

NORTH VIRDEN SCALLION UNIT NO. 2

UNIT AGREEMENT

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UNIT AGREEMENT

NORTH VIRDEN SCALLION UNIT NO. 2

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, 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) "Conservation Board" means The Oil and Natural Gas Conservation Board of the Province of Manitoba;
- (b) "Effective Date" means the time and date referred to in Article XIV;
- (c) "Lease" means an instrument granting a Working Interest in any lands in the Unit Area;

- (d) "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;
- (e) "Party" means a person who is bound by this Agreement;
- (f) "Petroleum Substances" means petroleum, natural gas and related hydrocarbons (except coal) and all substances whether gaseous, liquid or solid, which are produced in association therewith, or any of them;
- (g) "Royalty Interest" means
- (i) an ownership, fee simple, or similar estate in Petroleum Substances in 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, or a mortgage, charge or like interest granted as security in a financial transaction;

- (h) "Royalty Owner" means a Party owning a Royalty Interest in or in respect of Unitized Substances;
- (i) "Spacing Unit" means the area allocated to a well by the Conservation Board with respect to the Unitized Zone for the purpose of drilling for or producing Petroleum Substances;
- (j) "Tract" means a parcel of land described and given a Tract number in Exhibit "A" and shown outlined on Exhibit "B";
- (k) "Tract Participation" means the Participation percentage allocated to a Tract pursuant to Article VI and set forth in Exhibit "A";
- (l) "Unit Area" means the lands described in Exhibit "A" and shown outlined on Exhibit "B";
- (m) "Unit Operations" means any operations or activities undertaken in connection with the Unitized Zone, the production or 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 or the Unit Operating Agreement;
- (n) "Unit Operator" means the person who is so designated under the Unit Operating Agreement;
- (o) "Unit Operating Agreement" means the agreement entitled "Unit Operating Agreement - North Virden

Scallion Unit No. 2" entered into by the Working Interest Owners;

(p) "Unitized Zone" means the Scallion member of the Lodgepole Formation of the Mississippian Age underlying the lands within the Unit Area as same is shown on the compensated neutron litho-density log of the ICGR et al Scallion Prov 14-29-11-26 WPM well in 14-29-11-26 WPM, in the Province of Manitoba between the intervals of 633 metres and 645 metres as measured from the kelly bushing at 14-29-11-26 WPM and shown on Exhibit "C";

(q) "Unitized Substances" means Petroleum Substances in or obtained from the Unitized Zone;

(r) "Working Interest" means any interest which entitles the owner thereof to produce and dispose of, or to participate in the production and disposition of, Petroleum Substances from the Unitized Zone, and with which is associated a responsibility to bear all or a portion of the costs of recovering such Petroleum Substances;

(s) "Working Interest Owner" means a party owning a Working Interest in or in respect of Unitized Substances;

(t) "Minister" means the member of the executive Council charged by the Lieutenant Governor in Council with the administration of The Mines Act of Manitoba.

ARTICLE II

EXHIBITS

201. Exhibits

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

- (a) Exhibit "A" which numbers and describes each Tract and sets forth its Tract Participation, the names of the Owners of the Working Interest and their respective shares of the Working Interest, together with the names of the Royalty Owners and their respective shares of the Royalty Interest;
- (b) Exhibit "B" which is a plan of the Unit Area identifying the Tracts;
- (c) Exhibit "C" which is a reproduction of a portion of the compensated neutron litho-density log referred to in sub-clause 101(p) 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, Unit Operator may, or upon request of the Working

Interest Owners 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 90 days thereafter shall be effective on the Effective Date. Any corrected exhibit prepared after the said 90 days shall be effective at 8:00 a.m. on the first day of the calendar month next following its preparation or on such other date as is determined by the Working Interest Owners.

205. Supplying of Exhibits

Each time that an exhibit is revised or corrected pursuant to this agreement, Unit Operator shall supply the Conservation Board and the Department of Energy and Mines, Manitoba with two copies each and shall supply each Working Interest Owner with the number of copies of the exhibit it requests. Each Working Interest Owner shall supply each of its Royalty Owners, excepting the Crown, with a copy thereof.

206. Form of Revised or Corrected Exhibits

Exhibits that are revised or corrected shall show the effective time of the revision or correction 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, in accordance with the provisions of this agreement.

302. Personal Property Excepted

All lease and well equipment heretofore or hereafter placed by any of the Working Interest Owners on lands comprised 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. The Working Interest Owners' rights and interests therein are set forth in the Unit Operating Agreement.

303. Continuation of Leases

All Unit Operations and all 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, or a well had been drilled and was producing from each Tract or Spacing Unit, or portion thereof, in the Unit Area.

If from time to time during the term of this Agreement the production of Unitized Substances and the conduct of other Unit Operations is temporarily interrupted or suspended:

(a) for any period not exceeding ninety (90) consecutive days or

(b) for any period during which an event of force majeure contemplated by clause 1305 is in effect,

then, for the purposes of this clause 303, Unitized Substances shall be deemed to have been produced throughout any such period.

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 Royalty Owner is involved in a court action which has been commenced and is pending on the Effective Date, each Royalty Owner hereby ratifies each Lease, as amended by this agreement, to which it is a party, and hereby confirms that no notice of default has been given and remains outstanding with respect to any such Lease, and that each Lease is in effect as of the Effective Date. The provisions of this clause 305 do not constitute a waiver, and shall not give rise to an estoppel, of any right to pursue the enforcement of any outstanding obligation under any such Lease.

306. Effect of Unitization on Titles

Nothing in this agreement, nor the Unit Operating Agreement 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 "North Virden Scallion Unit No 2".

ARTICLE IV

AUTHORITY TO WORKING INTEREST OWNERS

401. Operations

The Working Interest Owners are hereby granted the right to develop, purchase and operate the Unitized Zone without regard to the provisions of the Leases or the boundary lines of the Tract 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 to convert and use as injection wells any wells now existing or hereafter drilled into the Unitized Zone.

402. Delegation

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

403. Vote of Working Interest Owners

Any matter to be determined under this agreement by the Working Interest Owners may be determined by vote of the parties to the Unit Operating Agreement as prescribed therein.

ARTICLE V

INCLUSION AND QUALIFICATION OF TRACTS

501. Tracts Included on Effective Date

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

- (a) before the Effective Date; or
- (b) on or within 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 percent (100%) of the Working Interest therein have become Parties and parties to the Unit Operating Agreement 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 Interests therein have become Parties and parties to the Unit Operating Agreement and owners of less than one hundred percent (100%) of the Royalty Interest therein have become Parties, and such owners of Working Interests agree, if required by the other Working Interest Owners, to indemnify the other Working

Interest Owners in a form and manner satisfactory to them 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; or

- (c) owners of Working Interest therein have agreed with the owners of Working Interests then Parties and parties to the Unit Operating Agreement as to the basis on which the Tract shall become qualified, where the Tract cannot be qualified pursuant to subclause (a) or (b) of this clause.

503. Revision of Exhibits

Within 120 days after the Effective Date the exhibits shall be revised, 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 that used in the calculation of Tract Participations in the original Exhibit "A" and so that their summation is 100 per cent. The exhibits as so revised shall be effective as of the Effective Date.

ARTICLE VI
TRACT PARTICIPATION

601. Tract Participation

Each Tract has an interim Tract Participation and a final Tract Participation as shown on Exhibit "A". The interim Tract Participation shall be effective for the period commencing on the start of waterflood injection and continuing for a period of twelve (12) months, and thereafter the final Tract Participation shall be effective.

ARTICLE VII
ALLOCATION OF UNITIZED SUBSTANCES PRODUCED

701. Allocation to Tracts

Subject to clauses 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 be 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. Allocation Among Parties

The Unitized Substances allocated to a Tract shall be further allocated among the Working Interest Owners thereof

in accordance with their respective percentage Working Interests in the Tract as set forth in Exhibit "A", and the Working Interest Owners of each Tract shall account to the Royalty Owners of such Tract for any royalty payable or deliverable to such Royalty Owners in respect of the Unitized Substances allocated to such Tract.

703. Calculation of Royalty

The Working Interest Owners of each Tract shall calculate royalty on the Unitized Substances allocated to the Tract at the applicable rate under the Lease, other agreement or instrument relating to the Tract. 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. In calculating royalty on residue gas, sulphur and fluid hydrocarbons, or any of them, obtained by processing Unitized Substances, other than crude oil, by compression, absorption or other plant extraction or stabilization, proper allowances shall be made for costs, expenses and charges, including a reasonable return on investment, incurred in or attributable to gathering and processing the Unitized Substances.

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 by them, 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, 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" remaining from the sale shall be paid to the Party. Unit Operator may contract for the sale thereof only for the minimum term obtainable which in no event shall exceed 1 year. When Unit Operator has so contracted, the Party may take its share of the Unitized Substances in kind upon the expiration of the current sales contract. The "net proceeds" for the purpose of this Clause shall mean the proceeds from the sale of the non-taking Party's share of production, less all direct costs of the sale, including processing and shipping costs.

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 that 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 which is deemed conclusively to be an Outside Substance.

ARTICLE VIII

USE, LOSS AND RE-INJECTION 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 Unit Operations. 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.

802. Re-Injection

The Working Interest Owners are hereby granted the right to re-inject Unitized Substances into the Unitized Zone for any purpose related to the Unit Operations. 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 for sale or for use other than for Unit Operations.

ARTICLE IX
ENLARGEMENT OF UNIT AREA

901. Enlargement

After the expiration of 90 days following the Effective Date, if an owner of a Working Interest in lands adjoining the Unit Area makes application to enlarge the Unit Area to include such adjoining lands which appear to be potentially productive of Petroleum Substances from the Unitized Zone the Working Interest Owners may approve the enlargement of the Unit Area to include such adjoining lands on such terms and conditions as the Working Interest Owners may consider appropriate, and, if such adjoining lands qualify for inclusion in the Unit Area under clause 502, the Unit Area shall be enlarged to include such adjoining lands. Notwithstanding that any owner of a Working Interest or a Royalty Interest in such adjoining lands is already a Party, such owner shall not, for the purposes of the qualification of such adjoining lands under clause 502, be considered to have executed and delivered this agreement until it executes and delivers to the Unit Operator an additional counterpart of this agreement incorporating exhibits which reflect the proposed enlargement and which are stated to be effective as of the effective date of such enlargement.

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 in order that:

- (a) the ratios of the Tract Participations of Tracts shown on Exhibit "A" immediately prior to the enlargement remain the same to each other; and
- (b) the total of the Tract Participations for all Tracts of the enlarged Unit Area and Unitized Zone is one hundred percent (100%).

903. Exhibits

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

904. Effective Time of Enlargement

An enlargement pursuant to clause 901 and an adjustment of Tract Participations under this Article shall become effective at 8:00 a.m. on the first day of the first calendar month following approval of admission under clause 901, Tract qualification under clause 502 and approval of the Conservation Board.

905. No Retroactive Adjustment

There shall never be any retroactive adjustment of the allocation of Unitized Substances by reason of an enlargement under this Article.

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 Unit Operator. If Unit Operator is so notified or if Unit Operator is directed to do so by the Working Interest Owners in the event that it is otherwise informed of the dispute, Unit Operator shall withhold and sell the portion of the 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 shall fail 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 person rightfully entitled.

