

Chevron

**Chevron Standard Limited**  
400 - Fifth Ave. S.W., Calgary, Alberta T2P 0L7

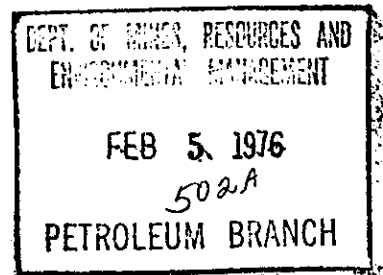
*General Correspondence*

R. R. Mahaffey  
General Attorney

February 2, 1976

Water Flooding Unitization  
Agreements  
Our File No. 56,692-A

Department of Mines, Resources and  
Environmental Management  
Mines Branch  
993 Century Street  
Winnipeg, Manitoba  
R3H 0W4



Attention: H. C. Moster, P. Eng.,  
Chief Petroleum Engineer

Dear Sirs:

In compliance with your request for copies of agreements covering certain Water Flood Units, we enclose herewith those Documents covering:

1. Producing Well 5-12 covered by Document No. 51298 and 52924. *WFU# 2*
2. Producing Well 5-13 covered by Document No. 52835. *WFU# 19*
3. Producing Well 5-11 covered by Document No. 52924 and 11085. *WFU# 21*
4. Producing Well 3-11 covered by Document No. 12674 and 52924. *WFU# 22*
5. Producing Well 9-10 does not appear to be covered by a separate formal agreement, but appears to be included in Flooding Unit No. 7 being Document No. 52924. *WFU# 25*
6. Producing Well 11-1 covered by Document No. 51298 dated May 15, 1953. *WFU# 27*

There is some question in our minds as to their completeness, but they constitute all the documentation we have covering the said wells.

Yours very truly,

R. R. MAHAFFEY

RAP/blh

enc.

cc: A. Hamberg  
D. Mahura

PROD. ●  
22 WIW ●

Duplicate ORIGINAL

WATER FLOODING UTILIZATION  
AGREEMENT

DOC. NO. 52924

Examiners  
This Agreement, between THE CALIFORNIA STANDARD COMPANY, a Delaware Corporation, hereinafter called "the Operator", and all other parties who sign this Agreement or a counterpart or ratification thereof, which other signatory parties are hereinafter called "Subscribers".

W I T N E S S E T H:

RRD  
RB  
MMA  
Operator has entered into agreements dated May 15th, 1953, November 1st, 1954, and January 7th, 1956, (hereinafter called "the said agreements") whereby the petroleum, natural gas and related hydrocarbons lying in the Mississippian formation underlying the North Half of Section One (1), the South East Quarter of Section Eleven (11), the North West Quarter of Section Twelve (12), the South Half of Section Twelve (12), the North East Quarter of Section Ten (10), the South West Quarter of Section Eleven (11), the North Half of Section Eleven (11), the South West Quarter of Section Thirteen (13), and all of Section Fourteen, all in Township Ten (10), Range Twenty-eight (28), West of the Principal Meridian (hereinafter called "the existing pooled area") have been pooled, consolidated, merged and unitized to permit waterflooding of the said Mississippian formation.

Operator desires to add to the existing pooled area the petroleum, natural gas and related hydrocarbons underlying Legal Subdivision Ten (10) of Section Twelve (12), Township Ten (10), Range Twenty-eight (28), West of the Principal Meridian, and Legal Subdivisions Fifteen (15) and Sixteen (16) of Section Two (2), Township Ten (10), Range Twenty-eight (28), West of the Principal Meridian (hereinafter called "the said lands") in accordance with Sections One (1) and Three (3) of the said agreements.

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

The names of the parties and persons who represent that they own such interests are as follows:

Gerald Benjamin Haskett and David Murray Hogg,  
Executors of the Estate of Benjamin  
Charles Haskett

Canada Permanent Trust Co., Trustee Wahpeton-  
Breckenridge Trust

Canada Permanent Trust Co., Trustee Northern  
Oils Trust

~~The Toronto General Trusts Corporation~~

Beatrice Ann Powers

Scurry-Rainbow Oil Ltd.

Vernon H. Johnson

(hereinafter referred to as "Subscribers").

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

The parties hereto desire that the petroleum, natural gas and related hydrocarbons in the Mississippian formation underlying the lands set out in Schedule "A" hereto, whether represented by ownership in fee simple, by leasehold, royalty interest or any other interest whatsoever, be pooled, consolidated, and merged with one another and with the existing pooled area to permit water-flooding of the said formation with a view to securing the most economic recovery of petroleum, natural gas and related hydrocarbons from the said formation, and to accomplish the more efficient and more economical development and production of petroleum, natural gas and related hydrocarbons from the said formation.

THEREFORE, in consideration of the premises and of the sum of One (\$1.00) Dollar in cash paid by the Operator to each Subscriber (receipt

of which each Subscriber acknowledges) and of the mutual covenants hereinafter set forth, IT IS AGREED AS FOLLOWS:

SECTION ONE

For the purposes of this agreement, the following terms or phrases shall have the following meanings:

- (a) The "existing pooled area" shall mean North Half of Section One (1), South East Quarter of Section Eleven (11), North West Quarter of Section Twelve (12), South Half of Section Twelve (12), North East Quarter of Section Ten (10), South West Quarter of Section Eleven (11), North Half of Section Eleven (11), South West Quarter of Section Thirteen (13) and all of Section Fourteen (14), all in Township Ten (10), Range Twenty-eight (28), West of the Principal Meridian.
- (b) A "Unitized lease" shall mean any lease of petroleum, natural gas or related hydrocarbons situate in whole or in part within the area set out in Schedule "A" hereto) and shown on a map set out as Schedule "B" hereto outlined in red, but only insofar as such lease relates to the petroleum, natural gas and related hydrocarbons lying in the Mississippian formation, which said lease has been unitized by the holders thereof under an agreement with the operator for the purpose of water-flooding the said formation. When and if the context hereof should so require, "unitized lease" shall include any lease making up the existing pooled area.
- (c) A "flooding unit" shall mean each eighty (80) acre square or part thereof shown on a map set out as Schedule "B" hereof as a flooding unit, in the centre of which Operator has drilled, or may hereafter drill a producing oil well, and at or near the corners of which Operator has drilled, or may hereafter drill water injection wells.
- (d) The "Mississippian formation" shall mean all producing zones and horizons which may lie between the top of the limestone generally recognized by the oil industry as the top of the Mississippian, down to and including the base of the Bakken formation, which commonly rests on the Lyleton formation.

This appears  
incorrect →

- (e) The "pooled area" shall mean the area covered by unitized leases.
- (f) A "producing oil well" shall include any well which has heretofore or may hereafter be drilled on or near the pooled area by the Operator which has produced oil in any quantity whatsoever, unless such well is converted into a water injection well by the terms hereof.
- (g) A "water injection well" shall include any well which may hereafter be drilled in or near the pooled area by the Operator for the purpose of injecting water into the Mississippian formation, and any producing oil well which has heretofore been drilled in or near the pooled area by the Operator which has been or will be converted into a water injection well.

