



THE CALIFORNIA STANDARD COMPANY

MEDICAL ARTS BUILDING, 329A - 6TH AVENUE S.W., CALGARY, ALBERTA

DEPARTMENT OF MINES
& NATURAL RESOURCES

SEP - 1 1964

PETROLEUM ENGINEERING
DIVISION

A. B. BRISTOW, JR.
VICE-PRESIDENT
PRODUCING

September 29th, 1964.

The Oil and Natural Gas Conservation
Board,
Department of Mines and Natural Resources,
Province of Manitoba,
Winnipeg 1, Manitoba.

Gentlemen:


Re: North Virden Scallion Unit No. 1
Enlargement to include Lsds. 3 & 6,
of Section 3-12-26-W.1M.,
Milestone Petroleum Limited.

Enclosed herewith please find revised Parts XXI, XXII, XXIII and XXIV, to the Plan For Unit Operation Governing The Unitized Management Operation And Further Development of North Virden Scallion Unit No. 1, along with revised Schedules "A" and "B" thereto.

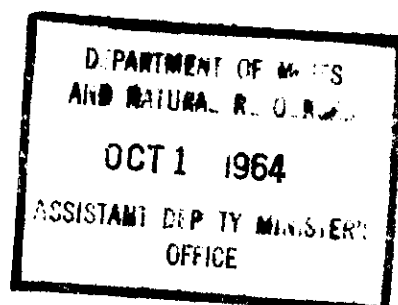
The revisions reflect the enlargement of the North Virden Scallion Unit Area to include Lsds. 3 & 6, of Section 3-12-26 W.1M, owned by Milestone Petroleum Limited, as of 7:00 o'clock in the forenoon Central Standard Time, October 1st, 1964.

The enlargement was effected by Manitoba Regulation 68/64 being The Oil and Natural Gas Conservation Board Unitization Order No. 2 under the Mines Act.

Yours very truly,


A. B. BRISTOW, JR., Chairman,
North Virden Scallion Unit No. 1,
Operators' Committee.

SAM:bc
Encs.





THE CALIFORNIA STANDARD COMPANY

MEDICAL ARTS BUILDING, 329A - 6TH AVENUE S.W., CALGARY, ALBERTA.

*Calculated for
N.G.C.B. Hearings
August 18, 1964*

June 12, 1964

The Oil and Natural Gas Conservation Board,
Department of Mines and Natural Resources,
Province of Manitoba,
WINNIPEG 1, Manitoba.

Attention: Mr. J. G. Cowan, Chairman:

Dear Sir:

The California Standard Company as Unit Operator of the North Virden Scallion Unit No. 1, under and pursuant to Section 76 of the Mines Act, Revised Statutes of Manitoba, 1954 and Amendments thereto, hereby on behalf of the Working Interest Owners in the North Virden Scallion Unit No. 1 and on behalf of Milestone Petroleum Limited requests the Oil & Natural Gas Conservation Board to add to the North Virden Scallion Unit Area, Lsds. 3 and 6 of Section 3, Township 12, Range 26, W.1.M., with the following Tract Numbers and Tract Participations:

<u>Land Description</u>	<u>Tract Number</u>	<u>Tract Participation</u>
Lsd. 3-3-12-26 W.1.M.	3-3	1.16590%
Lsd. 6-3-12-26 W.1.M.	6-3	0.08784%
TOTAL Tract Participation		1.25374% ✓

The said Lsd. 3 and Lsd. 6 of Section 3, Township 12, Range 26, W.1.M., adjoin the present North Virden Scallion No. 1 Unit Area and have wells situate thereon, known respectively as Milestone Scallion 3-3-12-26 and Milestone Scallion 6-3-12-26, which wells are capable of production from the Unitized Formation. There appear to be mutual advantages to the owners of the royalty interest and the working interest in these lands and to the Working Interest Owners and the Royalty Owners in the present North Virden Scallion Unit No. 1. These advantages are the incentive to increased oil production rates, additional oil recovery, lower production costs, and as a result, a substantial increase in income on the part of the owners of the working interest and royalty interest in these lands, and the greater operational flexibility with resultant increase in oil recovery on the part of the Working Interest Owners and Royalty Owners in the present Unit Area in the development and operation of these lands and the Unit Area.

6/12/64

The proposed Tract Participations have been calculated by applying equal weight to a current production factor, and an average monthly oil production factor penalized for water production, this being the basis for calculation of Tract Participation when the North Virden Scallion field was first unitized. The basic data and a summary calculation of these Tract Participations is shown on the attached Appendix I, which also includes evidence supporting the use of this participation formula, and a statement of the Working Interest Owners' present plans for the development and operation of the Unit Area and these lands in the event that such are added to the Unit Area.


It is hereby further requested that upon these lands being added to the North Virden Scallion No. 1 Unit Area that the Tract Participations of all Tracts in the Unit Area, prior to this enlargement, remain the same one to the other, and that each of them be reduced by multiplying it by the factor 1.0000000 - 0.0125374 (i.e. 0.9874626). ✓

It is further requested that the owners of the working interest in these lands participate in the Investment Account established by Part 'X' of the "PLAN FOR UNIT OPERATION GOVERNING THE UNITIZED MANAGEMENT OPERATION AND FURTHER DEVELOPMENT OF THE NORTH VIRDEN SCALLION UNIT NO. 1", dated May 1, 1962, as of the effective date of this enlargement, and further that they pay the Unit Operator, in cash, their proportionate share of all expenditures other than operating expenditures incurred subsequent to the Effective Date of the North Virden Scallion Unit No. 1, plus their proportionate share of all pre-unit and inventory costs incurred and approved by the North Virden Scallion Unit No. 1 Working Interest Owners.

