

UNIT AGREEMENT

SOUTH PIERSON UNIT NO. 3

MANITOBA

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UNIT AGREEMENT
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EXHIBITS

Exhibit "A"	
• Part I	Description of Each Tract
• Part II	Unit Participation
Exhibit "B"	Plat of Unit Area
Exhibit "C"	Reproduction of Portion of Log

UNIT AGREEMENT

SOUTH PIERSON UNIT NO. 3

WHEREAS the Parties own Royalty Interests and Working Interests, or either of them, in the Unitized Zone; and
WHEREAS the Parties desire that the Unitized Zone be developed, produced and operated as a unit, all as hereinafter provided.

NOW THEREFORE in consideration of the covenants herein contained, the Parties agree as follows:

ARTICLE I

DEFINITIONS

101. Definitions

In this Agreement:

- (a) "Effective Date" means the time and date referred to in Article XIV;
- (b) "Formation" means those formations underlying the lands within the Unit Area which are identified as the top of the Spearfish (Lower Amaranth) to the base of the Alida (Mission Canyon) whereby it is recommended that the standard reference section for these formations be the interval between 985.4 mKB and 1054.0 mKB in the Home Pierson 00/12-15-002-29 W1M/0 well, situated in legal subdivision twelve of section fifteen, township two, range twenty-nine, west of the first meridian, a reproduction of a portion of the Neutron-Density Log is identified in Exhibit "C";
- (c) "Lease" means an instrument granting a Working Interest in the Unitized Zone;
- (d) "Minister" means the member of the Executive Council charged by the Lieutenant Governor in Council with the administration of the Oil and Gas Act of Manitoba;
- (e) "Outside Substances" means any substances initially obtained from any source other than the Unitized Zone or any Unitized Substances with respect to which royalty has been paid;
- (f) "Party" means a person who is bound by this Agreement;
- (g) "Petroleum Branch" means the Manitoba Innovation Energy and Mines established under the Oil and Gas Act;
- (h) "Petroleum Substances" means petroleum, natural gas and other hydrocarbons (except coal) or any of them;
- (i) "Royalty Interest" means:
 - (i) an ownership fee simple or similar freehold ownership estate, in respect of Petroleum Substances in or producible from the Unitized Zone, or
 - (ii) a right to a share of Petroleum Substances produced from the Unitized Zone, to a share of the proceeds from the sale of such Petroleum Substances, or to a payment based on the quantity or value of such Petroleum Substances,

but does not include a Working Interest, the interest of a purchaser of such Petroleum Substances after production, a mortgage, charge or other security interest, or any right of a government or governmental agency to a payment in respect of taxes or similar assessments;

- (j) "Royalty Owner" means a Party owning a Royalty Interest in the Unitized substances;
- (k) "Spacing Unit" means the area allocated to a well by the Petroleum Branch with respect to the Unitize Zone for the purpose of drilling for or producing Petroleum Substances;
- (l) "Tract" means a parcel of land described and given a Tract number in Exhibit "A" and shown in Exhibit "B";
- (m) "Tract Participation" means the effective percentage allotted to a Tract pursuant to Article VI and set forth in Exhibit "A";
- (n) "Unit Area" means the lands described in Exhibit "A" and shown in Exhibit "B";
- (o) "Unit Operations" means any operations or activities undertaken on behalf of the Working Interest Owners in connection with the development or exploitation of the Unitized Zone, the production or other handling of Unitized Substances or the installation, operation, maintenance or removal of equipment or facilities, insofar as such operations or activities have been authorized or provided for under this Agreement;
- (p) "Unit Operator" means the person who is so designated by the Working Interest Owners;
- (q) "Unit Participation" means, with respect to each Working Interest Owner, the sum of all of its Tract Participation shares as set forth in Part I of Exhibit "A";
- (r) "Unitized Substances" means Petroleum Substances in or obtained from the Unitized Zone;
- (s) "Unitized Zone" means the Formation within the Unit Area;
- (t) "Working Interest" means any right to produce and dispose of Petroleum Substances from the Unitized Zone including an interest chargeable with any costs of drilling for, recovery of and disposal of Petroleum Substances therefrom; and
- (u) "Working Interest Owner" means a Party owning a Working Interest.

ARTICLE II
EXHIBITS

201. Exhibits

The following exhibits are attached to and incorporated in this Agreement:

- (a) Exhibit "A", Part I which numbers and describes each Tract and, with respect to each Tract:
 - (i) sets forth its Tract Participation,
 - (ii) sets forth the names of the owners of the Working Interests therein, their respective percentage Working Interests therein, and their respective shares of the Tract Participation therefor,
 - (iii) sets forth the names of the owners of the Royalty Interests therein, and
 - (iv) identifies the Lease relating thereto, if any,and Part II which lists all of the Working Interest Owners and sets forth their respective Unit Participations;

- (b) Exhibit "B" which is a plat or map of the Unit Area; and
- (c) Exhibit "C" which is a reproduction of a portion of the Neutron Gamma Ray logs referred to in subclause (b) of Clause 101 hereof.

202. Exhibits Correct

Each exhibit shall be deemed conclusively to be correct to the effective time of a revision or correction thereof as herein provided.

203. Correction of Exhibits

If any mistake or mechanical error occurs in an exhibit, the Unit Operator may, or upon request of a Party shall, prepare a corrected exhibit but the data used in establishing Tract Participations shall not be re-evaluated.