In Schedule "A" hereto annexed and made a part hereof is set forth a description of the leases in the pooled area which are unitized hereunder, with one another and with the existing pooled area. If and whenever Operator shall acquire or unitize with leases hereunder unitized any new or additional lease or interest therein necessary to form additional flooding units in which any unitized lease hereunder may form a part, such new leases may be added to Schedule "A" hereto by certificate, acknowledged by the Operator and filed with the Department of Mines and Natural Resources at Winnipeg, Manitoba. The number of acres set out in the map marked and annexed as Schedule "B" hereto shall be conclusive on the parties hereto for the sole purpose of determining the assignment of production from any flooding unit to the unitized lease or leases which make up such unit. Each new flooding unit proposed to be formed by Operator shall be subject to the approval of the Department of Mines and Natural Resources pursuant to Section 196 of the Regulations under The Mines Act, as provided in Section Fourteen (14) hereof.

#### SECTION TWO

All interests in the petroleum, natural gas and related hydrocarbons lying in the Mississippian formation underlying the pooled area, now or hereafter acquired by each Subscriber and the existing pooled area shall, after the lease of the area under which such interest lies is unitized and so long thereafter as such unitization exists, be bound by this

agreement.

Nothing in this agreement shall bind or enure to the benefit of any non-subscribing owner of any interest whatever in any petroleum, natural gas or related hydrocarbons, or of any Subscriber's interest which is not at the time bound hereby or by the said agreement, unless and until any such Subscriber's interest becomes subject to a unitized lease, or to the said agreement.

### SECTION THREE

As between Operator and Subscribers, the leases stated in Schedule "A" to be held by Operator, and the interest of Subscribers in the petroleum, natural gas and related hydrocarbons in the lands respectively covered thereby, insofar as such leases and interests extend to petroleum and natural gas rights in the Mississippian formation are hereby pooled, consolidated, merged and unitized with one another and with the existing pooled area and shall henceforth be considered and treated as an entirety in the same manner and with like effect as though all of the said lands had been included in one lease covering the petroleum and natural gas rights in the Mississippian formation. Such new or additional lease or interest which may hereafter be added to Schedule "A" hereto by certificate aforesaid, and become part of the pooled area and the existing pooled area, shall with the lands unitized hereunder be thenceforth considered and treated as an entirety in the same manner and with like effect as though all of the said lands had been included in one lease covering the petroleum and natural gas rights in the Mississippian formation.

Insofar as it covers petroleum, natural gas and related hydrocarbons in the Mississippian formation, any new lease or interest therein may at any time be unitized with all or any part of the leases hereby unitized and thereby become included in the pooled area and the existing pooled area and become subject to the terms of this agreement precisely as if it were one of the leases described in Schedule "A" hereto that therein are stated to be held by the Operator, by the Operator filing with the Department of Mines and Natural Resources at Winnipeg, Manitoba, a counterpart of this agreement duly executed by the Operator and by the owners of

all other interests in the petroleum, natural gas and related hydrocarbons underlying the lands described in such lease and thereupon all petroleum, natural gas and related hydrocarbons underlying the lands described in such lease and in the interests of each Subscriber shall become unitized and shall become bound hereby.

Subject to the provisions of The Mines Act and the Regulations thereunder, notwithstanding the provisions contained in any unitized lease hereunder, there shall be no obligation on Operator to drill interior offsets to any producing oil wells drilled hereunder insofar as they relate to the Mississippian formation. All unitized leases insofar as they relate to the Mississippian formation may be developed and operated by the Operator for petroleum, natural gas and related hydrocarbons as a unit, without regard to the boundaries of the said leases constituting the pooled area and the existing pooled area.

#### SECTION FOUR

Operator or its predecessor has drilled heretofore or may drill the following wells in the area proposed to be added hereunder to the existing pooled area which are, or have been, or may be capable of producing petroleum, natural gas or related hydrocarbons:

<u>Name of Well</u>	<u>Location</u>
Calstan Daly 10-12-10-28	LSD 10, Sec. 12, Twp. 10, Rge. 28, WPM
Calstan Daly 15-2 -10-28	LSD 15, Sec. 2, Twp. 10, Rge. 28, WPM
Calstan Daly 16-2 -10-28	LSD 16, Sec. 2, Twp. 10, Rge. 28, WPM

#### SECTION FIVE

Operator cannot economically continue to produce all of the said wells heretofore drilled in the pooled area at the present rate of recovery of oil, and after conducting various techniques of acidizing, shooting with nitroglycerine, and hydrafracing, has come to the conclusion that the technique of waterflooding should now be extended from the existing pooled area to the pooled area. Operator has accordingly made arrangements to set up Flooding Units Nos. 10, 11, 12 and 13 as shown on Schedule "D".



Operator proposes to convert the following presently producing oil wells to water injection wells within the meaning of this agreement:

Calstan Daly 10-12-10-28

Calstan Daly 14-12-10-28

Calstan Daly 16-2-10-28

Calstan Daly Province 2-11-10-28

Operator proposes to use the following wells for the purpose of producing oil from the Flooding Units set up in Schedule "B" hereto:

Calstan Daly 11-12-10-28

Calstan Daly 13-12-10-28

Calstan Daly Province 1-11-10-28

Calstan Daly Province 7-11-10-28

Operator represents that waterflooding is a recognized oil field method of increasing the recovery of oil, but does not in any way guarantee that waterflooding will increase the amount of oil recovered from the pooled area and the existing pooled area. Operator does not guarantee that in the event of failure of waterflooding that it will be possible to convert wells used for water injection back to oil wells, and Subscribers waive any claim against Operator which they may hereafter have for damage to any presently producing well which may be caused in any way by such use for water injection.

#### SECTION SIX

If it should appear, after a reasonable period of time, that waterflooding has increased or is likely to increase substantially the recovery of oil from the pooled area and the existing pooled area, Operator in its sole discretion may proceed to set up additional flooding units in the pooled area and the existing pooled area and add such parts of additional leases to the pooled area and the existing pooled area as may be necessary to form such additional flooding units. Conversion of presently producing oil wells to water injection wells, the drilling of new oil wells and new water injection wells, and all other phases of operation and development of the said additional flooding units shall be in the sole discretion of the Operator.

*does this  
refer to  
new waterflooding  
or entire plan  
starting in  
1-53*

SECTION SEVEN

Upon commencement of continuous flooding operations through the water injection wells serving any flooding unit, all production of petroleum, natural gas and related hydrocarbons saved and marketed from the oil well serving such flooding unit shall be divided between the unitized leases contained in the pooled area in the proportion that the area of the part of such unitized lease contained in the flooding unit served by such well bears to the total area of the flooding unit, and royalties shall be payable by the Operator in respect to such production assigned to the various unitized leases at the rate and subject to the terms and conditions set out in the lease to which such production is assigned as if the production so assigned had actually been produced from a well or wells actually located on the lease so unitized. PROVIDED, HOWEVER, that where any producing oil well in the pooled area is located outside of a flooding unit in which flooding operations are taking place hereunder, and the Operator continues to produce such well, the Operator shall pay royalties in respect of such production from such a well as if the lease had not been unitized until such time as such well becomes part of a flooding unit. PROVIDED FURTHER that if Subscribers, for reasons of equity, should direct the Operator to split royalties from any well not a part of a flooding unit, but nevertheless receiving or likely to receive benefits from injection wells in a certain proportion, Operator agrees to comply with the direction contained in such agreement until a flooding unit is formed containing such wells. Should the Operator, for producing reasons, delay the conversion of a presently producing oil well to water injection, such well shall be deemed to be except for the purpose of outlining the flooding unit which it is eventually proposed to serve, a producing well located outside of a flooding unit until such time as water is actually injected through such well.

