotiate the agreement with such seller or purchaser, fixing the conditions and terms of such sale or purchase as approved by the Working Interest Owners. In this connection, if a Unit Operated Well is no longer needed for unit

operations possession of such well shall be offered to the Working Interest Owner on whose Tract the well is located, and if such Working Interest Owner does not desire to purchase Unit Facilities in, or used in connection with, and to retake possession of such well, it shall then be plugged and abandoned by Unit Operator, and the costs thereof shall be charged to the Common Account in accordance with the provisions of the Accounting Procedure. Any materials salvaged from such well shall be treated by Unit Operator as surplus materials.

- (e) Subject to the rights of Unit Operator pursuant to Section 5.2 hereof to approve or disapprove, in whole or in part, each and every estimate and item of expenditure submitted by Unit Operator.
- (f) To determine and fix annually the proper charges to be made by Unit Operator under Article II of the Accounting Procedure.
- (g) To approve or disapprove the proposed sale of surplus material and equipment having a current replacement value in excess of Five Thousand (\$5,000.00) Dollars.
- (h) To appoint an auditor to represent all parties hereto; to arrange proper annual audits of the accounts of Unit Operator with respect to the operation and development of the Unit Area, approve or disapprove the same and make available to the parties hereto the results of such audit.
- (i) To fill any vacancy occurring in the position of Unit Operator.
- (j) To represent, or determine who shall represent, the Working Interest Owners before any governmental or regulatory body in matters pertaining to unit operations; PROVIDED, HOWEVER, that

this shall never be construed as authorization to speak on behalf of any Working Interest Owner dissenting from the views to be expressed or to prevent any Working Interest Owner from presenting its own view on such matters.

(k) To appoint such committees as they may deem proper and requisite.

ARTICLE VII

ADMINISTRATION OF UNIT

7.1 In order to carry out the purposes of this Agreement the Working Interest Owners shall, as soon as they consider it necessary and desirable but not before the Effective Date hereof, advise and confer with Unit Operator and consider and approve or disapprove plans of unit operation to the extent set out in Article VI hereof. Each Working Interest Owner shall have a voting interest in the control of unit operations equal to its Participating Interest. The representative of Unit Operator shall act as Chairman of each meeting of Working Interest Owners without in any manner restricting or limiting his rights to represent Unit Operator as a Working Interest Owner.

7.2 Each Working Interest Owner shall make a written designation to Unit Operator of its principal representative and of an alternate to serve in the absence of the principal. Thereafter, designations or changes of such representative shall be filed with Unit Operator. Any designated representative or his alternate shall have valid and sufficient authority to bind the Working Interest Owner whom he represents in respect of all matters brought before a meeting of the Working Interest Owners or voted on pursuant to Section 7.4 hereof. Notwithstanding anything to the contrary in this Section 7.2 contained, two (2) or more parties may, if they so wish, designate one representative to vote and act for them and such representative shall, if so required by his

Working Interest Owners, cast his vote for each separately.

7.3 (a) The Working Interest Owners shall meet on the call of the Unit Operator or at the request of any Working Interest Owner. Unit Operator shall advise all Working Interest Owners, in writing, at least ten (10) days in advance of any meeting, of the time and place of the proposed meeting, and of the specific matters affecting unit operations which will be presented, discussed or voted upon at such meeting, and no other matters shall be voted upon at such meeting unless each Working Interest Owner is represented thereat and agrees that such further matters may be voted upon.

(b) Any Working Interest Owner not represented at any particular meeting may vote, by letter or telegram addressed to and received by the Chairman prior to the hour fixed for the meeting, on any question presented thereat of which they have been notified. Members so voting shall be considered present as regards such matter on which they so vote, but not for other purposes.

7.4 Any question within the province of the Working Interest Owners to decide may be determined in the absence of a formal meeting by a poll of all of the individual representatives. If such a poll is taken it shall be conducted by the Chairman, either by telegram or registered mail, and he shall keep a written record of the result and report it at the next meeting. The voting interests necessary to act upon and determine matters or questions submitted by registered mail or telegram shall be the same as hereinbefore provided. Such vote shall be made within nine (9) days of the giving of such notice, provided, that any failure to vote within such time, shall be considered as a negative vote.

7.5 Unit Operator shall keep minutes of the proceedings of each meeting of the Working Interest Owners, and a copy thereof shall be forwarded to each party hereto. Such minutes need not be a verbatim record of all the proceedings, but shall show the names of the representatives present at the meeting, all motions and resolutions offered or acted upon, together with the results of such action and such other formal action as may be taken by the Working Interest Owners, and shall include a record of all matters voted on by letter or telegram ballot since the date of the last meeting.

ARTICLE VIII

EXPENDITURES AND LIABILITIES

8.1 Unit Operator shall set up a Common Account on behalf of the parties hereto for all costs and expenses incurred by it for the debit of the parties hereto and all monies received by it for the credit of the parties hereto in connection with the development and operation of the Unit Area, and all of the said costs and expenses shall be charged, and all the said monies shall be credited to the parties hereto in accordance with the provisions of this Agreement.

8.2 Subject to the other provisions of this Agreement, all costs, expenses and liabilities, whether contractual or tortious, incurred by Unit Operator on account of the operations hereunder shall be for the Common Account and shall be borne by the parties hereto in proportion to their respective Participating Interests.

8.3 Unit Operator shall initially pay and discharge all costs and expenses incurred in the operations hereunder. Unless it shall have received advances for such purposes as hereinafter provided, Unit Operator shall bill each party hereto for its share of all costs and expenses and each party shall

reimburse Unit Operator for its share of such costs and expenses in accordance with the provisions of the Accounting Procedure. Each party shall pay all such bills within thirty (30) days after receipt thereof, and should any party fail to pay its proportionate part of such costs and expenses within the said thirty (30) day period, the same shall, at Unit Operator's discretion, bear interest at the rate of six (6%) per centum per annum from the end of the said period until paid, which interest shall be for Unit Operator's sole account, and Unit Operator shall have the right at its option at any time thereafter, such default continuing, to enforce the lien hereinafter provided upon the respective interests of such party.

Payment of any such bill shall not prejudice the right of a party hereto to protest or question the correctness thereof; PROVIDED, that failure of a party hereto to make such protest or question within the time provided for in the Accounting Procedure shall conclusively establish such correctness.

8.4 Before or as soon as practicable after the Effective Date hereof, Unit Operator shall prepare a forecast of estimated costs and expenses for the period from the Effective Date to December 31st, A.D. 1961 and on or before the first day of each November after the Effective Date shall prepare a forecast of estimated costs and expenses for the ensuing calendar year. Such forecast shall set forth the estimated costs and expenses by quarterly periods. Forecasts so prepared shall be estimates only and shall be subject to adjustment and correction by Working Interest Owners and Unit Operator from time to time whenever it shall appear that an adjustment or correction is proper. A copy of each such forecast and adjusted forecast shall be promptly furnished each Working Interest Owner.

Nothing herein shall derogate from the rights or powers heretofore granted to the Working Interest Owners to approve or disapprove of any particular item or items of expenditure.

8.5 The Unit Operator, in lieu of advancing monies for the costs and expenses of developing, enlarging or altering the Unit Area may, at its election, require the Working Interest Owners to advance their respective proportionate share of such costs and expenses by submitting to each Working Interest Owner on or before the last day of each calendar month an estimate of such costs and expenses for the succeeding calendar month based on an approved forecast of estimated costs and expenses or authority for expenditure together with a request for payment of such proportionate share. Within thirty (30) days from the receipt of such request each Working Interest Owner shall pay its proportionate share to the Unit Operator. If any Working Interest Owner defaults in respect of such request for payment, the same shall bear interest at six (6%) per cent per annum from the end of the said thirty (30) day period until paid. The accounts between the Working Interest Owners shall be adjusted to actual costs by the Unit Operator in the month's statement following the month covered by the estimate.

8.6 The Unit Operator, in lieu of advancing monies for the costs and expenses incurred in the maintenance and operation of the Unit Area may, at its election, require the Working Interest Owners to advance their respective proportionate share of such costs and expenses by submitting to each Working Interest Owner on or before the last day of each calendar month a request for a working capital fund equal to one-twelfth (1/12th) of the expenses as approved in the annual forecast of estimated costs and expenses for the unit operation. Within thirty (30) days from the receipt of such request, each Working Interest

Owner shall pay its proportionate share to the Unit Operator. If any Working Interest Owner defaults in respect of such request for working capital, the same shall bear interest at six (6%) per cent per annum from the end of the said thirty (30) day period until paid. After the establishment of this working capital fund, which will be separate from that required in Section 8.5 hereof, each Working Interest Owner will remit its proportionate share of each month's actual billing within thirty (30) days of receipt, thus maintaining the working capital fund intact. The adequacy of the fund in relation to current expenses will be reviewed semi-annually or oftener upon request by a Working Interest Owner and adjustments made as required.

8.7 The Unit Operator shall have a lien upon the interest of each party hereto in any unsold Unitized Substances, upon the proceeds of the sale of any Unitized Substances, and upon the interest of each party in the Unit Facilities, and upon the title of each party to and in the Unit Area and Unitized Formation. Such lien shall have priority over any lien held by any party hereto.

 In the event of the failure of any party hereto to pay its share of the costs and expenses incurred hereunder when due, as provided in this Agreement, Unit Operator shall be entitled at any time, and from time to time, to collect and receive the proceeds of the sale of all or any part of such party's share of the Unitized Substances, including the proceeds from previously executed sales contracts made by or for such defaulting party. Unit Operator shall apply all such sums so collected against the defaulting party's unpaid unit expense, the excess of such proceeds over the unpaid unit expense, if any, to be paid to the party entitled thereto and all sums so applied shall be considered as received from such defaulting party within the

meaning of the provisions contained in Section 8.8 hereof relating to contributions by other parties to Unit Operator in the case of default in payment when due. Unit Operator may likewise take any other credit due any such defaulting party pursuant to this Agreement and apply the same against sums due from such party for unit expenses. The rights granted to Unit Operator in this Article shall not be construed as exclusive remedies but shall be in addition to all rights, privileges, and remedies afforded Unit Operator by other provisions of this Agreement and by law. Service of a true copy of the counterpart of this Agreement which has been executed by or on behalf of the defaulting party upon any purchaser of all or any part of a defaulting party's share of Unitized Substances, shall constitute written authorization on the part of such defaulting party for such purchaser to pay the proceeds from such sale to Unit Operator during such default, but such purchaser shall not be considered as having been notified of such authorization prior to the time of such service. Books and records kept by Unit Operator with respect to operations hereunder shall constitute conclusive proof of the existence or non-existence of any such default insofar as the right of Unit Operator to collect proceeds from the sale of all or any part of the defaulting party's share of the Unitized Substances is concerned, subject, however, to all rights of inspection, verification and audit provided in this Agreement. The exercise of the rights granted in this Section shall not in any way affect the obligation of any defaulting party to make payment of royalty currently, as provided elsewhere in this Agreement.

8.8 If Unit Operator shall not have received full reimbursement for any indebtedness that may become due and payable by any party hereto to Unit Operator, each of the parties hereto shall, upon the request of the Unit

Operator, then contribute to the reimbursement of Unit Operator the portion of any such unsatisfied amount equal to the proportion that such party's Participating Interest bears to the total Participating Interests of all of the parties hereto exclusive of the Participating Interest of the defaulting party; and thereupon, each party so contributing shall be proportionately subrogated to Unit Operator's rights and lien under Section 8.7 above.

8.9 Each party shall pay a part of the reasonable cost, as approved by the Working Interest Owners, of unitizing the Unit Area in proportion to its Participating Interest hereunder.

8.10 No funds received by Unit Operator under this Agreement need be segregated by Unit Operator or maintained by it as a joint fund, but may be commingled with its own funds.

ARTICLE IX

RESPONSIBILITY FOR PAYMENTS

9.1 Each party hereto shall pay or be responsible for the payment and shall indemnify all other parties hereto, including Unit Operator, against any liability for any and all rentals, taxes (excepting any improvement tax or like tax assessed on Unitized Facilities within or ancillary to the Unit Area, which shall be paid by Unit Operator and charged to the Common Account), royalties, overriding royalties, oil payments, net profit contracts and all payments out of, or burdens on, the Lease or Leases and Tracts contributed by it and received into the Unit Area; PROVIDED, HOWEVER, that should there be more production of Petroleum Substances from a Tract with respect to which less than one hundred (100%) per cent of the Royalty Owners have executed the Unit Agreement than such Tract's allocated share of the Unitized Substances produced hereunder, then the burden and risk of royalty payments with respect to such

excess production shall be borne by the Common Account to the extent of the excess, and should there be less production of Petroleum Substances from such Tract than its said allocated share, then the portion of royalty of such allocated share of production not paid to Royalty Owners who failed to execute the Unit Agreement, but which would have been payable to them had they executed the same, shall be apportioned among the parties hereto in proportion to their respective Participating Interests.

ARTICLE X

DELIVERY OF WELLS AND EQUIPMENT
AND ADJUSTMENT OF INVESTMENT

10.1 As of the date the Unit Agreement becomes effective, and as of the effective date of any enlargement of the Unit Area pursuant to the terms of the Unit Agreement, each Working Interest Owner does hereby contribute to the Working Interest Owners, acting through Unit Operator, the exclusive use for all purposes of all Wells and Salt Water Disposal Wells, both active and inactive, that it has in the Unit Area, together with all information, or true copies thereof, that it has obtained in connection with the drilling, testing, completing and operating of said contributed wells, such as drilling logs, electrical logs, records of coring, testing and special work of every nature, laboratory analyses, records of the amount of production obtained, and all other information pertinent to the said wells and Leases of the parties hereto. Each Working Interest Owner does also contribute to the Working Interest Owners, acting through Unit Operator, without compensation, the non-exclusive use of roads, dikes, ditches, fire walls, pits and fences.

10.2 Each Working Interest Owner warrants the well or wells contributed by it to be in sound mechanical condition. Within sixty (60) days of delivery of any such well, Unit Operator shall carry out such tests

as may be necessary to determine its mechanical condition and, in the event any such well is in sound mechanical condition it shall be accepted by the Unit Operator and thereupon become a Unit Operated Well. In the event that any such well is not in sound mechanical condition the Working Interest Owner who contributed such well shall, within thirty (30) days after being requested to do so by the Unit Operator, install the equipment necessary to place such well in sound mechanical condition or pay to the Unit Operator for the credit of the Common Account, in cash, the cost of purchasing and/or installing such equipment. No well shall be declared to be in unsound mechanical condition which has, up to the Effective Date, been capable of producing, testing, treating, separating or storing its production in compliance with existing laws, rules and regulations and capable of producing oil of such quality as to be acceptable to a pipeline company or other purchaser.

Within sixty (60) days of the delivery of any roads, dikes, ditches, firewalls, pits and fences Unit Operator shall determine which of them, if any, require additional expenses in order to permit efficient operation or to comply with government regulations or to honor surface leases. Unit Operator shall prepare an estimate expenditure and after approval of the Working Interest Owners, the Working Interest Owner who contributed the properties at fault shall perform the work at its own cost and expense, or if he elects not to perform the work it shall be done by Unit Operator and charged to the Working Interest Owner at fault.

10.3 As of the date the Unit Agreement becomes effective, and as of the effective date of any enlargement of the Unit Area pursuant to the terms of the Unit Agreement, all wellsite and operating equipment in and on the Unit Area, used in the normal operation of the Unit Operated Wells

and such salt water disposal facilities as the Unit Operator deems necessary to and taken over separate and apart from the unitization of the Working Interests and production effected in the Unit Agreement and shall become Unit Facilities.

Wellsite and operating equipment shall include by way of example, "controllable equipment", as hereinafter defined, but shall not include warehouses, warehouse stocks, lease houses, camps and office buildings, automobiles and other service equipment which shall remain the separate property of the several owners thereof. The acquisition of existing warehouses, warehouse stocks, lease houses, camps or office buildings, automobiles and other service equipment considered desirable to the operation and development of the Unit Area shall be by negotiation and separate contract of purchase approved by the Working Interest Owners with the owner or owners thereof.