In support of this application and attached Appendix I, we will endeavor to file with the Board consents to this addition to the Unit Area signed by:

1. The owners of the royalty interest and working interest in Lsd's 3 and 6 of Section 3, Township 12, Range 26, W.1.M.
2. At least 75% of the Working Interest Owners in the North Virden Scallion Unit No. 1.

Respectfully submitted,


A. B. BRISTOW, JR., CHAIRMAN
NORTH VIRDEN SCALLION UNIT NO. 1,
OPERATORS' COMMITTEE.

APPENDIX I

Summary of Data and Calculations Pertaining to the Determination and Assignment of Tract Participations to Lsds. #3 and #6 of Section 3-12-26 W.P.M. for Inclusion in the North Virden Scallion Unit No. 1

Milestone Petroleum Limited have recently drilled two oil producing wells, namely, Milestone Scallion 3-3-12-26 and Milestone Scallion 6-3-12-26 situated respectively in Lsds. 3 and 6 of Section 3-12-26 W.P.M. Milestone Scallion 3-3-12-26 was drilled to 2060' and completed on October 26, 1962 through perforations in $4\frac{1}{2}$ " casing in the interval 2002' to 2020' opposite the Cherty zone. Initial potential of the well was 79 barrels fluid per day, 1% BS & W on pump.

Milestone Scallion 6-3-12-26 was drilled to 2060' total depth and completed on March 6, 1963 through perforations in $4\frac{1}{2}$ " casing in the interval 2014' to 2026' opposite the Cherty zone. Initial potential of the well was 23 barrels fluid per day, 60% BS & W on pump.

The lands on which these wells were drilled adjoin the present North Virden Scallion Unit No. 1, as shown on attached Figure 1. The producing horizon in these wells is a lateral extension of the Unitized Formation in the present Unit.

There are mutual benefits to the Working Interest Owners in the present North Virden Scallion Unit No. 1 and to Milestone Petroleum Limited from this enlargement by reason of increased oil production rates, oil recovery, and income. Upon enlargement of the Unit, it is planned that the well Dome Scallion 4-3-12-26 will be converted to water injection, as a part of the overall waterflood program, thereby promoting a high recovery efficiency from this sector of the field. Addition of Milestone Petroleum Limited Tracts #3-3 and #6-3 into the Unit, with resultant sharing in Unit production will result in allocable oil to these Tracts substantially exceeding the estimated ultimate oil recovery under primary depletion.

TRACT PARTICIPATION:

The "Plan for Unit Operation Governing the Unitized Management Operation and Further Development of North Virden Scallion Unit No. 1" set out in Part III the method used for determining Tract Participation for each Tract as one half (1/2) of each of the following:

- (a) A current production factor.
- (b) An average monthly oil production factor penalized for water production.

APPENDIX I:

- 2 -

Current production factor for a Tract was calculated as a percentage by dividing the oil production of such Tract during the interval May 1, 1961 to October 31, 1961 by the oil production for all Tracts during the same interval and multiplying by one hundred (100).

Average monthly oil production factor penalized for water production as a percentage was arrived at by:

1. determining average monthly oil production of the Tract by dividing its cumulative oil production to October 31, 1961 by the number of calendar months since the well on such Tract went on production provided that the first calendar month was not counted unless the oil production from the well on such Tract for that month was greater than one-half ($1/2$) of the oil production from such well for the next succeeding month;
2. calculating a fractional water cut for the Tract by dividing the water production during the interval May 1, 1961 to October 31, 1961 by the sum of the Tract's oil and water production during this time interval;
3. multiplying the average monthly oil production for the Tract obtained in (1) by one minus the water cut as determined in (2);
4. dividing the product obtained in (3) for the Tract by the sum of all the products obtained in (3) for all Tracts and multiplying by one hundred (100).

This Tract Participation formula was considered as fair and equitable in determining the method of participation in the present Unit. The applicant hereby submits that a similar participation formula is also applicable, and is fair and equitable in the determination of Tract Participation for those Tracts under consideration in the present application.

It is proposed that the Tract Participations of Milestone Petroleum Limited Tracts #3-3 and #6-3 be determined by adding one-half ($1/2$) of each of the following:

- (a) A current production factor; such factor to be for each Tract the percentage calculated by dividing the oil production of the Tract during the interval October 1, 1963 to March 31, 1964 by the oil production of all Tracts in the present Unit during the period May 1, 1961 to October 31, 1961 plus the oil production of Tracts #3-3 and #6-3 during the interval October 1, 1963 to March 31, 1964 and multiplying this fraction by 100.

- (b) An average monthly oil production factor penalized for water production, such factor to be calculated as a percentage for each Tract by:
- (1) determining average monthly oil production of the Tract by dividing its cumulative oil production to March 31, 1964 by the number of months since the well on such Tract went on production;
 - (2) calculating a fractional water cut for the Tract by dividing the water production during the interval October 1, 1963 to March 31, 1964 by the sum of its water and oil production for the same period;
 - (3) multiplying the average monthly oil production for the Tract obtained in (1) by the fraction one minus the water cut appropriate to the Tract as determined in (2);
 - (4) dividing the product obtained in (3) for the Tract by the sum of the average monthly oil production penalized for water production for all Tracts in the present Unit calculated to October 31, 1961 plus the average monthly oil production penalized for water production of Tracts #3-3 and #6-3 calculated to March 31, 1964, and multiplying by 100.

The applicant submits that this participation formula provides a fair and equitable basis for sharing of production among the present Unit and the enlargement tracts.