If 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 Unit Operator from any loss or damage suffered because of anything done or omitted to be done by 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 title data and information as the titles committee may reasonably require from time to time. The titles committee shall report the result of its investigation to the Working Interest Owners specifying the titles to Tracts which 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 which have been unanimously recommended for approval by the titles committee; and
- (b) the titles of Working Interest Owners to Tracts which have not been unanimously recommended for approval by the titles committee but with respect to which such Working Interest Owners have agreed to indemnify the other Working Interest Owners,

in a form and manner satisfactory to them, 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 and the Unit Operating Agreement as of 8:00 a.m. on the first day of the calendar month in which the failure of title is finally determined unless;

- (a) any other Party is held or declared to own the title in which event that Party shall be bound by this agreement and the Unit Operating 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

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 other Tracts shall each be increased, without changing their ratios to each other, so that their summation is one hundred percent (100%). The revised exhibits shall be effective as of 8:00 a.m. 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 Party in a Tract shall cover the whole or an undivided interest in the Party's interest in such Tract. A disposition shall not be binding on Unit Operator until the acquiring parties who are not Parties have executed and delivered to Unit Operator counterparts of this agreement, and at least one of the parties thereto has given notice thereof to the Unit Operator. Unit Operator shall revise the exhibits to reflect each disposition of an interest in a Tract and the revised exhibits shall be effective as of 8:00 a.m. on the first day of the calendar month next following the calendar month in which the notice is received by Unit Operator.

1202. Multiple Disposition Not to Increase Costs

If any disposition of an interest by a Party in a Tract should be made to multiple parties so that the expense or duties of Unit Operator are thereby increased, the Unit Operator may require the assignee parties (and Party if it retains an interest) to appoint one of their number as representing all of them for the purpose of this agreement, unless arrangements satisfactory to the Unit Operator are made to compensate the Unit Operator for the increased expenses or duties.

ARTICLE XIII

IN GENERAL

1301. Execution in Counterpart

This agreement may be executed in separate counterparts and all the executed counterparts together shall constitute one agreement. Execution of this agreement by the Minister shall be on behalf of the Crown only as owner of Royalty Interest.

1302. Dual Capacity

If a Party owns a Working Interest and a Royalty Interest, its execution of this agreement shall constitute execution 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 Unit Operator nor any Party shall be deemed to be in default with respect to non-performance including delay or failure to partially perform any or all 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. Those taxes with respect to the production or sale of Unitized Substances 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 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. Time

In this agreement all times are "official times" as defined in The Official Time Act of the Province of Manitoba.

1311. Compliance With Legislation

The provisions of The Mines Act and regulations of Manitoba thereunder, as amended from time to time, take precedence over this agreement.

ARTICLE XIV

EFFECTIVE DATE

1401. Effective Date

The unitization provided for herein shall become effective at 8:00 a.m. on the first day of the first calendar month following:

- (a) the date of the qualification under clause 502 of Tracts having a combined interim Tract Participation of 100 percent of the total Tract Participations as originally set out in Exhibit "A", and
- (b) the date of the Unit Operator receiving written approval of this agreement from the Conservation Board.

1402. Notice of Effective Date

As soon as possible after the Effective Date Unit Operator shall notify all Working Interest Owners, the Conservation Board and the Department of Energy and Mines of Manitoba of the Effective Date and each of the Tracts qualified as of the Effective Date, and each Working Interest Owner shall advise each of its Royalty Owners of the Effective Date.

1403. Release of Parties

This agreement shall cease to bind the Parties if the unitization provided for herein has not become effective on or before the first day of June 1989.

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 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.

1502. Termination

This agreement terminates ninety (90) calendar days after all wells for the production of Unitized Substances in the Unit Area have been abandoned, plugged or disposed of or upon the termination of the Unit Operating Agreement, and thereafter the Parties shall be governed by the terms and provisions of their Leases and other agreements or instruments relating to the Unitized Zone or Unitized Substances.

1503. Salvaging Equipment Upon Termination

The Royalty Owners grant the Working Interest Owners the right for a period of six (6) months after termination of this agreement 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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

ICG RESOURCES LTD.

DATE: _____

WITNESS

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

EXHIBIT "A"

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"UNIT AGREEMENT - NORTH VIRDEN SCALLION UNIT NO. 2"

TRACT PARTICIPATION

In this Exhibit the names of the Parties have been abbreviated
as follows:

<u>Abbreviation</u>	<u>Party</u>
CANADA TRUST ✓	CANADA TRUST COMPANY
CANPAR ✓	CANPAR HOLDINGS LTD.
G.M. CHAPPELL ✓	GAYLE MARGUERITE CHAPPELL
CROWN ✓	MANITOBA DEPARTMENT OF ENERGY AND MINES
DOME ✓	DOME PETROLEUM LIMITED
N. HEAMAN ✓	NORMAN HEAMAN
ICGR ✓	ICG RESOURCES LTD.
MOUNTCLIFF ✓	MOUNTCLIFF RESOURCES LTD.
J.D. NICHOL ✓	JAMES DOUGLAS NICHOL
L.R. PEARN ✓	LAWRENCE ROY PEARN
K.L. YOUNG ✓	KATHLEEN LYNNE YOUNG
60494 ✓	60494 MANITOBA LTD.
TUNDRA ✓	TUNDRA OIL AND GAS LTD.

Effective as of the Effective Date

EXHIBIT "A"
ATTACHED TO AND MADE PART OF THE
UNIT AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

Tract No.	Land Description (Lsd)	Working Interest		Royalty Owner	Interest Share, %	Interim Tract Participation (%)	Final Tract Participation (%)
		Owner	Share, %				
1	06-29-11-26 WPM	60494 TUNDRA	10% 90%	CROWN	100%	6.9690%	5.7836%
2	11-29-11-26 WPM	60494 TUNDRA	10% 90%	CROWN	100%	14.4874%	12.1692%
3	12-29-11-26 WPM (all petroleum and natural gas rights to 660 meters)	ICGR (1) MOUNTCLIFF (1) CANPAR (1) DOME (1)	25.00% 25.00% 23.52% 26.48%	CROWN	100%	3.9987%	5.5960%
4	13-29-11-26 WPM (all petroleum and natural gas rights to 660 meters)	ICGR (1) MOUNTCLIFF (1) CANPAR (1) DOME (1)	25.00% 25.00% 23.52% 26.48%	CROWN	100%	4.4970%	4.8724%
5	14-29-11-26 WPM (all petroleum and natural gas rights to 650 meters)	ICGR (1) MOUNTCLIFF (1) CANPAR (1) DOME (1)	25.00% 25.00% 23.52% 26.48%	CROWN	100%	8.0102%	7.8301%
6	09-30-11-26 WPM (all petroleum and natural gas rights (to 657 meters)	ICGR (2) MOUNTCLIFF (2) CANPAR (2) DOME (2)	25.00% 25.00% 23.52% 26.48%	CANADA TRUST	100%	8.6107%	8.7939%
7	10-30-11-26 WPM	ICGR MOUNTCLIFF	50.00% 50.00%	J.D.NICHOL K.L.YOUNG	100%	11.8812%	9.5084%
8	15-30-11-26 WPM	ICGR MOUNTCLIFF	50.00% 50.00%	J.D.NICHOL K.L.YOUNG	100%	2.2868%	2.0245%

Effective: As of the Effective Date

EXHIBIT "A"

ATTACHED TO AND MADE PART OF THE
UNIT AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

Tract No.	Land Description (Lsd)	Working Interest		Royalty Interest		Interim Tract Participation (%)	Final Tract Participation (%)
		Owner	Share, %	Owner	Share, %		
9	16-30-11-26 WPM (all petroleum and natural gas rights to 660 meters)	ICGR (2)	25.00%	CANADA	100%	9.7413%	9.7052%
		MOUNTCLIFF (2)	25.00%	TRUST			
		CANPAR (2)	23.52%				
		DOME (2)	26.48%				
10	01-31-11-26 WPM	ICGR	50.00%	G.M.	100%	12.0154%	9.5053%
		MOUNTCLIFF	50.00%	CHAPPELL			
11	03-32-11-26 WPM	ICGR	50.00%	CANADA	25%	5.0016%	6.5768%
		MOUNTCLIFF	50.00%	TRUST			
				N.HEAMAN 66.667% L.R.PEARN 8.333%			
12	04-32-11-26 WPM	ICGR	50.00%	CANADA	25%	5.1038%	6.3316%
		MOUNTCLIFF	50.00%	TRUST			
				N.HEAMAN 66.667% L.R.PEARN 8.333%			
13	05-32-11-26 WPM	ICGR	50.00%	CANADA	25%	5.1101%	6.1067%
		MOUNTCLIFF	50.00%	TRUST			
				N.HEAMAN 66.667% L.R.PEARN 8.333%			
14	06-32-11-26 WPM	ICGR	50.00%	CANADA	25%	2.2868%	5.1963%
		MOUNTCLIFF	50.00%	TRUST			
				N.HEAMAN 66.667% L.R.PEARN 8.333%			

(1) Interest subject to gross over-riding royalty to Chevron Canada Resources, Mountcliff and ICGR.

(2) Interest subject to gross over-riding royalty to Dome and Canpar.

Effective: As of the Effective Date

ICGR ET AL SCALLION PROV.

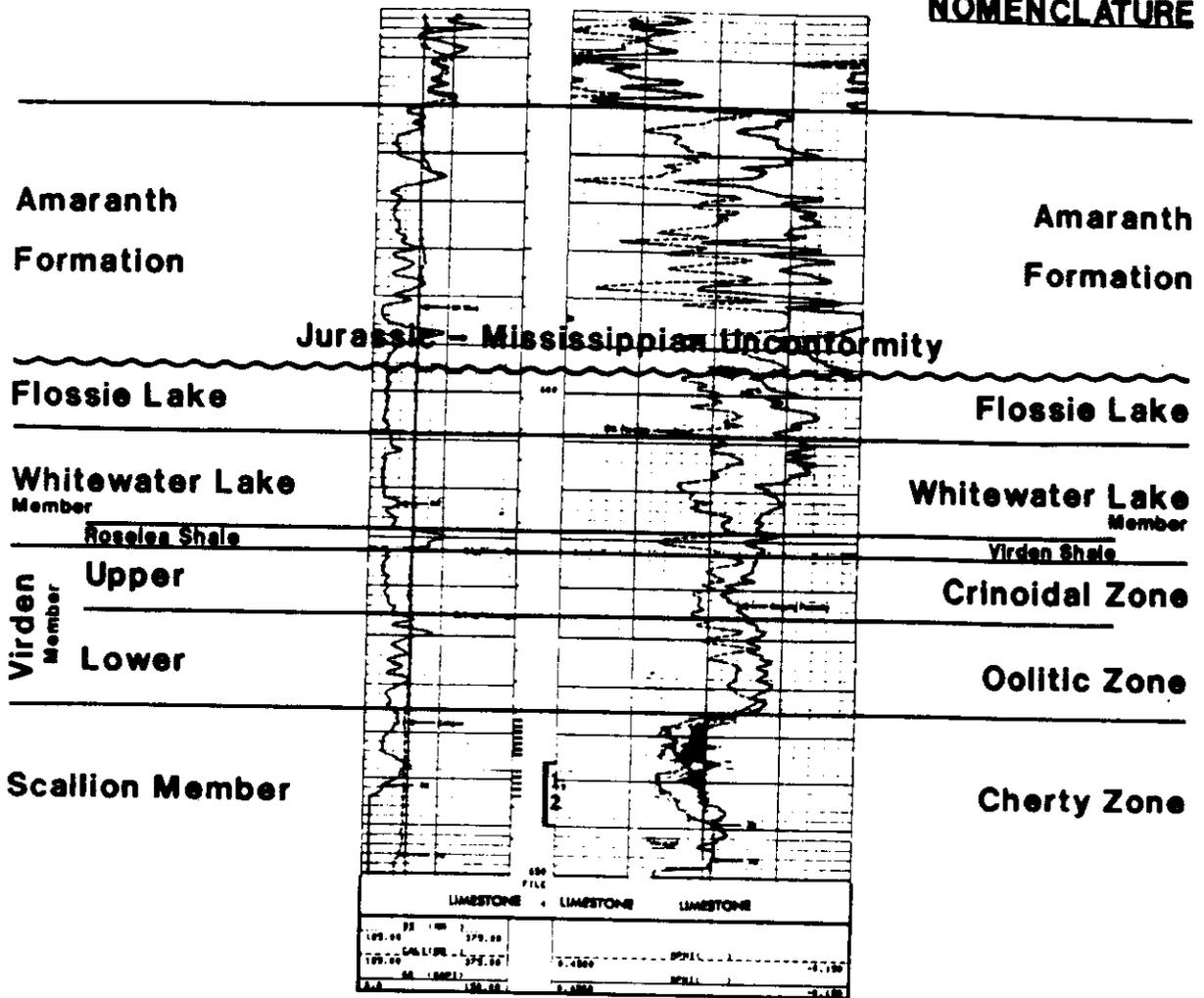
14-29-11-26WPM

SPUD: February 8, 1983

R.R.: February 13, 1983

K.B.: 466 metres

**FIELD
NOMENCLATURE**



No Core.