For the purposes of this Article X, "controllable equipment" shall mean and include, but not be limited to, the following:

1. DOWN HOLE EQUIPMENT

Bottom hole pump
Tubing
Sucker rods
Scraper rods
Polish rods
Retrievable down hole packers
Bottom hole anchors

2. WELLHEAD

Rotating rod hangar	Flow cross
Tubing head complete with hangar	Stuffing box
Tubing bonnet	Valves - 2" and over
Blowout preventer	

3. PUMPING EQUIPMENT

Pumping units	Back pressure valves
Pumping motors	Valves - 2" and over
Automatic controls	Pump houses.

4. FLOWLINES TO HEADER

5. BATTERY EQUIPMENT

Valves - 2" and over	Walkways
Separators	Stairways
Heaters	Buildings
Treaters	Orifice fittings
Meters and regulators	Chemical injectors
Tanks complete with thief hatches	Fire extinguishers
	Recycling pumps and motors

6. PRODUCED WATER DISPOSAL FACILITIES

Positive displacement injection pumps	Walkways
Settling tanks and skim pits	Stairways
Surge tanks	Buildings
Meters and regulators	Filters
Valves - 2" and over	Backwash pumps

7. Such other items, whether similar or dissimilar, as the Working Interest Owners deem to be tangible;

but shall exclude intangible, surface casing, production casing, casing bowl and casing hangar and valves under 2" in size and similar fittings of a miscellaneous nature.

10.4 The tangible value of the wellsite and operating equipment delivered to and taken over by Unit Operator pursuant to this Article X shall be determined and accounted for among the Working Interest Owners as of the date the Unit Agreement becomes effective by appraising the same according to condition and pricing the same at a percentage of its current replacement value as determined by the Working Interest Owners and as of the date the Unit Agreement becomes effective.

10.5 The Working Interest Owners shall appoint an Inventory Committee for the purpose of making an inventory of the wellsite and operating equipment taken over by Unit Operator, as stated above, and each Working Interest Owner, upon request by the Inventory Committee, shall submit to the Inventory Committee promptly a complete statement in writing of all said Working Interest Owner's

wellsite and operating equipment so delivered to the Unit Operator and a description of the condition of each item at the time of such delivery. In the event a Working Interest Owner has failed to supply such statement as aforesaid, the Inventory Committee shall proceed to inventory such Working Interest Owner's wellsite and operating equipment and shall supply such Working Interest Owner with a copy thereof which shall be binding upon such Working Interest Owner unless it protests or questions such inventory within fifteen (15) days of the receipt thereof. Said Inventory Committee shall take promptly an inventory of all said wellsite and operating equipment and check the same against the aforesaid statements furnished by the Working Interest Owners, and accordingly, shall determine the value of said wellsite and operating equipment on the basis above set forth and shall make a written report thereof to the Working Interest Owners.

10.6 Upon approval of the Inventory Committee's report by the Working Interest Owners, each Working Interest Owner shall have, subject to Section 10.8 hereof, an initial share in the Unit Facilities which is equal to the proportion (expressed as a percentage) that the value of the tangible equipment delivered by it to the Unit Operator is to the total value of all tangible equipment delivered by all of the Working Interest Owners to Unit Operator.

10.7 Unit Operator shall set up a Unit Facilities investment account which shall be calculated at the end of each calendar year and shall be:

- (a) the total value of all tangible equipment delivered by all of the Working Interest Owners to Unit Operator pursuant to this Article X, plus;
- (b) the total value of all tangible equipment subsequently acquired for the unit, the cost of which shall be borne by the Working Interest Owners in accordance with their respective Participating Interests, less;

(c) the total value of all tangible equipment subsequently sold, junked or otherwise disposed of.

For the purposes of calculating the Unit Facilities investment account tangible equipment which has been sold, junked or otherwise disposed of from the Unit shall be given the same value as it was given when it was originally delivered to or acquired by Unit Operator. At the end of any calendar year the Unit Facilities investment account shall be the net of paragraphs (a) plus (b) less (c).

10.8 Each Working Interest Owner shall have a net credit in the Unit Facilities investment account which shall be the value of all tangible equipment delivered by it to the Unit Operator, plus its share of the value of all tangible equipment subsequently acquired for the Unit, less its share of the value of tangible equipment sold, junked or otherwise disposed of from the Unit. The relationship, expressed as a percentage, between each Working Interest Owner's net credit and the sum of the net credits of all Working Interest Owners shall be its percentage share of the Unit Facilities investment account. Such percentage shall be carried to five decimal places and rounded to the nearest four decimal places and shall be calculated at the end of each calendar year.

10.9 Notwithstanding the provisions of Article VIII hereof, the proceeds from disposal of Unit Facilities whether tangible equipment or otherwise up to the end of the first calendar year shall be credited to each Working Interest Owner in accordance with its respective initial percentage share established under Section 10.6 and, thereafter, such proceeds shall be credited to each of them in accordance with their respective percentage share calculated in accordance with Section 10.8.

ARTICLE XI

SURFACE RIGHTS

11.1 As soon as reasonably possible after executing this Agreement, each party hereto shall submit to Unit Operator a list of all easements, rights-of-way, surface leases, rights-of-entry and other surface rights which it holds in connection with its operations in the Unit Area, together with particulars thereof, including rentals payable, if any.

11.2 Unit Operator shall, as soon as practicable after the receipt of the aforesaid lists, advise each party in writing which, if any, of its said surface rights will be required for the operations hereunder. Each party shall forthwith upon being so advised by Unit Operator submit to Unit Operator copies of all documents and instruments covering all easements, rights-of-way, surface leases, rights-of-entry and other surface rights which it holds and which are so required, along with copies of instruments of assignment, changes of address and other instruments of a like nature.

Each such party shall, subject to the provisions hereinafter contained, continue to hold the surface rights so required for such operations and pay the rentals for the same and bill Unit Operator for the amount of such rentals applicable to periods subsequent to the date the Unit Agreement becomes effective. Unit Operator shall reimburse such party for such rentals so paid and shall charge the same to the Common Account. Where rental has been paid in advance for any period in which the date that the Unit Agreement becomes effective falls, such billing shall be only for a pro rata share of such rental to cover the unexpired portion of such period.

11.3 Unit Operator may also from time to time notify a party hereto that its said surface rights, or any of them, are no longer required for the operations hereunder, provided that such notice shall be given at least sixty

(60) days prior to the accrual of a rental obligation, and provided further that Unit Operator shall have cleaned up the surface to the satisfaction of any governmental body having jurisdiction with respect thereto, and to the reasonable satisfaction of the owner and/or occupier thereof. Any surface rights not required for the operations hereunder may be held or disposed of by the party holding the same in such manner as it may deem fit.

11.4 After the date the Unit Agreement becomes effective all costs of maintaining surface rights required for the operations hereunder and all liabilities accruing in connection therewith shall be for the Common Account.

Unit Operator may, at any time or from time to time, require that any such surface rights be assigned to it for the purpose of the operations hereunder, if such surface rights are assignable. The assignment of any such surface rights shall contain a provision permitting the assignor of the surface rights the use of the same for exploration and production operations for formations other than the Unitized Formation without interfering with unit operations, and a further provision whereby, upon termination of the Unit prior to termination of the instrument granting such surface rights, the Unit Operator shall offer to assign the same back to the assignor thereof.

11.5 Where a party hereto holds in fee simple surface rights used in connection with the operations hereunder, Unit Operator shall have the right to use the same accordingly, provided that such party shall be entitled to receive as rental therefor an amount commensurate with rentals paid for other surface rights in the Unit Area and such amount shall be charged to the Common Account.

11.6 Unit Operator shall also have the right to acquire such additional surface rights as are necessary for the operations hereunder, and the

expense thereof, including rentals, shall be charged to the Common Account.

Unit Operator may also, with the approval of the Working Interest Owners, enter into an agreement with any party hereto for the right to share in the use of such party's surface rights on a basis to be mutually agreed upon between them, and the cost thereof as so agreed shall be charged to the Common Account. Unit Operator may also, with the approval of the Working Interest Owners, enter into agreements with any of the parties hereto or other persons for the non-exclusive use and partial maintenance of any roadway, access road, or similar surface right and the cost or proceeds thereof shall be charged or credited to the Common Account.

ARTICLE XII

INDEMNITY

12.1 Each Working Interest Owner warrants that as of the date the Unit Agreement becomes effective such Working Interest Owner has the right to develop and operate, either alone or jointly with others, each Tract made subject to this Agreement and the Unit Agreement and in which such Working Interest Owner is shown in Exhibit "A" to the Unit Agreement to have a Working Interest, insofar as such Tract comprises the Unitized Substances. Should a Working Interest Owner not have such right as of the date the Unit Agreement becomes effective, any loss resulting therefrom shall be borne by the contributing Working Interest Owner and to that end, such Working Interest Owner indemnifies and agrees to hold harmless each other Working Interest Owner from any and all loss, cost or damage sustained by it and resulting from the failure to have such right; PROVIDED, HOWEVER, that to the extent that such damages are based upon the value of the Unitized Substances produced from such Tract, such indemnity shall be limited to an amount equal to the value of that portion of Unitized Substances produced from the entire Unit Area and allocated here-

under, and in the Unit Agreement, to such Tract.

12.2 Notwithstanding any other provision hereof to the contrary, if any Lease covering any Tract or Tracts shall expire by its terms for failure to develop or produce or for any other cause arising out of the operations hereunder, the Participating Interest of the Working Interest Owner who contributed such Lease shall not be diminished thereby except to the extent necessary in the recomputation of all Working Interest Owners' Participating Interests if the person or persons acquiring the Working Interest in such Tract or Tracts becomes a Working Interest Owner hereto.

12.3 Each Working Interest Owner covenants and agrees with each other Working Interest Owner that it shall do all necessary acts and things and make all payments required in order to maintain the Lease or Leases covering the Tracts contributed hereto by it in full force and effect during the term hereof, excepting only obligations arising out of or accruing with respect to the Unitized Formation and not required to be performed by such Working Interest Owner; PROVIDED, HOWEVER, in the event any Working Interest Owner shall fail or refuse to do any act or thing or make any payment required as aforesaid Unit Operator, on behalf of and for the Common Account, shall have the right to perform such act or make any such payment so required as aforesaid, and thereupon any monies expended by Unit Operator in connection therewith shall be charged to the account of such Working Interest Owner, and Unit Operator shall have the same rights and privileges with respect to enforcing the payment of such amounts owed by such Working Interest Owner as are given to Unit Operator with respect to any other sum owed by a Working Interest Owner to Unit Operator hereunder.

12.4 Each Working Interest Owner warrants the wellsite and operating equipment delivered to the Unit Operator pursuant to the provisions of Article X hereof to be free and clear of all liens, charges, encumbrances, suits or actions of whatsoever kind or nature, and each Working Interest Owner does hereby indemnify each other Working Interest Owner, including Unit Operator, from any and all liability, loss, cost or damage sustained by them and resulting from any claim or any cause of action arising in consequence of the failure or deficiency in such Working Interest Owner's title to any wellsite and operating equipment, or other facility taken over by the Unit Operator, or in consequence of any action of such Working Interest Owner with respect thereto prior to the date the Unit Agreement becomes effective.

ARTICLE XIII

INDIVIDUAL RIGHTS AND PRIVILEGES
OF THE PARTIES

13.1 The parties hereto severally reserve to themselves all their rights, power, authority and privileges, except as expressly provided in this Agreement and the Unit Agreement.

13.2 Each party hereto shall be entitled, at its own sole risk and expense, to have access to the Unit Area at all reasonable times upon notice to Unit Operator for the purpose of inspecting and observing unit operations of every nature; to have access at all reasonable times upon notice to Unit Operator to any and all information pertaining to the wells, the records of production and the records of all other unit operations; to be present during the drilling, testing and completion of all wells within the Unit Area, and to make copies of well logs, scientific logs, drilling, progress and casing reports and reports of production and storage. The presence of each party or its representative on the Unit Area or on the premises and their activities

in connection therewith shall be at the sole risk and expense of such party.

13.3 This Agreement affects only the Unitized Formation. Each party hereto may conduct, at its own cost, risk and expense, operations on its Tracts for the discovery and/or production of other than Unitized Substances; PROVIDED, HOWEVER, that such operations shall be conducted in such a manner as to interfere as little as possible with the operations hereunder and further provided that if the Working Interest Owners so require, such party shall agree in writing to indemnify and save harmless all other parties hereto in respect of any loss or damage which may be suffered by such other parties as a consequence of such operations. Such party shall take all reasonable precautions customary in the industry and as may be required by the Conservation Board and by the Unit Operator to protect from waste, pollution, drainage and damage the production of Unitized Substances and the formations from which the same are produced.

13.4 If Unit Operator, with the approval of the Working Interest Owners, should decide permanently to abandon any Unit Operated Well prior to the termination of this Agreement, Unit Operator shall give to the Working Interest Owner of the Tract on which such well is located written notice of such decision, stating whether or not a drilling rig is in place at such drilling well, and said owner shall have the right and option for a period of forty-eight (48) hours if a drilling rig is in place, and the well is a drilling well, or a period of sixty (60) days if no drilling rig is in place, after receipt of such notice to notify Unit Operator of its election to take over said well, and to deepen or plug back said well to a formation other than the Virden and Scallion. Within ten (10) days after said owner has so notified Unit Operator, said owner shall pay to Unit Operator for credit to the Common

Account the value of the well equipment as determined in accordance with the provisions of the Accounting Procedure, less the cost of salvaging the same as estimated and fixed by the Working Interest Owners, and at the same time shall agree by letter addressed to Unit Operator:

- (a) to case or seal off the Virden and Scallion in said well in an efficient and workmanlike manner and in accordance with the applicable laws, rules, regulations and orders;
- (b) to produce such well, if the same is produced, from some formation other than the Virden and Scallion while this Agreement is in force;
- (c) on the ultimate abandonment of said well, to plug and abandon it in a workmanlike manner and in accordance with the applicable laws, rules, regulations and orders.

It is understood, however, that such Tract shall continue to have allocated to it a percentage share of the Unitized Substances produced and saved from the Unit Area in accordance with its Tract Participation despite the cessation of the production therefrom and the abandonment of any Unit Operated Well or all wells thereon. In the event that the Working Interest Owner of such Tract does not elect to take over such well, Unit Operator shall proceed properly to plug and abandon the same, and shall salvage such casing and other equipment therefrom as is reasonably practicable, for the Common Account.

Upon the abandonment of any well hereunder, the Working Interest Owner or Unit Operator, as the case may be, abandoning same shall clean up the surface at the wellsite to the satisfaction of any governmental body having jurisdiction with respect thereto, and to the reasonable satisfaction of the owner and/or occupier thereof.

ARTICLE XIV

INSURANCE

14.1 Unit Operator shall comply in all respects with the provisions of the Workmen's Compensation Act of the Province of Manitoba, and all rules and regulations promulgated thereunder, to fully insure the risks of accidental injury to, or death of, employees and of industrial diseases of the employees as covered by the Act. Unit Operator shall require all contractors to conduct operations in full compliance with the said Act and all rules and regulations promulgated thereunder.

14.2 Unit Operator shall procure and maintain for the Common Account, and shall require all contractors employed by it to carry such third party liability insurance as may be approved by the Working Interest Owners.

14.3 Unit Operator may settle any claim arising out of unit operations and not discharged by insurance as herein provided, but no claim shall be settled by Unit Operator in an amount in excess of Two Thousand (\$2,000.00) Dollars unless Unit Operator first obtains the approval of the Working Interest Owners to such settlement.

14.4 Unit Operator, as such, shall not be liable to the other parties hereto for any loss or damage except for loss or damage resulting from gross negligence or wilful misconduct of Unit Operator or any of its employees exercising supervisory functions, and each party hereto, proportionate to its Participating Interest herein, hereby indemnifies and agrees to hold harmless Unit Operator as such against any claim of, or liability to, any third person resulting from any act or omission of Unit Operator or its employees in acting upon instructions from the Working Interest Owners express or implied or otherwise in carrying out the provisions of this Agreement; PROVIDED, HOWEVER,

that Unit Operator shall not be indemnified or held harmless for any loss, damage, claim or liability resulting from the gross negligence or wilful misconduct of Unit Operator or any of its employees exercising supervisory functions, but no act or omission of Unit Operator shall, of itself, be deemed gross negligence or wilful misconduct if such act or omission is done or omitted at the instructions of, or with the concurrence of, the Working Interest Owners.