On attached Figure 2 are presented the oil and water production histories of the present North Virden Scallion Unit No. 1, and of the wells Milestone Scallion 3-3-12-26 and Milestone Scallion 6-3-12-26. The graphical scale of Figure 2 is such that it was not convenient to plot the low daily rate of oil production from Milestone Scallion 6-3-12-26 and this has been omitted.

Shown on Figure 2 are the reference intervals of production of the present Unit and of the wells Milestone Scallion 3-3-12-26 and Milestone Scallion 6-3-12-26 as proposed for calculating the Tract Participation of Tracts #3-3 and #6-3. It is evident from inspection of these production rate trends, considering the time water flood commenced and flood response was apparent, that the reference production intervals used in calculating Tract Participation are fair and equitable.

APPENDIX I:

- 4 -

The benefit to the present Unit from the proposed enlargement is demonstrated on attached Figure 3. The oil production history to date and the predicted oil production rate assuming (a) that the present Unit will be enlarged and (b) that the present Unit will not be enlarged are shown for comparison. This increase in production rate and ultimate recovery from the Unit will result from extending the water injection system to include the well Dome Scallion 4-3-12-26 as an injector, and concurrently controlling injection and production rates to obtain a high degree of recovery efficiency. It is estimated the addition of Milestone Petroleum Limited Tracts #3-3 and #6-3 to the Unit would result in an increase in Unit oil recovery amounting to about 600,000 barrels.

The benefit to Milestone Petroleum Limited from adding Tracts #3-3 and #6-3 to the Unit is shown on Figure 4. During the predicted 10 year life on primary depletion (without unitization) Milestone Petroleum Limited's ultimate recovery is estimated to be 95,000 barrels. Assuming the Unit was enlarged at July 1, 1964, and Tract Participations as in this application assigned to Tracts #3-3 and #6-3, the allocable oil to these tracts to the year 1995 would amount to about 500,000 barrels.

A handwritten signature in dark ink, appearing to read "J. M. Lee", is located in the lower right quadrant of the page. The signature is written in a cursive, flowing style.

Summary Calculation of Tract Participation
of Milestone Petroleum Limited Tracts #3-3 and #6-3

BASIC DATA:

- (1) North Virden Scallion Unit No. 1 (Present Unit).

Oil Production May 1, 1961 to October 31, 1961
= 624,325 barrels.

Average monthly oil production penalized for water
production to October 31, 1961
= 114,328.05987 barrels.

- (2) Milestone Scallion 3-3-12-26 well (Tract #3-3).

Oil production October 1, 1963 to March 31, 1964
= 7622 barrels.

Water production October 1, 1963 to March 31, 1964
= 843 barrels.

Water cut during this period
= 9.958653%.

Cumulative oil production to March 31, 1964
= 23,173 barrels.

Months on production = 16

Average monthly oil production = 1448.31250 barrels.

Average monthly oil production penalized for water
production = $1448.31250 \times (1.00000000 - 0.09958653)$
= 1304.08008 barrels

- (3) Milestone Scallion 6-3-12-26 well (Tract #6-3)

Oil production October 1, 1963 to March 31, 1964
= 950 barrels.

Water production October 1, 1963 to March 31, 1964
= 3244 barrels.

Water cut during this period
= 77.348593

Cumulative oil production to March 31, 1964
= 1698 barrels.

Months on production = 13

Average monthly oil production
= 130.61538 barrels.

SUMMARY:

- 2 -

Average monthly production penalized for water
production = $130.61538 \times (1.00000000 - 0.77348593)$
= 29.58622 barrels

TRACT PARTICIPATION CALCULATIONS:

TRACT #3-3:

$$\begin{aligned}\text{Current production factor} &= \frac{7622}{624,325 + 7622 + 950} \times 100\% \\ &= 1.204303\%\end{aligned}$$

Average monthly oil production factor penalized for water production

$$\begin{aligned}&= \frac{1304.08008}{114,328.05987 + 1304.08008 + 29.58622} \times 100\% \\ &= 1.127495\%\end{aligned}$$

$$\begin{aligned}\text{Tract Participation} &= \frac{1}{2} (1.204303\%) + \frac{1}{2} (1.127495\%) \\ &= 1.16590\%\end{aligned}$$

TRACT #6-3:

$$\begin{aligned}\text{Current production factor} &= \frac{950}{632,897} \times 100\% \\ &= 0.150103\%\end{aligned}$$