204. Effective Time

Any corrected exhibit prepared on or before the Effective Date or within ninety (90) days thereafter shall be effective on the Effective Date. Any corrected exhibit prepared after the said ninety (90) days shall be effective at 7:00 a.m., Central Standard Time, on the first day of the first calendar month after it has been supplied to the Minister in accordance with clause 205.

205. Supplying of Exhibits

Each time that an exhibit is revised or corrected pursuant to this Agreement, the Unit Operator shall supply the Minister with one or more copies, as required, and shall supply each Working Interest Owner with the number of copies of the exhibit that it requests. Each Working Interest Owner shall supply each of its Royalty Owners, except the Crown, with a copy of the revised exhibit.

206. Form of Revised or Corrected Exhibits

Exhibits that are revised or corrected shall show the effective time of the revision or correction in accordance with clause 204 and shall be numbered consecutively.

**ARTICLE III
UNITIZATION AND EFFECT**

301. Unitization

On and after the Effective Date the interests of each Royalty Owner and of each Working Interest Owner in the Unitized Substances and in the Unitized Zone are hereby unitized, as if the Unitized Zone had been included in a single lease executed by the Royalty Owners, as lessors, in favour of the Working Interest Owners, as lessees, and as if the lease had been subject to this Agreement.

302. Personal Property Excepted

All leases, well equipment and facilities heretofore or hereafter placed by any of the Working Interest Owners on lands in the Unit Area shall be deemed conclusively to be and shall remain personal property belonging to and may be removed by the Working Interest Owners.

303. Continuation of Leases

All operations conducted with respect to the Unitized Zone or production of Unitized Substances shall, except for the purpose of calculating payments to Royalty Owners, be deemed conclusively to be operations upon or production from all of the Unitized Zone in each Tract, and such operations or production shall continue in force and effect each Lease and any other agreement or instrument relating to the Unitized Zone or Unitized

Substances as if such operations had been conducted on and a well was producing from each Tract or Spacing Unit, or portion thereof, in the Unit Area.

304. Leases Amended

Each Lease and any other agreement or instrument relating to the Unitized Zone or Unitized Substances is hereby amended only to the extent necessary to make it conform to this Agreement.

305. Ratification of Leases

Except for a Lease in respect of which a court action has been commenced and adjudication thereof is pending on the Effective Date, each Royalty Owner hereby ratifies and confirms any Lease, as amended by this Agreement, to which it is a party and agrees that no default exists with respect thereto and that any such Lease is in effect as of the Effective Date.

306. Effect of Unitization on Titles

Nothing herein shall be construed as a transfer or exchange of any interest in the Leases, Tracts or Unitized Zone, or in the Unitized Substances before production thereof.

307. Name

The name of the unit hereby constituted is "South Pierson Unit No. 3".

ARTICLE IV
AUTHORITY TO WORKING INTEREST OWNERS

401. Operations

The Working Interest Owners are hereby granted the right to develop and operate the Unitized Zone without regard to the provisions of the Leases or the boundary lines of the Tracts or Spacing Units in such manner and by such means and methods as the Working Interest Owners consider appropriate. Without limiting the generality of the foregoing, the Working Interest Owners shall have the right to inject any substance or combination of substances into the Unitized Zone and convert and use as injection wells any wells now existing or hereafter drilled into the Unitized Zone.

The Working Interest Owners are also hereby granted the right, subject to Petroleum Branch approval, to pool Spacing Units located in the Unit Area with Spacing Units located outside of the Unit Area for the purpose of drilling a horizontal well. The Spacing Unit for such horizontal wells shall be deemed to be the area as specified in the Oil and Gas Act and the Crown Royalty and Incentive Regulation (Manitoba). The share of production from such horizontal wells shall be calculated using the same methodology as set out in the above-noted Act and Regulation.

The Working Interest Owners are also hereby granted the right, subject to petroleum Branch approval, to drill horizontal or vertical injection wells within 50 meters of the boundary of South Pierson Unit No. 3 and the Working Interest Owners consent to such wells being produced prior to their conversion to injection wells.

402. Delegation

The Working Interest Owners may delegate to the Unit Operator any of the rights and powers herein or otherwise granted to them.

ARTICLE V
INCLUSION AND QUALIFICATION OF TRACTS

501. Tracts Included on Effective Date

The Tracts that are included in the Unit Area as of the Effective Date are those Tracts that are qualified under clause 502:

- (a) before the Effective Date; or
- (b) on or within ninety (90) days after the Effective Date.

502. Qualification of Tracts

A Tract is qualified for inclusion in the Unit Area when its title has been approved by the Working Interest Owners under clause 1102 and when:

- (a) owners of one hundred per cent (100%) of the Working Interest therein have become Parties and owners of one hundred percent (100%) of the Royalty Interest therein have become Parties; or
- (b) owners of one hundred percent (100%) of the Working Interest therein have become Parties and owners of less than one hundred percent (100%) of the Royalty Interest therein have become Parties; and such owners of Working Interest agree, if required by the other Working Interest Owners, to indemnify the other Working Interest Owners in a firm and manner satisfactory to the other Working Interest Owners for any loss or damages that may be suffered by such other Working Interest Owners in respect of claims and demands that, because of the inclusion of the Tract in the Unit Area, may be made by those owners of Royalty Interests in the Tract who have not become Parties.

503. Revision of Exhibits

Within one hundred and twenty (120) days after the Effective Date the exhibits shall be revised by the Unit Operator, if necessary, to set out only those Tracts included in the Unit Area under this Article. The revised Exhibit "A" shall set forth the Tract Participations of the Tracts recalculated on the same basis and using the same data as those used in the calculation of Tract Participations in the original Exhibit "A" and so that their summation is one hundred percent (100%). The exhibits as so revised shall take effect as of the Effective Date.