**PERFS: 633.5m - 637.5m
639m - 642m**

**DST: #1 638m - 645m (LODGE)
Misrun.**

**#2 638m - 645m (LODGE)
VO 10/60 SI 60/90 mins.
Rec 9m OC Mud, 119m MC Oil.
HP 7486-7444 FP 778-1526
SIP 6578-6341.**

EXHIBIT "C"

ATTACHED TO AND MADE PART OF THE
UNIT AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

IGG ICG RESOURCES LTD. <small>DIVISION OF ICG LTD. (A COMPANY OF ICG)</small>	
Type Log Virden Pool Showing Nomenclature of Upper Part of Preserved Lodgepole Section	
GEOLOGY BY Warren K. Smart	DRAFTING BY L. M.
SCALE	DATE September 26, 1983

NORTH VIRDEN SCALLION UNIT NO. 2

UNIT OPERATING AGREEMENT

UNIT OPERATING AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

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UNIT OPERATING AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

WHEREAS the Parties own Working Interests in the Unitized Zone and desire to conduct Unit Operations;

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

ARTICLE I

DEFINITIONS

101. Definitions

Unless otherwise defined herein, the definitions in the Unit Agreement are adopted. In addition, in this agreement:

(a) "Affiliate Corporation" means a corporation fulfilling one of the following requirements:

- (i) Parties, one of which controls the other; or
- (ii) two (2) or more Parties, both or all of which are controlled by the same corporation.

For the purposes herein, "controls" or "controlled" means control in any manner that results in control in fact, whether directly through the ownership of shares, or indirectly through a trust, a contract, the ownership of shares of any other body corporate or otherwise;

(b) "Commencement Date" means the time and date referred to in Article XVII;

- (c) "Controllable Material" means Material which at the time is so classified in the Controllable Material Price Catalogue as most recently recommended by the Petroleum Accountants Society of Canada;
- (d) "Joint Account" means for the benefit, interest, ownership, risk, cost, expense and obligation of the Parties hereto in proportion to each Party's Unit Participation;
- (e) "Party" means a person who is bound by this agreement;
- (f) "Operating Committee" means the committee, composed of duly authorized representatives of each of the Parties established pursuant to Article IV;
- (g) "Unit Agreement" means the agreement entitled "Unit Agreement - North Virden Scallion Unit No. 2";
- (h) "Unit Facilities" means all real and personal property of every kind, nature and description (excepting Unitized Substances, the Unitized Zone, rental equipment, and Unit Operator's solely owned equipment) in the possession of Unit Operator pursuant to this agreement;
- (i) "Unit Operations" means any operations authorized and provided for in the Unit Agreement and this agreement, or either of them, for or in respect

of the development and operation of the Unitized Zone for the production of Unitized Substances;

(j) "Unit Participation" of a Party means the sum of the Party's share of Tract Participations which is the percentage of interest as set forth in Exhibit "D";

(k) "Unit Well" means a well listed in Exhibit "E" and any well drilled or acquired for the Joint Account.

ARTICLE II

CONFIRMATION OF UNIT AGREEMENT

201. Confirmation of Unit Agreement

The Unit Agreement is ratified and confirmed. In the event of any conflict between the Unit Agreement and this agreement, the Unit Agreement shall prevail. With respect to all matters not specifically provided for in this agreement, the relevant provisions of the Unit Agreement shall apply mutatis mutandis.

ARTICLE III

EXHIBITS

301. Exhibits Incorporated

Exhibits "A", "B" and "C" of the Unit Agreement are incorporated in this agreement by this reference.

302. Exhibits Attached

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

- (a) Exhibit "D" which is a list of the Parties and their respective Unit Participations;
- (b) Exhibit "E" which is a list of the Unit Wells;
- (c) Exhibit "F" which is the Accounting Procedure
- (d) Exhibit "G" which is the Insurance Requirements.
- (e) Exhibit "H" which is the guidelines for equalization of investment.

303. Revisions and Corrections

Whenever Exhibits "A" and "B" are revised or corrected, corresponding revisions or corrections of Exhibits "D" and "E" shall be made with concurrent effect. Exhibit "E" shall also be revised as required to reflect additions or deletions of Unit Wells.

304. Supplying of Exhibits

Each time that an exhibit is revised or corrected pursuant to this agreement, the Unit Operator shall supply each Party with a copy of the revised exhibit.

305. Conflicts

If a provision of an exhibit conflicts with a provision in the body hereof, the latter shall prevail.

ARTICLE IV
SUPERVISION AND CONTROL OF UNIT OPERATIONS

401. Operating Committee

The Parties shall supervise and control Unit Operations through an Operating Committee composed of their duly appointed representatives. Each Party shall as soon as possible notify Unit Operator of the name and address of its representatives and one or more alternate representatives who are authorized to represent and bind the Party with respect to Unit Operations. A Party may change any of its representatives from time to time by notice to Unit Operator. Two or more Parties may appoint the same person as their representative who shall cast a separate vote for each of his principals.

402. Chairman

The representative of Unit Operator shall be Chairman of the Operating Committee.

403. Meetings

The Operating Committee shall hold meetings whenever called by Unit Operator, or if there is no Unit Operator, by Parties having Unit Participations totalling ten percent (10%) or more. Unit Operator may call meetings at any time on its own motion, and shall call meetings whenever requested to do so by representatives of any two Working Interest Owners. Unless the

representatives of all Parties in writing waive their right to notice, at least ten (10) calendar days' notice of each meeting shall be given to the Parties, with an agenda attached. Reasonable details of matters on the agenda involving proposed expenditures and enlargements of the Unit Area shall be given. Matters not on the agenda may be voted upon only if the representatives of all Parties, whether or not present at the meeting, unanimously agree.

404. Voting Procedure

The representatives of the Parties shall determine all matters properly coming before the Operating Committee as follows:

(a) Voting Interest. Except as otherwise provided in this clause and clause 405, in voting on any matter each Party shall have a voting interest equal to its Unit Participation. This shall mean that during the interim period that the voting interest will be equal to the interim Unit Participation. Parties that are Affiliate Corporations shall be deemed to be one Party and shall be entitled to one vote representing their entire combined interest.

(b) Vote Required - Generally. Except as otherwise provided in this agreement, the Operating Committee shall determine matters by the affirmative vote of three (3) or more Parties having voting interests totalling seventy percent (70%) or more, but if a

Party having a voting interest of more than thirty percent (30%) is the only one voting negatively, the matter shall be carried even though the voting interests of the Parties voting affirmatively total less than seventy percent (70%).

(c) Vote Required - Special Matters

- (i) Removal of Unit Operator. Unit Operator may be removed by the affirmative vote of two or more Parties having voting interests totalling ninety percent (90%) or more of the total of the voting interests of all the Parties excepting Unit Operator, but for the purposes hereof subclause (e) of this clause shall not apply;
- (ii) Qualification of Tracts. Matters in respect of the qualification of Tracts for inclusion in the Unit Area shall be determined by the affirmative vote of three (3) or more Parties having voting interests totalling eighty percent (80%) or more;
- (iii) Enlargement of Unit Area. Matters in respect of the enlargement of the Unit Area shall be determined by the affirmative vote of three (3) or more Parties having voting interests totalling eighty percent (80%) or more;
- (iv) Amendment or Replacement of Exhibit "F" or Exhibit "G". Exhibits "F" and "G" may be

amended or replaced by the affirmative vote of three (3) or more Parties having voting interests totalling seventy percent (70%) or more, but if a Party having a voting interest of thirty percent (30%) or more is the only one voting negatively, the motion shall be carried even though the voting interests of the Parties voting affirmatively total less than seventy percent (70%);

(v) Termination. The Unit Agreement, pursuant to the provisions thereof, and this agreement, may be terminated by the affirmative vote of three (3) or more Parties having voting interests totalling eighty percent (80%) or more, but for purposes hereof subclause (e) of this clause shall not apply.

(d) Vote by Notice

(i) A Party not represented at a meeting may vote on any matter on the agenda by prior notice to Unit Operator;

(ii) Unit Operator may submit any matter, with reasonable details of any proposed expenditure or enlargement of the Unit Area, to each Party by mail ballot notice. Each Party shall by notice cast its vote with Unit Operator within fifteen (15) calendar

days from the date of receipt of the mail ballot notice. Such vote shall be binding unless Unit Operator calls a meeting or is requested to call a meeting pursuant to clause 403 within five (5) calendar days from the receipt of mail ballot notice. Unit Operator shall promptly notify each Party of the result of a vote hereunder.

- (e) Failure to Vote. A Party who does not vote on any matter shall be deemed conclusively to have voted affirmatively, but in recording the vote in the minutes, the Party shall be shown as having been present and abstained, been absent, or failed to vote pursuant to a mail ballot notice, as the case may be.

405. Initial Voting Interest

Each Party shall, during the period from the Commencement Date until ninety (90) calendar days after the Effective Date, be deemed conclusively to have a voting interest equal to the proportion, expressed as a percentage, that its Unit Participation bears to the combined Unit Participations of the Parties, as set forth in Exhibit "D".

406. Minutes

Unit Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each Party. The minutes shall include the names

of the representatives present, the Parties they represent and any formal action taken by the Operating Committee. Minutes shall be deemed to be correct as distributed and binding on all Parties unless written notice of errors or omissions is received by Unit Operator within thirty (30) calendar days after the date the minutes were deemed to be received by the Parties.

407. Parties Bound by Voting

A determination of a matter by the voting of Parties in accordance with this agreement shall be binding upon all the Parties.

ARTICLE V

RIGHTS AND POWERS OF THE OPERATING COMMITTEE

501. Rights and Powers of the Operating Committee

The Operating Committee shall have and exercise all the rights and powers granted to the Working Interest Owners by the Unit Agreement, except to the extent that certain of the said rights and powers are by this agreement specifically delegated to Unit Operator to be exercised by Unit Operator subject to the orders, directions and limitations given or imposed by the Operating Committee.

ARTICLE VI
INDIVIDUAL RIGHTS AND PRIVILEGES OF THE PARTIES

601. Reservation of Rights

Except as otherwise provided in this agreement or the Unit Agreement, each Party reserves to itself all of its rights, powers, authorities and privileges.

602. Specific Rights

Each Party shall have:

- (a) at all reasonable times within normal business hours upon notice to Unit Operator, the right to inspect all records and data pertaining to Unit Operations in the possession of Unit Operator and the right of access to the Unit Area, at the Party's sole risk and expense, to inspect Unit Operations and the Unit Facilities;
- (b) the right to conduct operations on its Tracts for the discovery and production of Petroleum Substances other than Unitized Substances on condition that the Party shall protect the Unitized Zone and prevent interference with Unit Operations. Each Party who exercises this right agrees to indemnify all other Parties against all actions, suits, claims, costs, loss, liability, damages and expenses that may be brought against or suffered by them as a result of anything done

pursuant or relative to the exercising of such rights.

ARTICLE VII
UNIT OPERATOR

701. Unit Operator

The Parties hereby designate ICG Resources Ltd. as the initial Unit Operator, and ICG Resources Ltd. hereby accepts such designation.