Average monthly oil production factor penalized for water production

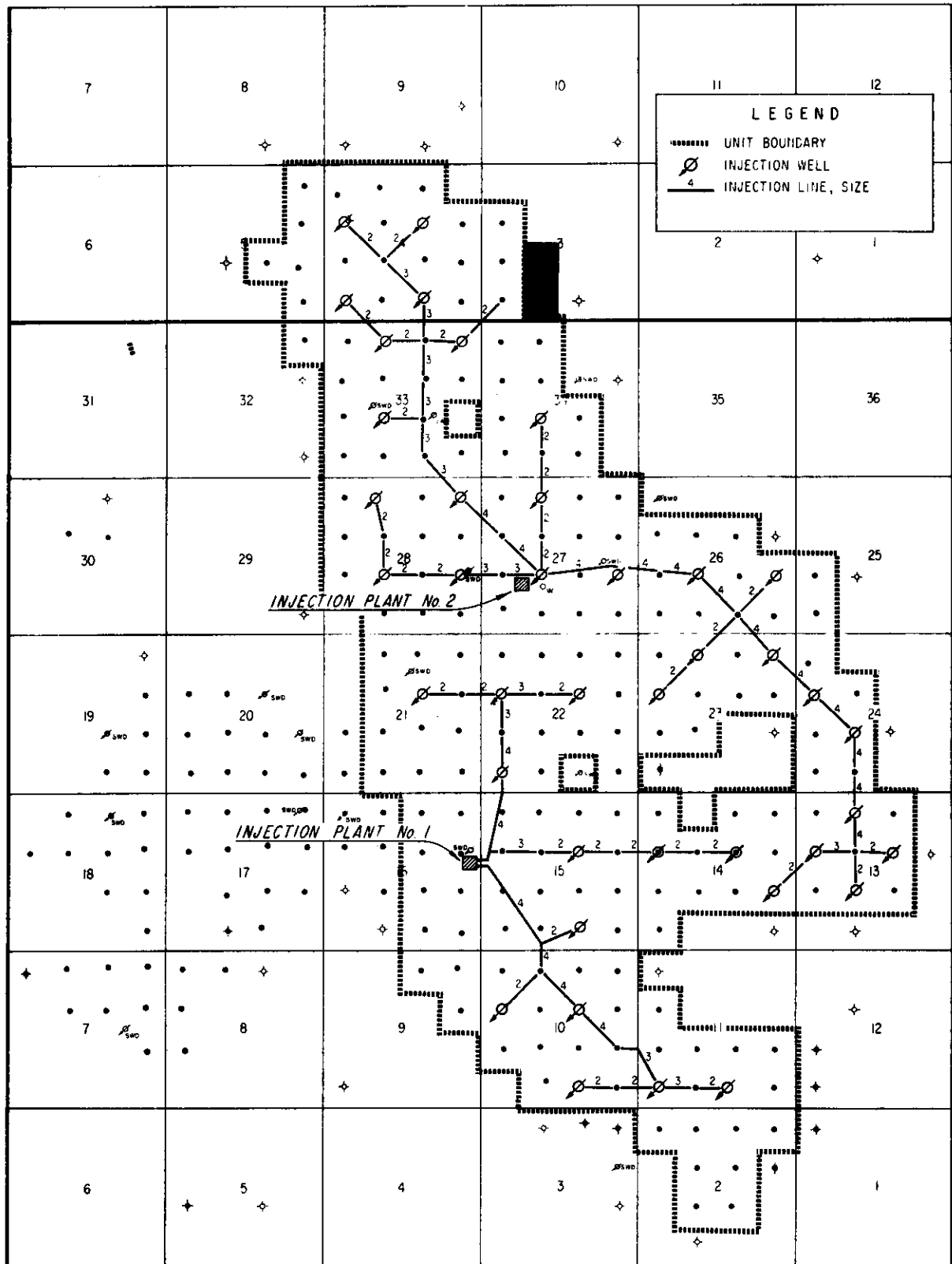
$$\begin{aligned}&= \frac{29.58622}{115,661.72617} \times 100\% \\ &= 0.025580\%\end{aligned}$$

$$\begin{aligned}\text{Tract Participation} &= \frac{1}{2} (0.150103\%) + \frac{1}{2} (0.025580\%) \\ &= 0.08784\%\end{aligned}$$

TOTAL Tract Participation of Tracts #3-3 and #6-3

$$= 1.25374\%$$

R.26 W.P.M.