ARTICLE VI
TRACT PARTICIPATION

601. Tract Participation

Each Tract has Tract Participation as shown on Exhibit "A".

ARTICLE VII
ALLOCATION OF UNITIZED SUBSTANCES PRODUCED

701. Allocation to Tracts

Subject to clauses 707, 801 and 802, the Unitized Substances when produced shall be allocated to the Tracts in accordance with their Tract Participations. The amount of Unitized Substances allocated to each Tract, and only that amount, regardless of whether it is more or less than the amount of actual production of Unitized Substances from the well or wells, if any, on the Tract, shall be deemed conclusively to have been produced from the Tract.

702. Distribution within Tracts

The Unitized Substances allocated to a Tract shall be distributed by the Working Interest Owners thereof among, or accounted for to, the Parties entitled to share in the production from the Tract in the same manner, the same proportions, and upon the same conditions as they would have participated and shared in the production from the Tract, or in the proceeds from the sale thereof, had the Unitized Substances allocated to the Tract been actually produced therefrom by the Working Interest Owners.

703. Calculation of Royalty

For the purpose of calculating royalty with respect to each Tract, the royalty payable under the respective Lease, agreement or other instrument covering such Tract shall be calculated on the Unitized Substances allocated to the Tract, and at the applicable rate under such Lease, agreement or other instrument. The Royalty Owners of each Tract agree to accept payment of royalty so calculated in satisfaction of the obligation of a Working Interest Owner to make royalty payments on Unitized Substances under the Lease, agreement or other instrument covering such Tract, but a lessee under a Lease shall not be relieved from making payment of royalty to its lessor if payment is not made by the Working Interest Owner as aforesaid.

704. Taking Unitized Substances in Kind

The Unitized Substances allocated to a Tract shall be delivered in kind at the time and place of production to the Working Interest Owners entitled thereto who may, if there is no interference with unit operations, construct, maintain and operate in the Unit Area all necessary facilities for taking delivery in kind.

705. Failure to Take in Kind

To the extent that a Party entitled to take in kind any of the Unitized Substances, fails to take or otherwise dispose of them at the time and place of production, then so long as such failure continues, the Unit Operator, as agent and for the account and at the expense of such Party, may sell, store, inject or otherwise dispose of them. Where there is a sale, the net proceeds shall be paid to the Party. The Unit Operator may contract for sale thereof only for the minimum term obtainable, which in no event shall exceed one (1) year. When the Unit Operator has so contracted, the Working Interest Owner may take its share of the Unitized Substances in kind upon the expiration of the current sales contract if it has given the Unit Operator sixty (60) days notice prior to the expiration of the current sales contract that it intends to take its share in kind. Any Party not taking in kind may revoke at will the Unit Operator's authority hereunder by taking in kind all of its share of the Unitized Substances not previously contracted for sale by the Unit Operator.

706. Royalty on Outside Substances

If an Outside Substance is injected into the Unitized Zone, the first like substance contained in the Unitized Substances subsequently produced and sold or used other than for operations hereunder shall be deemed conclusively to be an Outside Substance until a quantity equal to the quantity of the Outside Substance injected into the Unitized Zone is recovered. No royalty shall be payable on any substance that is deemed conclusively to be an Outside Substance.

707. Oil in Lease Tankage and Over-Production as of the Effective Date

- (a) A proper and timely gauge shall be made of all tanks delivered to the Unit Operator to ascertain the amount of oil in such tanks as of the Effective Date. If any wells producing into such tanks have made more than their cumulative production allowances as set by the Petroleum Branch, the amount of such over-production of oil then in such tanks that has, prior to the Effective Date, been produced from those zones, which on the Effective Date became the Unitized Zone, shall be deemed to be Unitized Substances. Except as aforesaid, the oil in such tanks shall remain and be at the risk of and be the property of the person owning the same prior to the Effective Date and upon request shall be delivered in kind to such person or, in the absence of such request, shall be sold by the Unit Operator for the credit of and on behalf of such person at not less than the prevailing wellhead price, and the proceeds thereof shall be paid by the purchaser directly to such person.

- (b) If any production from those zones, which on the Effective Date became the Unitized Zone, was in excess of the cumulative production allowable of any Tract as of the Effective Date and such excess production was sold prior to the Effective Date, the Unit Operator, during each subsequent month after the fifth month next following the Effective Date, shall withhold seventy five percent (75%) of the Unitized Substances that would otherwise be allocated to such Tract except for the provisions of this subclause, and the amount of production so withheld shall be reallocated to all of the Tracts in proportion to their respective Tract Participations. The withholding from such Tract of oil that would otherwise be allocated shall be continued until the accumulated total of such withholding is equal to the amount of production in excess of the cumulative production allowable of such Tract as of the Effective Date.
- (c) No allowance shall be made with respect to any wells that have produced, up to the Effective Date, less than their cumulative production allowables as set by the Petroleum Branch.

ARTICLE VIII
USE, LOSS AND STORAGE OF UNITIZED SUBSTANCES

801. Use or Loss

The Working Interest Owners may use as much of the Unitized Substances, other than crude oil, as they deem necessary for the operation and development of the Unitized Zone including, but not limited to, the injection thereof into the Unitized Zone and in the operation of any plants handling Unitized Substances. Unitized Substances so used or injected and Unitized Substances lost shall be excluded in allocating Unitized Substances to Tracts, and no royalty or other payment shall be payable in respect thereof, except that in the case of Unitized Substances that have been so injected, royalty shall be payable in respect thereof when such Unitized Substances are ultimately recovered from the Unitized Zone and sold or used other than for operations hereunder.