702. Resignation or Removal

Unit Operator may resign at any time by giving ninety (90) calendar days notice to the Parties. Unit Operator may be removed by a vote of the Operating Committee in accordance with clause 404(c)(1). A Unit Operator who resigns or is removed shall continue to have all its rights, powers, duties and obligations as Unit Operator hereunder until 8:00 a.m. on the first day of the month immediately following the month in which the said period of ninety (90) calendar days expires or until a designated successor Unit Operator has taken over Unit Operations whichever is the sooner. If Unit Operator becomes bankrupt or insolvent or ceases to be a Working Interest Owner it shall thereupon cease to be Unit Operator.

703. Designation of Successor

If Unit Operator resigns or is removed or ceases to be

Unit Operator, a successor Unit Operator shall forthwith be designated by the Operating Committee. In voting on the successor the departing Unit Operator may not vote to succeed itself.

704. Takeover by Successor

Upon the effective time of a resignation, removal or cessation, the departing Unit Operator shall turn over to its successor, or if no successor has been designated, to the Parties or to any one of them on behalf of all, control and possession of all Unit Facilities, unit production on hand, documents, books, records and accounts (or copies thereof) pertaining to the performance of its functions as Unit Operator, together with all monies held by it in its capacity as Unit Operator. If the title to any real property included in the Unit Facilities is held in its name, it shall continue to hold such property in trust for the Parties unless otherwise directed by the Operating Committee. Upon the date Unit Operations are taken over by the successor Unit Operator, the departing Unit Operator shall be released and discharged from and the successor Unit Operator shall assume, all duties and obligations of Unit Operator; provided however that the departing Unit Operator shall continue to be liable for any and all unsatisfied duties and obligations of the departing Unit Operator which arose prior to the effective date the successor Unit Operator took over the Unit Operations.

705. Audit Upon Change of Unit Operator

Within sixty (60) calendar days of the effective time of Unit Operator's resignation, removal or cessation as Unit Operator, the Unit Operating Committee shall cause an audit to be made of the records of the departing Unit Operator, the cost of which shall be for the Joint Account.

706. No Assignment of Operating Rights

Except as authorized by the Operating Committee, Unit Operator shall not assign its operating rights or obligations under this agreement.

ARTICLE VIII

PERFORMANCE BY UNIT OPERATOR

801. Status

Unit Operator shall, in addition to its rights, powers, duties and obligations as Unit Operator, have all the rights, powers, duties and obligations of a Party.

802. Rights, Powers, Duties and Obligations

Subject to this agreement and the Unit Agreement and to any orders, directions and limitations given or imposed by the Operating Committee or by regulatory bodies having jurisdiction, Unit Operator shall conduct or cause to be conducted all Unit Operations. Without limiting the generality of the foregoing, Unit Operator shall:

- (a) make all necessary reports relating to Unit Operations to the appropriate governmental agency;
- (b) keep in Canada true and correct books, accounts and records of the Unit Operations and furnish to each Party on or before the twenty-fifth (25th) day of each calendar month a statement of the amount of Unitized Substances produced and the sales and inventory of such production in the preceding calendar month and such other data and information as the Operating Committee may require;
- (c) provide each Party with timely statements of financial results on a monthly basis and remit net proceeds of production received for the account of non-operators promptly on completion of those monthly statements;
- (d) furnish to each Party such reports of Unit Operations as the Operating Committee may direct and consult with the Operating Committee and keep the Parties advised of all matters arising in connection with Unit Operations which Unit Operator considers important;
- (e) conduct all Unit Operations in a good and workmanlike manner, in accordance with good oil and gas field practices and in accordance with all applicable laws, orders, rules, and regulations;

- (f) keep the Leases, the Unit Area and the Unit Facilities free from all liens and encumbrances resulting or arising from Unit Operations, except liens being contested in good faith;
- (g) comply and require its contractors to comply with The Workers' Compensation Act and carry and require its contractors to carry, with respect to Unit Operations, such liability insurance for the benefit of the Parties as set forth in Exhibit "G", but this shall not prevent a Party from procuring and maintaining at its sole cost and expense and for its sole benefit such insurance on Unit Facilities as it shall determine if the Party's insurance policy contains a waiver on the part of the insurance carrier of all rights, by subrogation or otherwise, against any Party not named as an insured in the policy; and
- (h) let contracts for portions of Unit Operations on a competitive basis, but Unit Operator may use its own facilities and equipment for such operations and charge for usage thereof in accordance with paragraph 206(c) of Exhibit "F";

In the absence of any specific instruction from the Operating Committee, Unit Operator shall conduct, or cause to be conducted, such Unit Operations as would a prudent operator under the same or similar circumstances.

803. Employees

The number, selection, hours of labour and remuneration of employees used by Unit Operator in conducting Unit Operations shall be determined by Unit Operator. Such employees shall be the employees solely of Unit Operator.

804. Expenditures

Unit Operator shall not make or incur any expenditure for the Joint Account, other than an operating or maintenance expenditure allowed by an approved forecast, without the approval of the Operating Committee except for those expenditures indicated in Exhibit "F".

ARTICLE IX

LIABILITIES AND OBLIGATIONS

901. Liability of Unit Operator

Unit Operator, its servants, agents or employees, shall not be liable to the other Parties for any loss or damage suffered by the Parties resulting or arising from Unit Operations except when and to the extent that such loss or damage results from the gross negligence or wilful or wanton misconduct of Unit Operator, its servants, agents or employees. Each Party in the proportion of its Unit Participation indemnifies and agrees to hold harmless Unit Operator, its servants, agents and employees against any claim of, or liability to, any third person resulting from acts or omissions

of Unit Operator, its servants, agents or employees in respect of Unit Operations, except when and to the extent that such claim or liability results from the gross negligence or wilful or wanton misconduct of Unit Operator, its servants, agents or employees. For the purposes of this clause, an act or omission of Unit Operator, its servants, agents or employees, shall not be deemed gross negligence or wilful or wanton misconduct if such act or omission is done or omitted pursuant to the instructions of, or with the concurrence of, the Operating Committee.

902. Taxes, Rentals and Royalties

Each Party shall pay or be responsible for the payment of all taxes (other than taxes on Unit Facilities which shall be paid by Unit Operator for the Joint Account), rentals and royalties applicable to the Party's Working Interest in the respective Tracts and shall indemnify and save harmless all other Parties from all claims, suits, loss, costs, expenses and damages paid or incurred by them as a result of its failure to do so.

ARTICLE X

UNIT FACILITIES

1001. Delivery of Wells and Equipment

Upon the Effective Date each Party shall deliver to Unit Operator the exclusive use and possession of such Party's

interest in:

- (a) all Unit Wells together with all casing therein;
and
- (b) all tubing, flowlines, wellsite and other operating equipment used in the operation of the Unit Wells which the Operating Committee determines is necessary or desirable for conducting Unit Operations, except warehouses, leased houses, camps, office buildings and automobiles and other service equipment.

1002. Delivery of Records

Upon the Effective Date each Party shall deliver to Unit Operator copies of all records and information pertaining to Unit Wells, and any other pertinent information and records requested by Unit Operator.

1003. Testing of Unit Wells

If, by a test conducted by Unit Operator within 90 days after the Effective Date, any Unit Well is found by Unit Operator not to be in sound working condition, the Party delivering it shall bear the entire cost and risk of putting it in sound working condition; provided that if a Party disagrees with Unit Operator's finding, the matter shall be finally decided by the Operating Committee. Either the Party shall authorize Unit Operator to carry out the remedial work on its

behalf, or the Operating Committee shall determine how and by whom the work shall be carried out or the amount that, in lieu of the work being carried out, shall be paid by the Party to Unit Operator for the Joint Account. All costs incurred by Unit Operator hereunder, or the amount to be paid by the Party in lieu thereof, shall be deemed conclusively to be amounts owing by the Party within the meaning of Article XII.

1004. Adequacy of Wellsite and Other Operating Equipment

If, within 90 days after the Effective Date, Unit Operator determines that a Unit Well does not have adequate wellsite and other operating equipment, the Party delivering it shall bear the entire cost and risk of providing and installing adequate wellsite and other operating equipment; provided that if a Party disagrees with Unit Operator's decision, the matter shall be finally decided by the Operating Committee. Either the Party shall authorize Unit Operator to provide and install the necessary equipment on its behalf or the Operating Committee shall determine who shall provide and install the equipment or the amount that, in lieu of the equipment being provided and installed, shall be paid by the party to Unit Operator for the Joint Account. All costs incurred by Unit Operator hereunder or the amount to be paid by the Party in lieu thereof, shall be deemed conclusively to be amounts owing by the Party within the meaning of Article XII.

1005. Representation and Indemnity

Each Party represents that it owns or has the right to deliver the Unit Facilities which it delivers pursuant to clause 1001, and each Party indemnifies and agrees to hold harmless the other Parties from any and all liability, loss, cost or damage sustained by them and resulting from failure of or deficiencies in its title to the Unit Facilities which it so delivers.

1006. Agreements for Use of Facilities

With the approval of the Operating Committee, Unit Operator may enter into agreements with any person to operate facilities other than Unit Facilities or for the use or joint use by any person of any Unit Facilities, or for the use or joint use by Unit Operator of any facilities owned by any person, and all costs and expenses recovered or incurred pursuant to said agreements shall be for the Joint Account.

ARTICLE XI

ADJUSTMENT OF INVESTMENT

1101. Investment Adjustment

Within ninety (90) days after the Effective Date an equalization of investment for the battery facilities at 13-29-11-26 WPM will be conducted at which time such battery facilities shall become part of the Unit Facilities. The equalization of investment shall be conducted in accordance with the guidelines outlined in Exhibit "H".

1102. Inventory and Evaluation

The Unit Operator shall make an inventory and evaluation of such of the wellsite and other operating equipment delivered to Unit Operator defined as Controllable Material. Each Party shall, upon request by the Unit Operator, submit to it promptly a complete statement of the Controllable Material delivered by the Party to Unit Operator.

1103. General Facilities

With the approval of the Operating Committee, Unit Operator may acquire warehouses, warehouse stocks, lease houses, camps, office buildings and automobiles and other service equipment necessary for Unit Operations.

1104. Ownership of Unit Facilities

Each Party shall own an undivided interest in the Unit Facilities that is equal to its Unit Participation.

1105. Adjustment on Failure of Title

The Operating Committee shall determine whether and the amount of any compensation that shall be payable by the other Parties to a Party whose title to a Tract fails for such Party's undivided interest so lost in the Unit Facilities.

1106. Pre-Unit Costs

With the approval of the Operating Committee any or all costs and expenses incurred prior to the Effective Date that are directly related to effecting unitization hereunder shall be for the Joint Account, based on the final Unit Participation.

ARTICLE XII

COSTS OF UNIT OPERATIONS

1201. Basis of Charges to Parties

Except as otherwise provided in this agreement, Unit Operator initially shall pay and discharge all costs and expenses incurred for the Joint Account. The Parties shall reimburse Unit Operator for all such costs and expenses in proportion to their respective Unit Participations. Notwithstanding Clause 601 of the Unit Agreement nor any other provision contained in either this agreement or the Unit Agreement, the Parties shall reimburse Unit Operator for all approved capital costs incurred by the Unit Operator in proportion to each Party's respective Final Unit Participation. All charges, credits and accounting for costs and expenses shall be in accordance with Exhibit "F".