T.12

T.11

FIGURE 1
NORTH VIRDEN SCALLION UNIT No.1
AS OF
MARCH 31, 1964

■ PROPOSED ADDITION TO UNIT

FIGURE 2

PRODUCTION HISTORY OF NORTH VIRDEN SCALLION UNIT No.1

AND OF

MILESTONE SCALLION 3-3-12-26 AND 6-3-12-26

SHOWING

TIME INTERVAL CHOSEN IN CALCULATION OF
MILESTONE PETROLEUM LTD. TRACT PARTICIPATION

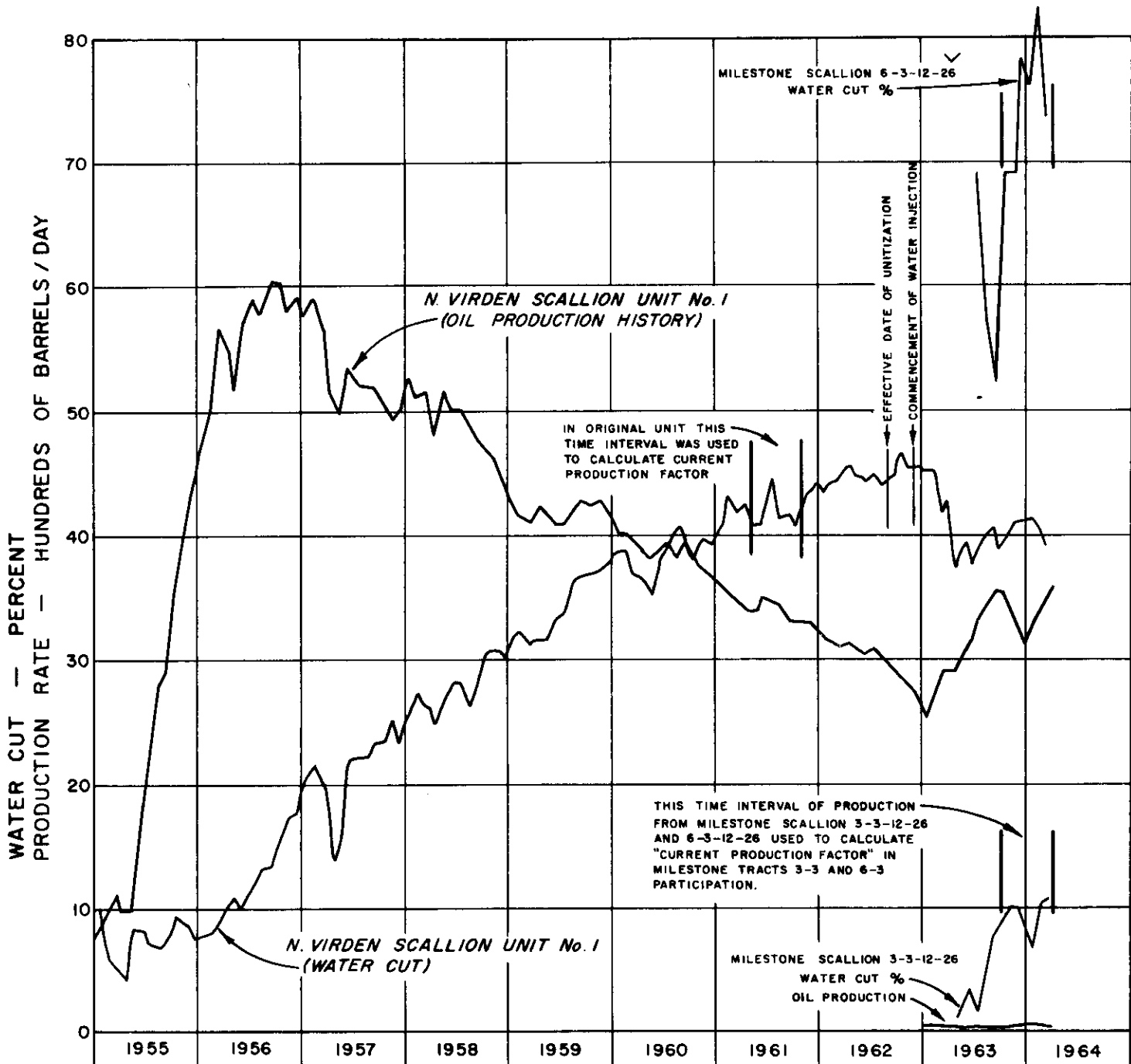


FIGURE 3

NORTH VIRDEN SCALLION UNIT No.1

PRODUCTION HISTORY

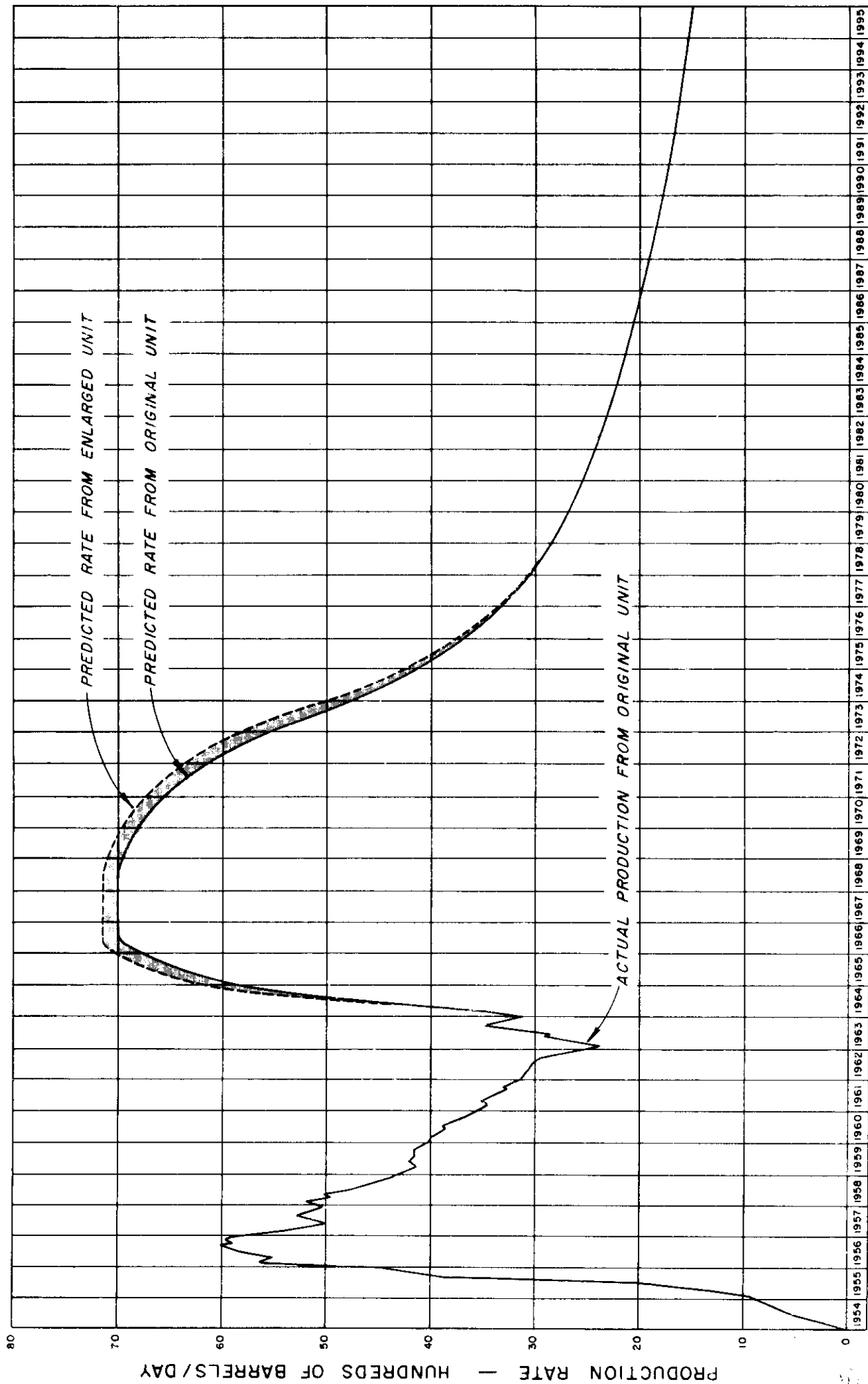
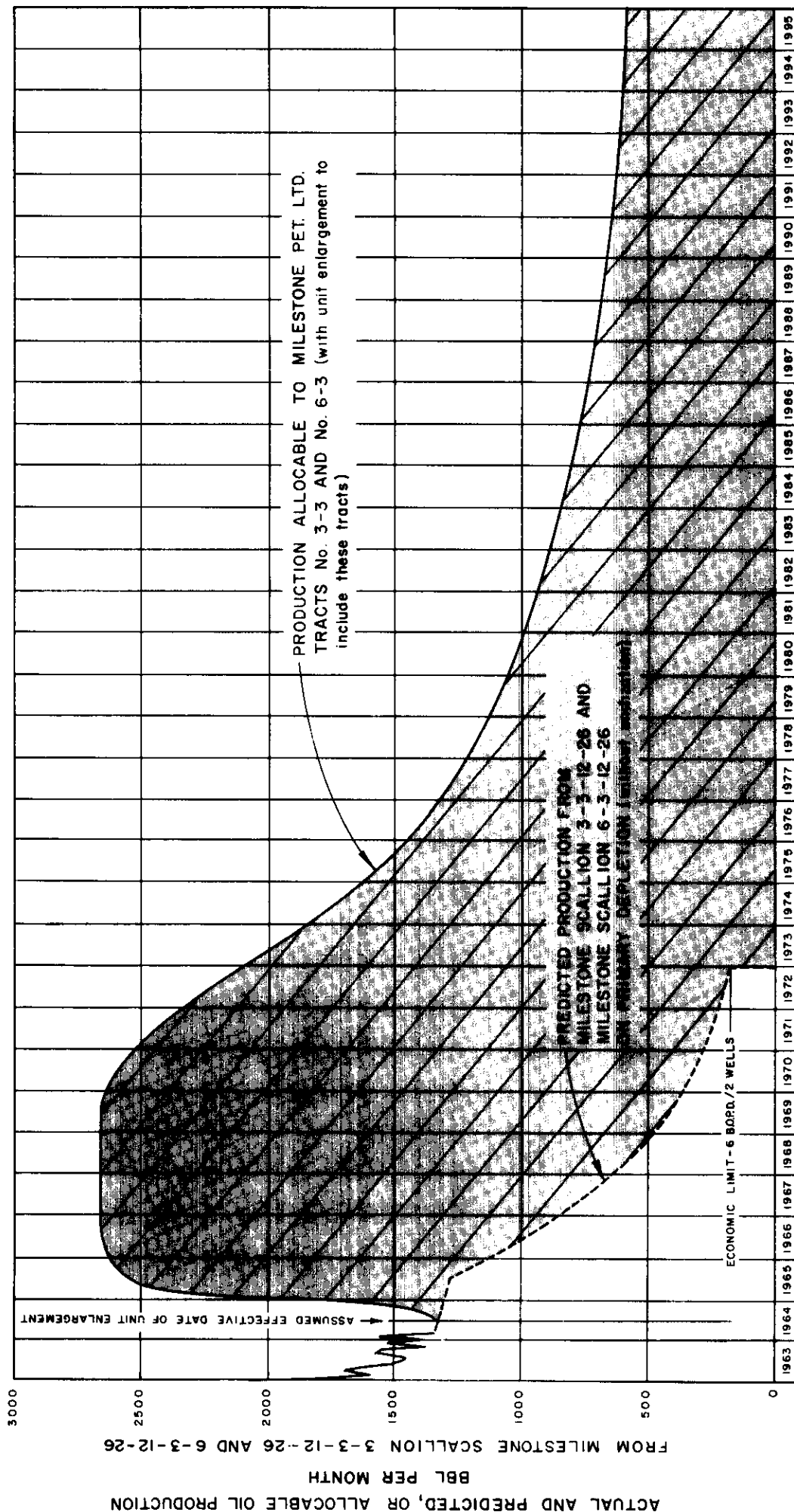


FIGURE 4

COMPARISON OF
 PREDICTED OIL RECOVERY PERFORMANCE OF MILESTONE SCALLION 3-3-12-26 AND
 6-3-12-26 ON PRIMARY DEPLETION (without unitization)
 VERSUS
 PRODUCTION ALLOCABLE TO MILESTONE PET. LTD. TRACTS 3-3 AND 6-3 WITH UNITIZATION



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July 19

Stian:

- Re M. I. Unit No. 1 explanation.

Now figures for M. I. Unit

3 3 1.17223

6 3 1.07031

1.26254.

These attach to previous correspondence & then

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THE CALIFORNIA STANDARD COMPANY

MEDICAL ARTS BUILDING, 329A - 6TH AVENUE S.W., CALGARY, ALBERTA

MAR 17 1964

DIRECTOR OF MINES

March 16, 1964

TO: ALL WORKING INTEREST OWNERS,
NORTH VIRDEN SCALLION UNIT NO. 1:

NOTICE OF MEETING

There will be a meeting of the North Virden Scallion Unit Operating Committee at 2:00 P.M., April 1, 1964 in The California Standard Company's Sixth Floor Board Room, Medical Arts Building, Calgary, Alberta.

AGENDA

1. Approve the minutes of December 11, 1963.
2. Discuss and approve application of Milestone to include Lsds. 3 and 6 of 3-12-26 W.P.M. in accordance with recommendations of the Engineering Committee as outlined in the minutes of the January 15, 1964 meeting. Attached hereto please find a copy of the minutes of the Engineering Committee meeting along with a draft resolution approving the enlargement, and copies of correspondence between Milestone and The California Standard Company wherein Milestone has agreed to make cash settlement for their share of capital expenditures since effective date.
3. Instruct The California Standard Company to
 - (a) Prepare a submission (subject to Working Interest Owners' approval) to the Manitoba Oil and Gas Conservation Board for enlargement of the North Virden Scallion Unit to include the described lands as Tracts 3-3 and 6-3, and
 - (b) carry out a titles examination of Milestone's leases and make a recommendation to the Operators' Committee.
4. Other business.