802. Storage

The Working Interest Owners are hereby granted the right to inject Unitized Substances into the Unitized Zone for storage. Unitized Substances so injected shall be excluded in allocating Unitized Substances to Tracts, and no royalty or other payment shall be payable in respect thereof until they are recovered from storage and sold or used other than for operations hereunder.

ARTICLE IX
ENLARGEMENT OF UNIT AREA

901. Application for Enlargement

After the expiry of ninety (90) days from the Effective Date, if an owner of a Working Interest in lands in the vicinity of the Unit Area indicated to be potentially productive of Petroleum Substances from the Unitized Zone makes application for admission of the lands into the Unit Area, the Working Interest Owners may, upon such terms and conditions as they may determine, approve the admission of the lands into the Unit Area. If the lands qualify for inclusion in the Unit Area under clause 502, the Unit Area shall, subject to this Article, be enlarged to include them. Even though an owner of a Royalty Interest in lands approved hereunder for admission into the Unit Area is a Party, the lands shall not qualify for inclusion in the Unit Area unless the owner again executes and delivers a counterpart of this Agreement to the Unit Operator, or the lands otherwise qualify for inclusion in the Unit Area pursuant to subclause (b) of clause 502. The owner of a Working Interest in lands approved hereunder for admission into the Unit Area who is a Party and has made or joined in the application for the admission of said lands need not again execute this Agreement.

902. Adjustment of Tract Participation

The Tract Participation of each Tract added pursuant to clause 901 shall be determined by the Working Interest Owners. The Tract Participations shall then be adjusted so that:

(a) the ratios of the Tract Participations of Tracts shown on Exhibit "A" immediately prior to the enlargement of the Unit Area remain the same to each other; and

(b) the total of the Tract Participations for all Tracts of the enlarged Unit Area is one hundred percent (100%).

903. Exhibits

The Unit Operator shall revise Exhibits "A" and "B" as required by the enlargement.

904. Effective Time of Enlargement

An enlargement of the Unit Area and an adjustment of Tract Participations under this Article shall take effect at 7:00 a.m., Central Standard Time, on the first day of the first calendar month following Tract qualification for inclusion in the Unit Area under clause 502 and approval of admission thereof under clause 901.

905. No Retroactive Adjustment

There shall be no retroactive adjustment of the allocation of Unitized Substance by reason of an enlargement of the Unit Area under this Article.

906. Minister's Consent

~~Notwithstanding anything to the contrary contained in this Agreement, if the Crown is the owner of any Royalty Interest or Working Interest in any Tract included in the Unit Area, or in any lands proposed to be admitted to the Unit Area pursuant to this Article, no enlargement of the Unit Area shall be carried out until the Minister has in writing consented to such enlargement.~~

ARTICLE X
DISPUTES

1001. Disputes

If the title or right of a Party to receive in kind all or any portion of the Unitized Substances allocated to a Tract, or any share of the proceeds from the sale thereof, is in dispute, the Party concerned shall forthwith give notice thereof to the Unit Operator. If the Unit Operator is so notified or if the Unit Operator is directed to do so by the Working Interest Owners in the event that the Unit Operator is otherwise informed of the dispute, the Unit Operator shall withhold and sell the portion of Unitized Substances the title or right to which is in dispute, and hold in trust the proceeds from the sale thereof until:

(a) the Party concerned furnishes security in a form and manner satisfactory to the Working Interest Owners for the proper accounting thereof to the rightful owner or owners if the title or right of the Party fails in whole or in part, whereupon the proceeds shall be paid to the Party; or

(b) the title or right thereto is established by a final judgment of a Court or otherwise to the satisfaction of the Working Interest Owners, whereupon such proceeds shall be paid to the Party or parties rightfully entitled.

If the Unit Operator does not comply with this clause because it is not notified of a dispute by a Party concerned, that Party hereby agrees to indemnify and save harmless the Unit Operator from any loss or damage suffered because of anything done or omitted to be done by the Unit Operator because it was not notified.

ARTICLE XI
APPROVAL OF TITLES

1101. Titles Committee

The Working Interest Owners shall appoint a titles committee, which shall investigate the ownership of all Tracts. Each Working Interest Owner shall submit to the titles committee such data and information as the titles committee may reasonably require from time to time. The titles committee shall report the results of its investigation to the Working Interest Owners specifying the titles to the Tracts it unanimously recommends for approval.

1102. Approval of Titles by Working Interest Owners

The Working Interest Owners may approve:

- (a) the titles of Working Interest Owners to Tracts that have been unanimously recommended for approval by the titles committee; and
- (b) the titles of Working Interest Owners to Tracts that have not been unanimously recommended for approval by the titles committee but with respect to which the Working Interest Owners of such Tracts have agreed to indemnify the other Working Interest Owners, in a form and manner satisfactory to the other Working Interest Owners, from loss or damage that may be suffered by them in respect of claims and demands made because of subsequent failure of the Working Interest Owners' title.

Notwithstanding the foregoing, the Working Interest Owners may approve any title that has not been unanimously recommended for approval by the titles committee.