1202. Forecasts

As soon as practicable after the Effective Date, Unit Operator shall submit to the Operating Committee a forecast of proposed expenditures for Unit Operations for the remainder of

the calendar year, and on or before the last day of each October thereafter shall submit to the Operating Committee such a forecast for the succeeding calendar year. Forecasts shall set forth the proposed expenditures by quarterly periods, showing the capital items separately. The Operating Committee may approve a forecast or any portion thereof or it may conditionally approve any proposed expenditure or it may instruct Unit Operator to revise a forecast or any portion thereof. A copy of each forecast and revised forecast shall be promptly furnished to each Party. Approval of a forecast by the Operating Committee shall constitute approval of all operating and maintenance expenditures set forth therein but shall not constitute approval of any single capital expenditure the total estimated cost of which is in excess of the amount specified in or determined pursuant to paragraph 220 of Exhibit "F". All capital expenditures in excess of the amount specified in Exhibit "F" set forth in a forecast shall be approved in accordance with clause 404 of this agreement.

1203. Advance Billings for Capital Items

Unit Operator may submit to each Party on or before the fifteenth (15th) day of any calendar month a reasonably detailed estimate of approved capital items for the succeeding calendar month with a request for payment in advance. Each Party shall pay Unit Operator its share thereof within 30 days after receipt of such request or by the 15th day of the month for which the advance is requested, whichever is later. Unit

Operator's monthly billings shall reflect credit for any advances and any differences between actual costs and expenses and amounts advanced will be adjusted as required. Any amounts advanced by a Party hereunder and then not required by Operator for charges to the Joint Account within the time and in the manner proposed, shall be refunded to that Party in a prompt and timely manner, but in any event prior to the end of the calendar month following the month to which such advances applied; following which any amount not so refunded may, at that Party's option, bear interest (payable by Operator for the account of that Party) at the rate provided for in Clause 1207 from the day such refund is due until it is paid.

1204. Operating Fund

Unit Operator may by notice require the Parties to advance for an operating fund their respective proportions of one-twelfth of the expenditures, other than expenditures for capital items, proposed for a calendar year in an approved forecast. Within 30 days after receipt of such request each Party shall pay Unit Operator its share thereof. After the establishment of the operating fund, each Party shall remit its share of actual costs and expenses in accordance with clause 1205, thus maintaining the operating fund intact. The amount of the operating fund may be increased or decreased at the direction of the Operating Committee, who shall review the matter annually or whenever requested by a Party.

1205. Regular Billings and Payments

Unit Operator shall bill each Party on or before the last day of each month for its share of charges recorded during the preceding calendar month in accordance with Exhibit "F". Each Party shall pay all such bills within thirty (30) calendar days after receipt.

1206. Commingling of Funds

Unit Operator may commingle funds received by it hereunder with its own funds.

1207. Unit Operator's Remedies

If a Party fails to pay when due a bill rendered by Unit Operator, Unit Operator may give the Party a notice of nonpayment. After receipt of such notice, the amount unpaid as set forth in the notice shall at Unit Operator's discretion bear interest at the prime rate in effect at such time in the principal chartered bank in Canada used by the Unit Operator plus two percent (2%) per annum compounded monthly. The interest shall be for the Unit Operator's sole account unless the costs and expenses for which the bill was submitted were met by other Parties, pursuant to clause 1208, in which event the interest shall be for the Parties so contributing. Further, Unit Operator may, after notice of nonpayment and while the bill remains unpaid, without limiting Unit Operator's other rights at law, exercise any or all of the following remedies:

- (a) set off against the amount unpaid, sums due or accruing to the Party from Unit Operator hereunder or any other source;
- (b) by notice accompanied by a copy of this agreement to any purchaser of the defaulting Party's share of production, require such purchaser to pay to Unit Operator the proceeds of such production which shall be applied towards payment of the amount unpaid and Unit Operator is hereby constituted irrevocably the attorney of the Party for the purpose of executing the instruments necessary to effect an assignment of such proceeds.

Books and records kept by Unit Operator with respect to Unit Operations shall constitute conclusive proof of the existence or nonexistence of any default, subject, however, to all rights of inspection, verification and audit provided in this agreement. The exercise of the rights granted in this clause shall not relieve a defaulting Party from its obligations to pay royalty currently, as provided elsewhere in this agreement.

1208. Contributions by Parties

If Unit Operator has not received full payment of a Party's share of the costs and expenses of Unit Operations within ninety (90) calendar days following the date when payment was due, each of the other Parties shall, upon being billed

therefor by Unit Operator, contribute a fraction of the unpaid amount, excluding interest thereon, having as its numerator the Party's Unit Participation and as its denominator the aggregate of the Unit Participations of all of the Parties exclusive of the Unit Participation of the defaulting Party; and thereupon each Party so contributing shall be proportionately subrogated to Unit Operator's rights pursuant to clause 1207.

ARTICLE XIII

OIL IN LEASE TANKAGE AND OVERPRODUCTION AS OF THE EFFECTIVE DATE

1301. Gauge of Merchantable Oil

Unit Operator shall gauge all lease and other tanks delivered to it to ascertain the amount of merchantable oil in them as of the Effective Date. If any well producing into them has made more than its cumulative allowable production of oil from the proposed Unitized Zone as set by the Conservation Board, the amount of such overproduction then in the tanks shall be deemed to be Unitized Substances produced after the Effective Date. Except as aforesaid, the oil in the tanks shall remain at risk of and be the property of the persons owning it prior to the Effective Date, and upon request shall be delivered in kind to them, or in the absence of their request, shall be sold by Unit Operator for their account. For the purpose of this clause "merchantable oil" shall mean crude oil above the base of sale line or outlet or above one foot from the tank bottom whichever is lower.

1302. Overproduction

If any overproduction of oil from the proposed Unitized Zone has been sold by a Party prior to the Effective Date, such Party shall pay to Unit Operator for the Joint Account, the gross proceeds thereof less any royalty paid or payable thereon.

1303. No Allowance for Underproduction

No allowance shall be made to a Party for any underproduction of oil prior to the Effective Date.

ARTICLE XIV

SURFACE RIGHTS

1401. Submission of List to Unit Operator

As soon as reasonably possible after executing this agreement, each Party 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 proposed Unit Area, together with particulars thereof including rentals payable, if any.

1402. Surface Rights Required for Unit Operations

Unit Operator shall, as soon as practicable after the receipt of each of the aforesaid lists, advise in writing the Party submitting the list which, if any, of its listed surface rights will be required for Unit Operations. Subject to the

other provisions of this Article, each Party shall continue to hold the surface rights so required and pay the applicable rentals and bill Unit Operator for the amount of rentals applicable to periods subsequent to the Effective Date. Unit Operator shall reimburse each Party for rentals so paid and the amounts thereof shall be for the Joint Account. Notwithstanding the foregoing, each Party holding surface rights required for Unit Operations may, at any time at its election, assign such surface rights to Unit Operator in accordance with clause 1404.

1403. Surface Rights Jointly Used

Where there is a well or wells on a Tract in addition to a Unit Well, and surface rights are being used for production jointly from one or more of such other wells and the Unit Well, the rentals applicable to the surface rights shall be divided equally between the wells with respect to which the surface rights are being jointly used, and Unit Operator shall only be billed for the portion of such rentals which is applicable to the production of Unitized Substances from the Unit Well. For the purpose of this clause, a well producing from more than one formation shall be considered a separate well for each respective productive formation.

1404. Assignment of Surface Rights

Unit Operator may require that any surface rights which are being used solely for Unit Operations be assigned to it. Any such assignment shall, however, contain an express

reservation to the assignor of the right at any time upon request to use the assigned surface rights jointly with Unit Operator on the basis provided in clause 1403. When the assigned surface rights are no longer required, Unit Operator shall so notify the assignor who may require Unit Operator to re-assign the surface rights to the assignor. The provisions of clause 1405 shall apply, mutatis mutandis, in respect of any surface rights which are the subject of a notice given under this clause.

1405. Surface Rights No Longer Required

Unit Operator may notify a Party that its surface rights or any of them are no longer required for Unit Operations, but any such notice shall be given at least sixty (60) calendar days prior to the date on which notice of surrender must be given to the surface owner or sixty (60) days prior to the date of accrual of a rental obligation, whichever is sooner. Unit Operator shall clean up the surface to the satisfaction of any governmental body having jurisdiction and to the reasonable satisfaction of the owner and occupier thereof. After giving such notice Unit Operator shall be relieved of its responsibility and liability with respect to the surface rights except any obligations already accrued, and shall be denied all benefit with respect to the surface rights, and shall thereafter be held harmless by the party holding them from responsibility and liability as to the surface rights, which shall not thereafter be subject to this agreement.

1406. Surface Rights Held in Fee Simple

Subject to any prior grant thereof, Unit Operator may use for Unit Operations any surface rights held in fee simple by a Party upon payment to the Party of a rental commensurate with rentals paid for other like surface rights in the Unit Area.

1407. Acquisition of Additional Surface Rights

Unit Operator may acquire such additional surface rights as it deems necessary or desirable for Unit Operations.

1408. Sharing of Surface Rights

Notwithstanding the provisions of clause 1006, Unit Operator may enter into agreements with any person for the sharing of any surface rights and all costs and expenses recovered or incurred by Unit Operator pursuant to such agreements shall be for the Joint Account.

ARTICLE XV

ABANDONMENT OF WELLS

1501. Rights of Former Owners

If the Operating Committee decides to plug and abandon permanently any Unit Well, Unit Operator shall give notice of this decision to the Party owning the Working Interest in the Tract upon which the well is located. The Party may elect by notice to Unit Operator within sixty (60) calendar days, or forty-eight (48) hours if a drilling rig is in place, of receipt

of notice, to take over and own the well and deepen or plug it back to a formation other than the Unitized Zone. Within ten (10) calendar days after the Party has so elected it shall pay to Unit Operator for the Joint Account the fair net salvage value of the casing and equipment in and on the well, as estimated and fixed by the Operating Committee. Unit Operator shall seal off the Unitized Zone in the well before handing it over to the Party and thereupon Unit Operator shall be relieved of its responsibility and liability with respect to the well, except any obligations already accrued, and shall be denied all benefit with respect to the well and shall thereafter be held harmless by the Party so electing from responsibility and liability as to the well, which shall not thereafter be subject to this agreement.

1502. Abandonment of Wells

If the Party receiving a notice pursuant to clause 1501 does not elect to take over the Unit Well proposed for abandonment, Unit Operator shall abandon the Unit Well in accordance with applicable laws and regulations and the cost of such abandonment shall be for the Joint Account.

1503. Surface Clean-up

Upon the abandonment of any well in the Unit Area, Unit Operator or the Party abandoning the well shall clean up the surface at the well site to the satisfaction of any governmental body having jurisdiction and to the reasonable satisfaction of the owner or occupier thereof.

ARTICLE XVI
TERM OF AGREEMENT

1601. Term

 This agreement is binding upon a person who executes and delivers a counterpart thereof to Unit Operator, and that person is bound by this agreement as of the time of such delivery. Subject to Article XVII, this agreement shall remain in full force and effect while Unitized Substances are produced or are capable of being produced from the Unitized Zone in paying quantities and thereafter until all Unit Wells have been plugged and abandoned, and the Unit Facilities have been salvaged and the accounts between the Parties have been settled. Notwithstanding anything herein contained, this agreement may be terminated by the vote provided for in clause 404(c)(v).

ARTICLE XVII
COMMENCEMENT DATE

1701. Commencement Date

 Although this agreement is binding upon a Party from the time that Party executes and delivers one counterpart thereof to Unit Operator, the Commencement Date for actions to be taken by the Parties to carry out the purposes of this agreement in accordance with its provisions shall be 08:00 a.m. on the day next following the day when Unit Operator is

satisfied that owners of Working Interests having interim Unit Participations totalling one hundred percent (100%), as set forth in the original Exhibit "D" have become Parties. Unit Operator shall notify the Parties thereof. If the unitization provided for in the Unit Agreement has not become effective within the time limited therein, this Agreement shall thereupon terminate. If this agreement so terminates, all expenditures made in anticipation of the unitization becoming effective shall be borne by the Parties in the proportion that the final Unit Participation of each bears to the combined final Unit Participations of all the Parties.