ARTICLE XV

TRANSFER OF INTEREST

15.1 This Agreement shall be binding upon every owner of any lands, leases and interests in minerals covered hereby who acquires the same from any party hereto regardless of the manner in which the same shall have been acquired.

15.2 Any disposition of any interest owned by a party hereto in any land or part thereof in the Unit Area shall be made expressly subject to all the terms and provisions of this Agreement and the Unit Agreement. Such disposition of any interest whether expressly so provided or not, shall operate to impose upon the party or parties acquiring such interest its or their proportionate part of all costs and expenses and other obligations, if any, chargeable hereunder to the interest affected by such disposition, and shall likewise operate to give and grant to the party or parties acquiring such interest its or their proportionate part of all Unitized Substances and other benefits which may accrue thereto under the provisions of this Agreement.

15.3 No change in ownership of any interest or rights hereunder (by whatever means accomplished) shall be binding on the parties hereto until Unit Operator has been furnished with notice of such change by the person claiming

the benefit thereof, and such change shall become effective at 7:00 A.M. Central Standard Time, on the first day of the month following the month in which the person acquiring such interest executes and delivers three (3) counterparts of this Agreement and the Unit Agreement to the Unit Operator, along with the original or certified copies of all instruments, documents and other information necessary in Unit Operator's opinion to establish a complete chain of title from a party hereto. No other kind of notice, whether actual or constructive, shall be binding on the parties hereto.

15.4 Notwithstanding the foregoing, no Working Interest in the Unit Area shall be disposed of unless such transaction shall include a like disposition of a corresponding interest in the Unit Facilities and likewise, no disposition of any interest in the Unit Facilities shall be effective unless such transaction shall include a like disposition of a corresponding Working Interest in the Unit Area, it being the intention under this Agreement that no Working Interest in the Unit Area shall be owned apart from a like interest in the Unit Facilities, and vice versa. Any attempted disposition by any means in violation of the provisions of this Section shall be a nullity insofar as the parties hereto are concerned.

No party hereto shall dispose of an interest in the Unit Area unless such disposition shall cover its entire interest in a Tract which is subject thereto, or covers an undivided interest in its entire interest in each such Tract.

15.5 No disposition shall operate to relieve any party of any obligation hereunder which accrued or was incurred prior to the effective date of such disposition.

15.6 Unit Operator shall not assign its right to conduct operations hereunder.

15.7 No party hereto shall surrender or release its interest in any oil and gas lease covering any portion of the Unitized Formation without the written consent of the other parties hereto.

15.8 The term "disposition" as used in this Article shall include, but not be limited to, the following: transfer, assignment, conveyance, and sale. The term "disposition" as used in this Article shall not apply to a disposal by way of mortgage, pledge or hypothecation; PROVIDED that the mortgagee or pledgee shall hold its security subject to all the terms of this Agreement and upon any realization, or foreclosure, of the security the purchaser, mortgagor or pledgor, as the case may be, shall be required to agree with the other parties to this Agreement that he will assume all future obligations of the mortgagor or the pledgor under the terms of this Agreement.

ARTICLE XVI

RELATIONSHIP OF THE PARTIES

16.1 It is not the intention of the parties hereto to create a partnership or an association. The duties and obligations of the parties hereto shall be separate and not joint or collective, and nothing contained in this Agreement or in any agreement made pursuant hereto shall ever be construed to create a partnership of any kind, or an association, or as imposing on any of the parties hereto any partnership duties, obligations or liabilities.

16.2 Except as otherwise expressly provided herein, each party hereto shall be individually responsible only for its own obligations as set out in this Agreement, and shall be liable only for its proportionate share of the

costs and expenses and liabilities.

16.3 Each of the parties hereto, which is now, or may become, subject to U.S. income tax, elects under the authority of Section 761 (a) of the Internal Revenue Code of 1954, to be excluded from the application of any and all sections of subchapter K of Chapter I of Subtitle A of the Internal Revenue Code of 1954 to the extent approved by the Secretary of the Treasury of the United States or his delegates.

16.4 Whenever in this Agreement reference is made to operations for the Common Account or to charges or credits to the Common Account, or whenever similar language is used, the parties use such language merely as a convenient method of referring to the accounting necessary between them, and no such phraseology shall ever be construed as creating any joint liability upon the part of the parties hereto for any obligation incurred under this Agreement; or as setting apart, or creating any fund or jointly owned property for the satisfaction of any such obligation, or as creating a common fund for any other purpose.

16.5 If one or more, but less than all, of the parties hereto are sued on an alleged cause of action arising out of operations hereunder, it or they shall immediately notify every other party hereto, who shall thereupon take such action to defend their respective interests as they deem advisable.

ARTICLE XVII

GENERAL

17.1 The parties to this Agreement are joining herein only as Working Interest Owners and not as Royalty Owners, and this Agreement shall not be construed as binding upon any party as to its Royalty Interest where a party hereto owns both a Working Interest and Royalty Interest in the Unit

Area, such Royalty Interest being governed solely by the Unit Agreement.

17.2 The parties hereto hereby respectively waive, with respect to the Unit Facilities and any lands affected by this Agreement, including the Unitized Formation, the benefit of any Laws or Statutes of the Province of Manitoba relating to partitioning of real or personal property, and each party does hereby covenant during the existence of this Agreement not to resort to any action at law or in equity to partition the aforesaid Unit Facilities and any lands affected by this Agreement, including the Unitized Formation.

17.3 All obligations of each party hereto shall be suspended while, but only so long as, such party is prevented from complying therewith, in whole or in part, by strikes, lockouts or other industrial disturbances, fire, explosion, war, civil disturbances, tempest, floods, acts of God or the Queen's enemies, unavoidable accidents, uncontrollable delays in transportation, Federal, Provincial or Municipal laws, rules, regulations or orders, inability to obtain necessary materials in open market, inadequate facilities for the transportation of materials or for the disposition of production, or any other cause, whether similar or dissimilar to the foregoing, beyond the reasonable control of such party; PROVIDED, HOWEVER, that performance shall be begun or resumed within a reasonable time after such cause has been removed; and PROVIDED FURTHER that no party shall be required against its will to adjust or settle any labour dispute; and also PROVIDED FURTHER that a party's lack of funds shall not be construed as a cause beyond the reasonable control of such party. This Agreement shall not terminate while operations hereunder are prevented by reason of any of the aforesaid causes.

17.4 Any notice or communication required or permitted to be given hereunder shall be in writing and may be delivered or given by full-rate, pre-paid telegram or by mailing it in a sealed and properly addressed envelope, postage prepaid. Notices shall be deemed to have been received twelve (12) hours after the delivery thereof or after the sending thereof in the case of a telegram and forty-eight (48) hours after the date of mailing in the case of mailing in the Province of Alberta. The addresses appearing after the respective signatures of the Working Interest Owners to this Agreement shall be the addresses to which notices and communications shall be directed. Unit Operator, if at any time not a Working Interest Owner, and each successor Working Interest Owner, shall furnish each Working Interest Owner and Unit Operator with its mailing address. Any address may be changed by written notice to all the Working Interest Owners and to Unit Operator.

17.5 Each party hereto hereby accepts, agrees to, adopts and ratifies the Unit Agreement, and shall diligently attempt to obtain the execution thereof by the owners of the Royalty Interests in the Tracts in which such party is the owner of a Working Interest unless otherwise directed by the Working Interest Owners.

17.6 The execution or ratification of this Agreement by parties asserting conflicting claims of title to any interest or interests in the Unit Area shall not prejudice or be in derogation or defeasance of any such claims of title. PROVIDED, HOWEVER, that any party hereto who acquires or establishes title to a Working Interest in a Tract as a result of any such dispute shall be bound by all the terms and conditions of this Agreement with respect to such Working Interest.

17.7 This Agreement may be executed in as many counterparts as deemed necessary or may be joined in or ratified by any party or parties by executing a counterpart or ratification thereof and when thus executed on a counterpart or by a ratification, shall have the same effect as if the said party or parties actually had joined in executing one and the same document.

17.8 In the event that any interest of any party hereto in any Tract or the Unitized Substances or proceeds or value thereof attributable to such interest, are subject to an outstanding lien or assignment of production, or both, the owner or holder of any such lien or assignment of production by consenting to or ratifying this Agreement in writing, hereby agrees that such lien or assignment of production shall, from and after the Effective Date hereof, continue in effect, but shall apply only to such interest as the same is amended, modified and affected by the provisions of this Agreement and the Unit Agreement, and shall be subject to the provisions of such Agreements insofar as they pertain to such party and such interest.

17.9 Each of the parties hereto shall, from time to time and at all times, do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order fully to perform and carry out the terms of this Agreement.

17.10 This Agreement shall enure to the benefit of, and be binding upon, the parties hereto and their respective heirs, administrators, executors and assigns.

ARTICLE XVIII

EFFECTIVE DATE

18.1 This Agreement shall become effective on the day immediately following the date of the execution and delivery to Unit Operator of three (3)

copies of a counterpart or ratification of this Agreement by Working Interest Owners owning seventy-five (75%) per cent of the Participating Interests in the Unit Area. From and after the Effective Date until the unitization provided for in the Unit Agreement becomes effective, the Working Interest Owners shall act upon and determine all matters coming before them by concurring vote of not less than four (4) Working Interest Owners owning at least eighty-five (85%) per cent of the then Participating Interests and such vote shall be binding upon all Working Interest Owners. PROVIDED, HOWEVER, that if the unitization provided for in the Unit Agreement has not become effective within the time therein limited, this Agreement shall thereupon terminate and be at an end. PROVIDED, FURTHER, that the Working Interest Owners shall be liable for all expenditures made in anticipation of this Agreement and the Unit Agreement becoming effective in the proportion that their Participating Interest bears to the total of the Participating Interests of the Working Interest Owners who have executed this Agreement.

ARTICLE XIX

TERM OF AGREEMENT

19.1 Subject to the provisions of Article XVIII hereof, this Agreement shall become binding upon each party hereto when said party executes it, and shall remain in full force and effect so long as Unitized Substances are produced or are capable of being produced from the Unitized Formation in paying quantities and as long as operations are conducted on the Unit Area, and thereafter until all wells have been abandoned and plugged, or otherwise disposed of, and all personal property has been salvaged and all real estate has been disposed of by Unit Operator. Notwithstanding anything herein contained, this Agreement shall terminate and be at an end upon the concurring vote of a majority of the Working Interest Owners owning at least ninety-five

(95%) per cent of the then Participating Interests and such vote shall be binding upon all Working Interest Owners.

19.2 Upon the termination of this Agreement, all rights in and to the Tracts shall revert to the owners and lessees thereof, and Unit Operator shall arrange for the salvaging, liquidation and other distribution of the Unit Facilities in a manner consistent with the Working Interest Owners' respective interests therein. The owner of the Working Interest in any such Tract desiring to take over and continue to operate a well located thereon may do so by paying Unit Operator, for the benefit of all parties hereto, the fair net salvage value of the equipment, including production casing referred to in Article X hereof, used in the operation of such well and by agreeing to plug the well at his expense at such time as it is abandoned.

With respect to all wells not taken over by individual parties hereto, Unit Operator shall, at the joint expense of the parties hereto, salvage as much of the casing and equipment in or on such wells as can economically and reasonably be salvaged and shall cause such wells to be properly plugged and abandoned.

19.3 The parties hereto shall share the cost of salvaging, liquidation or other distribution of assets and properties used in the development and operations of the Unitized Formation in proportion to their respective Participating Interests.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year written opposite their respective signatures as set forth below.

Date: _____

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Chevron Canada Resources

500 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7
Phone (403) 234-5000 Fax (403) 234-6214

R.A. Pashelka
Vice President and
General Counsel

November 1, 1991

Plan for Unit Operation - North
Virden Scallion Unit No. 1
Our File No. 52,928-9

← File
Unit Agreement
on
Unit Plan

The Oil and Natural Gas Conservation Board,
Room 309 Legislative Building,
Winnipeg, Manitoba.
R3C 0V8

Attention: Mr. Ian Haugh

Dear Sirs:

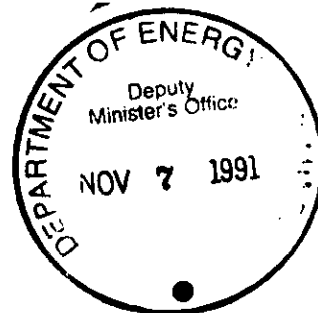
We wish to advise that the Operating Committee, by Mail Ballot No. 91-3, has approved amendments to subparagraph (a) of Section 16.07 (k)(iii), effective October 1, 1991, in accordance with Section 6.03 (j) of the Plan for Unit Operation, as amended by Unitization Order No. 25.

Two (2) copies of revised pages 75 and 75A to the Plan which reflect the changes are enclosed herewith for your records.

Yours very truly,

M. A. (Peggy) SIMI,
Legal Assistant

Encls.



- (i) Salaries and expenses of the Unit Operator's area superintendent and other general area or field employees, managing officers and employees of the division and/or principal office other than those who are directly engaged on the Joint Property and whose salaries are chargeable to the Common Account under the provisions of paragraph (a) of Section 26.07.
- (ii) Cost of maintaining and operating an area office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on investment.
- (iii) Any other costs of operating the division and/or principal office of the Unit Operator.

The rates, which are subject to review annually, as set forth in paragraph (j) of Section 6.03 are as follows:

- (a) 5% of the operating cost for all producing operations plus \$100.00 per month per producing well.

For this purpose, a producing well means a well for the Common Account that in a calendar month:

- is equipped for and is capable of producing crude oil; or
- is connected to a permanent gas sales outlet, source or injection system; or
- is used as a disposal well.

provided that; a well that is drilling during the entire month or is permanently shut-in and awaiting abandonment shall not be considered a producing well; a well completed in more than one zone for segregated production shall be considered a separate producing well for each such zone; an injection, source or disposal well shall be active during at least one day of the month to be considered a producing

well and a temporarily shut-in oil or gas well shall not be charged for overhead longer than three consecutive months after being shut-in.

- (b) For each drilling well, wells being plugged back, completed, production tested, capped, abandoned, deepened, redrilled or reconditioned (except routine cleanout and pump or rod pulling operation) or wells being converted to source, injection, observation or production wells:

3% of the first \$50,000.00 of the expenditure; plus

2% of the next \$100,000.00 of the expenditure; plus

1% of the expenditure exceeding \$150,000.00.

- (l) A charge to cover the cost of handling material into and in Unit Operator's warehouse

- (i) Salaries and expenses of the Unit Operator's area superintendent and other general area or field employees, managing officers and employees of the division and/or principal office other than those who are directly engaged on the Joint Property and whose salaries are chargeable to the Common Account under the provisions of paragraph (a) of Section 26.07.
- (ii) Cost of maintaining and operating an area office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on investment.
- (iii) Any other costs of operating the division and/or principal office of the Unit Operator.

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- is equipped for and is capable of producing crude oil; or
- is connected to a permanent gas sales outlet, source or injection system; or
- is used as a disposal well.

provided that; a well that is drilling during the entire month or is permanently shut-in and awaiting abandonment shall not be considered a producing well; a well completed in more than one zone for segregated production shall be considered a separate producing well for each such zone; an injection, source or disposal well shall be active during at least one day of the month to be considered a producing

well and a temporarily shut-in oil or gas well shall not be charged for overhead longer than three consecutive months after being shut-in.

- (b) For each drilling well, wells being plugged back, completed, production tested, capped, abandoned, deepened, redrilled or reconditioned (except routine cleanout and pump or rod pulling operation) or wells being converted to source, injection, observation or production wells:

3% of the first \$50,000.00 of the expenditure; plus

2% of the next \$100,000.00 of the expenditure; plus

1% of the expenditure exceeding \$150,000.00.

- (l) A charge to cover the cost of handling material into and in Unit Operator's warehouse



Chevron Canada Resources

500 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7
Phone (403) 234-5000 Fax (403) 234-6214

R.A. Pashelka
Vice President and
General Counsel

February 13, 1991

FILE

NVSU #1

Unit Agreement

Plan for Unit Operation - North
Virden Scallion Unit No. 1
Our File No. 52,928-9

The Oil and Natural Gas Conservation Board,
Room 309 Legislative Building,
Winnipeg, Manitoba.
R3C 0V8

Attention: Mr. Ian Haugh

Dear Sirs:

We wish to advise that the Operating Committee, by Mail Ballot No. 90-8, has approved amendments to subparagraph (a) of Section 16.07 (k)(iii), effective January 1, 1991, in accordance with Section 6.03 (j) of the Plan for Unit Operation, as amended by Unitization Order No. 25.