1103. Subsequent Failure of Title

If the title of a Working Interest Owner to a Tract fails, the Tract shall be excluded from this Agreement as of 7:00 a.m., Central Standard Time, on the first day of the calendar month in which the failure of title is finally determined unless:

- (a) any other Party, other than the Crown, is held or declared to own the title in which event that Party shall be bound by this Agreement in respect of the Tract; or
- (b) by the last day of the next following calendar month the Tract qualifies for inclusion in the Unit Area pursuant to clause 502.

1104. Revision of Exhibits

The Unit Operator shall revise the exhibits to reflect any change in ownership in or exclusion from this Agreement of a Tract pursuant to clause 1103. Where a Tract is excluded, the Tract Participations of the Tracts shall each be increased, without changing their ratios to each other, so that their summation is one hundred per cent (100%). The revised exhibits shall take effect as of 7:00 a.m., Central Standard Time, on the first day of the calendar month in which the failure of title referred to in clause 1103 is finally determined.

ARTICLE XII
TRANSFER OF INTEREST

1201. Disposition

In this clause "disposition" means a sale, assignment, transfer, lease, sublease, conveyance, parting with possession, or any transaction of a similar nature, whether by trust or otherwise. A disposition of an interest owned by a Working Interest Owner in a Tract shall cover the whole or an undivided interest in the Party's interest

in such Tract. If a Royalty Owner assigns its interest in whole or in part to more than one party, each Working Interest Owner shall only be required to recognize one party as representative with respect to all matters under this agreement. Such representative may be changed from time to time by notice in writing given by the then current representative. A disposition shall not be binding on the Unit Operator until the acquiring Parties or parties who are not Parties have executed and delivered to Unit Operator counterparts of the agreement and at least one of the parties have given notice thereof to the Unit Operator. The Unit Operator shall revise the exhibits to reflect each disposition of an interest in a Tract and the revised exhibits shall take effect as of 7:00 a.m., on the first day of the calendar month next following the calendar month in which the notice is received by the Unit Operator.

**ARTICLE XIII
IN GENERAL**

1301. Execution in Counterpart

This Agreement may be executed in separate counterparts, and all of the executed counterparts shall together constitute one instrument and have the same force and effect as if all of the persons executing such counterparts had executed the same instrument. The Unit Operator shall, upon request therefor, provide a complete set of photocopied counterpart execution pages to each Party requesting the same.

1302. Dual Capacity

~~If a Party owns a Working Interest and a Royalty Interest, its execution and delivery of a counterpart of this Agreement shall constitute execution and delivery in both capacities.~~

1303. Subsequent Execution

An owner of an interest in a Tract who has not become a Party as of the date the Tract was included in the Unit Area under Article V or IX, may become a Party with respect to that interest only on such terms and conditions as may be prescribed by the Working Interest Owners.

1304. No Partnership

The duties and obligations of the Parties shall be separate and not joint or collective. Nothing contained in this Agreement shall be construed to create a partnership or association.

1305. Force Majeure

Neither the Unit Operator nor any Party shall be deemed to be in default with respect to non-performance of its obligations hereunder, other than financial, if and so long as its non-performance is due, in whole or in part, to any cause beyond its reasonable control, but lack of funds shall not be a cause beyond a Party's reasonable control. The performance of such obligations shall begin or be resumed within a reasonable time after such cause has been removed. Neither this Agreement nor any Lease or any other agreement or instrument relating to the Unitized Zone or Unitized Substances shall terminate by reason of suspension of unit operations for the cause set forth in this clause.

1306. Taxes

Each Party shall be separately liable to the extent of its ownership for all taxes on Unitized Substances and with respect to the production or sale of Unitized Substances. A Working Interest Owner may, at any time and from time to time, pay said taxes on behalf of its Royalty Owner and deduct the amount of the payment from the Royalty Owner's royalty. Taxes on production or the value thereof shall be adjusted so that they are borne as if the basis of taxation was the allocation of Unitized Substances hereunder.

1307. Right of Redemption

A Working Interest Owner may, at any time and from time to time, with full rights of subrogation, redeem for its Royalty Owner any agreement for sale, mortgage, or other lien or encumbrance of any kind or nature affecting any interest in the Unit Area in the event of default of payment by the Royalty Owner and may deduct the amount of any payment made hereunder from the Royalty Owner's royalty.

1308. Interpretation

The clause headings in this Agreement shall not be considered in interpreting the text.

1309. Number and Gender

In this Agreement words importing the singular include the plural and vice versa; words importing the masculine gender include the feminine and vice versa; and words importing persons include firms or corporations and vice versa.

1310. Compliance with Legislation

The provisions of the Oil and Gas Act and regulations of Manitoba thereunder, as amended from time to time take precedence over this agreement

1311. Governing Law

This Agreement shall be construed in accordance with the laws of the Province of Manitoba, and the courts having exclusive original jurisdiction with respect to any matter or thing arising directly or indirectly relating to this agreement shall be the courts of the Province of Manitoba and each of the Parties hereto hereby irrevocably attorns to the jurisdiction of the court of the Province of Manitoba.

1312. Notices

All notices to the Unit Operator shall be in writing, delivered or mailed postage prepaid to the Unit Operator at its business office in the city of Calgary, Alberta. Notices mailed shall be deemed to have been received 72 hours after the date of mailing, excluding Saturdays, Sundays and statutory holidays. Notices sent by telecommunications shall be deemed to have been received twelve (12) hours after the sending thereof. No Party shall mail any notice hereunder during any period in which Canadian postal workers are on strike or if any such strike is imminent and may be anticipated to affect normal delivery.

1313. Time is of the Essence

In this Agreement time is of the essence.