SECTION EIGHT

If the Operator should set up additional flooding units in the pooled area and the existing pooled area Operator shall give notice thereof to each Subscriber.

Does this  
apply to  
new units?

All production of petroleum, natural gas or related hydrocarbons from the producing well located in any flooding unit shall be assigned to each unitized lease making up such flooding unit in the proportion that the area of such unitized leases included in such flooding unit bears to the total area of the flooding unit, and royalties shall be payable by the Operator in respect to such production assigned to the various unitized leases at the rate and subject to the terms and conditions set out in the lease to which such production is assigned, as if the production so assigned had actually been produced from a well or wells actually located on the said lease.

#### SECTION NINE

As between themselves and Operator, Subscribers agree to accept the royalties provided in Sections Seven (7) and Eight (8) hereof in full satisfaction of all royalties provided to be paid under the terms of any unitized leases, insofar as such royalty provisions apply to production from the Mississippian formation.

#### SECTION TEN

Upon this agreement coming into effect each unitized lease shall continue in full force and effect as to all petroleum, natural gas and related hydrocarbons covered thereby as long as petroleum, natural gas or related hydrocarbons, or any of them, are being produced from the pooled area and the existing pooled area or any operations for the drilling or reworking of a well or wells are being conducted on the pooled area and the existing pooled area and during any periods intervening between the cessation of any operations or conditions and the resumption or fulfillment thereof. Each unitized lease shall be perpetuated by any of the aforementioned operations or conditions in the same manner and to the same effect as though such operations or conditions were being conducted on or obtained with respect to the land covered by each such lease separately and distinct from other lands in the pooled area and the existing pooled area.

The term of this agreement shall be for a period from the date hereof until the date upon which the last of the unitized leases including

leases making up the existing pooled area shall expire or for so long as production shall continue from an oil well located on a flooding unit. Upon termination of this agreement Operator shall be relieved of all obligations hereunder, except for the payment of royalties provided for hereunder accrued at the date of such termination.

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

#### SECTION ELEVEN

Nothing herein contained shall be deemed to reduce the discretion or other rights of the Operator granted under the terms of any unitized lease, or to prevent the Operator from relying upon the terms of such lease, and without in any way restricting the generality of the foregoing, the following clause shall continue to apply wherever the same appears:

"13. The Lessee shall have the right to abandon any well before completion thereof or at any time thereafter should it prove in the sole discretion of the Lessee unlikely that such well will prove productive of petroleum and/or natural gas or that it is unprofitable or uncommercial to continue producing such well. The lessee shall have full and complete power and authority in its own discretion either itself or by agreement with other producers or owners of petroleum and/or natural gas in the vicinity of the said lands to evolve, enter into and carry into effect any arrangements or agreement for the conservation of petroleum and/or natural gas, proration or production thereof or unitization or restrictions of development therefor or any other similar arrangements and may withhold production or withhold the leased substances from the market as conditions and/or the price of such leased substances may in the Lessee's sole discretion warrant, and insofar as the terms of this lease and grant are in conflict with, or inconsistent with, the terms of such arrangement or agreement the provisions of such agreement or arrangement shall prevail."

#### SECTION TWELVE

Subscribers grant to Operator the right to conclude agreements with other companies or Operator whereby such other companies or Operator may operate or participate in the operation and development of flooding units bordering upon or adjacent to the pooled area, and Subscribers also grant to Operator the right to commit such part of the pooled area and the

existing pooled area to such flooding units as may be necessary to complete the said units, subject to the payment of royalties as hereinbefore set out on production from the said units assigned to such committed part of the pooled area and the existing pooled area.

Subscribers grant Operator the right, and Operator hereby exercises such right of combining the pooled area and the existing pooled area to form Flooding Units Nos. 10, 11, 12 and 13 as shown on Schedule "D" hereto.

#### SECTION THIRTEEN

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

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

#### SECTION FOURTEEN

This agreement and all Operator's obligations hereunder are subject to all laws, regulations and orders-in-council of the Province of Manitoba, and the Dominion of Canada applicable thereto. Without in any way restricting the generality of the foregoing, this agreement is subject to the approval of the Minister of Mines and Natural Resources of the Province of Manitoba, pursuant to the provisions of Section No. 196 of the Regulations under The Mines Act covering exploration, development and production of oil and natural gas in Manitoba, or any regulation which may hereafter be passed in substitution therefor.

#### SECTION FIFTEEN

In the event that Operator is rendered unable wholly or in part by force majeure to carry out any of its obligations under this agreement other

than the obligation to make payment of amounts due hereunder upon Operator giving notice and reasonably full particulars of such force majeure in writing or by telegraph to the other party hereto within a reasonable time after the occurrence of the cause relied on, the obligations of the Operator so far as it is affected by such force majeure shall be suspended during the continuance of any inability so caused but for no longer period, and the cause of force majeure as far as possible shall be remedied with all reasonable dispatch.

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

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

#### SECTION SIXTEEN

Inasmuch as all of the Subscribers to this agreement may not conveniently be able to execute the original of this instrument, it is agreed that counterparts hereof or instruments of ratification hereof may be executed by any Subscriber or Subscribers, in which each executed counterpart, ratification, and the original hereof shall be construed together as one instrument. This agreement shall bind and inure to the benefit of any and all Subscribers who may execute this agreement or a counterpart or ratification hereof, regardless of whether all the owners of petroleum, natural gas and related hydrocarbons and royalty interests in the pooled area may execute this agreement, or a counterpart or ratification hereof

and throughout the duration of this agreement as between Operator and each Subscriber, this instrument shall continuously be a several agreement.

SECTION SEVENTEEN

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

SECTION EIGHTEEN

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

IN WITNESS WHEREOF the parties have executed these presents as of the 21st day of November, A.D. 1958.

THE CALIFORNIA STANDARD COMPANY

Per: [Signature]  
Vice-President

Per: [Signature]  
Assistant Secretary

THE CANADA PERMANENT TRUST CO.

Per: [Signature]  
GENERAL MANAGER

Per: [Signature]  
SECRETARY

(Trustee, Wahpeton-Breckenridge Trust)  
(Trustee, Northern Oils Trust)

~~THE TORONTO GENERAL TRUSTS CORPORATION~~

Per: \_\_\_\_\_

Per: \_\_\_\_\_

[Signature]

Signed by the said Gerald  
Benjamin Haskett in the  
presence of:

[Signature]  
WITNESS

Gerald Benjamin Haskett  
GERALD BENJAMIN HASKETT  
Winton, Manitoba  
ADDRESS

Signed by the said David  
Murray Hogg in the presence of:

[Signature]  
WITNESS

David Murray Hogg  
DAVID MURRAY HOGG  
Winton, Manitoba  
ADDRESS

Signed by the said Beatrice  
Ann Powers in the presence of:

[Signature]  
WITNESS

Beatrice Ann Powers  
BEATRICE ANN POWERS  
117, Main Street, Winton, Manitoba  
ADDRESS

Signed by the said Vernon M.  
Johnson in the presence of:

[Signature]  
WITNESS

Vernon M. Johnson  
VERNON M. JOHNSON  
Wapeton, N. Dak.  
ADDRESS



SCURRY-RAINBOW OIL LTD.