Two (2) copies of revised page 75 to the Plan which reflect the changes are enclosed herewith for your records.

Yours very truly,

for D. P. LOUGHEED

/ps
Encls.



- (i) Salaries and expenses of the Unit Operator's area superintendent and other general area or field employees, managing officers and employees of the division and/or principal office other than those who are directly engaged on the Joint Property and whose salaries are chargeable to the Common Account under the provisions of paragraph (a) of Section 26.07.
- (ii) Cost of maintaining and operating an area office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on investment.
- (iii) Any other costs of operating the division and/or principal office of the Unit Operator.

The rates, which are subject to review annually, as set forth in paragraph (j) of Section 6.03 are as follows:

- (a) 5% of the operating cost for all producing operations plus \$100.00 per month per producing well.
- (b) For each drilling well, wells being plugged back, completed, production tested, capped, abandoned, deepened, redrilled or reconditioned (except routine cleanout and pump or rod pulling operation) or wells being converted to source, injection, observation or production wells:

3% of the first \$50,000.00 of the expenditure; plus
 2% of the next \$100,000.00 of the expenditure; plus
 1% of the expenditure exceeding \$150,000.00.

- (l) A charge to cover the cost of Handling material into and in Unit Operator's warehouse

- (i) Salaries and expenses of the Unit Operator's area superintendent and other general area or field employees, managing officers and employees of the division and/or principal office other than those who are directly engaged on the Joint Property and whose salaries are chargeable to the Common Account under the provisions of paragraph (a) of Section 26.07.
- (ii) Cost of maintaining and operating an area office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on investment.
- (iii) Any other costs of operating the division and/or principal office of the Unit Operator.

The rates, which are subject to review annually, as set forth in paragraph (j) of Section 6.03 are as follows:

- (a) 5% of the operating cost for all producing operations plus \$100.00 per month per producing well.
- (b) For each drilling well, wells being plugged back, completed, production tested, capped, abandoned, deepened, redrilled or reconditioned (except routine cleanout and pump or rod pulling operation) or wells being converted to source, injection, observation or production wells:

3% of the first \$50,000.00 of the expenditure; plus
2% of the next \$100,000.00 of the expenditure; plus
1% of the expenditure exceeding \$150,000.00.

- (l) A charge to cover the cost of Handling material into and in Unit Operator's warehouse

UNDER THE MINES ACT

THE NORTH VIRDEN SCALLION UNIT NO. 1

SCHEDULE "A"

TRACT NUMBERS AND THE PRIMA FACIE
WORKING INTEREST OWNERS OF THE TRACTS
IN THE NORTH VIRDEN SCALLION UNIT NO. 1

Tract Number	Working Interest Owners	Percentage Working Interest Ownership	Tract Number	Working Interest Owners	Percentage Working Interest Ownership
6 - 2	Chevron Standard Limited	100	13 - 15	Chevron Standard Limited	100
7 - 2	Landa Oil Company	33 1/3	14 - 15	Chevron Standard Limited	100
	Security Freehold Petroleum Limited	66 2/3	15 - 15	Chevron Standard Limited	100
10 - 2	Landa Oil Company	33 1/3	16 - 15	Chevron Standard Limited	100
	Security Freehold Petroleum Limited	66 2/3	1 - 16	Dome Petroleum Limited	44 2/25
11 - 2	Chevron Standard Limited	100		Provo Gas Producers Limited	10 23/25
13 - 2	Chevron Standard Limited	100		Provo Gas (Sask.) Limited	20
14 - 2	Chevron Standard Limited	100		Daniel J. Pickrell & Virginia C. Pickrell	16 2/3
15 - 2	Landa Oil Company	33 1/3		Daniel J. Pickrell	8 1/3
	Security Freehold Petroleum Limited	66 2/3	2 - 16	Canadian Superior Oil Ltd.	50
16 - 2	Landa Oil Company	33 1/3		Dome Petroleum Limited	22 1/25
	Security Freehold Petroleum Limited	66 2/3		Provo Gas Producers Limited	5 23/50
9 - 9	Chevron Standard Limited	100		Provo Gas (Sask.) Limited	10
15 - 9	Chevron Standard Limited	100		Daniel J. Pickrell & Virginia C. Pickrell	8 1/3
16 - 9	Chevron Standard Limited	100		Daniel J. Pickrell	4 1/6
1 - 10	Chevron Standard Limited	100	7 - 16	Canadian Superior Oil Ltd.	50
2 - 10	Chevron Standard Limited	100		Dome Petroleum Limited	22 1/25
3 - 10	Chevron Standard Limited	100		Provo Gas Producers Limited	5 23/50
5 - 10	Chevron Standard Limited	100		Provo Gas (Sask.) Limited	10
6 - 10	Chevron Standard Limited	100		Daniel J. Pickrell & Virginia C. Pickrell	8 1/3
7 - 10	Chevron Standard Limited	100		Daniel J. Pickrell	4 1/6
8 - 10	Chevron Standard Limited	100	8 - 16	Canadian Superior Oil Ltd.	50
9 - 10	Chevron Standard Limited	100		Dome Petroleum Limited	22 1/25
10 - 10	Chevron Standard Limited	100		Provo Gas Producers Limited	5 23/50
11 - 10	Chevron Standard Limited	100		Provo Gas (Sask.) Limited	10
12 - 10	Chevron Standard Limited	100		Daniel J. Pickrell & Virginia C. Pickrell	8 1/3
13 - 10	Chevron Standard Limited	100		Daniel J. Pickrell	4 1/6
14 - 10	Chevron Standard Limited	100	9 - 16	Chevron Standard Limited	100
15 - 10	Chevron Standard Limited	100	10 - 16	Chevron Standard Limited	100
16 - 10	Chevron Standard Limited	100	15 - 16	Chevron Standard Limited	100
1 - 11	Chevron Standard Limited	100	16 - 16	Chevron Standard Limited	100
2 - 11	Chevron Standard Limited	100	1 - 21	Chevron Standard Limited	100
3 - 11	Chevron Standard Limited	100	2 - 21	Chevron Standard Limited	100
4 - 11	Chevron Standard Limited	100	3 - 21	Chevron Standard Limited	100
5 - 11	Chevron Standard Limited	100	6 - 21	Chevron Standard Limited	100
6 - 11	Chevron Standard Limited	100	7 - 21	Chevron Standard Limited	100
7 - 11	Chevron Standard Limited	100	8 - 21	Chevron Standard Limited	100
8 - 11	Chevron Standard Limited	100	9 - 21	Shell Canada Limited	100
12 - 11	Chevron Standard Limited	100	10 - 21	Shell Canada Limited	100
5 - 13	Chevron Standard Limited	100	11 - 21	Shell Canada Limited	100
6 - 13	Chevron Standard Limited	100	14 - 21	Shell Canada Limited	100
7 - 13	Chevron Standard Limited	100	15 - 21	Shell Canada Limited	100
10 - 13	Chevron Standard Limited	100	16 - 21	Shell Canada Limited	100
11 - 13	Chevron Standard Limited	100	1 - 22	Canadian Superior Oil Ltd.	50
12 - 13	Chevron Standard Limited	100		Dome Petroleum Limited	34 27/50
13 - 13	Chevron Standard Limited	100		Provo Gas (Sask.) Limited	10
14 - 13	Chevron Standard Limited	100		Provo Gas Producers Limited	5 23/50
15 - 13	Chevron Standard Limited	100	3 - 22	Chevron Standard Limited	100
4 - 14	Sun Oil Company	100	4 - 22	Chevron Standard Limited	100
5 - 14	Sun Oil Company	100	5 - 22	Chevron Standard Limited	100
6 - 14	Sun Oil Company	100	6 - 22	Chevron Standard Limited	100
7 - 14	Dome Petroleum Limited	100	7 - 22	Canadian Superior Oil Ltd.	50
8 - 14	Dome Petroleum Limited	100		Dome Petroleum Limited	34 27/50
9 - 14	Fargo Oils Limited	100		Provo Gas (Sask.) Limited	10
10 - 14	Fargo Oils Limited	100		Provo Gas Producers Limited	5 23/50
11 - 14	Sun Oil Company	100	8 - 22	Canadian Superior Oil Ltd.	50
12 - 14	Sun Oil Company	100		Dome Petroleum Limited	34 27/50
13 - 14	Sun Oil Company	100		Provo Gas (Sask.) Limited	10
14 - 14	Fargo Oils Limited	100		Provo Gas Producers Limited	5 23/50
15 - 14	Fargo Oils Limited	100	9 - 22	Sun Oil Company	100
16 - 14	Fargo Oils Limited	100	10 - 22	Sun Oil Company	100
1 - 15	Chevron Standard Limited	100	11 - 22	Chevron Standard Limited	100
2 - 15	Chevron Standard Limited	100	12 - 22	Chevron Standard Limited	100
3 - 15	Chevron Standard Limited	100	13 - 22	Chevron Standard Limited	100
4 - 15	Chevron Standard Limited	100	14 - 22	Chevron Standard Limited	100
5 - 15	Chevron Standard Limited	100	15 - 22	Sun Oil Company	100
6 - 15	Chevron Standard Limited	100	16 - 22	Sun Oil Company	100
7 - 15	Chevron Standard Limited	100	5 - 23	Sun Oil Company	100
8 - 15	Chevron Standard Limited	100	6 - 23	Sun Oil Company	100
9 - 15	Chevron Standard Limited	100	9 - 23	Chevron Standard Limited	100
10 - 15	Chevron Standard Limited	100	10 - 23	Chevron Standard Limited	100
11 - 15	Chevron Standard Limited	100	11 - 23	Chevron Standard Limited	100
12 - 15	Chevron Standard Limited	100			

Tract Number	Working Interest Owners	Percentage Working Interest Ownership	Tract Number	Working Interest Owners	Percentage Working Interest Ownership
12 - 23	Chevron Standard Limited	100		Provo Gas (Sask.) Limited	15
13 - 23	Chevron Standard Limited	100		Western Naco Petroleum Limited	10
14 - 23	Chevron Standard Limited	100	11 - 28	The British American Oil Company Limited	50
15 - 23	Chevron Standard Limited	100		Union Oil Company of Canada Limited	50
16 - 23	Chevron Standard Limited	100	12 - 28	The British American Oil Company Limited	50
3 - 24	Dome Petroleum Limited	40		Union Oil Company of Canada Limited	50
	Canadian Superior Oil Ltd.	50	13 - 28	The British American Oil Company Limited	50
	Provo Gas (Sask.) Limited	10		Union Oil Company of Canada Limited	50
4 - 24	Dome Petroleum Limited	40	14 - 28	The British American Oil Company Limited	50
	Canadian Superior Oil Ltd.	50		Union Oil Company of Canada Limited	50
	Provo Gas (Sask.) Limited	10	15 - 28	Canadian Superior Oil Ltd.	50
5 - 24	Dome Petroleum Limited	40		Dome Petroleum Limited	25
	Canadian Superior Oil Ltd.	50		Provo Gas (Sask.) Limited	15
	Provo Gas (Sask.) Limited	10		Western Naco Petroleum Limited	10
6 - 24	Dome Petroleum Limited	40	16 - 28	Canadian Superior Oil Ltd.	50
	Canadian Superior Oil Ltd.	50		Dome Petroleum Limited	25
	Provo Gas (Sask.) Limited	10		Provo Gas (Sask.) Limited	15
11 - 24	Chevron Standard Limited	100		Western Naco Petroleum Limited	10
12 - 24	Chevron Standard Limited	100	16 - 32	Shell Canada Limited	100
13 - 24	Chevron Standard Limited	100	1 - 33	Imperial Oil Limited	100
4 - 25	Chevron Standard Limited	100	2 - 33	Imperial Oil Limited	100
5 - 25	Chevron Standard Limited	100	3 - 33	Shell Canada Limited	100
1 - 26	Fargo Oils Limited	100	4 - 33	Shell Canada Limited	100
2 - 26	Fargo Oils Limited	100	5 - 33	Shell Canada Limited	100
3 - 26	Sun Oil Company	100	6 - 33	Shell Canada Limited	100
4 - 26	Sun Oil Company	100	7 - 33	Imperial Oil Limited	100
5 - 26	Sun Oil Company	100	9 - 33	Imperial Oil Limited	100
6 - 26	Sun Oil Company	100	10 - 33	Imperial Oil Limited	100
7 - 26	Fargo Oils Limited	100	11 - 33	Shell Canada Limited	100
8 - 26	Fargo Oils Limited	100	12 - 33	Shell Canada Limited	100
10 - 26	Sun Oil Company	100	13 - 33	Shell Canada Limited	100
11 - 26	Dome Petroleum Limited	40	14 - 33	Shell Canada Limited	100
	Canadian Superior Oil Ltd.	50	15 - 33	Imperial Oil Limited	100
	Provo Gas (Sask.) Limited	10	16 - 33	E. H. Vallat Ltd.	100
12 - 26	Dome Petroleum Limited	40	2 - 34	The British American Oil Company Limited	50
	Canadian Superior Oil Ltd.	50		Canada Limited	50
	Provo Gas (Sask.) Limited	10	3 - 34	The British American Oil Company Limited	50
1 - 27	Sun Oil Company	100		Union Oil Company of Canada Limited	50
2 - 27	Sun Oil Company	100	4 - 34	The British American Oil Company Limited	50
3 - 27	Chevron Standard Limited	100		Union Oil Company of Canada Limited	50
4 - 27	Chevron Standard Limited	100	5 - 34	Fargo Oils Limited	75
5 - 27	Chevron Standard Limited	100		E. H. Vallat Ltd.	25
6 - 27	Chevron Standard Limited	100	6 - 34	Fargo Oils Limited	75
7 - 27	Sun Oil Company	100		E. H. Vallat Ltd.	25
8 - 27	Sun Oil Company	100	7 - 34	Fargo Oils Limited	75
9 - 27	Sun Oil Company	100		E. H. Vallat Ltd.	25
10 - 27	Sun Oil Company	100	11 - 34	Fargo Oils Limited	75
11 - 27	Chevron Standard Limited	100		E. H. Vallat Ltd.	25
12 - 27	Chevron Standard Limited	100	12 - 34	Fargo Oils Limited	75
13 - 27	Chevron Standard Limited	100		E. H. Vallat Ltd.	25
14 - 27	Chevron Standard Limited	100	13 - 34	E. H. Vallat Ltd.	100
15 - 27	Sun Oil Company	100	14 - 34	Fargo Oils Limited	75
16 - 27	Sun Oil Company	100		E. H. Vallat Ltd.	25
1 - 28	Dome Petroleum Limited	50	3 - 3	Milestone Petroleum Limited	100
	Provo Gas (Sask.) Limited	30	4 - 3	Dome Petroleum Limited	89 2/25
	Western Naco Petroleum Limited	20		Provo Gas Producers Limited	10 23/25
2 - 28	Canadian Superior Oil Ltd.	50	5 - 3	Dome Petroleum Limited	89 2/25
	Dome Petroleum Limited	25		Provo Gas Producers Limited	10 23/25
	Provo Gas (Sask.) Limited	15	6 - 3	Milestone Petroleum Limited	100
	Western Naco Petroleum Limited	10	12 - 3	Dome Petroleum Limited	89 2/25
3 - 28	The British American Oil Company Limited	50		Provo Gas Producers Limited	10 23/25
	Union Oil Company of Canada Limited	50	1 - 4	Dome Petroleum Limited	22 1/25
5 - 28	The British American Oil Company Limited	50		Provo Gas (Sask.) Limited	10
	Union Oil Company of Canada Limited	50		Provo Gas Producers Limited	5 23/50
6 - 28	The British American Oil Company Limited	50		Canadian Superior Oil Ltd.	58
	Union Oil Company of Canada Limited	50		Daniel J. Pickrell	12 1/2
7 - 28	Canadian Superior Oil Ltd.	50	2 - 4	Dome Petroleum Limited	34 27/50
	Dome Petroleum Limited	25		Canadian Superior Oil Ltd.	50
	Provo Gas (Sask.) Limited	15		Provo Gas (Sask.) Limited	10
8 - 28	Canadian Superior Oil Ltd.	50		Provo Gas Producers Limited	5 23/50
	Dome Petroleum Limited	25	3 - 4	Chevron Standard Limited	100
	Provo Gas (Sask.) Limited	15	4 - 4	Chevron Standard Limited	100
	Western Naco Petroleum Limited	10			
9 - 28	Canadian Superior Oil Ltd.	50			
	Dome Petroleum Limited	25			
	Provo Gas (Sask.) Limited	15			
10 - 28	Canadian Superior Oil Ltd.	50			
	Dome Petroleum Limited	25			