1314. Inuring Clause

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators, successors and assigns.

ARTICLE XV
EFFECTIVE DATE

1401. Effective Date

The unitization provided for herein shall become effective at 7:00 a.m., on the first day of the first calendar month following the date of:

- (a) the qualification for inclusion in the Unit Area under clause 502 of Tracts having a combined Tract Participation of one hundred per cent (100%) of the total Tract Participation as originally set out in Exhibit "A", and
- (b) the filing of an executed copy of this Agreement with the Petroleum Branch.

1402. Notice of Effective Date

As soon as possible after the Effective Date, the Unit Operator shall notify all Working Interest Owners and the Minister of the Effective Date and of the Tracts qualified for inclusion in the Unit Area as of the Effective Date, and each Working Interest Owner shall advise each of its Royalty Owners, except the Crown, of the Effective Date.

1403. Release of Parties

This Agreement shall cease to bind the Parties if the unit operation provided for herein has not become effective on or before the 1st day of January, 2013.

ARTICLE XV
TERM

1501. Effect of Execution and Delivery

Subject to clause 1403, this Agreement is binding upon a person who executes and delivers a counterpart thereof to the Unit Operator, and that person is bound by this Agreement as of the time of such delivery. This Agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the Parties, but if a Tract proposed for inclusion is not included in the Unit Area under Article V, the Parties owning interests therein shall be completely released from this Agreement with respect to it upon the expiration of ninety (90) days after the Effective Date.

1502. Termination

This Agreement terminates ninety (90) days after all wells for the production of Utilized Substances in the Unit Area have been abandoned or plugged, and thereafter the Parties shall be governed by the terms and provisions of their Leases and contracts

1503. Salvaging Equipment upon Termination

The Royalty Owners grant to the Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with unit operations

1504. Notice to Royalty Owners

The Working Interest Owners shall give notice in accordance with their Leases to their respective Royalty Owners of the termination of this Agreement within thirty (30) days thereafter

IN WITNESS WHEREOF each of the Parties has executed this Agreement on the date shown opposite its name hereunder.

DATE: _____, 2012

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF MANITOBA

ADDRESS FOR SERVICE:

Manitoba Innovation Energy & Mines
Petroleum Branch
360, 1395 Ellice Avenue
Winnipeg, Manitoba
R3G 3P2

Fax No. (204) 945-0586

This is the execution page of the Agreement entitled "Unit Agreement" – South Pierson Unit No. 3"

EXHIBIT “A”

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
“UNIT AGREEMENT – SOUTH PIERSON UNIT NO. 3”

List of Abbreviations

Royalty Owners

Group A	74800 Manitoba Ltd. – 100%
Group B	5687005 Manitoba Ltd. – 25% Eldon and Bonnie Ball – 25% Canadian Natural Resources – 50%
Group C	Crossman Petroleum – 100%
Group D	Her Majesty the Queen in right of the Province of Manitoba Manitoba Innovation Energy & Mines – 100%

Group E	Robvest Minerals Ltd. - 50% Royalty Trust Corporation and Lovell Stevens – 50%
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Group F	Robvest Minerals Ltd. - 49.6875% Royalty Trust Corporation and Lovell Stevens – 49.6875% Crossman Petroleum – 0.6250%
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Working Interest Owners

CNR	Canadian Natural Resources by its managing partner, Canadian Natural Resources Limited
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EXHIBIT "A" PART I
ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"UNIT AGREEMENT - SOUTH PIERSON UNIT NO. 3"

Tract No.	Land Description (W1M)	Lease Number	Royalty Owner	Tract Participation (%)	Working Interest Owner	Share of Working Interest (%)	Share of Tract Participation (%)
1	11-03-002-29W1	Freehold	Group A	1.852856918	CNR	100	1.852856918
2	12-03-002-29W1	Freehold	Group A	1.666933608	CNR	100	1.666933608
3	13-03-002-29W1	Freehold	Group A	1.326091343	CNR	100	1.326091343
4	14-03-002-29W1	Freehold	Group A	1.605387222	CNR	100	1.605387222
5	01-10-002-29W1	Freehold	Group B	1.662575058	CNR	100	1.662575058
6	02-10-002-29W1	Freehold	Group B	1.700761328	CNR	100	1.700761328
7	03-10-002-29W1	Freehold	Group C	1.451136903	CNR	100	1.451136903
8	04-10-002-29W1	Freehold	Group C	1.410448798	CNR	100	1.410448798
9	05-10-002-29W1	Freehold	Group C	1.470119490	CNR	100	1.470119490
10	06-10-002-29W1	Freehold	Group C	1.765379737	CNR	100	1.765379737
11	07-10-002-29W1	Freehold	Group B	2.251524974	CNR	100	2.251524974
12	08-10-002-29W1	Freehold	Group B	1.531464124	CNR	100	1.531464124
13	09-10-002-29W1	L851-528	Group D	1.509469968	CNR	100	1.509469968
14	10-10-002-29W1	L851-528	Group D	1.973421098	CNR	100	1.973421098
15	11-10-002-29W1	Freehold	Group C	2.011697867	CNR	100	2.011697867
16	12-10-002-29W1	Freehold	Group C	1.411983893	CNR	100	1.411983893
17	13-10-002-29W1	Freehold	Group C	2.165608767	CNR	100	2.165608767
18	14-10-002-29W1	Freehold	Group C	2.418318362	CNR	100	2.418318362
19	15-10-002-29W1	L851-528	Group D	2.312163473	CNR	100	2.312163473
20	16-10-002-29W1	L851-528	Group D	1.907252570	CNR	100	1.907252570
21	03-11-002-29W1	L862-771	Group D	1.830910033	CNR	100	1.830910033
22	04-11-002-29W1	L064-2814	Group D	1.730232099	CNR	100	1.730232099
23	05-11-002-29W1	L064-2814	Group D	1.638135784	CNR	100	1.638135784
24	06-11-002-29W1	L862-771	Group D	1.572420413	CNR	100	1.572420413
25	09-11-002-29W1	L064-2815	Group D	1.511038622	CNR	100	1.511038622