Per: [Signature]  
Per: [Signature]

Agreed to this 21st day of November A.D. 1955

[Signature]  
[Signature]  
[Signature]  
[Signature]

Bessie E. Haskett  
John W. Clarke  
[Signature]  
[Signature]

Agreed to this 8th day of January A.D. 1959.

[Signature]

Mrs. Lena Pearl Clarke



Water Flooding Unitization Agreement:

SCHEDULE "A"

FREEHOLD LEASE 16969

Lessor:

B. Haskett

Land Description:

Northeast Quarter of Section Two (2),  
insofar as it relates to Legal  
Subdivisions Fifteen (15) and Sixteen  
(16), of Township Ten (10), Range  
Twenty-eight (28) West of the  
Principal Meridian.

Date of Lease:

September 17, 1948

Term of Lease:

10 years

Acreage:

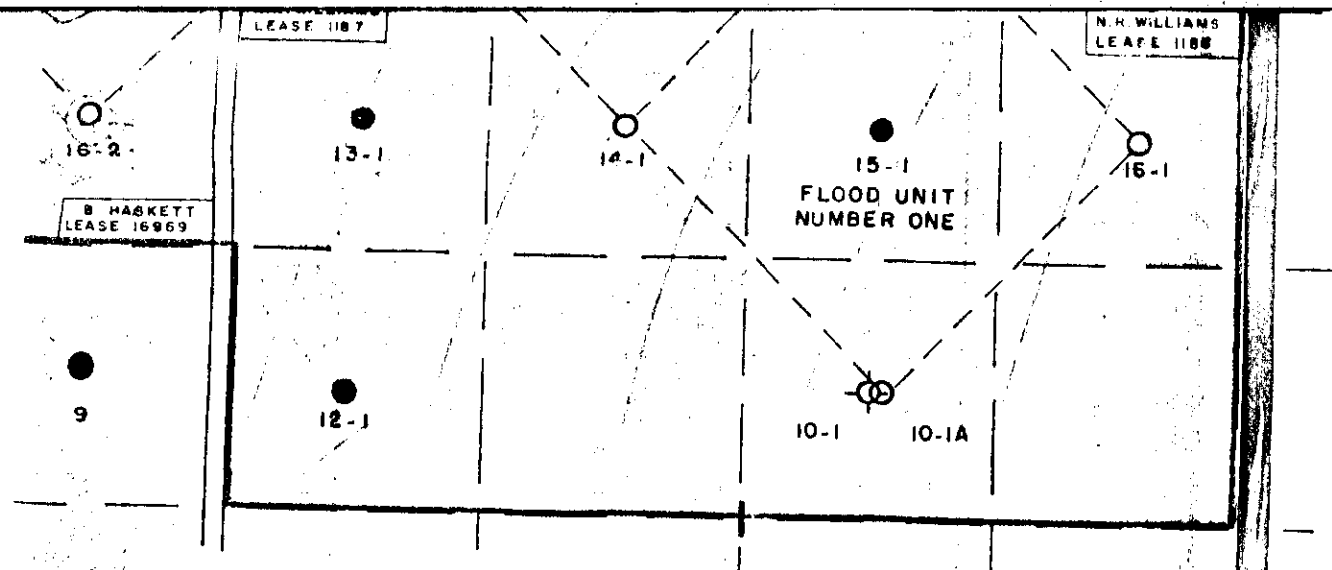
80 acres more or less.

FREEHOLD LEASE 16970

Land Description:

Legal Subdivision Ten (10) of  
Section Twelve (12), Township Ten  
(10), Range Twenty-eight (28),  
West of the Principal Meridian.

This parcel is held by California Standard in fee simple subject to a 12 $\frac{1}{2}$ %  
gross overriding royalty.



AT FLOODING UNITS NUMBERS TEN  
PRISED AS FOLLOWS.

FLOODING UNIT 12	
MAN. PROV. LEASE 55	10 AC
MAN. PROV. LEASE 68	10 AC
MAN. PROV. LEASE 21	60 AC
TOTAL 80 AC	

FLOODING UNIT 13	
LEASE 16969 B. HASKETT	10 AC
MAN. PROV. LEASE 31	10 AC
MAN. PROV. LEASE 21	60 AC
TOTAL 80 AC	

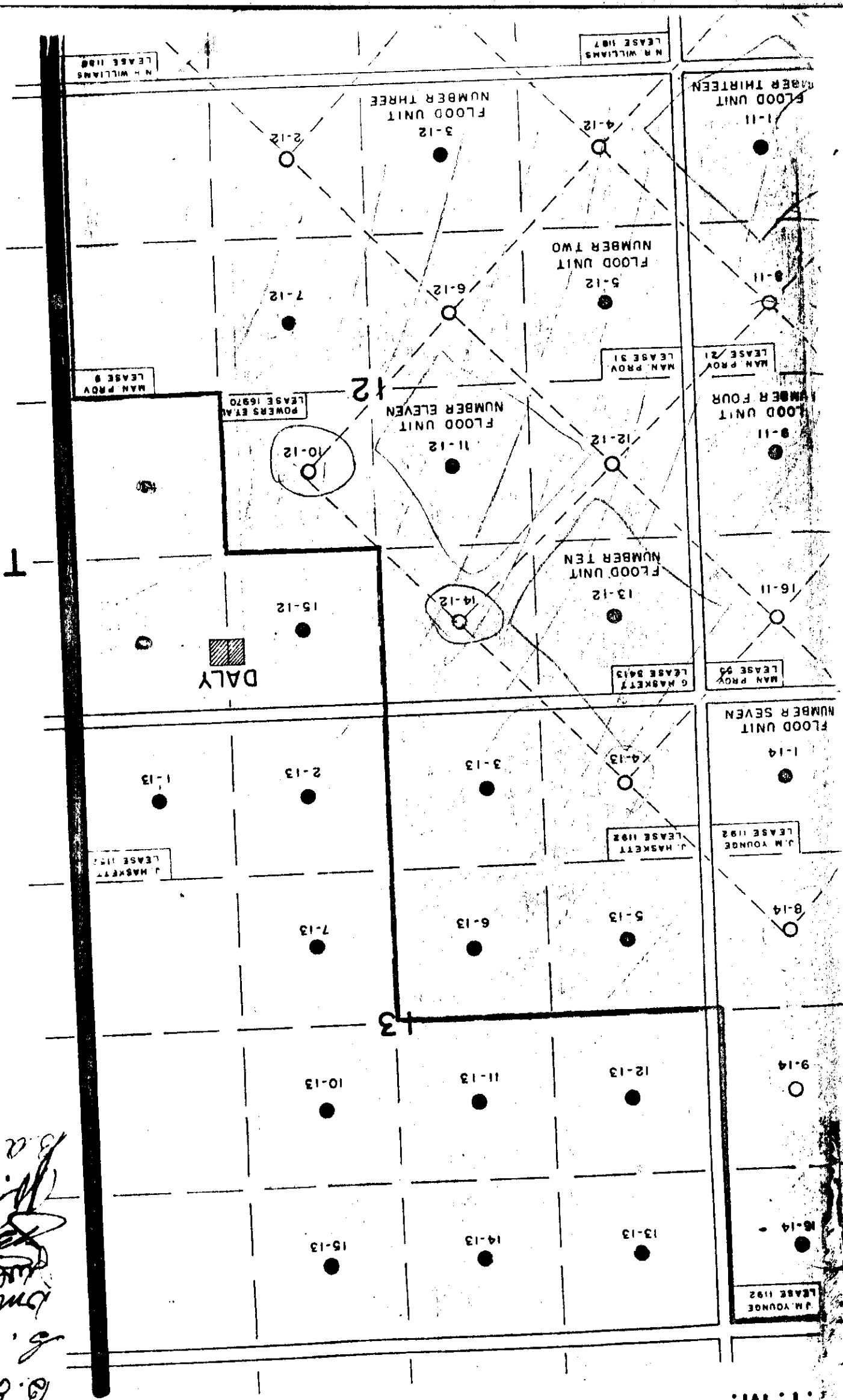
WATER FLOODING UNITIZATION  
AGREEMENT:

SCHEDULE "B"

B. E. H.  
S. H.  
J. M. H.  
J. M. H.  
J. M. H.  
J. M. H.

TR. 10

R.M.

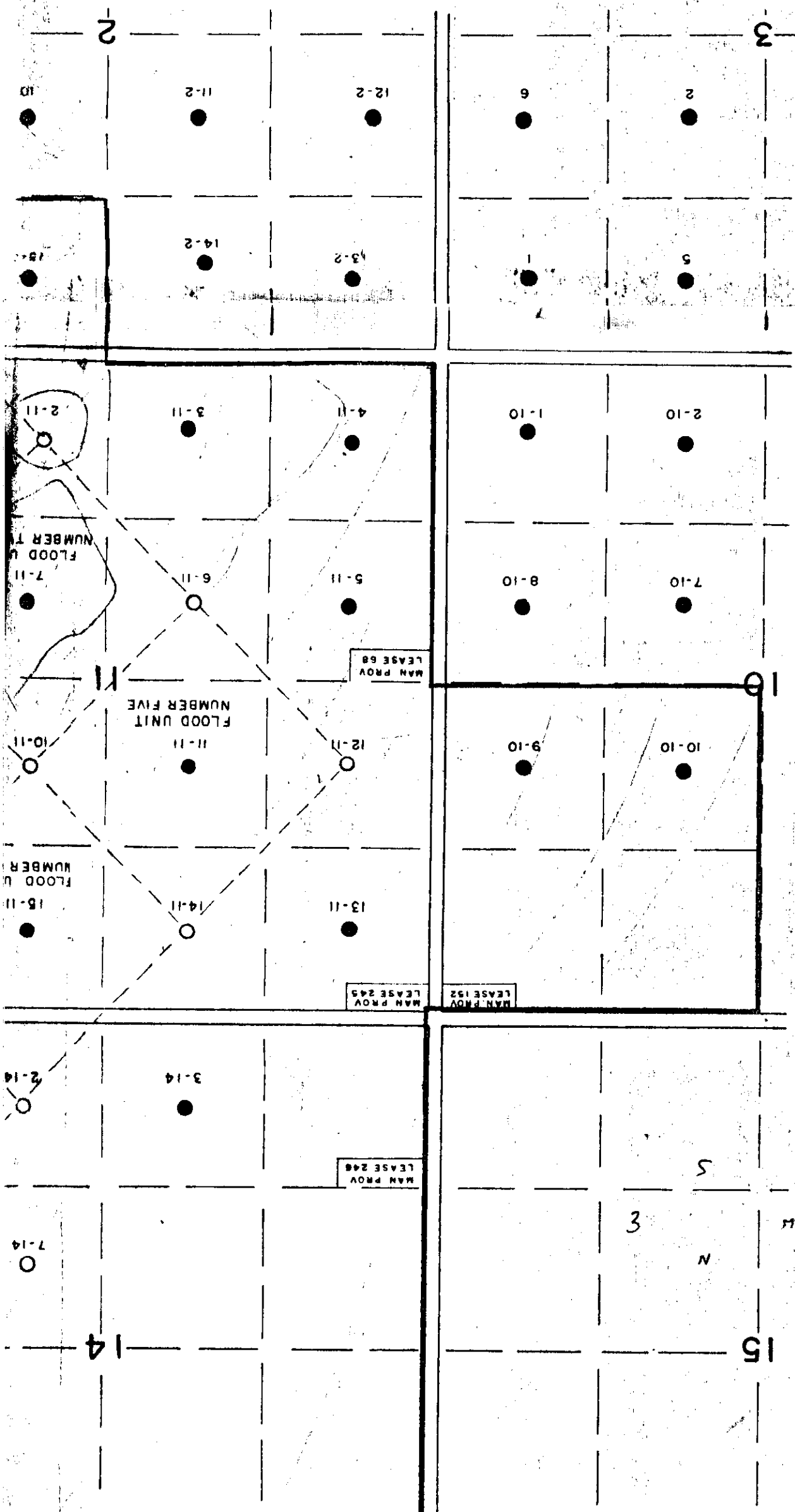


TO  
LEASE 34130 HAS  
MAY FROY LEASE  
LEASE 16970 POWE

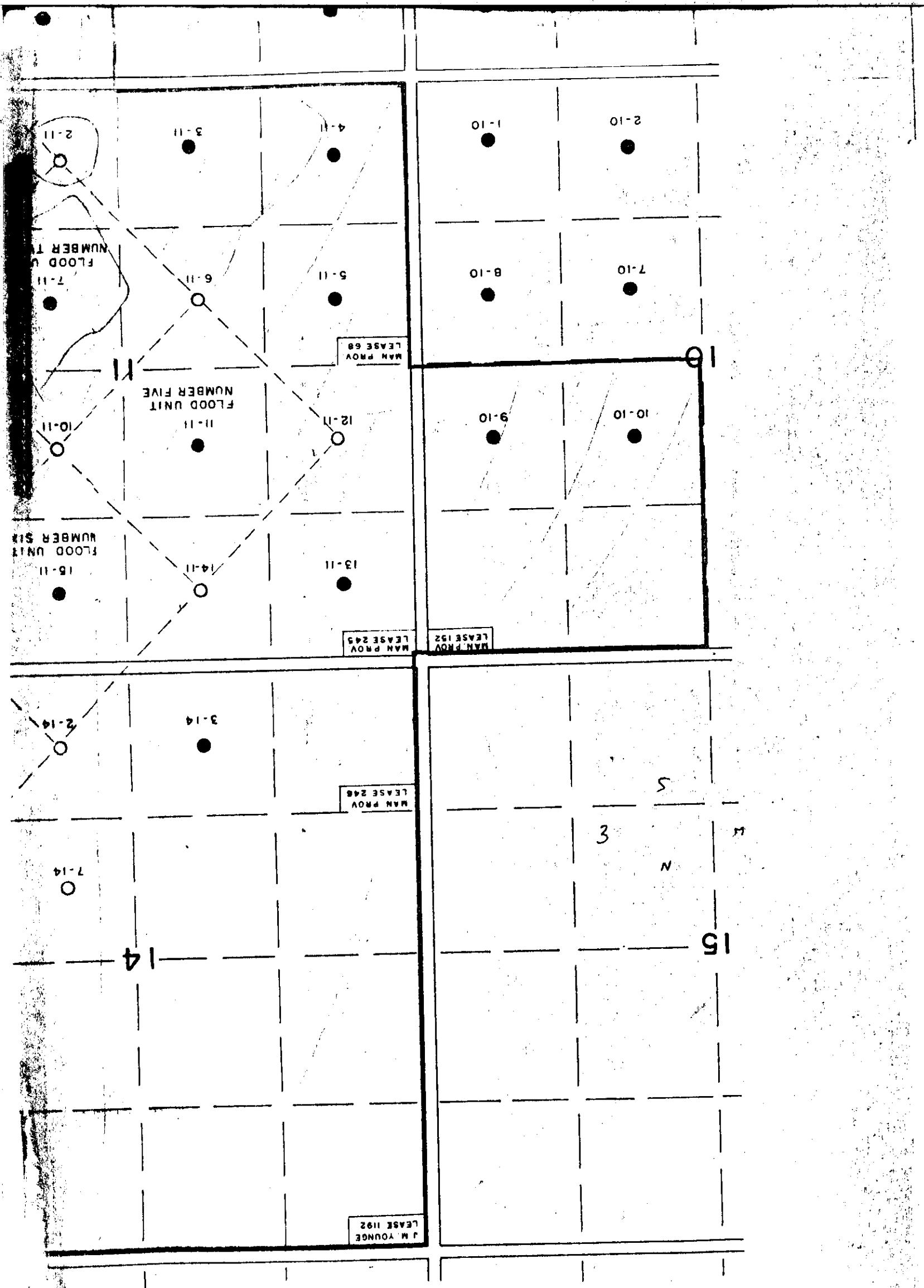
~~FLOODING UNIT 10~~

FLOODING UNIT

THE PARTIES HAVE  
TO THIRTEEN



R6E.





## Chevron Canada Resources

P.O. Box 100, Virden, Manitoba R0M 2C0  
Phone (204) 748-1334 Fax (204) 748-6762

December 31, 1991

### 1991 Summary of Injection Well Packer Installations

Department of Energy and Mines  
Petroleum Branch  
Attention: Mr. John Fox  
555 - 330 Graham Avenue  
Winnipeg, Manitoba  
R3C 4E3

Dear Sir:

In reply to your request letter dated 1985-12-09, Chevron installed packers in thirteen (13) injection wells in 1991. These were as follows:

<u>NVSU #1</u>	2-10-11-26	<u>VRU #1</u>	15-23-10-26
	12-10-11-26		11-25-10-26
	10-21-11-26		3-26-10-26
	14-13-11-26		
	14-23-11-26	<u>VRU #3</u>	14-2-10-25
	6-24-11-26		8-2-10-26
	14-33-11-26		14-1-10-26

Since implementation (1986-01), a total of 68 injection wells have had packers installed, which is above the proposed target of 10 per year. Twelve (12) packer installations are planned for 1992.

The following are the number of wells in each unit that do not yet have packers installed:

NVSU #1	7
Daly #3	1 (Suspended well)
VRU #1	4
VRU #3	<u>10</u>
Total	22

If further information is required, please contact Mr. Kevin Anderson at 748-1334 or at the letterhead address.

Yours truly,

for J. E. CAUSGROVE, P. Eng.  
Area Superintendent  
Virden

JEC/tjs



**Chevron Standard Limited**

400 - Fifth Ave. S.W., Calgary, Alberta T2P 0L7

R. A. Park  
Manager - Production

1979-10-29

Representative Change  
Operating Committee  
Daly Unit No. 3

The Oil and Natural Gas Conservation Board  
Province of Manitoba  
310 Legislative Building  
Winnipeg, Manitoba  
R3C 0V8

Gentlemen:

We wish to advise you that as of October 1, 1979, the representative of Chevron Standard Limited on the Operating Committee for the subject unit will be:

D. A. Zeeuwen  
Chevron Standard Limited  
P.O. Box 100  
Virden, Manitoba  
ROM 2C0

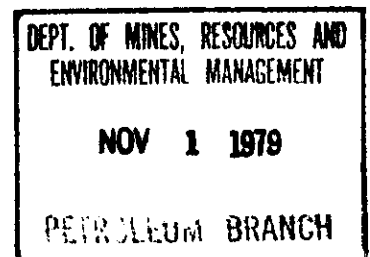
The alternates are Messrs. P. Pisio and D. R. Henderson who are located at the letterhead address.

Yours very truly,

  
R. A. PARK

DRH/njs

cc: Mr. D. A. Zeeuwen