Tract Number	Working Interest Owners	Percentage Working Interest Ownership	Tract Number	Working Interest Owners	Percentage Working Interest Ownership
5 - 4	Chevron Standard Limited	100	9 - 4	E. H. Vallat Limited	100
6 - 4	Chevron Standard Limited	100	10 - 4	E. H. Vallat Limited	100
7 - 4	Dome Petroleum Limited	34 27/50	11 - 4	Chevron Standard Limited	100
	Canadian Superior Oil Ltd.	50	12 - 4	Chevron Standard Limited	100
	Provo Gas (Sask.) Limited	10	13 - 4	Chevron Standard Limited	100
8 - 4	Provo Gas Producers Limited	5 23/50	14 - 4	Chevron Standard Limited	100
	Dome Petroleum Limited	22 1/25	15 - 4	E. H. Vallat Limited	100
	Canadian Superior Oil Ltd.	50	1 - 5	Canadian Export Gas & Oil Ltd.	100
	Provo Gas Producers Limited	5 23/50	7 - 5	Canadian Export Gas & Oil Ltd.	100
	Provo Gas (Sask.) Limited	10	8 - 5	Canadian Export Gas & Oil Ltd.	100
	Daniel J. Pickrell &		9 - 5	Canadian Export Gas & Oil Ltd.	100
	Virginia C. Pickrell	8 1/3	16 - 5	Landa Oil Company	100
	Daniel J. Pickrell	4 1/6	2962--20		

THE NORTH VIRDEN SCALLION UNIT NO. 1

SCHEDULE "B"

PRIMA FACIE WORKING INTEREST
OWNERS AND THEIR PARTICIPATING
INTEREST IN THE NORTH VIRDEN
SCALLION UNIT NO. 1

Working Interest Owners	Participating Interest	Working Interest Owners	Participating Interest
Chevron Standard Limited	59.77072	Union Oil Company of Canada Limited	1.17402
Shell Canada Limited	7.37652	Canadian Export Gas & Oil Limited	1.04999
Sun Oil Company	7.21521	Provo Gas Producers Ltd.	0.43056
Dome Petroleum Limited	5.33725	Western Neco Petroleum Limited	0.43759
Canadian Superior Oil Ltd.	4.37273	Landa Oil Company	0.22500
Fargo Oils Limited	3.38453	Daniel J. Pickrell & Virginia C. Pickrell	0.18154
E. H. Vallat Limited	2.98773	Security Freehold Petroleum Limited	0.11488
Imperial Oil Limited	2.11200	Daniel J. Pickrell	0.13271
Milestone Petroleum Limited	1.25374		<u>100.00000</u>
Provo Gas (Sask.) Limited	1.19837		
The British American Oil Company Limited	1.17403	2963--20	

Regulations Under The Regulations Act

MANITOBA REGULATION 68/64

Being
THE OIL AND NATURAL GAS CONSERVATION BOARD

UNITIZATION ORDER NO. 2
made under The Mines Act
(Filed September 8th, 1964.)

Effective at the hour of seven o'clock in the forenoon, Central Standard Time, on the first day of October, 1964, legal subdivisions 3 and 6 of Section 3, Township 12, Range 26, West of the Principal Meridian, are added to the unit area affected by the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of North Virden Scallion Unit No. 1 set out in Unitization Order No. 1. (Manitoba Regulation 57/62), and Parts XX1, XX11, XX111, and XXIV of the said Plan are repealed and the following Parts are substituted therefor:

PART XX1

WELLS DELIVERED TO UNIT OPERATOR PURSUANT TO PART X

Calstan Scallion Prov. SWD 9-16-11-26
Cdn-Sup Tapp Scallion SWD 2-22-11-26
Cdn-Sup Whiteford Scallion SWD 8-28-11-26
Dome Scallion SWD 13-26-11-26
Fargo et al Scallion SWD 10-34-11-26
Imperial Scallion SWD 7-33-11-26
Shell Moir South Scallion SWD 15-21-11-26
Shell Moir North Scallion SWD 6A-33-11-26
Sun W.C. Tapp Scallion SWD 8-27-11-26
B. A. Union Tapp Scallion 3-28-11-26
B. A. Union Tapp Scallion 5-28-11-26
B. A. Union Tapp Scallion 6-28-11-26
B. A. Union Tapp Scallion 11-28-11-26
B. A. Union Tapp Scallion 12-28-11-26
B. A. Union Tapp Scallion 13-28-11-26
B. A. Union Tapp Scallion 14-28-11-26
B. A. Union Milne Scallion 2-34-11-26
B. A. Union Milne Scallion 3-34-11-26
B. A. Union Milne Scallion 4-34-11-26
Calstan Scallion 6-2-11-26
Calstan Scallion 11-2-11-26
Calstan Scallion 13-2-11-26
Calstan Scallion 14-2-11-26
Calstan Scallion 9-9-11-26
Calstan Scallion 15-9-11-26
Calstan Scallion 16-9-11-26
Calstan Scallion 1-10-11-26
Calstan Scallion 2-10-11-26

PART XXI (Con't)

Calstan Scallion 3-10-11-26
Calstan Scallion 5-10-11-26
Calstan Scallion 6-10-11-26
Calstan Scallion 7-10-11-26
Calstan Scallion 8-10-11-26
Calstan Scallion 9-10-11-26
Calstan Scallion 10-10-11-26
Calstan Scallion 11-10-11-26
Calstan Scallion 12-10-11-26
Calstan Scallion 13-10-11-26
Calstan Scallion 14-10-11-26
Calstan Scallion 15-10-11-26
Calstan Scallion 16-10-11-26
Calstan Scallion Prov. 1-11-11-26
Calstan Scallion Prov. 2-11-11-26
Calstan Scallion Prov. 3-11-11-26
Calstan Scallion Prov. 4-11-11-26
Calstan Scallion Prov. 5-11-11-26
Calstan Scallion Prov. 6-11-11-26
Calstan Scallion Prov. 7-11-11-26
Calstan Scallion Prov. 8-11-11-26
Calstan Scallion Prov. 12-11-11-26
Calstan Scallion 5-13-11-26
Calstan Scallion 6-13-11-26
Calstan Scallion 7-13-11-26
Calstan Scallion 10-13-11-26
Calstan Scallion 11-13-11-26
Calstan Scallion 12-13-11-26
Calstan Scallion 13-13-11-26
Calstan Scallion 14-13-11-26
Calstan Scallion 15-13-11-26
Calstan Scallion 1-15-11-26
Calstan Scallion 2-15-11-26
Calstan Scallion 3-15-11-26
Calstan Scallion 4-15-11-26
Calstan Scallion 5-15-11-26
Calstan Scallion 6-15-11-26
Calstan Scallion 7-15-11-26
Calstan Scallion 8-15-11-26
Calstan Scallion 9-15-11-26
Calstan Scallion 10-15-11-26
Calstan Scallion 11-15-11-26
Calstan Scallion 12-15-11-26
Calstan Scallion 13-15-11-26
Calstan Scallion 14-15-11-26
Calstan Scallion 15-15-11-26
Calstan Scallion 16-15-11-26
Calstan Scallion Prov. 9-16-11-26
Calstan Scallion Prov. 10-16-11-26
Calstan Scallion Prov. 15-16-11-26
Calstan Scallion Prov. 16-16-11-26
Calstan Scallion 1-21-11-26

PART XXI (Con't)

Calstan Scallion 2-21-11-26
Calstan Scallion 3-21-11-26
Calstan Scallion 6-21-11-26
Calstan Scallion 7-21-11-26
Calstan Scallion 8-21-11-26
Calstan Scallion 3-22-11-26
Calstan Scallion 4-22-11-26
Calstan Scallion 5-22-11-26
Calstan Scallion 6-22-11-26
Calstan Scallion 11-22-11-26
Calstan Scallion 12-22-11-26
Calstan Scallion 13-22-11-26
Calstan Scallion 14-22-11-26
Calstan Scallion 9-23-11-26
Calstan Scallion 10-23-11-26
Calstan Scallion 11-23-11-26
Calstan Scallion 12-23-11-26
Calstan Scallion 13-23-11-26
Calstan Scallion 14-23-11-26
Calstan Scallion 15-23-11-26
Calstan Scallion 16-23-11-26
Calstan Scallion Prov. 11-24-11-26
Calstan Scallion Prov. 12-24-11-26
Calstan Scallion Prov. 13-24-11-26
Calstan Scallion 4-25-11-26
Calstan Scallion 5-25-11-26
Calstan Scallion 3-27-11-26
Calstan Scallion 4-27-11-26
Calstan Scallion 5-27-11-26
Calstan Scallion 6-27-11-26
Calstan Scallion 11-27-11-26
Calstan Scallion 12-27-11-26
Calstan Scallion 13-27-11-26
Calstan Scallion 14-27-11-26
Calstan North Scallion 3-4-12-26
Calstan North Scallion 4-4-12-26
Calstan North Scallion 5-4-12-26
Calstan North Scallion 6-4-12-26
Calstan North Scallion 11-4-12-26
Calstan North Scallion 12A-4-12-26
Calstan North Scallion 13-4-12-26
Calstan North Scallion 14-4-12-26
CEGO Scallion 1-5-12-26
CEGO Scallion 7-5-12-26
CEGO Scallion 8-5-12-26
CEGO Scallion 9-5-12-26
Cdn-Sup Veldhouse Scallion 2-16-11-26
Cdn-Sup Veldhouse Scallion 7-16-11-26
Cdn-Sup Veldhouse Scallion 8-16-11-26
Cdn-Sup Tapp Scallion 1-22-11-26
Cdn-Sup Tapp Scallion 7-22-11-26

PART XXI (Con't)

Cdn-Sup Tapp Scallion 8-22-11-26
Cdn-Sup Whiteford Scallion 2-28-11-26
Cdn-Sup Whiteford Scallion 7-28-11-26
Cdn-Sup Whiteford Scallion 8-28-11-26
Cdn-Sup Whiteford Scallion 9-28-11-26
Cdn-Sup Whiteford Scallion 10-28-11-26
Cdn-Sup Whiteford Scallion 15-28-11-26
Cdn-Sup Whiteford Scallion 16-28-11-26
Dome Cdn Sup Scallion 7-14-11-26
Dome Cdn Sup Scallion 8-14-11-26
Dome Cox Scallion 1-16-11-26
Dome Cdn Sup Scallion 3-24-11-26
Dome Cdn Sup Scallion 4-24-11-26
Dome Cdn Sup Scallion 5-24-11-26
Dome Cdn Sup Scallion 6-24-11-26
Dome Cdn Sup Scallion 11-26-11-26
Dome Cdn Sup Scallion 12-26-11-26
Dome Naco Scallion 1-28-11-26
Dome Scallion 4-3-12-26
Dome Scallion 5-3-12-26
Dome Scallion 12-3-12-26
Dome Cdn Sup Scallion 1-4-12-26
Dome Cdn Sup Scallion 2-4-12-26
Dome Cdn Sup Scallion 7-4-12-26
Dome Scallion 8-4-12-26
Fargo et al Scallion 9-14-11-26
Fargo et al Scallion 10-14-11-26
Fargo et al Scallion 15-14-11-26
Fargo et al Scallion 16-14-11-26
Fargo et al Scallion 1-26-11-26
Fargo et al Scallion 2-26-11-26
Fargo et al Scallion 7-26-11-26
Fargo et al Scallion 8-26-11-26
Fargo et al Scallion 5-34-11-26
Fargo et al Scallion 6-34-11-26
Fargo et al Scallion 7-34-11-26
Fargo et al Scallion 11-34-11-26
Fargo et al Scallion 12-34-11-26
Fargo et al Scallion 14-34-11-26
Imperial Scallion 1-33-11-26
Imperial Scallion 2-33-11-26
Imperial Scallion 7-33-11-26
Imperial Scallion 9-33-11-26
Imperial Scallion 10-33-11-26
Imperial Scallion 15-33-11-26
Landa et al Drynan Scallion 7-2-11-26
Landa et al Drynan Scallion 10-2-11-26
Landa et al Drynan Scallion 15-2-11-26
Landa et al Drynan Scallion 16-2-11-26
Landa Scallion 16-5-12-26
Shell Moir South Scallion 9-21-11-26

PART XXI (Con't)

Shell Moir South Scallion 10-21-11-26
Shell Moir South Scallion 11-21-11-26
Shell Moir South Scallion 14-21-11-26
Shell Moir South Scallion 15-21-11-26
Shell Moir South Scallion 16-21-11-26
Shell Buker Scallion 16-32-11-26
Shell Moir North Scallion 3-33-11-26
Shell Moir North Scallion 4-33-11-26
Shell Moir North Scallion 5-33-11-26
Shell Moir North Scallion 6-33-11-26
Shell Moir North Scallion 11-33-11-26
Shell Moir North Scallion 12-33-11-26
Shell Moir North Scallion 13-33-11-26
Shell Moir North Scallion 14-33-11-26
Sun W. Milne Scallion 4-14-11-26
Sun W. Milne Scallion 5-14-11-26
Sun W. Milne Scallion 6-14-11-26
Sun G. Braybrook Scallion 11-14-11-26
Sun G. Braybrook Scallion 12-14-11-26
Sun G. Braybrook Scallion 13-14-11-26
Sun T. L. Tapp Scallion 9-22-11-26
Sun T. L. Tapp Scallion 10-22-11-26
Sun T. L. Tapp Scallion 15-22-11-26
Sun T. L. Tapp Scallion 16-22-11-26
Sun E. Hutchison Scallion 5-23-11-26
Sun E. Hutchison Scallion 6-23-11-26
Sun W. C. Tapp Scallion 3-26-11-26
Sun W. C. Tapp Scallion 4-26-11-26
Sun P. J. Tapp Scallion 5-26-11-26
Sun P. J. Tapp Scallion 6-26-11-26
Sun P. J. Tapp Scallion 10-26-11-26
Sun W. C. Tapp Scallion 1-27-11-26
Sun W. C. Tapp Scallion 2-27-11-26
Sun W. C. Tapp Scallion 7-27-11-26
Sun W. C. Tapp Scallion 8-27-11-26
Sun W. C. Tapp Scallion 9-27-11-26
Sun W. C. Tapp Scallion 10-27-11-26
Sun W. C. Tapp Scallion 15-27-11-26
Sun W. C. Tapp Scallion 16-27-11-26
Vallat et al Scallion 16-33-11-26
Vallat et al Scallion 13-34-11-26
Vallat Scallion 9-4-12-26
Vallat Scallion 10-4-12-26
Vallat Scallion 15-4-12-26
Milestone Scallion 3-3-12-26
Milestone Scallion 6-3-12-26

PART XXII

The Lands in the Province of Manitoba which comprise the North Virden Scallion Unit No. 1 are as follows:

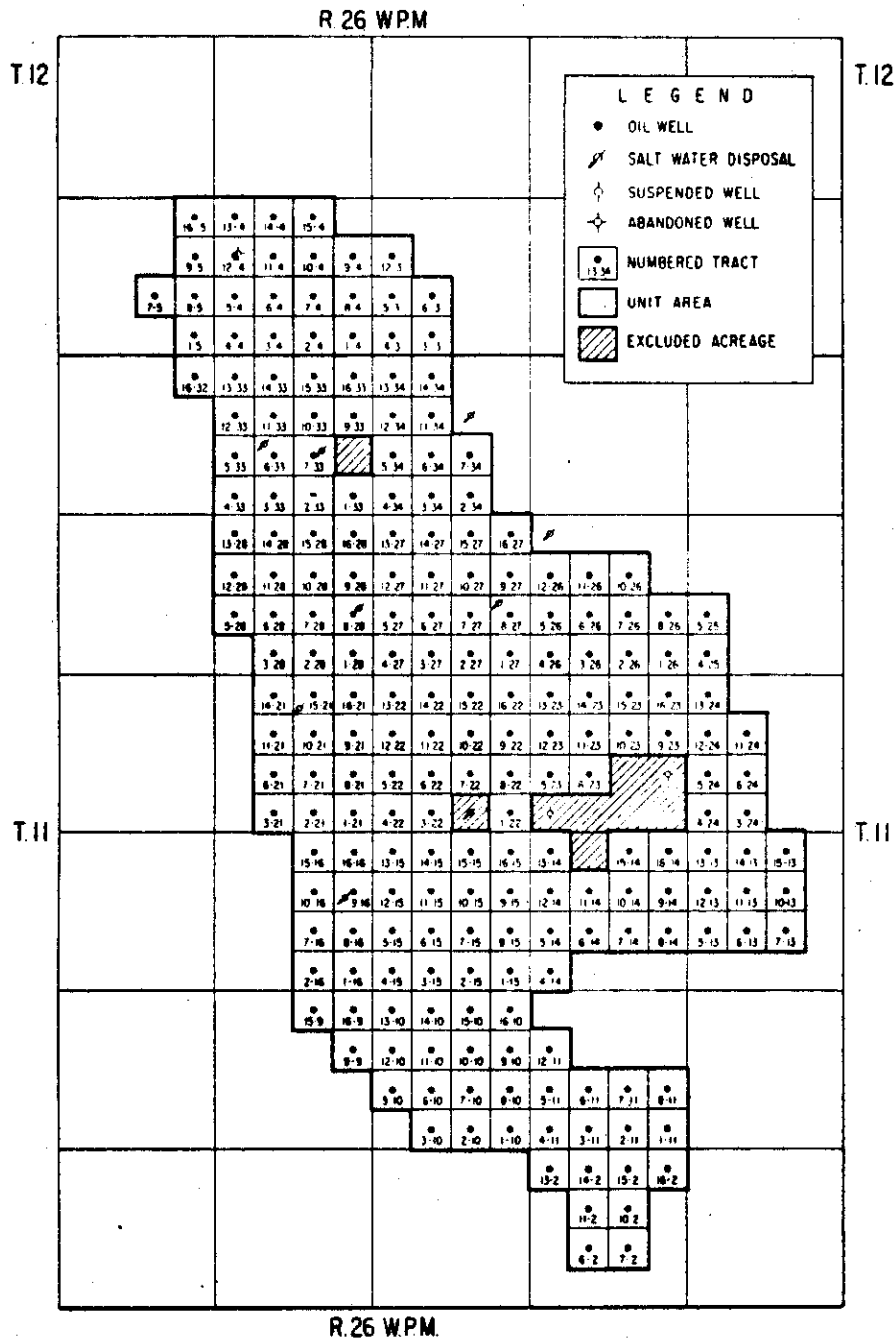
TRACT NUMBER	LEGAL DESCRIPTION: TOWNSHIP 11, RANGE 26 WPM	TRACT NUMBER	LEGAL DESCRIPTION: TOWNSHIP 11, RANGE 26 WPM
6 - 2	LSD. 6, SECTION 2	6 - 14	LSD. 6, SECTION 14
7 - 2	LSD. 7, SECTION 2	7 - 14	LSD. 7, SECTION 14
10 - 2	LSD. 10, SECTION 2	8 - 14	LSD. 8, SECTION 14
11 - 2	LSD. 11, SECTION 2	9 - 14	LSD. 9, SECTION 14
13 - 2	LSD. 13, SECTION 2	10 - 14	LSD. 10, SECTION 14
14 - 2	LSD. 14, SECTION 2	11 - 14	LSD. 11, SECTION 14
15 - 2	LSD. 15, SECTION 2	12 - 14	LSD. 12, SECTION 14
16 - 2	LSD. 16, SECTION 2	13 - 14	LSD. 13, SECTION 14
9 - 9	LSD. 9, SECTION 9	15 - 14	LSD. 15, SECTION 14
15 - 9	LSD. 15, SECTION 9	16 - 14	LSD. 16, SECTION 14
16 - 9	LSD. 16, SECTION 9	1 - 15	LSD. 1, SECTION 15
1 - 10	LSD. 1, SECTION 10	2 - 15	LSD. 2, SECTION 15
2 - 10	LSD. 2, SECTION 10	3 - 15	LSD. 3, SECTION 15
3 - 10	LSD. 3, SECTION 10	4 - 15	LSD. 4, SECTION 15
5 - 10	LSD. 5, SECTION 10	5 - 15	LSD. 5, SECTION 15
6 - 10	LSD. 6, SECTION 10	6 - 15	LSD. 6, SECTION 15
7 - 10	LSD. 7, SECTION 10	7 - 15	LSD. 7, SECTION 15
8 - 10	LSD. 8, SECTION 10	8 - 15	LSD. 8, SECTION 15
9 - 10	LSD. 9, SECTION 10	9 - 15	LSD. 9, SECTION 15
10 - 10	LSD. 10, SECTION 10	10 - 15	LSD. 10, SECTION 15
11 - 10	LSD. 11, SECTION 10	11 - 15	LSD. 11, SECTION 15
12 - 10	LSD. 12, SECTION 10	12 - 15	LSD. 12, SECTION 15
13 - 10	LSD. 13, SECTION 10	13 - 15	LSD. 13, SECTION 15
14 - 10	LSD. 14, SECTION 10	14 - 15	LSD. 14, SECTION 15
15 - 10	LSD. 15, SECTION 10	15 - 15	LSD. 15, SECTION 15
16 - 10	LSD. 16, SECTION 10	16 - 15	LSD. 16, SECTION 15
1 - 11	LSD. 1, SECTION 11	1 - 16	LSD. 1, SECTION 16
2 - 11	LSD. 2, SECTION 11	2 - 16	LSD. 2, SECTION 16
3 - 11	LSD. 3, SECTION 11	7 - 16	LSD. 7, SECTION 16
4 - 11	LSD. 4, SECTION 11	8 - 16	LSD. 8, SECTION 16
5 - 11	LSD. 5, SECTION 11	9 - 16	LSD. 9, SECTION 16
6 - 11	LSD. 6, SECTION 11	10 - 16	LSD. 10, SECTION 16
7 - 11	LSD. 7, SECTION 11	15 - 16	LSD. 15, SECTION 16
8 - 11	LSD. 8, SECTION 11	16 - 16	LSD. 16, SECTION 16
12 - 11	LSD. 12, SECTION 11	1 - 21	LSD. 1, SECTION 21
5 - 13	LSD. 5, SECTION 13	2 - 21	LSD. 2, SECTION 21
6 - 13	LSD. 6, SECTION 13	3 - 21	LSD. 3, SECTION 21
7 - 13	LSD. 7, SECTION 13	6 - 21	LSD. 6, SECTION 21
10 - 13	LSD. 10, SECTION 13	7 - 21	LSD. 7, SECTION 21
11 - 13	LSD. 11, SECTION 13	8 - 21	LSD. 8, SECTION 21
12 - 13	LSD. 12, SECTION 13	9 - 21	LSD. 9, SECTION 21
13 - 13	LSD. 13, SECTION 13	10 - 21	LSD. 10, SECTION 21
14 - 13	LSD. 14, SECTION 13	11 - 21	LSD. 11, SECTION 21
15 - 13	LSD. 15, SECTION 13	14 - 21	LSD. 14, SECTION 21
4 - 14	LSD. 4, SECTION 14	15 - 21	LSD. 15, SECTION 21
5 - 14	LSD. 5, SECTION 14	16 - 21	LSD. 16, SECTION 21

PART XXII CONTINUED

TRACT NUMBER	LEGAL DESCRIPTION TOWNSHIP 11, RANGE 26 WPM	TRACT NUMBER	LEGAL DESCRIPTION TOWNSHIP 11, RANGE 26 WPM
1 - 22	LSD. 1, SECTION 22	5 - 27	LSD. 5, SECTION 27
3 - 22	LSD. 3, SECTION 22	6 - 27	LSD. 6, SECTION 27
4 - 22	LSD. 4, SECTION 22	7 - 27	LSD. 7, SECTION 27
5 - 22	LSD. 5, SECTION 22	8 - 27	LSD. 8, SECTION 27
6 - 22	LSD. 6, SECTION 22	9 - 27	LSD. 9, SECTION 27
7 - 22	LSD. 7, SECTION 22	10 - 27	LSD. 10, SECTION 27
8 - 22	LSD. 8, SECTION 22	11 - 27	LSD. 11, SECTION 27
9 - 22	LSD. 9, SECTION 22	12 - 27	LSD. 12, SECTION 27
10 - 22	LSD. 10, SECTION 22	13 - 27	LSD. 13, SECTION 27
11 - 22	LSD. 11, SECTION 22	14 - 27	LSD. 14, SECTION 27
12 - 22	LSD. 12, SECTION 22	15 - 27	LSD. 15, SECTION 27
13 - 22	LSD. 13, SECTION 22	16 - 27	LSD. 16, SECTION 27
14 - 22	LSD. 14, SECTION 22	1 - 28	LSD. 1, SECTION 28
15 - 22	LSD. 15, SECTION 22	2 - 28	LSD. 2, SECTION 28
16 - 22	LSD. 16, SECTION 22	3 - 28	LSD. 3, SECTION 28
5 - 23	LSD. 5, SECTION 23	5 - 28	LSD. 5, SECTION 28
6 - 23	LSD. 6, SECTION 23	6 - 28	LSD. 6, SECTION 28
9 - 23	LSD. 9, SECTION 23	7 - 28	LSD. 7, SECTION 28
10 - 23	LSD. 10, SECTION 23	8 - 28	LSD. 8, SECTION 28
11 - 23	LSD. 11, SECTION 23	9 - 28	LSD. 9, SECTION 28
12 - 23	LSD. 12, SECTION 23	10 - 28	LSD. 10, SECTION 28
13 - 23	LSD. 13, SECTION 23	11 - 28	LSD. 11, SECTION 28
14 - 23	LSD. 14, SECTION 23	12 - 28	LSD. 12, SECTION 28
15 - 23	LSD. 15, SECTION 23	13 - 28	LSD. 13, SECTION 28
16 - 23	LSD. 16, SECTION 23	14 - 28	LSD. 14, SECTION 28
3 - 24	LSD. 3, SECTION 24	15 - 28	LSD. 15, SECTION 28
4 - 24	LSD. 4, SECTION 24	16 - 28	LSD. 16, SECTION 28
5 - 24	LSD. 5, SECTION 24	16 - 32	LSD. 16, SECTION 32
6 - 24	LSD. 6, SECTION 24	1 - 33	LSD. 1, SECTION 33
11 - 24	LSD. 11, SECTION 24	2 - 33	LSD. 2, SECTION 33
12 - 24	LSD. 12, SECTION 24	3 - 33	LSD. 3, SECTION 33
13 - 24	LSD. 13, SECTION 24	4 - 33	LSD. 4, SECTION 33
4 - 25	LSD. 4, SECTION 25	5 - 33	LSD. 5, SECTION 33
5 - 25	LSD. 5, SECTION 25	6 - 33	LSD. 6, SECTION 33
1 - 26	LSD. 1, SECTION 26	7 - 33	LSD. 7, SECTION 33
2 - 26	LSD. 2, SECTION 26	9 - 33	LSD. 9, SECTION 33
3 - 26	LSD. 3, SECTION 26	10 - 33	LSD. 10, SECTION 33
4 - 26	LSD. 4, SECTION 26	11 - 33	LSD. 11, SECTION 33
5 - 26	LSD. 5, SECTION 26	12 - 33	LSD. 12, SECTION 33
6 - 26	LSD. 6, SECTION 26	13 - 33	LSD. 13, SECTION 33
7 - 26	LSD. 7, SECTION 26	14 - 33	LSD. 14, SECTION 33
8 - 26	LSD. 8, SECTION 26	15 - 33	LSD. 15, SECTION 33
10 - 26	LSD. 10, SECTION 26	16 - 33	LSD. 16, SECTION 33
11 - 26	LSD. 11, SECTION 26	2 - 34	LSD. 2, SECTION 34
12 - 26	LSD. 12, SECTION 26	3 - 34	LSD. 3, SECTION 34
1 - 27	LSD. 1, SECTION 27	4 - 34	LSD. 4, SECTION 34
2 - 27	LSD. 2, SECTION 27	5 - 34	LSD. 5, SECTION 34
3 - 27	LSD. 3, SECTION 27	6 - 34	LSD. 6, SECTION 34
4 - 27	LSD. 4, SECTION 27	7 - 34	LSD. 7, SECTION 34

PART XXII CONTINUED

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION TOWNSHIP 11, RANGE 26 WPM</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION TOWNSHIP 12, RANGE 26 WPM</u>
11 - 34	LSD. 11, SECTION 34	3 - 3	LSD. 3, SECTION 3
12 - 34	LSD. 12, SECTION 34	4 - 3	LSD. 4, SECTION 3
13 - 34	LSD. 13, SECTION 34	5 - 3	LSD. 5, SECTION 3
14 - 34	LSD. 14, SECTION 34	6 - 3	LSD. 6, SECTION 3
		12 - 3	LSD. 12, SECTION 3
		1 - 4	LSD. 1, SECTION 4
		2 - 4	LSD. 2, SECTION 4
		3 - 4	LSD. 3, SECTION 4
		4 - 4	LSD. 4, SECTION 4
		5 - 4	LSD. 5, SECTION 4
		6 - 4	LSD. 6, SECTION 4
		7 - 4	LSD. 7, SECTION 4
		8 - 4	LSD. 8, SECTION 4
		9 - 4	LSD. 9, SECTION 4
		10 - 4	LSD. 10, SECTION 4
		11 - 4	LSD. 11, SECTION 4
		12 - 4	LSD. 12, SECTION 4
		13 - 4	LSD. 13, SECTION 4
		14 - 4	LSD. 14, SECTION 4
		15 - 4	LSD. 15, SECTION 4
		1 - 5	LSD. 1, SECTION 5
		7 - 5	LSD. 7, SECTION 5
		8 - 5	LSD. 8, SECTION 5
		9 - 5	LSD. 9, SECTION 5
		16 - 5	LSD. 16, SECTION 5



PART XXIII
MAP OF UNIT AREA

PART XXIV

TRACT NUMBER	TRACT PARTICIPATION	TRACT NUMBER	TRACT PARTICIPATION
6 - 2	.00101	9 - 14	.47145
7 - 2	.00155	10 - 14	.15743
10 - 2	.05713	11 - 14	.00209
11 - 2	.12968	12 - 14	.10975
13 - 2	.24975	13 - 14	.11527
14 - 2	.18490	15 - 14	.40356
15 - 2	.08258	16 - 14	.16173
16 - 2	.03107	1 - 15	.38720
9 - 9	.37322	2 - 15	1.35766
15 - 9	.00835	3 - 15	1.20920
16 - 9	1.26982	4 - 15	1.74145
1 - 10	.22710	5 - 15	.96019
2 - 10	.29711	6 - 15	1.49079
3 - 10	.00743	7 - 15	1.24693
5 - 10	.33872	8 - 15	.98968
6 - 10	.42430	9 - 15	.14778
7 - 10	.41121	10 - 15	.60834
8 - 10	.53982	11 - 15	1.07693
9 - 10	.52301	12 - 15	1.41623
10 - 10	.88829	13 - 15	.45245
11 - 10	.96614	14 - 15	.21548
12 - 10	.55492	15 - 15	.14247
13 - 10	.71724	16 - 15	.07046
14 - 10	.88045	1 - 16	.17183
15 - 10	.71594	2 - 16	.39911
16 - 10	.34432	7 - 16	.58096
1 - 11	.24484	8 - 16	.35561
2 - 11	.15193	9 - 16	.77036
3 - 11	.26376	10 - 16	.11537
4 - 11	.25904	15 - 16	.49000
5 - 11	.14911	16 - 16	1.76528
6 - 11	.15203	1 - 21	1.92408
7 - 11	.19899	2 - 21	1.69840
8 - 11	.07783	3 - 21	1.65559
12 - 11	.18797	6 - 21	.24025
5 - 13	.31375	7 - 21	1.02462
6 - 13	.14487	8 - 21	1.07149
7 - 13	.27139	9 - 21	1.22004
10 - 13	.45615	10 - 21	.42738
11 - 13	.64282	11 - 21	.03361
12 - 13	.86218	14 - 21	.43948
13 - 13	.15824	15 - 21	.18272
14 - 13	.43703	16 - 21	.82911
15 - 13	.12322	1 - 22	.02889
4 - 14	.04324	3 - 22	.48394
5 - 14	.42862	4 - 22	.68835
6 - 14	.52606	5 - 22	.78016
7 - 14	.49773	6 - 22	.72181
8 - 14	.49374	7 - 22	.53700