ARTICLE XVIII

ABANDONMENT OF OPERATIONS

1801. Right to Operate

The owner of the Working Interest in a Tract desiring to take over and continue to operate a Unit Well located thereon may, upon the termination of this agreement, do so by paying Unit Operator for the Joint Account, the fair net salvage value of the casing and equipment in and on the well as estimated and fixed by the Operating Committee, and by agreeing to plug the well when it is finally abandoned.

1802. Salvaging Wells

With respect to all wells not taken over for continued operations pursuant to clause 1801, Unit Operator shall, for the

Joint Account, salvage as much of the casing and equipment in or on such wells as can economically and reasonably be salvaged, and cause the wells to be properly plugged and abandoned.

1803. Cost of Salvaging

The cost of salvaging, liquidation or other distribution of assets and properties used in Unit Operations shall be for the Joint Account.

ARTICLE XIX

GENERAL

1901. Affects Working Interest Only

This agreement affects only the Working Interests of the Parties. Any Royalty Interest is governed solely by the Unit Agreement.

1902. Execution Without Prejudice

The execution of this agreement by Parties who claim title to any interest in the Unit Area shall not constitute a waiver of any such claim, but any Party who succeeds to the title to a Working Interest in a Tract shall be bound by this agreement with respect to such Working Interest.

1903. Lien on or Assignment of Production

If any interest of a Party in a Tract or Unitized Substances or the proceeds or value thereof is subject to a lien, assignment of production or other encumbrance, the owner or holder of such lien, assignment or encumbrance, by consenting to this agreement in writing, agrees that such lien, assignment or encumbrance shall, from the Effective Date, continue in effect, but shall apply only to such interest as the same is amended, modified and affected by this agreement and the Unit Agreement, and shall be subject to such agreements with respect to the Party and to such interest.

1904. No Partitioning

A Party shall not resort to any action for partition or sale in lieu of partition of the Unit Facilities or any lands affected by this agreement.

1905. No Surrender Without Consent

A Party shall not surrender its Working Interest in a Tract without the prior consent of the Operating Committee.

1906. Waivers

A waiver of any breach of a provision of this agreement shall not be binding upon a Party unless it is in writing and signed and such waiver shall not affect a Party's rights with respect to any other or future breach whether of a similar or different nature.

1907. Suits

A Party who is sued on an alleged cause of action arising out of Unit Operations shall forthwith notify every other Party.

1908. Further Assurances

Each Party 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 required in order fully to perform and carry out this agreement.

1909. Restriction on Dispositions

A Party shall not make any disposition of a Working Interest which does not include a corresponding interest in the Unit Facilities. No Working Interest shall be owned apart from a corresponding interest in the Unit Facilities and vice versa.

1910. United States Internal Revenue Provision

Each Party agrees that if for purposes of the United States Internal Revenue Code of 1954 this agreement or the relationship established thereby constitutes a partnership, as defined in Section 761(a) of the said Code, each Party, who is entitled under the said Section 761(a) to elect, shall and does hereby elect to have the said partnership excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the said Code, or such portion thereof as the Secretary of the Treasury of the United States or his delegates shall permit by

election to be excluded therefrom. The Unit Operator is authorized to execute such election on behalf of the Parties who are entitled to make such election and to file the election with the proper United States government office or agency, and Unit Operator is further authorized and directed to execute and file such additional and further evidence of such election as may be required; provided that if Unit Operator is not subject to the said Code with respect to the Unit Area, the obligations of Unit Operator under this clause shall be carried out by the Party hereto who is subject to the said Code with respect to the Unit Area and who holds the greatest Unit Participation.

1911. Notices and Communications

All notices or communications hereunder shall be in writing and in lieu of personal service may be given or made by prepaid telecommunication or by mailing in a sealed and properly addressed envelope with postage prepaid. Notices or communications shall be deemed to have been received twelve (12) hours after the sending thereof in the case of a telecommunication, and ninety-six (96) hours after the date of mailing in the case of mailing, in either case excluding Saturdays, Sundays and statutory holidays. The address appearing below the execution of each Party shall be the address to which notices and communications to it shall be directed. A Party may change its address by notice to Unit Operator. Upon request Unit Operator shall furnish to any Party the address for service of any other Party.

1912. Enuring Clause

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

1913. Force Majeure

Neither 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 deemed to 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. Nothing herein contained shall be construed to require Unit Operator or any Party to settle any strike, lockout or other difficulty by acceding against its judgment to the demands of opposing persons in any labour dispute.

Where the performance of Unit Operator or of a Party is prevented or materially affected as foresaid, Unit Operator or the Party affected shall give notice and reasonable full particulars thereof to the other Parties within a reasonable time after the occurrence of the cause relied upon, and shall use reasonable diligence to put itself again in a position to carry out its obligations hereunder.

1914. Execution in Counterpart

This agreement may be executed in separate counterparts and all the executed counterparts together shall constitute one agreement.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown opposite its execution hereof.

ICG RESOURCES LTD.

DATE: _____

ADDRESS FOR SERVICE:

2700, 140 - 4 Avenue S.W.

Calgary, Alberta T2P 3S3

Execution page of an agreement entitled "North Virden Scallion Unit No. 2".

EXHIBIT "D"

ATTACHED TO AND MADE PART OF THE
UNIT OPERATING AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

List of Parties and their Respective Unit Participations

<u>PARTY</u>	UNIT PARTICIPATION	
	<u>INTERIM - %</u>	<u>FINAL - %</u>
CANPAR HOLDINGS LTD.	8.1986	8.6548
DOME PETROLEUM LTD.	9.2304	9.7440
ICG RESOURCES LTD.	30.5573	31.8242
60494 MANITOBA LTD.	2.1456	1.7953
MOUNTCLIFF RESOURCES LTD.	30.5573	31.8242
TUNDRA OIL AND GAS LTD.	19.3108	16.1575

EXHIBIT "E"

ATTACHED TO AND MADE PART OF THE
UNIT OPERATING AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

LIST OF WELLS

Tundra MOGC Virден Prov	6-29-11-26	WPM
Tundra MOGC Virден Prov	11-29-11-26	WPM
ICGR et al Scallion Prov	12-29-11-26	WPM
ICGR et al Scallion Prov	13-29-11-26	WPM
ICGR et al Scallion Prov	14-29-11-26	WPM
ICGR et al Virден	9-30-11-26	WPM
ICGR et al Virден	10A-30-11-26	WPM
ICGR et al Virден	A15-30-11-26	WPM
ICGR et al Scallion	16-30-11-26	WPM
ICGR et al Virден	1-31-11-26	WPM
ICGR et al Scallion	3-32-11-26	WPM
ICGR et al Scallion	4-32-11-26	WPM
ICGR et al Virден	5-32-11-26	WPM
ICGR et al Virден	6-32-11-26	WPM

Revision 0
Effective as of the Effective Date

EXHIBIT "F"

ATTACHED TO AND MADE PART OF THE
UNIT OPERATING AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

ACCOUNTING PROCEDURE

ARTICLE I - GENERAL PROVISIONS

101. DEFINITIONS

In this Accounting Procedure the following words and phrases shall have the following respective meanings, namely:

- (a) "Agreement" means the Agreement to which this Accounting Procedure is Exhibit "F".
- (b) "Completion Costs" means all monies expended in preparing a well for the taking of production up to and including the initial installation of tubing and the wellhead in and on a well but does not include "Equipping Costs".
- (c) "Construction Project" means any construction or installation undertaken for the Joint Account, including each subsequent addition thereto or alteration thereof or AFE'd replacement of Material thereon and Equipping Costs of a well, but does not include Drilling. For purposes of Clause 302, each

addition, alteration or replacement hereunder will be considered as a separate Construction Project except that multiple projects of a similar nature being constructed under a single program will be consolidated as a single Construction Project.

- (d) "Controllable Material" means Material which at the time is so classified in the Controllable Material Price Catalogue as most recently recommended by the Petroleum Accountants Society of Canada.
- (e) "Drilling" means the use of a rig and crew for the drilling, completing, production testing, capping, plugging and abandoning, deepening, plugging back, redrilling or reconditioning of a well (except routine cleanout and pump or rod pulling operations) or the converting of a well to a source, input, observation or producing well, and includes Completion Costs but does not include Equipping Costs.
- (f) "Equipping Costs" of a well means all monies expended beyond Completion Costs to acquire and install equipment required to produce petroleum substances from the well including the pump (or other artificial lift equipment), the acquisition and installation of flow lines and production tankage serving the well and where necessary a heater, dehydrator or other facility for the initial treatment of the petroleum substances produced from the well to prepare such production for transport to market, but specifically excluding costs incurred beyond the point of entry into a gathering

system, plant or other common facility which is or will be operated pursuant to a separate agreement.

(g) "Joint Account" means the account showing the charges paid and credits received as a result of the Unit Operations and which are to be shared by the Parties in accordance with the terms of the Agreement.

(h) "Material" means equipment or supplies acquired for use in the conduct of Unit Operations.

(1) Condition "A" means that which is new;

(2) Condition "B" means that which has been used but is suitable for its original function without reconditioning;

(3) Condition "C" means that which has been used and would be suitable for its original function after reconditioning or that which cannot be reconditioned for, but has a limited service in, its original function;

(4) Condition "D" means that which is not suitable for its original function but is useable for another function.

(5) Condition "E" means that which is junk.

(i) "New Price" means the current price of Condition "A" Material at the nearest reputable supply store where such Material is available or at the nearest receiving point to which such Material could be delivered, whichever is closer to the Unit Property. Tubular goods 50.8 mm (two inches) in diameter and over shall be

priced on a carload basis. Any cash discount that may be allowed by a dealer shall not be deducted in determining New Price.

- (j) "Non-Operator" means a Party to the Agreement other than the Operator.
- (k) "Operating Committee" means the committee established under clause 401 of the Agreement.
- (l) "Operation and Maintenance" means all operations other than Drilling and Construction Projects conducted under the terms of the Agreement.
- (m) "Operator" means the Party designated to conduct the Unit Operations.
- (n) "Party" means a person who is bound by the Agreement.
- (o) "First Level Supervisor" means the employee whose primary function is the direct supervision of other employees and/or contract labour directly employed in a field operating capacity.
- (p) "Technical Employee" means the employee having special and specific engineering, geological or other professional skills such as, but not limited to engineers, geologists, geophysicists, technologists and landmen whose primary function is the handling of specific operating conditions and problems for the benefit of the Unit Operation.
- (q) "Unit Property" means all property subject to the Agreement.

102. STATEMENT AND BILLINGS

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements which identify the authority for expenditure or lease, or facility, and all charges and credits, summarized by appropriate classifications of investment and expense. Items of Controllable Material and unusual charges and credits shall be identified and described in detail.

In the event that revenue settlement statements are submitted by the Operator, sufficient volumetric, pricing and revenue information by product shall be provided to enable the Non-Operator to correctly calculate and record its income and pay its obligations attached thereto.

103. PAYMENTS BY NON-OPERATORS

Unless otherwise provided in the Agreement, each Non-Operator shall pay all bills rendered under Clause 102 above within 30 days of receipt thereof.

104. UNPAID ACCOUNTS

If payment of any bill or request for advances is not made within the time stipulated in Clauses 103, 104 and 105 the unpaid amount, may at Operator's election, bear interest (payable by that Non-Operator) for the account of the Operator at the rate of two percent (2%) per annum higher than the average prime rate charged by the principal bank in Canada used by the Operator during the period with respect to which such interest is payable.