Calg Unit #3

# COPY

Chevron Standard Limited,  
400 - Fifth Avenue S. W.,  
Calgary, Alberta.  
T2P 0L7

Attention: Mr. E. H. Gaudet


Dear Sir:

In reply to your letters dated July 19th, 1976 and pursuant to Section 90 of The Mines Act enclosed are:

1. Four (4) certified copies of each of Unitization Order Nos. 17, 18, 19, 20 and 21.
2. Four (4) certified copies of Unitization Order No. 23 plus one (1) copy of the "Plan" also certified.

Please be advised that the Department has a copy of Unitization Order No. 23 together with the "Plan".

Yours sincerely,



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

Enclosure  
c.c. H. C. Moster



The Oil and Natural Gas Conservation

Board,

Mr. Jas. T. Cawley, P. Eng., Chairman

Mr. J. S. Roper, Deputy Chairman

Dr. I. Haugh, Member.

76 04 27

H. C. Moster, P. Eng.,

Director,

Petroleum Branch.

XXXXX

SUBJECT:

"Plan for Unit Operation Governing the Unitized Management Operation and Future Development of Daly Unit No. 3."

Recommended Changes to the Proposed Plan.

BACKGROUND:

The Board held a Public Hearing in Winnipeg, Manitoba on March 12, 1976 to consider an application by Chevron Standard Limited for unitization of a portion of Daly Field.

DISCUSSION:

Certain changes were made by Chevron at the hearing for both the Application and the Plan. Chevron submitted an Exhibit (No. 3) to reflect the changes in the Plan. These changes consist of the following:

1. New pages 4 and 5. These two pages include the new definition of the Unitized Strata. Corrections were made to use "Souris Valley Beds" instead of "Souris River Beds", and to include submembers in the definition which were not listed in the original application.
2. The Electric Log for the well 8-14-10-28. This log represents the new definition of the Unitized Strata including all of the submembers.
3. New pages 62 and 63, Part XXII. These pages set out the tract numbers with their respective legal descriptions. Tract 5 of 1 was added to the tracts (it was missing in the Original Plan).
4. New pages 65 and 66, Part XXIV. These pages set out new tract participation factors. These participation factors correspond with the ones calculated by the Branch. These pages were submitted to correct the original participation factors which did not represent the correct share for each tract.