PART XXIV (Cont'd)

TRACT NUMBER	TRACT PARTICIPATION	TRACT NUMBER	TRACT PARTICIPATION
8 - 22	.46784	11 - 27	.41305
9 - 22	.54562	12 - 27	.60886
10 - 22	.55304	13 - 27	.42187
11 - 22	1.29516	14 - 27	.58446
12 - 22	1.31737	15 - 27	.59846
13 - 22	.87033	16 - 27	.18365
14 - 22	.41597	1 - 28	.35330
15 - 22	.18856	2 - 28	.64218
16 - 22	.13485	3 - 28	.45858
5 - 23	.33730	5 - 28	.06666
6 - 23	.05960	6 - 28	.34369
9 - 23	.16302	7 - 28	.51633
10 - 23	.02528	8 - 28	.29762
11 - 23	.09019	9 - 28	.58391
12 - 23	.53503	10 - 28	.65054
13 - 23	.21798	11 - 28	.52313
14 - 23	.21901	12 - 28	.14897
15 - 23	.13293	13 - 28	.27205
16 - 23	.16804	14 - 28	.13528
3 - 24	.50017	15 - 28	.44339
4 - 24	.00327	16 - 28	.53536
5 - 24	.00445	16 - 32	.04626
6 - 24	.15267	1 - 33	.08519
11 - 24	.13745	2 - 33	.47022
12 - 24	.45882	3 - 33	.71071
13 - 24	.23415	4 - 33	.17842
4 - 25	.68720	5 - 33	.09508
5 - 25	.28905	6 - 33	.80942
1 - 26	.15089	7 - 33	.37918
2 - 26	.31481	9 - 33	.09156
3 - 26	.04170	10 - 33	.60530
4 - 26	.34453	11 - 33	.51063
5 - 26	.11105	12 - 33	.40717
6 - 26	.51035	13 - 33	.54983
7 - 26	.72050	14 - 33	.93666
8 - 26	.44798	15 - 33	.48055
10 - 26	.47275	16 - 33	.14607
11 - 26	.23746	2 - 34	.00017
12 - 26	.29149	3 - 34	.38999
1 - 27	.27184	4 - 34	.00953
2 - 27	.21233	5 - 34	.05543
3 - 27	.40067	6 - 34	.09069
4 - 27	.68278	7 - 34	.19639
5 - 27	.42532	11 - 34	.19651
6 - 27	.40289	12 - 34	.11026
7 - 27	.13671	13 - 34	.74660
8 - 27	.35641	14 - 34	.09229
9 - 27	.52426	3 - 3	1.16590
10 - 27	.40917	4 - 3	1.47363

PART XXIV (Cont'd)

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
5 - 3	.33872	10 - 4	.79654
6 - 3	.08784	11 - 4	.99361
12 - 3	.01632	12 - 4	1.28352
1 - 4	.33541	13 - 4	.51060
2 - 4	.51630	14 - 4	1.14302
3 - 4	.89482	15 - 4	.40895
4 - 4	.69332	1 - 5	.54491
5 - 4	.72805	7 - 5	.01872
6 - 4	.28958	8 - 5	.28153
7 - 4	.16629	9 - 5	.20683
8 - 4	.49923	16 - 5	.23843
9 - 4	.70418		

Oil and Natural Gas Unitization

Order No. 2, made and passed
this 25th day of August, A.D.,
1964, at the City of Winnipeg,
in the Province of Manitoba,
by The Oil and Natural Gas
Conservation Board.

J. S. Richards,

Deputy Chairman,
The Oil and Natural Gas
Conservation Board.

M. J. Gobert,

Member,
The Oil and Natural Gas
Conservation Board.

THE OIL AND NATURAL GAS CONSERVATION BOARD

ORDER NO. 381

Pertaining to the maximum permissible rate of production in the

NORTH VERDEN SCALLION FIELD

Made and passed pursuant to "The Mines Act", 1954, by The Oil and Natural Gas Conservation Board.

1. Until further order, in addition to those wells named in Order No. 35A, being Manitoba Regulation 101/62, Order No. 37A, being Manitoba Regulation 46/63, and Order No. 38A, being Manitoba Regulation 11/64, the following wells, comprising a part of the North Verden Scallion Unit No. 1, shall be exempt from the provisions of Order No. 14A, being Manitoba Regulation 35/55:

Dome Scallion 5-3-12-26

Dome Scallion 12-3-12-26

Fargo et al Scallion 14-34-11-26

Milestone Scallion 3-3-12-26

Milestone Scallion 6-3-12-26

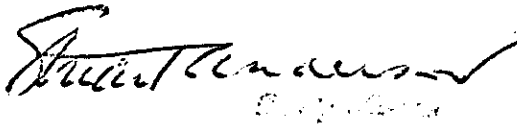
Vallat et al Scallion 13-34-11-26

2. This Order may be rescinded or amended by the Board at any time without notice.
3. This Order shall be effective at the hour of seven o'clock in the forenoon, Central Standard Time, on the first day of October, 1964.

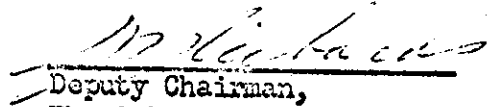
2—ORDER NO. 39A

Oil and Natural Gas Order No. 39A,
made and passed this 25th day
of August, A. D., 1964, at the
City of Winnipeg, in the Prov-
ince of Manitoba, by The Oil
and Natural Gas Conservation Board.

Approved:



for Sterling R. Lyon,
Minister of Mines and
Natural Resources



Deputy Chairman,
The Oil and Natural Gas
Conservation Board



Member,
The Oil and Natural Gas
Conservation Board

J. S. Richards,
Director of Mines,
Mines Branch,
901 Norquay Building.

COPY

September 4, 1964.

Executive Council,
216 Legislative Building.

Acts and Regulations -

The Oil and Natural Gas
Conservation Board
Unitisation Order No. 2.


Attached, hereto, original and two (2) copies
of Certificate and original and two (2) copies of Manitoba Regula-
tion, approved of by Order-in-Council No. ..1215/64, dated September 4, 1964,
for filing with the Registrar of Regulations.


J. S. Richards.

:DB

Encs.

c. c. to: Mr. M. J. Gobert,
Assistant Deputy Minister.

 Mr. F. S. Gamey,
Reservoir Geologist.

J. S. Richards,
Deputy Chairman,
The Oil and Natural Gas
Conservation Board.

COPY

September 4, 1964.

Mr. Stuart Anderson,
Deputy Minister.

The Oil and Natural Gas Conservation Board -

Order No. 39A; and
Unitisation Order No. 2.

Attached, hereto, suggested Board Order
No. 39A and Unitisation Order No. 2, both in quadruplicate,
submitted for the approval of the Minister.

When signed, will you kindly return all
the material to this office for further processing and filing.


J. S. Richards.

:DB

Encs.

c. c. to: Mr. M. J. Gebert,
Assistant Deputy Minister.

 Mr. F. S. Gasey,
Reservoir Geologist.

*See Directory 100
39A*

J. S. Richards,
Director of Mines,
Mines Branch,
901 Norquay Building.

COPY

August 31, 1964.

Mr. R. H. Tallin,
Registrar of Regulations,
Office of the Legislative Counsel,
237 Legislative Building.

The Oil and Natural Gas

Conservation Board -
Order No. 39A, and
Unitization Order No. 2.

Attached, hereto, for filing, original and two (2) copies of Certificate, and original and two (2) copies of Manitoba Regulation, being The Oil and Natural Gas Conservation Board Order No. 39A and Unitisation Order No. 2, both approved by the Minister of Mines and Natural Resources on August 25, 1964.


J. S. Richards.

:DB

Encs.

c. c. to: Mr. M. J. Gobert,
Assistant Deputy Minister.

 Mr. F. S. Gamey,
Reservoir Geologist.

June 3, 1964

Mr. A. B. Bristow, Jr.
Chairman, North Virden Seallion Unit No. 1,
Operators' Committee,
The California Standard Company,
Medical Arts Building,
329A - 6th Avenue S.W.,
Calgary, Alta.

Re: North Virden Seallion Unit No. 1

Dear Sir:

I sincerely regret the delay in replying to your letter of April 28, 1964, particularly in view of the fact that our only comments are with respect to minor details.

Our records indicate the following production statistics:

Milestone Seallion 3-3-12-26

Oil production - October 1, 1963 to March 31, 1964
- 7,622 barrels
Water production - October 1, 1963 to March 31, 1964
- 843 barrels
Cumulative oil production to March 31, 1964
- 23,173 barrels

Milestone Seallion 6-3-12-26


Oil production - October 1, 1963 to March 31, 1964
- 950 barrels
Water production - October 1, 1963 to March 31, 1964
- 3,244 barrels
Cumulative oil production to March 31, 1964
- 1,698 barrels

We would suggest that an up-to-date operating report, including the individual well performance curves, be supplied for the purposes of the hearing, together with sketches showing the stratigraphic position of the two wells in relation to the Unit Area Wells.

In the 6th line of draft application, dated April 27, 1964, suggest the full name of "Milestone Petroleum Limited" should be used.

The "Consent" forms used at the original hearing, modified to the extent necessary, will be satisfactory and may be filed with the Board prior to or at the time of the hearing.

Yours very truly,



M. J. Gobert,
Member.

MJB/h

c.c. J. G. Cowan, Q.C.

J. S. Richards

F. S. Gamay ✓

NVS #1

March 29, 1954.

Mr. J. Louis Lebel,
Manager,
Land and Lease Division,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Mr. Lebel:

Re: Land Owners Unitization Agreement
L.S. 16 of Section 10-11-26 West -
Your file No. 10,037

Mr. Richards has referred to me your letter of March 23rd enclosing six copies of the agreement already executed by the Company, George W. Braybrook, the Veteran, and K. B. Thorckelson, a royalty owner. I am returning herewith all six copies duly executed on behalf of the Department with the seal affixed.

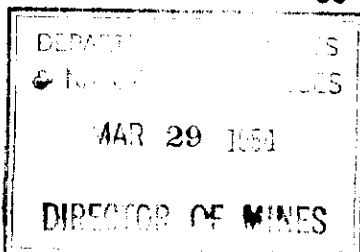
It is understood that when the agreement has been executed by the Director, Veterans' Land Act, you will forward our copy to Mr. J. S. Richards, Director of Mines, Room 21, 469 Broadway.

Yours very truly,

J. G. Cowan,
Deputy Minister.

JGC:TD
Encls.

cc - Mr. J. S. Richards



Director of Mines

Mr. J. G. Cowan, Q.C.,
Deputy Minister.

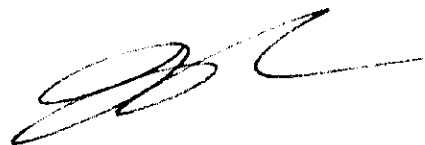
Land Owners Unitization Agreement

March 25th, 1954.

I am enclosing, herewith six copies of the above mentioned agreement, in respect to l.s. 16 of Section 10, Township 11, Range 26 WPM.

The situation in regard to this parcel of land is that our Lease No. 187 has been issued covering 5.93 acres, and we have received from The California Standard Company a copy of the lease from V.L.A. covering the balance of 34.97 acres. Therefore, this agreement would appear to be entirely in order. If you are of the same opinion, kindly have this agreement completed on behalf of the Department.

I am also enclosing, herewith, copy of Mr. Lebel's letter of March 23rd. You will note that he requests all copies to be returned to him for execution by the Director, Veterans' Land Act. Possibly it would be advisable to return the copies directly to him from your office, with the request that one copy be returned to the Mines Branch after execution by the Director of the Veterans' Land Act.



J. S. Richards.

JSR:mb
Att.

Oct 1st 1893

187. Over 5.93

also referred to

in this agreement.

with its appur to

base the above. Confirming

Standard furnished copy

of base from V.H.G.

concerning all the E/V

excepting thereout the

5.93 acres referred to

THE CALIFORNIA STANDARD COMPANY

J. L. LEBEL
MANAGER LAND AND LEASE DIVISION

CALGARY, ALBERTA

March 23, 1954.

REGISTERED

J. S. Richards, Esq.,
Director of Mines,
Department of Mines and Natural Resources,
Winnipeg, Manitoba.

Dear Sir:

Re: Land Owners Unitization Agreement
Lsd 16 of Section 10-11-26 WPM.
Our File No. 10,037

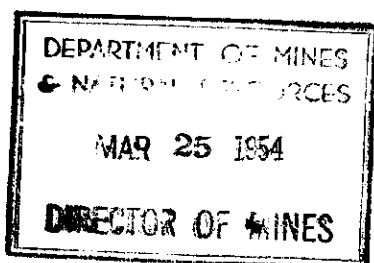
We enclose herewith six copies of the above mentioned agreement which has been executed by this Company, George W. Braybrook (the Veteran), and K. B. Thorkelson (a royalty owner). We would ask you to arrange for the agreement to be executed by the Minister, as a subscriber. Your interest in this legal subdivision is covered by Lease No. 187.

When all copies have been executed we would ask you to return them to us and we will arrange for execution by the Director, Veterans' Land Act. In due course we will forward to you a fully executed copy of the agreement for your files.

Very truly yours,


J. LOUIS LEBEL

encls.



INTER-DEPARTMENTAL
MEMORANDUM



PROVINCE OF MANITOBA

FROM Chief Mining Recorder

TO Director of Mines

ATTENTION _____

SUBJECT Calstan Roselea 16-21
L.S. 16-21-10-26 W.

DATE November 19, 1954

Approved
12/1/54

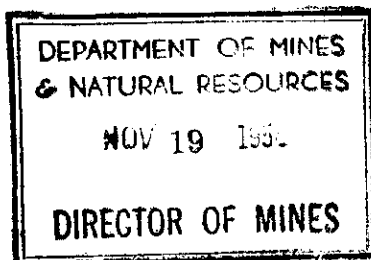
Attached herewith, Unitization Agreement dated March 12, 1954 furnished in connection with application to drill the above described well.

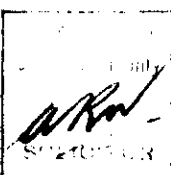
The agreement is between The Canadian Northern Railway Co., The Director, Veterans' Land Act and others and The California Standard Co.

The Crown has not mineral rights in this section.

R. Cox
R. Cox.

RC/BB
ENCLS.



 THIS AGREEMENT between THE CALIFORNIA STANDARD COMPANY (hereinafter called "the Operator") and all other parties who sign this agreement or a counterpart or ratification thereof (which other signatory parties are hereinafter called "Subscribers");

WITNESSETH:

The Operator holds leases and grants of the petroleum and natural gas and related hydrocarbons underlying certain lands in the Province of Manitoba, details of which leases and grants and the description of which lands are set out in Schedule "A" hereto;

Each Subscriber represents that he is the owner in fee simple of certain petroleum, natural gas and related hydrocarbons, or is the owner of or is entitled to receive a royalty interest in the petroleum, natural gas and related hydrocarbons in some or all of the lands covered by the Operator's leases and grants set out in Schedule "A" hereto.

The names of the parties and persons who represent the owners of such interests are as follows:

The Canadian Northern Railway Company

The Director, Veterans' Land Act, for Godfrey Albert Colli, Veteran

Should any other persons similarly represent any such ownership in themselves, Operator shall have the right, pending their acceptance of this agreement and thereafter during the existence of this agreement to secure signatures of such persons hereto or to counterparts or ratifications hereof and upon execution by such additional persons of a counterpart or ratification hereof, such persons shall become Subscribers hereto.

The parties hereto desire that the petroleum, natural gas and related hydrocarbons underlying Legal Subdivision Sixteen (16), in Section Twenty-one (21), Township Ten (10), Range Twenty-six (26), West of the Principal Meridian, whether represented by ownership in fee simple, leasehold, royalty interest or any

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other interest whatsoever, be pooled, consolidated and merged to permit the formation of a drilling unit as provided by the appropriate regulations of the Province of Manitoba, with a view to allowing the drilling of a well thereon, and to accomplish the more efficient and economical production of petroleum, natural gas and related hydrocarbons from the said Legal Subdivision.