A. B. Bristow, Jr.
A. B. BRISTOW, JR., CHAIRMAN,
NORTH VIRDEN SCALLION UNIT NO. 1
OPERATORS' COMMITTEE

IMS/jmk

Attachments

c.c. - Oil & Natural Gas Conservation
Board - Manitoba

THE CALIFORNIA STANDARD COMPANY
Medical Arts Building, 329A - 6th Avenue S.W., Calgary, Alberta

C
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January 28, 1964

MINUTES OF JANUARY 15, 1964 MEETING
OF THE NORTH VIRDEN SCALLION UNIT NO. 1 ENGINEERING COMMITTEE

A meeting of the North Virden Scallion Unit No. 1 Engineering Committee was held in The California Standard Company's Fourth Floor Conference Room at 9:00 A.M. on Wednesday, January 15, 1964.

The following were in attendance:

<u>Company</u>	<u>Representative</u>
The California Standard Company	R. A. Park
	D. R. Henderson
Dome Petroleum Limited	M. E. McElroy
Shell Canada Limited	J. M. MacLeod
Sun Oil Company	T. E. Huta

AGENDA ITEM #1: - Approval of the April 9, 1963 Minutes

Mr. M. E. McElroy made a motion that the minutes of April 9, 1963 be approved as written.

The motion was seconded by Mr. T. E. Huta and was carried unanimously.

AGENDA ITEM #2: - Determine Tract Participations for Admission of
Milestone Petroleum Limited's Lsd. 3 & Lsd. 6 of
Section 3-12-26 W.P.M. into the Unit Area

After a general discussion of Milestone Petroleum Limited's application for admission of Lsd. 3 & Lsd. 6 of Section 3-12-26 W.P.M. into the Unit Area, it was unanimously agreed that the following parameters should be used to calculate Tract Participation for each parcel.

1. Production for the six month interval of July 1, 1963 to December 31, 1963 be used for the current production portion of the formula. The six month interval selected represents the latest data available.
2. The average monthly production factor will be determined by using:
 - (a) cumulative oil production to December 31, 1963;
 - (b) calendar months on production up to and including

NORTH VIRDEN SCALLION
ENGINEERING COMMITTEE
JANUARY 15, 1964:

- 2 -

1/28/64

December, 1963:

- (c) penalty factor to be 1 minus (water cut over the July 1, 1963 to December 31, 1963 interval).

Using the above parameters at a $\frac{1}{2}$ to $\frac{1}{2}$ ratio to calculate Tract Participations, resulted in the following:

Proposed Tract 3-3	= 1.21768%
Proposed Tract 6-3	= 0.10111%

Total Proposed Milestone Petroleum Limited Participation in the North Virden Scallion Unit = 1.31879%.

It was unanimously agreed that production parameters, similar to those initially used to form the North Virden Scallion Unit No. 1, were the only equitable means of admitting Milestone Petroleum Limited's Tracts of Lsd. 3, Sec. 3, Twp. 12, Rge. 26, W.P.M., and Lsd. 6, Sec. 3, Twp. 12, Rge. 26, W.P.M. into the Unit Area. However, this may not be an equitable basis for future enlargements. Since voidage is now being exceeded by injection the producing characteristics of any future wells may be affected by the waterflood. If any offsetting wells to the Unit Boundary are drilled, the Operator should be requested to core their wells and run logs that are suitable for determining pay, porosity, water saturation, etc. - such as the I.E.S. and G.R. Sonic Logs. In this way, sufficient data would be provided to arrive at a fair and equitable participation for the newly drilled wells. The Engineering Committee recommends that the Operators' include a statement to this effect when they consider the enlargement to include Milestone.

AGENDA ITEM #3: - Prepare Complete Recommendation for Admission of These Tracts into the Unit for Presentation to the Operators' Committee.

The representatives of the Engineering Committee were in unanimous agreement that the following recommendations be made to the Operators' Committee on the admission of Milestone Petroleum Limited's wells in Lsd. 3 and Lsd. 6 in Sec. 3, Twp. 12, Rge. 26, W.P.M. into the Unit Area:

1. that the Milestone Petroleum Limited's wells in Lsd. 3 and Lsd. 6 Sec. 3, Twp. 12, Rge. 26, W.P.M. be admitted into the Unit Area using the parameters as set out in Agenda Item #2 of these minutes to calculate Tract Participation for these two parcels under consideration.

. /3

2. that revised Tract Participation for all Tracts in the Unit Area be calculated by subtracting the Total Participation for Milestone Petroleum Limited (0.0131879) from 1.000000 and multiplying all the existing Tract Participations by the remainder (0.9868121) so that the ratio of one to the other will remain the same.
3. that The California Standard Company prepare a draft of the submission to be presented to the Oil and Natural Gas Conservation Board for the admission of the Milestone Petroleum Limited Tracts into the Unit Area.
4. Milestone should participate in the investment account on the following basis:
 - (a) They should purchase their share of facilities installed since the effective date for cash.
 - (b) They should participate in the remainder of the investment account on the same basis as the present Working Interest Owners as set out in the Plan for Unit Operation.