Unit Agreement – South Pierson Unit No. 3

Effective as of the Effective Date

EXHIBIT "A" PART I
ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"UNIT AGREEMENT - SOUTH PIERSON UNIT NO. 3"

Tract No.	Land Description (W1M)	Lease Number	Royalty Owner	Tract Participation (%)	Working Interest Owner	Share of Working Interest (%)	Share of Tract Participation (%)
26	10-11-002-29W1	L064-2815	Group D	1.569690776	CNR	100	1.569690776
27	11-11-002-29W1	L862-770	Group D	1.492247617	CNR	100	1.492247617
28	12-11-002-29W1	L862-770	Group D	1.212659954	CNR	100	1.212659954
29	13-11-002-29W1	L862-770	Group D	1.451557759	CNR	100	1.451557759
30	14-11-002-29W1	L862-770	Group D	1.601735412	CNR	100	1.601735412
31	15-11-002-29W1	L064-2815	Group D	1.564956512	CNR	100	1.564956512
32	16-11-002-29W1	L064-2815	Group D	1.481271869	CNR	100	1.481271869
33	01-14-002-29W1	L012-2195	Group D	1.379822731	CNR	100	1.379822731
34	02-14-002-29W1	L012-2195	Group D	1.517392775	CNR	100	1.517392775
35	03-14-002-29W1	L012-2195	Group D	1.676849466	CNR	100	1.676849466
36	04-14-002-29W1	L862-772	Group D	1.878087896	CNR	100	1.878087896
37	05-14-002-29W1	L113-3560	Group D	2.227272765	CNR	100	2.227272765
38	06-14-002-29W1	L012-2195	Group D	1.791718032	CNR	100	1.791718032
39	07-14-002-29W1	L012-2195	Group D	1.520143778	CNR	100	1.520143778
40	08-14-002-29W1	L012-2195	Group D	1.284676126	CNR	100	1.284676126
41	01-15-002-29W1	Freehold	Group E	2.186180674	CNR	100	2.186180674
42	02-15-002-29W1	Freehold	Group E	2.227816662	CNR	100	2.227816662
43	03-15-002-29W1	Freehold	Group F	2.563653823	CNR	100	2.563653823
44	06-15-002-29W1	Freehold	Group F	2.104638810	CNR	100	2.104638810
45	07-15-002-29W1	Freehold	Group E	1.989021765	CNR	100	1.989021765
46	08-15-002-29W1	Freehold	Group E	2.218130142	CNR	100	2.218130142
47	09-15-002-29W1	Freehold	Group E	1.830353026	CNR	100	1.830353026
48	10-15-002-29W1	Freehold	Group E	1.700430974	CNR	100	1.700430974
49	11-15-002-29W1	Freehold	Group E	1.839313314	CNR	100	1.839313314

EXHIBIT "A" PART I
ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"UNIT AGREEMENT - SOUTH PIERSON UNIT NO. 3"

Tract No.	Land Description (W1M)	Lease Number	Royalty Owner	Tract Participation (%)	Working Interest Owner	Share of Working Interest (%)	Share of Tract Participation (%)
50	12-15-002-29W1	Freehold	Group E	2.225427294	CNR	100	2.225427294
51	13-15-002-29W1	Freehold	Group E	1.876367403	CNR	100	1.876367403
52	14-15-002-29W1	Freehold	Group E	2.068792593	CNR	100	2.068792593
53	15-15-002-29W1	Freehold	Group E	1.735598825	CNR	100	1.735598825
54	16-15-002-29W1	Freehold	Group E	1.631636482	CNR	100	1.631636482
55	09-16-002-29W1	Freehold	Group D	2.400581419	CNR	100	2.400581419
56	16-16-002-29W1	Freehold	Group D	2.064640875	CNR	100	2.064640875
TOTALS				100.0000			100.0000

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
“UNIT AGREEMENT – SOUTH PIERSON UNIT NO. 3”

Working Interest Owner

Canadian Natural Resources
By its managing partner
Canadian Natural Resources Limited

Unit Participation

100%

EXHIBIT "B"

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"UNIT AGREEMENT - SOUTH PIERSON UNIT NO. 3"