THEREFORE in consideration of the premises and of the sum of One (\$1.00) Dollar in cash paid by the Operator to each Subscriber (receipt of which each Subscriber acknowledges) and of the mutual covenants hereinafter set forth; it is agreed as follows:

1. For the purposes of this agreement the following terms or phrases shall have the following meanings:
 - (a) "Unitized lease" shall mean any lease of petroleum, natural gas and related hydrocarbons described in Schedule "A" hereto, which said lease has been unitized in whole or in part by the holders thereof under an agreement with the Operator for the purposes of this agreement.
 - (b) "Pooled area" shall mean Legal Subdivision Sixteen (16), in Section Twenty-one (21), Township Ten (10), Range Twenty-six (26), West of the Principal Meridian.
 - (c) "Lease area" shall mean the acreage contained in each of the leases set forth in Schedule "A" hereto falling within Legal Subdivision Sixteen (16), in Section Twenty-one (21), Township Ten (10), Range Twenty-six (26), West of the Principal Meridian in the amount set forth in Schedule "A" hereto and for the purposes of this agreement each lease shall be deemed to contain such an area within said Legal Subdivision Sixteen (16), in Section Twenty-one (21), Township Ten (10), Range Twenty-six (26), West of the Principal Meridian, whether in fact it does or not, for all purposes of assignment of production thereto.
2. All interest in the petroleum, natural gas and related hydrocarbons underlying the pooled area, now or hereafter acquired by each Subscriber, shall, after the lease of the area under which such interest lies is unitized as to the lease area and so long thereafter as such unitization exists, be bound by this agreement.
3. Nothing in this agreement shall bind or enure to the benefit of any non-subscribing owner of any interest whatever in any petroleum, natural gas or

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related hydrocarbons or of any Subscriber's interest which is not at the time bound hereby, unless and until any such Subscriber's interest becomes subject to a unitized lease, and falls within the pooled area.

4. As between Operator and Subscribers, the leases stated in Schedule "A" to be held by Operator and the interest of Subscribers in petroleum, natural gas and related hydrocarbons in the lands respectively covered thereby, are hereby pooled, consolidated, merged and unitized as to the pooled area and shall henceforth be treated as an entirety as to the pooled area in the same manner and with like effect as though all of the pooled area had been included in one lease.

Notwithstanding the provisions contained in any unitized lease hereunder there shall be no obligation on the Operator to drill offsets for any producing oil wells drilled hereunder.

The parts of all unitized leases lying within the pooled area may be developed and operated by the Operator for petroleum, natural gas and related hydrocarbons as a unit without regard to the boundaries of lease areas constituting the pooled area.

Upon the completion by the Operator of a well on the pooled area all production of petroleum, natural gas and related hydrocarbons produced, saved and marketed therefrom shall be divided among the unitized leases contained in the pooled area in the proportion that each ^{lease's} lease area bears to the total area of the pooled area and royalty shall be payable by the Operator in respect to such production assigned to the various unitized leases in respect of the pooled area at the rate and subject to the terms and conditions set out in the lease to which such production is assigned as if the production so assigned had actually been produced from a well or wells actually located on the lease area of the lease so unitized. ✓

As between themselves and Operator, Subscribers agree to accept the royalties provided for in this section in full satisfaction of all royalties provided to be paid under the terms of any unitized lease.

5. Upon this agreement coming into effect each unitized lease shall continue in full force and effect as to all petroleum, natural gas and related hydrocarbons covered thereby as long as petroleum, natural gas and related hydrocarbons or any of them are being or can be produced from the pooled area or any operations in the drilling or re-working of a well or wells are being conducted on the

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pooled area, and any period intervening between the cessation of any operations or conditions and the resumption or fulfillment thereof. Each unitized lease shall be perpetuated by any of the aforementioned operations or conditions in the same manner and to the same effect as though such operations or conditions were being conducted on or obtained with respect to the lease area of each such lease separately and distinct from other lands in the pooled area.

Notwithstanding the generality of the foregoing a well drilled by the Operator at any point in the pooled area shall for the purpose of meeting drilling obligations and the cessation of payment of delay rentals be conclusively deemed to be a well drilled on each individual unitized lease.



The term of this agreement shall be for a period from the date hereof until the date upon which the last of the unitized leases shall expire or for so long as production shall continue from an oil well located on the pooled area. Upon termination of this agreement Operator shall be relieved of all obligations hereunder except for the payment of royalties provided for hereunder accrued at the date of such termination.

In the event that any of the terms or conditions of this agreement should be in conflict with the terms or conditions of any lease hereby unitized the terms and conditions of this agreement shall prevail and the terms and conditions of such lease shall be deemed to be modified to the extent necessary to give effect to the terms and conditions hereof.

6. No change in ownership of any of the petroleum, natural gas or related hydrocarbons or interest therein owned by any Subscriber shall be binding on Operator until Operator is furnished with a certified copy of the instrument effecting such change, nor shall any such change, however accomplished, operate to enlarge the obligations or diminish the rights of Operator hereunder and all such rights and interest so changed in ownership shall in all things remain subject to the provisions of this agreement.

Operator may assign or sublet in whole or in part its interest in this agreement and/or its interest in any leases covered hereby but all such interests shall remain bound by this agreement.

7. This agreement and all Operator's obligations hereunder are subject to all laws, regulations and orders-in-council of the Province of Manitoba

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and of Canada applicable thereto. ~~Without in any way restricting the generality of the foregoing this agreement is subject to the approval of the Minister of Mines and Natural Resources of the Province of Manitoba, pursuant to the provisions of Section 196 of the regulations under the Mines Act covering exploration development and production of oil and natural gas in Manitoba, or any regulations which may hereafter be passed in substitution thereof.~~

8. In the event that Operator is rendered wholly unable, or in part, by force majeure, to carry out any of its obligations under this agreement other than the obligation to make payment of amounts due hereunder, upon Operator giving notice and reasonably full particulars of such force majeure in writing or by telegraph to any other parties hereto within a reasonable time after the occurrence of the cause relied on, the obligation of the Operator as far as it is affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and the cause of such force majeure as far as possible shall be remedied with all reasonable despatch.

The term "force majeure" as applied herein shall mean an act of God, strike, lockout or other industrial disturbance, act of public enemy war, blockade, riot, fire, lightning, storms, flood, explosion, government restraint and any other cause whether of the kind enumerated herein or otherwise and not reasonably within the control of the Operator.

The settlement of strikes, lockouts and other labour difficulties shall be entirely within the discretion of the party having the difficulty. The above requirement that any force majeure shall be remedied with all reasonable despatch shall not require the settlement of strikes, lockouts or other labour difficulties by acceding to the demand of the opponents therein when such course is inadvisable in the discretion of the party having the difficulty.

9. In as much as all of the Subscribers to this agreement may not be conveniently able to execute the original of this instrument, it is agreed that counterparts hereof or instruments of ratification hereof may be executed by any Subscriber or Subscribers in which each executed counterpart, ratification, and the original hereof shall be construed together as one instrument. This agreement shall bind and enure to the benefit of any and all Subscribers who may execute this agreement or a counterpart or ratification hereof, regardless

of whether all the owners of petroleum, natural gas and related hydrocarbons and royalty interests in the pooled area may execute this agreement, or a counterpart or ratification hereof and throughout the duration of this agreement as between Operator and each Subscriber, this instrument shall continuously be a several agreement.

10. Any notices required to be given by the Operator to any Subscriber hereto may be given by prepaid registered mail, addressed to such Subscriber at the address appearing under such Subscriber's signature to this agreement. Notices shall be deemed to have been received twenty-four (24) hours after the time of mailing the same.

11. This agreement shall bind and enure to the benefit of Operator and Subscribers hereto and their respective successors, assigns, heirs and legal representatives and all provisions hereof enuring to the benefit of Operator shall likewise enure to the benefit of all present and future owners of the unitized leases, or of any leases therein; and all covenants herein contained shall run with the land, petroleum, natural gas and related hydrocarbons, royalties and leases covered hereby during the term hereof.

IN WITNESS WHEREOF this agreement is executed by the respective Subscribers and Operator as of the 12th day of March A.D. 1954.

Subscribers:

THE CALIFORNIA STANDARD COMPANY

x Gedfrey Albert Colli
Box 171 Virda, Manitoba
(Address)

D. L. Knop
President
Vice-President

x Clarence Moore
Box 178 Virda, Manitoba
(Address)

x W. Velthuis
Box 565 Virda, Manitoba
(Address)

S. KAP
77 Bannerman Ave. Winnipeg, Manitoba
(Address)

For Director Relations and Tech
(Address)

THE CANADIAN NORTHERN RAILWAY COMPANY

EXECUTIVE ASSISTANT

Asst. Secretary

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, Edwin Anthony Frank Trewinnard, of
the City of Brandon
in the Province of Manitoba, Landman
(occupation)
MAKE OATH AND SAY:

1. That I was personally present and did see the within Instrument and
Duplicates thereof duly signed, sealed and executed by Godfrey A. Collis
of the parties thereto.

2. That the said Instrument and Duplicates thereof were executed at
Under in Manitoba

3. That I know the said part y and am satisfied that he is of
the full age of twenty-one years.

4. That I am a subscribing witness to the said Instrument and Duplicates.

SWORN BEFORE ME at the City of
Brandon in the
Province of Manitoba, this 13th
day of March A.D. 1954.

Edwin A. Trewinnard
(Witness sign here)

I swear as I said

A Commissioner for Oaths within Manitoba
my commission expires Jan 14, 1955

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, EDWIN ANTHONY FRANK TREWINNARD, of
the City of Brandon
in the Province of Manitoba, Landman
(occupation)
MAKE OATH AND SAY:

1. That I was personally present and did see the within Instrument and
Duplicates thereof duly signed, sealed and executed by Saul Katz
of the parties thereto.

2. That the said Instrument and Duplicates thereof were executed at
Under in Manitoba

3. That I know the said part y and am satisfied that he is of
the full age of twenty-one years.

4. That I am a subscribing witness to the said Instrument and Duplicates.

SWORN BEFORE ME at the City of
Brandon in the
Province of Manitoba, this 19th
day of May A.D. 1954

Edwin A. Trewinnard
(Witness sign here)

R. A. Smith

A Commissioner for Oaths

for

what

AFFIDAVIT OF EXECUTION

CANADA } I, Leopold Griffling, of
 PROVINCE OF MANITOBA } the City of Winnipeg
 TO WIT: } in the Province of Manitoba, Business Counsel
 } (occupation)
 MAKE OATH AND SAY:

1. That I was personally present and did see the within Instrument and Duplicates thereof duly signed, sealed and executed by H. M. Wignall, District Supt. for the Director, The Veterans' Land Act, one of the parties thereto.

2. That the said Instrument and Duplicates thereof were executed at Winnipeg, Manitoba

3. That I know the said party and am satisfied that he is of the full age of twenty-one years.

4. That I am a subscribing witness to the said Instrument and Duplicates.

SWORN BEFORE ME at the City of Winnipeg in the Province of Manitoba, this 19th day of April A.D. 1954.

Leopold Griffling
 (Witness sign here)

H. M. Wignall
 A Commissioner for Oaths A Notary Public in and for the Province of Manitoba.

AFFIDAVIT OF EXECUTION

CANADA } I, EDWIN ANTHONY FRANK TREWINNARD of
 PROVINCE OF MANITOBA } the City of Brandon
 TO WIT: } in the Province of Manitoba, Landman
 } (occupation)
 MAKE OATH AND SAY:

1. That I was personally present and did see the within Instrument and Duplicates thereof duly signed, sealed and executed by H. Veldhuis, of the parties thereto.

2. That the said Instrument and Duplicates thereof were executed at Brandon in Manitoba

3. That I know the said part y and am satisfied that he is of the full age of twenty-one years.

4. That I am a subscribing witness to the said Instrument and Duplicates.

SWORN BEFORE ME at the City of Brandon in the Province of Manitoba, this 19th day of May A.D. 1954.

Edwin A. Trewinnard
 (Witness sign here)

R. A. Smith

Commissioner for Oaths

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, EDWIN ANTHONY FRANK TREWINNARD, of
the City of Borden
in the Province of Manitoba, Landman
(occupation)
MAKE OATH AND SAY:

1. That I was personally present and did see the within Instrument and
Duplicates thereof duly signed, sealed and executed by Clarence Mason
of the parties thereto.

2. That the said Instrument and Duplicates thereof were executed at
Borden in Manitoba

3. That I know the said part 1/ and am satisfied that he is of
the full age of twenty-one years.

4. That I am a subscribing witness to the said Instrument and Duplicates.

SWORN BEFORE ME at the City of Borden
in the Province of Manitoba, this 7th
day of March, A.D. 1954.

Edwin A. Trewinnard
(Witness sign here)

Henry Wilson

A Commissioner for Oaths within Manitoba
my commission expires Jan 14/1955

AFFIDAVIT OF EXECUTION

CANADA
PROVINCE OF MANITOBA
TO WIT:

I, _____, of
the _____ of _____
in the Province of Manitoba, _____
(occupation)
MAKE OATH AND SAY:

1. That I was personally present and did see the within Instrument and
Duplicates thereof duly signed, sealed and executed by _____
of the parties thereto.

2. That the said Instrument and Duplicates thereof were executed at
_____.

3. That I know the said part _____ and am satisfied that _____ of
the full age of twenty-one years.

4. That I am a subscribing witness to the said Instrument and Duplicates.

SWORN BEFORE ME at the _____ of _____
in the Province of Manitoba, this _____
day of _____, A.D. 1954

(Witness sign here)

Commissioner for Oaths

Mr

SCHEDULE "A"

<u>Lessor</u>	<u>Description of Property</u>
The Canadian Northern Railway Company	<p>All that portion of the North East Quarter of Section twenty-one (21) in Township Ten (10) and Range twenty-six (26) West of the Principal Meridian, in the Province of Manitoba, described as follows:- Commencing at the North East corner of said quarter section, thence Southerly along the Eastern boundary of said quarter section two thousand (2000) feet, thence Westerly parallel to Northern boundary of said quarter section one hundred and sixty-eight and one-half (168½) feet more or less to the Easterly limit of the right of way of the Canadian Northern Railway as shown on a plan of said right of way filed in the Warden Land Titles Office as No.180, thence Southerly along the said Eastern limit of the said right of way as shown on said plan six hundred and forty-four and one-half (644½) feet more or less to the Southern boundary of the said quarter section, thence Westerly along said Southern boundary ninety-nine and two-tenths (99.2) feet more or less to the Western limit of the right of way of the Canadian Northern Railway as shown on said plan, thence Northerly along said Western limit of right of way six hundred and forty-four and one-half (644½) feet more or less to a line drawn parallel to and two thousand (2000) feet distant Southerly from the Northern boundary of said quarter section; thence Westerly parallel to the said Northern boundary one hundred and thirty-two and three tenths (132.3) feet more or less to a line drawn parallel to and four hundred (400) feet perpendicularly distant Westerly from the Eastern boundary of said quarter section, thence Northerly parallel to the said Eastern boundary two thousand (2000) feet to the North boundary of said quarter section, thence Westerly along said Northern boundary four hundred (400) feet more or less to the point of commencement, containing by admeasurement <u>19.8701</u> acres more or less.</p>
The Director, Veterans' Land Act (Godfrey Albert Colli, Veteran)	<p>Northwest quarter of Section 21 and that portion of the Northwest quarter of said section which lies to the West of the Western limit of the Right of Way and Station Grounds of the Canadian Northern Railway as shown on a plan registered in the Brandon Land Titles Office as No.180, all in Township 10, Range 26, West of the Principal Meridian, the above lands being deemed to contain <u>297.5229</u> acres more or less.</p>

The amounts of acreage of each of the foregoing leases comprising Legal Subdivision Sixteen (16), in Section Twenty-one (21), Township Ten (10), Range Twenty-six (26), West of the Principal Meridian are as follows:

<u>Lessor</u>	<u>Amounts of Acreage</u>
The Canadian Northern Railway Company	12.1541
The Director, Veterans' Land Act (Godfrey Albert Colli, Veteran)	27.9059
TOTAL	<u>40.0600</u>

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