Proposed Changes in the Plan:

Based on the discussions at the hearing and the cross-examination of Chevron's representatives by Mr. Frank Starratt of Ashland Oil Canada Ltd., one of the Working Interest Owners in the proposed Unit, the following items and changes in the Plan are presented to the Board for approval.

1. Clause 8.05, Part VIII, Page 29, line 15 from the top of the page and the second last line in the page:

Delete the word fifteen (15) in both places and substitute thirty (30) therefore. This allows the Working Interest Owners more time to pay their share of Unit costs to the Unit Operator. Both the Board and Chevron verbally agreed to the change at the Hearing.

2. Clause 10.01, Part X, Page 35, lines 7 and 16:

Capitalize the letter "w" to become "W" in the word "wells" in both lines. The point of capitalization as mentioned by Mr. Starratt is that as long as the Plan deals with the wells in the Proposed Unit Area, the word wells should be capitalized to define these Unit wells. Both the Board and Chevron agreed to the change.

Mr. Starratt specifically asked for the capitalization in only the above two lines, however, the word "wells" (without capitalization) appears in many places throughout the Plan (e.g. line 11 on the same page 35). We recommend the capitalization only be in lines 7 and 16 as per the hearing.

3. Subclause (a), clause 20.06, Part XX, Page 59, the Board agreed to add "two or more" after "a majority" to read as follows:

(a) a majority, two or more, of the . . .

The reason for this addition as explained by Mr. Starratt is that it will be in Chevron's best interest to have support from other Working Interest Owners if Chevron decides to apply for a re-hearing.

We quote:

Starratt: ... On Page 59, Clause 20.06 (a). This refers to re-hearings with regard to amendments, etc. We would prefer that change to read something in the order of 95% or 75% plus 2 parties. We may have to live with this agreement for some long period of time. Ashland has a very minor interest and we think it would also be in Chevron's best interest to have some support here. The way the agreement reads now, with their participation interest, they have the ability to ask for re-hearing on any item on their own behalf where no other Working Interest Owner has . . . "

This last statement by Mr. Starratt is not correct. Section 78 (2) of the Mines Act states as follows:

78 (2) "Where an order contains no provisions as to limitation on a further application with respect to the order, any working interest owner may apply for, or the Board may of its own motion hold, a re-hearing of the matters covered by the order, or a working interest owner may apply for, or the Board of its own motion may hold a hearing to consider amendments to the order."

Subclause (c) of clause 20.06 of the Plan also states:  
(c) the Conservation Board, after full consideration of the application of any Working Interest Owner, decides that such application should be heard.

We recommend, therefore, that no change be made to subclause (a), clause 20.06 of the Plan.

4. Subclause (e) (iii), clause 26.07, Page 72, Mr. Starratt requested taking this clause out of the Plan. This clause states:

(iii) Moving expenses of employee incurred by the initial staffing, additions and replacements beyond the control of the Unit Operator shall be charged to the common account.

Mr. Starratt supported his request by saying that that kind of expense is the responsibility of the Unit Operator for which is compensated for by his overhead.

This kind of charge is common in the industry and this clause is present in all the previous Unit Agreements in Manitoba.

Chevron objected to taking this clause out of the Agreement. They also objected to replacing this clause by a fixed amount of money to be charged on an annual basis. They stated that it was difficult to have an estimation for that kind of expenditure (i.e. employee is going to quit, be transferred or terminated).

Although Chevron has a degree of control over the transfer and termination of employees, the Branch recommends leaving this clause in its present form which allows the charge by the Unit Operator for that kind of expenditure as it occurs.

5. Subclause (k) (iii) (c), clause 26.07, Page 74, Mr. Starratt requested the inclusion of the sentence "There shall be no overhead charges for expenditures \$10,000 or under".

Chevron requested that if the clause be changed, it should read "There shall be no overhead charges for project costing \$10,000 or under".

The difference between expenditures and project costing, as we understand it, is that expenditures would refer to the cost of a single item, whereas project costing would refer to the cost of more than one item.

This Branch checked with Mr. Starratt and there was no objection to substitute expenditures by project costing in the inclusion.

It is recommended, therefore, that the following sentence be added after the subclause (c) on page 75

(c) . . . over \$100,000 . "There shall be no overhead charges for projects costing \$10,000 or under."

(Pg. 45)

6. Subclause (1), Clause 26.07, Page 75, Mr. Starratt requested adding "two inches in diameter and over" after "tubular goods".

According to Mr. Starratt, this will decrease the amount of book-keeping on controlled material for small diameter tubular goods (1" and 1½" pipes).

Chevron stated that this kind of controllable equipment is confined, and the major equipment and materials are defined and determined by the Operating Committee from time to time.

It is recommended that this clause should be kept under its present form.

(Pg. 47  
- 52)

Maximum Permissible Rate Exemption Application

Along with the application for Unitization, Chevron also applied to the Board to remove all production restrictions for all the wells in the Unit Area. Order No. 13A by the Board dated February 19th, 1955 sets out the maximum permissible daily rate of production to be seventy-five (75) barrels per day for each well located in the Daly Field. This Order does not apply to any well adjacent to a water injection well.

Chevron's reason for this application is to maintain flexibility in operations by removing this restriction.

Chevron stated that if the reservoir is re-pressured due to water injection, they could face the situation where a non-adjacent well in the Unit begins to respond to the waterflood and would be capable of producing in excess of the maximum permissible rate.

(Pg. 52)

The Chairman of the Board stated that the Board would be inclined to withdraw this order of restriction. We quote:  
Chairman . . . "I don't see any reason why any of the restriction shouldn't be taken off. I'd be inclined to take off the restrictions and assume that the Company under Unitization are going to operate this at the most efficient and effective manner. That is one of the reasons for Unitization. But I would suggest to counsellor that even there, if you really want to stretch it, adjacent would probably meet the injection there. So I think what the Board would be inclined to withdraw this order of restriction."

The Branch continues to recommend this exemption not be granted. The reasons being:

1. There is no need for exemption evident at this time.
2. Any further case which might support the need for such exemption would in all likelihood be already covered by Order No. 13A (exempts wells adjacent to injection wells).
3. Potential for possible lease line drainage from non-unit properties or reservoir damage.

**RECOMMENDATIONS:**

The above proposed "changes" and "no-changes" are recommended to the Board for approval.

Upon confirmation from the Board of these changes or other changes, the Branch shall proceed to request the applicant submit appropriate amended pages to the Unit Agreement to reflect these changes.

**H. C. Master**

**HCM/ef**

## inter-departmental memo

To:

J. T. Cawley, P. Eng.,  
Chairman,  
The Oil & Natural Gas  
Conservation Board,  
310 Legislative Building.

Date 76 03 22

From J. F. Redgwell,  
Departmental Solicitor,  
Dept. of Attorney-General.