00/12-15-002-29W1/0

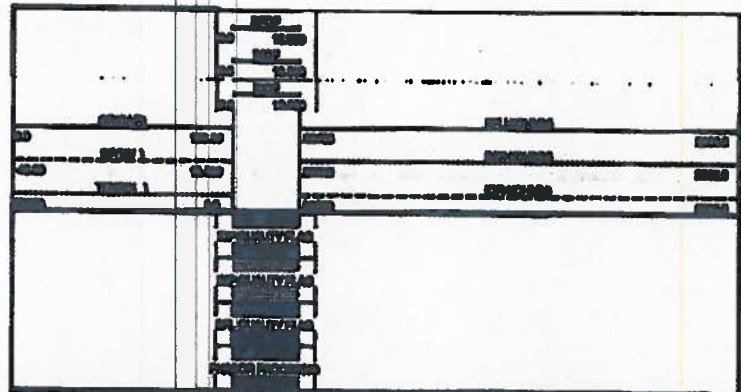
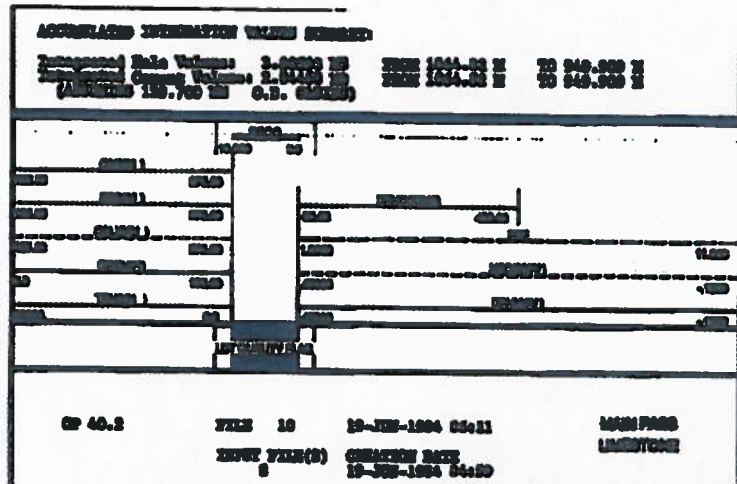
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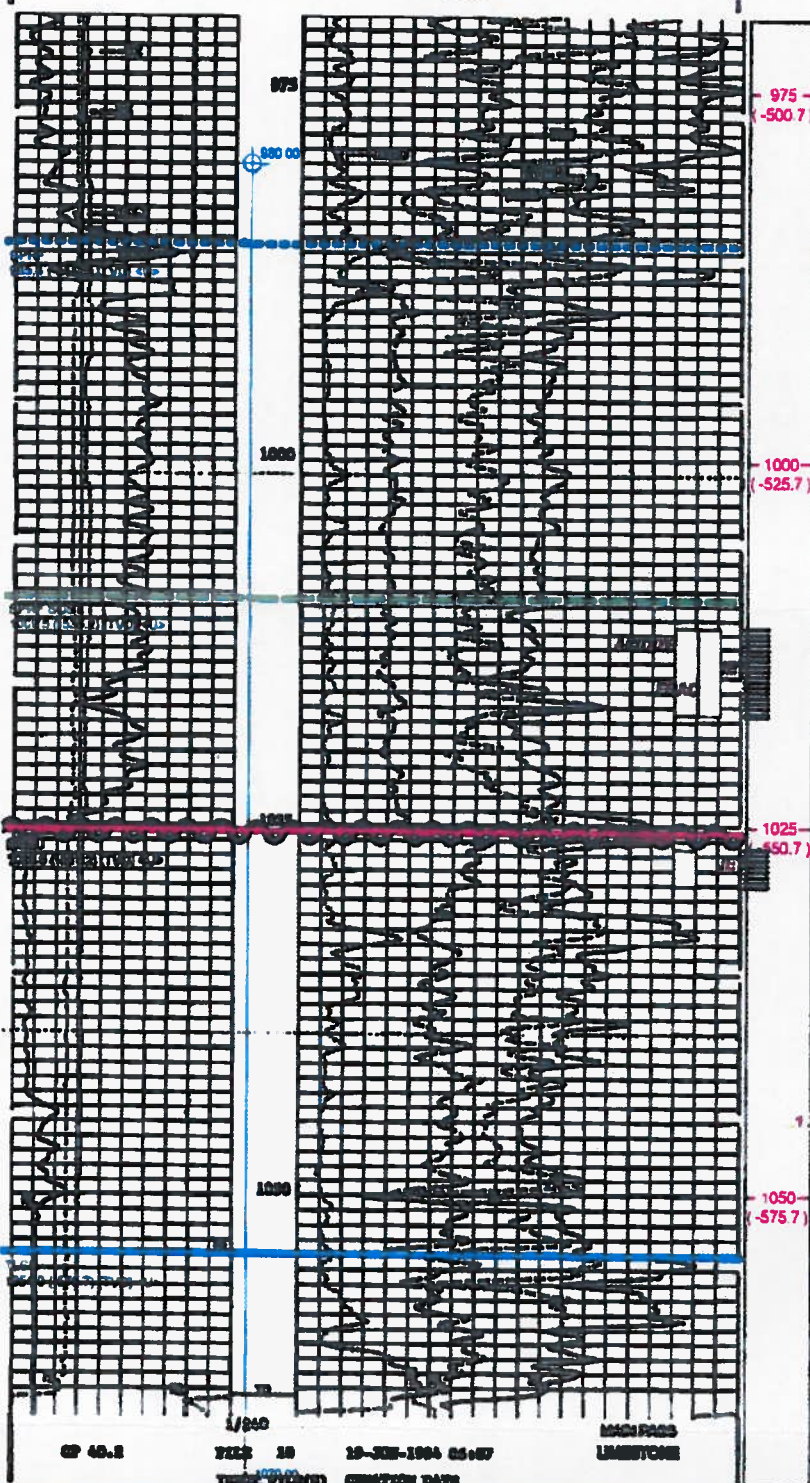
EXHIBIT "C"

ATTACHED TO AND MADE PART OF THE
"UNIT AGREEMENT - SOUTH PIERSON UNIT NO. 3"

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Density Log - Neutron Gamma Ray Log



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SANDSTON!

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