105. RIGHT TO PROTEST OR QUESTION BILLS

Payment of such bills shall not prejudice the right of Non-Operators to protest or question the correctness thereof. Subject to the exception noted in Clause 108, all statements rendered to Non-Operator during any calendar year shall conclusively be presumed to be true and correct after 26 months following the end of any such calendar year, unless within the said 26 month period, Non-Operator takes written exception thereto and makes claim on Operator for adjustment. The provisions of this Clause shall not prevent adjustments resulting from physical inventory of Controllable Material as provided for in Article V, Inventories, of this Accounting Procedure. If within the period referred to above, the Non-Operator or Operator establishes that an error in the Joint Account existing in said period also existed previous to the period, the Operator shall adjust the Joint Account retroactively to the inception of the error or to such other point in time as agreed upon. The adjustment shall be subject to the Non-Operator's right to audit.

106. AUDITS

Operator's books, accounts and records relating to the operations hereunder for a calendar year may be audited within twenty-four (24) months next following the end of that year by:

- (a) An Audit Committee which shall be approved and appointed by the Operating Committee. The Operating Committee shall set the rates of remuneration and expenses, and costs of such audit shall be borne by all Non-Operators except the Operator, provided that, for the purposes of this paragraph 106, the term "Operator" shall include any affiliate corporation of Operator which is a party to the Agreement, OR;
- (b) Non-Operator shall give reasonable written notice to Operator and the other Non-Operators that it intends to audit, and the Non-Operator shall bear the total cost thereof.

Each audit shall be conducted so as to cause a minimum of inconvenience to Operator. Any claims of discrepancies disclosed by such audit shall be made in writing to the Operator within two (2) months of the completion of such audit. Operator shall respond to any claims of discrepancies within six (6) months of receipt of such claims, and the Joint Account shall be corrected to reflect the audit exceptions which have been resolved. An audit report shall be submitted to the Operator within two (2) months of the Operator's response. Unresolved exceptions

contained in the audit report shall be submitted by the Operator to the Operating Committee for final resolution by vote pursuant to the agreement within six (6) months of receipt by Operator. The Joint Account shall be corrected to reflect the audit exceptions resolved by vote of the Operating Committee.

107. ASSETS RECORDS

The Operator shall maintain detailed assets records of Controllable Material in such a manner as to enable an effective reconciliation of any physical inventory with the Joint Account.

108. APPROVALS

Where approval of the Operating Committee is required in this Accounting Procedure, approval by the Operating Committee pursuant to the Agreement shall be binding on all Parties. In the absence of provisions in the Agreement, approval shall be obtained by Operator in writing from three (3) or more Parties having interest in the Unit Property totalling seventy percent (70%) or more. Each Party shall by notice cast its vote with the Operator 15 days from receipt of request for approval and a Party who does not vote on any matter shall be deemed conclusively to have voted affirmatively.

109. RATES

All rates set forth in this Accounting Procedure may be amended from time to time in accordance with Clause 108.

ARTICLE II - CHARGES

Operator shall charge the Joint Account with the cost of the following items:

201. RENTALS AND OTHER PAYMENTS

Acquisition and bonus costs, lease, license or permit deposits, rentals, renewal or extension fees, royalties, and other similar payments required to maintain the interest of the Parties in the Unit Property.

202. LABOUR

- (a) (1) Salaries and wages of Operator's field employees directly employed on the site of the Unit Property in the conduct of Unit Operations;
- (2) Salaries of First Level Supervisors in the field;
- (3) Salaries and wages of Technical Employees directly employed on the site of the Unit Property in the conduct of Unit Operations;
- (4) Salaries and wages of Technical Employees who are either temporarily or permanently assigned to and directly employed off the site of the Unit Property may be charged upon approval of the Operating Committee.

Charges for such Technical employees shall be limited to that portion of the salaries and wages attributable to and actually devoted to the Unit Operations;

(5) Earned or compensatory time off relating to the above wage or salary categories.

(b) Operator's costs of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are for the Joint Account. Costs under this Subclause 202(b) shall be charged by a percentage assessment on the amount of salaries and wages chargeable to the Joint Account. The rate shall be based on the Operator's cost experience.

203. EMPLOYEE BENEFITS

Costs under this Clause shall be charged by a percentage assessment on the amount of salaries and wages chargeable to the Joint Account. The rate shall be based on the Operator's cost experience.

(a) Compulsory

Payments made pursuant to assessments imposed by governmental authority such as Unemployment Insurance, Workers' Compensation, Canada Pension or other payments of a like nature that are applicable to Operator's salaries and wages for the Joint Account.

(b) Non-Compulsory

Established plans for employees' group life insurance, hospitalization, company pension, retirement, stock

purchase, thrift, bonus and other benefit plans of a like nature, applicable to Operator's labour chargeable to the Joint Account under Subclauses 202(a) and 202(b) shall be at Operator's actual cost not to exceed twenty percent (20%) of such labour cost.

204. TRAVEL AND MOVING

- (a) Costs of personnel transfers and personal expenses for the required staffing of the Unit Property, and subsequent replacements when such replacements are not for the primary benefit of the Operator. Such costs shall include transportation of employee, spouse and dependants and their personal and household effects and all other relocation costs in accordance with Operator's normal reimbursement policy.
- (b) Costs of travelling and personal expenses to and from and within the Unit Property for those employees whose salaries and wages are chargeable to the Joint Account.
- (c) Costs of travelling and personal expenses to and from locations other than the Unit Property on behalf of Unit Operators for employees whose salaries and wages are chargeable to the Joint Account.

205. AUTOMOTIVE

Operating costs for Operator's owned or leased automotive equipment used in the Unit Operations. Costs shall be charged on a kilometre (mileage) hourly or other equitable basis, based on the Operator's actual cost experience.

206. ENGINEERING AND DESIGN

- (a) Engineering and design for each approved Construction Project conducted by Operator's employees directly engaged in such work shall be charged at cost. Cost shall mean salaries and benefits only.
- (b) Engineering and design work conducted by consultants or outside services require prior approval of the Operating Committee.
- (c) Engineering and design work conducted by Operator's employees charged at rates other than cost require prior approval of the Operating Committee.

207. MATERIAL

Material purchased or furnished by Operator for use in the Unit Operations as provided under ARTICLE IV including transportation cost thereof. So far as it is reasonably practicable and consistent with efficient and economical operation only such Material shall be purchased for or transferred to the Unit Property as may be required for the conduct of approved Unit Operations.

208. SERVICES

- (a) Services relative to the Unit Operations incurred under contracts entered into by Operator with contractors or as agreed upon by the Operating Committee.
- (b) Professional consultants for geological wellsite and drilling supervision. Other professional consultants services only with approval of the Operating Committee.

- (c) Contract services related to chart reading or computer services, with approval of the Operating Committee. Charges shall not exceed commercial rates.
- (d) Utilities and other services provided by outside sources including transportation costs thereof.
- (e) Operator may charge for use of Operator's owned or leased facilities and equipment at rates, not exceeding those available in the immediate area for available like facilities and equipment, commensurate with the costs of ownership and operation thereof, including depreciation and interest on the depreciated investment. The annual interest rate on investment shall not exceed the prime bank rate of the principal bank in Canada used by Operator plus one percent (1%) determined at the beginning of each calendar year.
- (f) In lieu of the foregoing rates, Operator may charge for use of its owned or leased facilities and equipment at commercial rates available in the immediate area, less twenty percent (20%). For Automotive Equipment refer to Clause 205.
- (g) When requested to do so, Operator shall inform Non-Operators in advance of the rates to be charged.

209. DAMAGES AND LOSSES TO UNIT PROPERTY

Repair or replacement of Unit Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident or other causes, Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after the damage or loss has been discovered.

210. SURFACE RIGHTS AND LEGAL SERVICES

Acquisition or renewal of surface rights and periodic rentals and related legal services for title work. Fees and related expenses associated with other legal services may be charged only with the approval of the Operating Committee.

211. TAXES

Taxes paid for the Joint Account.

212. INSURANCE

- (a) Insurance premiums required to be paid for the Joint Account.
- (b) Any deductible or uninsured loss under any policy of insurance required to be carried by Operator.
- (c) That portion of any claim in excess of limits of insurance coverage required to be carried by Operator.
- (d) "Self-Insurance" premium equivalents for coverage as

detailed in the insurance schedule are chargeable to the Joint Account. All "self-insurance" must comply with Federal and Provincial regulations.

213. COMMUNICATIONS

Communication equipment located on the Unit Property and outgoing communications incurred by Operator directly from the Unit Property. Rental or ownership and any other related costs of operating mobile transmitter/receiver equipment in vehicles directly servicing the Unit Property. Other communication services as agreed upon by the Operating Committee.

214. CAMP AND HOUSING

Operation and maintenance of all necessary camp and housing facilities for, and boarding of, employees whose salaries and wages are for the Joint Account provided that the charges for Operator's owned or leased facilities shall be commensurate with the costs of ownership, leasing, and operation thereof, including depreciation and interest on depreciated investment, less any revenue therefrom. The annual interest rate on investment shall not exceed the prime bank rate of the principal bank in Canada used by Operator plus one percent (1%) determined at the beginning of each year. When operations in addition to Unit Operations are served by these facilities, the charge for such facilities shall be apportioned among all such operations on an equitable basis.

215. CENTRAL PRODUCTION CONTROL

(a) Automated field and central production control facilities owned or leased by Operator including employee costs for maintenance and operation of the central production control system and related computer facilities serving the Unit Operations shall be allocated to each operation served on an equitable basis.

(b) Electronic/Computerized gas chart reading and other computer usage shall not be charged to the Joint Account, unless approved by the Operating Committee.

216. ECOLOGICAL AND ENVIRONMENTAL

Requirements, whether statutory or otherwise, relating to the ecology or environment of the Unit Property. Costs of related studies shall be subject to the approval of the Operating Committee.

217. AUDIT OF CONTRACT SERVICES

With prior approval of the Operating Committee, the cost of the audits of contract services shall be for the Joint Account. To the extent that the Operator performs and charges the Joint Account for such audits, it is agreed that Operator's Auditor's working papers and findings will be available for inspection and inquiring by Non Operators.

218. WAREHOUSE HANDLING

(a) If a warehouse is not maintained as part of the Unit Property, Operator may charge as follows for Material delivered from the Operator's warehouse:

Two and one-half percent (2 1/2%) of the cost of tubular goods 50.8 mm (two inches) in diameter and over, and each other item of Material having a New Price in excess of \$5,000.00 delivered from Operator's warehouse and two percent (2%) of the cost of all other Material delivered from Operator's warehouse.

(b) Costs of maintaining warehouses which are part of the Unit Property.

219. OTHER COSTS

Costs for which provision is not otherwise made within the Agreement or this Accounting Procedure, as agreed upon by the Operating Committee.

220. LIMITS TO EXPENDITURES

Operator may make or incur the following expenditures for the Joint Account, in addition to expenditures allowed by an approved forecast, without the prior approval of the Operating Committee:

- (a) An expenditure for any undertaking, the total estimated cost of which is not in excess of twenty-five thousand dollars (\$25,000.00);
- (b) Expenditures which it deems necessary in emergencies to protect lives or property, but if it makes any said expenditure it promptly shall advise the Operating Committee; and
- (c) Expenditures not in excess of ten thousand dollars (\$10,000.00) for full settlement of each damage claim resulting or arising from Unit Operations, other than those claims for which insurance has been provided in Exhibit G. Operator will furnish notice of damage or loss to each Party as soon as possible after notice of damage or loss has been received by Operator.

ARTICLE III - OVERHEAD

301. IN THIS ARTICLE III

"Cost" means total expenditures described in ARTICLE II (excluding those expenditures referred to in Clause 201 and expenses of litigation, judgements, settlement of claims, salvage credits for Material retired and the value of injected substances purchased for enhanced recovery) incurred in conducting Unit Operations.

"Overhead" means the cost to Operator of salaries, wages,

employee benefits and all other expenses of employees and the cost of maintaining and operating all offices, camps, housing and other facilities other than those costs covered in ARTICLE II CHARGES hereof.