AGENDA ITEM #4: - Other Business

Since there was no further business, the Chairman adjourned the meeting at 11:00 A.M.

signed by "R. L. Bailey"

R. A. PARK, CHAIRMAN
NORTH VIRDEN SCALLION UNIT NO. 1
ENGINEERING COMMITTEE

DRH/ml

R E S O L U T I O N

BE IT RESOLVED by and between the Working Interest Owners that the Unit Area be enlarged to include Lsds. 3 and 6 of Section 3-12-26 W.P.M. with the following participations:

Lsd. 3	- Tract 3-3 - Tract Participation	1.21768
Lsd. 6	- Tract 6-3 - Tract Participation	<u>0.10111</u>
	TOTAL Tract Participation	1.31879

subject to

- (1) Milestone participating in the Unit Investment Account on the basis outlined in Part X of the Plan For Unit Operation Governing The Unitized Management, Operation and Further Development of North Virden Scallion Unit No. 1, and
- (2) Milestone Petroleum Limited advance in cash their proportionate share of all capital expenditures incurred subsequent to the Effective Date plus their proportionate share of all pre-unit and inventory costs incurred and approved by the Working Interest Owners,
- (3) Approval of Oil and Natural Gas Conservation Board of Manitoba.

MILESTONE PETROLEUM
LIMITED
446 Seventh Avenue South, Virden, Manitoba

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February 7th, 1964

Mr. A. B. Bristow, Jr., Chairman,
North Virden Scallion Unit No. 1,
California Standard Company,
Medical Arts Building,
Calgary, Alberta

Dear Sir:

RE: North Virden Scallion Unit #1
Admission of Milestone #3 and #6-3-12-26

Following the meeting of the Engineering Committee of January 15, 1964, the Chairman, Mr. R. A. Park, advised us of the outcome of the discussion on the above properties, and requested that we forward a letter notifying you of the intent of Milestone Petroleum Limited regarding same.

Mr. Park q uoted the Tract Participation recommended for #3-3 at 1.21768 and for #6-3 at 0.10111 for a total participation of 1.31879. Milestone Petroleum Limited has no objection to this recommendation and wishes to be advised of the other requirements that this company would have to meet in order to be admitted into the Unit.

Since Milestone Petroleum Limited is a new company and has limited finances, it would be preferred that the portion of capital cost required be withheld from future production, and preferably to be paid out over a period of twelve months.

We trust we will have your comments regarding the above together with any other pertinent information.

Very truly yours,

MILESTONE PETROLEUM LIMITED

signed by "Steve Hegion"

Steve Hegion, B.A.Sc., P.Eng.
Executive Vice-President

SH/G
c.c. R.A. Park (California Standard)
c.c. R.J. Borstad (Milestone)

C
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February 13th, 1964

Milestone Petroleum Limited,
446 - 7th Avenue South,
Virden, Manitoba.

Attention: Mr. S. Hegion

Dear Sir:

Re: North Virden Scallion Unit No. 1

We have your February 7th letter for acknowledgement.

The California Standard Company has considered your preference that Milestone Petroleum Limited's portion of the capital costs be withheld from future production, and while we sympathize with your position, The California Standard Company itself would prefer a cash settlement. We would not, in our position as Unit Operator, like to recommend your suggestion to the other Operators if any possibility of a cash settlement remains open to you.

Your Share of the capital costs based on expenditures to December 31st, 1963 would approximate only \$8,400, although this figure would be adjusted upwards to take care of any expenditures subsequent to January 1st, 1964 to the date Milestone Petroleum Limited enters the Unit.

It would be appreciated if you would reconsider your position and advise at the earliest possible moment whether a cash settlement would be acceptable to Milestone Petroleum Limited.

Yours very truly,

"ORIGINAL SIGNED BY
A. B. BRISTOW, JR."

A. B. BRISTOW, JR., CHAIRMAN
NORTH VIRDEN SCALLION UNIT NO. 1

IMS/ml

c.c. C.F. Kirkvold
A.S. McCrae

MILESTONE PETROLEUM
LIMITED
446 Seventh Avenue South, Virden, Manitoba

C
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P
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March 3rd, 1964

North Virden Scallion Unit No. 1,
c/o California Standard Company,
Medical Arts Building,
329A - 6th Avenue, S. W.,
Calgary, Alberta

Attention: A. B. Bristow, Jr., Chairman

Dear Sir:

RE: North Virden Scallion Unit No. 1

Following your letter of February 13, 1964, the officers of Milestone Petroleum Limited met and discussed the matter of capital costs, and it was agreed that a cash settlement would be made regarding this item with respect to entry into the North Virden Scallion Unit.

We trust that the foregoing now complies with your request and that you will proceed with the other necessary arrangements.

Very truly yours,

MILESTONE PETROLEUM LIMITED

signed by "Steve Hegion"

Steve Hegion, B.A.Sc., P.Eng.,
Executive Vice-President

SH/G
c.c. R. J. Borstad
c.c. R. Park

NORTH VIRDEN SCALLION UNIT #1

SUMMARY SHOWING CAPITAL EXPENDITURES FROM EFFECTIVE DATE
TO DECEMBER 31, 1963 AND MILESTONE PETROLEUM LIMITED'S
PARTICIPATING SHARE OF THESE COSTS

Capital Expenditures Incurred	
August 1, 1962 to December 31, 1963	593,111.00
Pre-Unit Costs	38,751.37
Inventory Costs	3,447.90
	<hr/>
	635,310.27
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Milestone's Participating Percentage	1.31879%
Milestone's Share of Above Costs & Expenditures	\$8,378.41
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Amount of Milestone's Payment Applicable to Unit Investment Account	\$7,093.47

NOTE: The above cost summary will be subject to adjustment for expenditures to be made from January 1, 1964 to Effective Date of the Unit enlargement to include Milestone's tracts.