Notwithstanding anything to the contrary contained in this Article III, it is specifically understood that any cash payments, incentives, grants, credits, waivers, exemptions, abatements or other benefits received by or available to the Operator from any governmental source pursuant to the Joint Account, shall not be taken into account when calculating any of the items set forth in Clause 302 of this Article III.

302. OVERHEAD RATES

Notwithstanding that the actual Overhead may be greater or less, Operator shall charge the Joint Account for Overhead as follows:

(a) For each Drilling Well:

- (1) 3% of the first \$50,000.00 of Cost plus
- (2) 2% of the next \$100,000.00 of Cost plus
- (3) 1% of Cost exceeding the sum of (1) and (2)

(b) For each Construction Project:

- (1) 5% of the first \$50,000.00 of Cost plus
- (2) 3% of the next \$100,000.00 of Cost plus
- (3) 1% of Cost exceeding the sum of (1) and (2)

(c) For Operation and Maintenance:

(1) 10% of the direct costs relating to operation and maintenance of the Unit Facilities including facilities added to the Unit at a later date would be subject to this rate. Capital leasing costs and third party processing costs are specifically excluded.

(2) \$150.00 per producing well per month.

For this purpose a Producing Well means a well for the Joint Account that in a Calendar month:

(i) is equipped for and is capable of producing crude oil, or

(ii) is connected to a permanent gas sales outlet source or injection system; or

(iii) is used as an injection or disposal well; an injection or disposal well shall be active during at least one day of the month; and a temporarily shut-in oil or gas well shall not be charged for overhead longer than three consecutive months after being shut-in;

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, and a well completed in more than one zone for segregated production shall be considered a separate Producing Well for each such zone.

ARTICLE IV - PRICING OF UNIT MATERIAL PURCHASES, TRANSFERS &
DISPOSITIONS

Operator shall make proper and timely charges and credits for all Material movements affecting the Unit Property. Operator shall provide all Material for use on the Unit Property; however at Operator's option such Material may be supplied by Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Material. All sales of Conditions A, B, or C Material, the New Price of which is greater than \$25,000.00 shall be subject to approval by the Operating Committee. All other disposals of Material shall be at the discretion of the Operator provided that any sales shall be priced in accordance with Clause 402.

401. PURCHASES

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. Credit for Material returned to vendor shall be for the Joint Account when adjustment has been received by the Operator.

402. TRANSFERS AND DISPOSITIONS

Material furnished to the Unit Property and Material transferred from the Unit Property or disposed of by the

Operator, unless otherwise agreed to by the Operating Committee, shall be priced on the following basis exclusive of cash discounts.

(a) New Material (Condition A)

Condition A or new material including tubular goods, shall be priced at the New Price in effect on date of movement.

(b) Good Used Material (Condition B)

(1) Condition B Material moved to the Unit Property at seventy-five percent (75%) of New Price.

(2) Condition B Material moved from the Unit Property:

(i) At seventy-five (75%) of New Price if Material was originally for the Joint Account as Condition A material;

or

(ii) At sixty-five percent (65%) of New Price if Material was originally for the Joint Account as good used Material at seventy-five (75%) of New Price.

(c) Other Used Material (Conditions C and D)

(1) Condition C Material shall be priced at fifty percent (50%) of New Price.

(2) Condition D Material shall be priced at a value commensurate with its use or at prevailing prices.

(3) Condition E Material shall be priced at salvage value.

ARTICLE V - INVENTORIES501. PERIODIC INVENTORY

Periodic inventories of the Joint Account controllable Material shall be taken by the Operator at five (5) year interval or as otherwise approved by the Operating Committee.

502. NOTICE

Written notice of the Operator's intention to conduct a periodic inventory shall be given to each Non-Operator at least sixty (60) days prior to commencing such inventory, during which time each Non-Operator may elect to be represented.

502. RECONCILIATION OF INVENTORY

A reconciliation of the physical inventory with the Joint Account records shall be made by Operator and approved by the Operating Committee conducting the physical inventory. Operator shall submit a list of overages and shortages to all Non-Operators and shall make adjustments to the Joint account records to reflect the physical inventory.

504. INVENTORY EXPENSE

The costs of conducting periodic inventories of Joint Account Controllable Material shall be charged to the Joint Account. Costs shall be determined in the same manner as audit costs that are generally accepted by the industry.

The costs of conducting inventories initiated at more frequent intervals by the Operator, shall be borne by the Operator.

505. SPECIAL INVENTORIES

Each Non-Operator shall have the right at any time to request in writing the taking of a special inventory of Controllable Material which shall be commenced within sixty (60) days of receipt of the written notice. Such Non-Operator shall be entitled to be represented at the taking of the special inventory. All expenses incurred by the Operator in conducting the special inventory shall be borne by the requesting Party.

EXHIBIT "G"

ATTACHED TO AND MADE PART OF THE
UNIT OPERATING AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

SCHEDULE OF INSURANCE

INSURANCE TO BE CARRIED BY UNIT OPERATOR

101. During Operations

In respect of operations hereunder, Unit Operator shall comply with, and require its contractor and subcontractors to comply with, the requirements of all Unemployment Insurance and Worker's Compensation legislation and shall hold or cause to be held with a reputable insurance company or companies, and shall maintain or cause to be maintained for the benefit of the Parties hereto, the insurance hereinafter set forth, and the cost thereof shall be for the Joint Account.

- (a) Employer's Liability covering each employee engaged in operations hereunder of \$1,000,000 where such employee is not covered by Worker's Compensation;
- (b) Comprehensive General Liability Insurance, excluding products, with a combined single limit of \$1,000,000 for each incident or bodily injury, death or property damage, subject to a \$25,000 deductible for each such incident.

- (c) Automobile Public Liability and Property Damage Insurance covering all vehicles, owned or non-owned, operated and/or licensed by Unit Operator, with a combined single limit of \$1,000,000 for each incident for bodily injury, death or property damage, subject to a \$25,000 deductible for each such incident.
- (d) Aircraft Public Liability and Property Damage Insurance, if aircraft are to be used in the operation, with a combined single limit of \$5,000,000 for bodily injury, death and property damage.

102. General Terms

- (a) Unit Operator shall deposit with the Operating Committee, if requested, certificates of such insurance policies;
- (b) Each Party hereto shall be responsible for insuring its own interest in the Unit Area with respect to physical damage, loss of income, liability insurance not hereunder provided and for all other loss situations not mentioned elsewhere in this insurance exhibit;
- (c) All such insurance policies shall contain a waiver of the right of subrogation against any Party, their servants, agents or employees;

- (d) Operator shall require its contractors and subcontractors to carry insurance against such risks and in such amounts as Operator shall deem necessary.

EXHIBIT "H"

ATTACHED TO AND MADE PART OF THE
UNIT OPERATING AGREEMENT
NORTH VIRDEN SCALLION UNIT NO. 2

- I. Facility: ICGR battery located on 13-29-11-26 WPM.
- II. Costs to be Equalized: Seventy-Five percent (75%) of the original costs incurred by ICGR for the 13-29 battery facility.
- III. Costs to be shared based on the following Investment Equalization shares, derived on a well count basis:

CANPAR HOLDINGS LTD.	8.4000%
DOME PETROLUEM LTD.	9.4572%
ICG RESOURCES LTD.	33.9286%
60494 MANITOBA LTD.	1.4286%
MOUNTCLIFF RESOURCES LTD.	33.9286%
TUNDRA OIL AND GAS LTD.	12.8570%

-above % based on well count basis

Effective as of the Effective Date

22-1-89

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

DATE: July 4, 1989

Norman Heenan

Leo Cameron

WITNESS

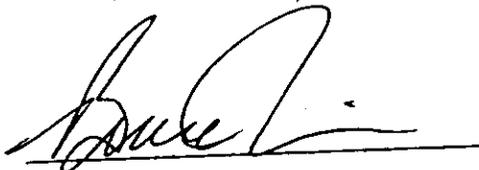
Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

DATE: 12 July 1989 _____





WITNESS
BRUCE A. MILLAR
Barrister & Solicitor

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

L.L. 10-15-80-1-2000
P.L.P.

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

DATE: July 7, 1989

James D. Nichol
in trust

x

René M. McNeill

R. Dupont Young
in trust

WITNESS
NOTARY PUBLIC
IN AND FOR THE PROVINCE OF MANITOBA

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

RENE M. McNEILL
BARRISTER & SOLICITOR
PROVINCE OF MANITOBA
243 REGAN STREET
VIRDEN, MANITOBA R0M 2C0

1504-50-
lease -

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

agents for
Nichol/Young
Account

DATE: July 7, 1989.

K. Lynne Young +

[Signature]

James D. Nichol

WITNESS
NOTARY PUBLIC
IN AND FOR THE PROVINCE OF MANITOBA

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

IRVINE M. MCNEILL
REGISTERED SOLICITOR
PROVINCE OF MANITOBA
243 REGLAN STREET
VIRDEN, MANITOBA R0M 2C0

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

THE CANADA TRUST COMPANY

DATE: July 28, 1989

[Signature]

WITNESS

[Signature]

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

ICG RESOURCES LTD.

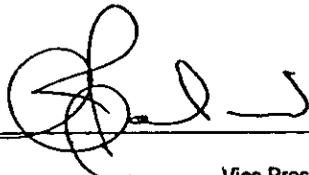
DATE: _____

MAY 25 1989



VICE PRESIDENT OPERATIONS

WITNESS



Vice-President

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

DATE: May 29, 1999 Canpor Holdings Ltd

WITNESS



Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

DOMESTIC

DATE: As of April 28, 1989



VICE-PRESIDENT

WITNESS



ASST SECRETARY

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

Mountcliff Resources Ltd.

DATE: May 29, 1989 _____
[Signature]
Pres.

_____ _____
WITNESS *[Signature]*
V. Pres.

Execution Page forming part of the Unit Agreement - North Virden Scallion Unit No. 2.

1504. Notice to Royalty Owners

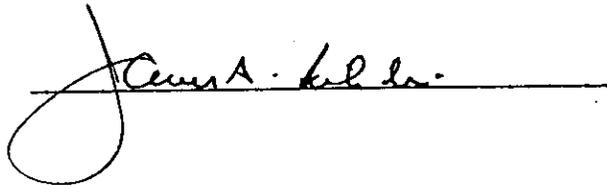
The Working Interest Owners shall give notice in accordance with their Leases to their respective Royalty Owners of the termination of this agreement within thirty (30) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

TUNDRA OIL AND GAS LTD.

DATE: April 18, 1989





Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

DATE:

May 2/89

60494 Manitoba Ltd
Box 999 Virden Manitoba
R0M 2C0

D.M. Langlois

WITNESS

J. Willocke (President)
Office 748 1330
Res 748 1257

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

~~XXXXXXXXXXXXXXXXXXXX~~
Minister of Energy & Mines

DATE:

June 26/89





WITNESS

Execution Page forming part of the Unit Agreement - North Virden
Scallion Unit No. 2.

July 11 1989

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

DATE: July 6th, 1989

L. R. Pearn Mineral Trust

J. E. Korman

WITNESS

Per: *Carole Langster*
Trustee

Execution Page forming part of the Unit Agreement - North Virden Scallion Unit No. 2.

L.R. Pearn Minerals Trust
Portion SW 32-11-26 011

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) calendar days thereafter.

IN WITNESS WHEREOF the Parties have executed this agreement each on the date shown below.

DATE: July 7/1989 Keith Pearn +

Rene M. McNeill

L.R. Pearn Mineral Trust

WITNESS
NOTARY PUBLIC
IN AND FOR THE PROVINCE OF MANITOBA

Execution Page forming part of the Unit Agreement - North Virden Scallion Unit No. 2.

RENE M. MCNEILL
BARRISTER & SOLICITOR
PROVINCE OF MANITOBA
243 REGLAN STREET
VIRDEN, MANITOBA R0M 2C0