Subject Chevron Standard - Daly Unit No. 3

Concerning Chevron Standard's request for the deletion of a portion of Section 5.06 so as to remove the requirement for an annual meeting, I have had a couple of telephone discussions with their Counsel, Mr. E. H. Gaudet, and we are both now of the view that if a change is to be made, it is just about impossible to come up with any effective wording, other than that proposed.

This is then a case where you have to decide, in principle, whether to accept the proposed change, or whether to insist upon the original wording.

From a purely technical point of view, I can see no harm in acceptance, as the Working Interest Owners would continue to have unlimited access to meetings.

  
\_\_\_\_\_  
J. F. Redgwell

JFR:db

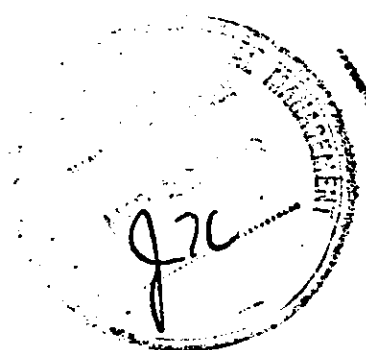
cc: Mr. J. S. Roper  
Dr. I. Haugh  
/ie 76 03 24

x.c. - H. C. Moster  
76 03 25-ra

Department of Mines, Resources  
& Environmental Management  
Mineral Services Division

MAR 25 1976

DEPARTMENTAL SECRETARY



March 16, 1976

Chevron Standard Limited,  
400 - Fifth Avenue S. W.,  
Calgary, Alberta.  
T2P 0L7

Attention: Mr. E. H. Gaudet

Dear Sir:

Re: Proposed Daly Unit No. 3

Pursuant to our telephone conversation of this date, please find enclosed a copy of each of the following as per your request:

1. Affidavit (Working Interest Owners), E. H. Gaudet
2. Affidavit (Royalty Owners), H. H. Pockrant
3. Minister's consent form.

A copy of the transcript of the Hearing shall be sent to you as soon as it is available.

Yours truly,



H. C. Moster, P. Eng.,  
Director, Petroleum Branch.

HCN/cf  
Enclosure

May 5, 1976

Chevron Standard Limited  
400 Fifth Avenue S. W.  
Calgary, Alberta  
T2P 0L7

Attention: Mr. E. H. Gaudet

Dear Sir:

**Re: Required Amendments to Unitization Agreement**  
**Proposed Daly Unit No. 3**

Pursuant to the Public Hearing held in Winnipeg on March 12, 1976 the Board has requested me to advise you of the following additional amendments required in the Plan For Unit Operation Governing The Unitized Management Operation And Future Development of Daly Unit No. 3, filed as Exhibit No. 2 at the Hearing:

1. On Page 29 under PART VIII, Section 8.05 -  
Change line 15 and the second last line on the page to read  
"thirty (30)" instead of "fifteen (15)".
2. On Page 35 under PART X, Section 10.01 -  
Change lines 7 and 16 on this page to read "Wells" instead of  
"wells".
3. On Page 59 under PART XX, Section 20.06, Paragraph (a) -  
Change line 17 on this page to read "a majority of two or  
more of the Working Interest Owners", instead of "a majority  
of the Working Interest Owners".
4. On Page 75 under PART XXVI, Section 26.07, Clause (k) (iii) (c) -  
Add the following sentence to the end of the clause, "There  
shall be no overhead charges for projects costing \$10,000.00  
or under."



- 2 -

Please submit to this office at your earliest convenience amended pages (6 copies of each) to cover the above changes plus those pages (4, 5, 62, 63, 65, 66, and 79) which were filed at the Hearing as part of Exhibit No. 3. Such pages should indicate that they are revised pages with a date and signature on each.

eg: "REVISION, May , 1976 signature"

Yours sincerely,

Original Signed by H. C. Moster

H. C. Moster, P. Eng.,  
Director, Petroleum Branch

HCM/cf  
c.c. The Oil and Natural Gas  
Conservation Board

Province of Manitoba

## inter-departmental memo

To:

H. C. Moster,  
Director of Petroleum Branch,  
Mines, Resources and Environmental  
Management,  
993 Century Street.

Date

76 05 05

From

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

Subject:

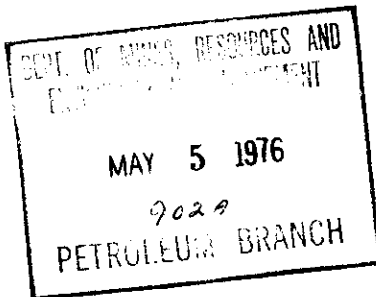
"PLAN FOR UNIT OPERATION GOVERNING THE UNITIZED MANAGEMENT OPERATION AND  
FUTURE DEVELOPMENT OF DALY UNIT NO. 3" - Your memo of 76 04 27

Replying to your memo:

A. The Board notes the changes made by Chevron at the hearing and listed as 1, 2, 3, 4 under "Discussion" in your memo. These changes refer to: new pages 4 and 5; electric log for 8-14-10-28; new pages 62 and 63 Part XXII; new pages 65 and 66. Please have these changes incorporated as required.

B. Proposed changes in the plan - page 2 of your memo.

1. Section 8.05, Part VIII, Page 29, line 15 and second last line - The Board approves the proposed change.
2. Section 10.01, Part X, Page 35, lines 7 and 16 - The Board approves the proposed change.
3. Paragraph (a), Section 20.06, Part XX, Page 59 - The Board does not approve the Branch's recommendation. Notwithstanding Section 78(2) of The Mines Act permits any working interest owner to apply for a hearing it was agreed at the hearing that this paragraph would be amended to read "majority two or more" - something of that nature. Therefore, the Board requests that you have this paragraph amended to read "a majority of two or more of the Working Interest Owners -----"
4. Sub-paragraph (e)(iii), Section 26.07 - The Board approves the Branch's recommendation i.e. no change in sub-paragraph (e)(iii), Section 26.07 of the proposed unit agreement.
5. Clause (k)(iii)(c), Section 26.07, Page 74 - The Board approves the Branch's recommendation i.e. add the following sentence after clause (k)(iii)(c) on Page 75 - "There shall be no overhead charges for projects costing \$10,000.00 or under."
6. Paragraph (1), Section 26.07 - The Board approves the Branch's recommendation i.e. no change in paragraph (1), Section 26.07 of the proposed unit agreement.



Maximum Permissible Rate Exemption Application

The Board does not approve the Branch's recommendation in this matter. At the hearing the Board indicated it would be prepared to remove the restriction unless evidence was submitted to the effect that some other interest should be protected or some other oil would be produced if the restriction was not removed.

The reasons offered by the Branch for not granting the exemption do not apply to "other interest" or "other oil" and would not appear to sufficiently substantive for the Board to negate the position taken at the hearing. Therefore, unless the Branch can offer further significant documentation the Board requests the Branch to take the action required to remove all production restrictions for all the wells in the proposed unit area.

Please proceed to request the applicant to submit appropriate amended pages to the Unit Agreement to reflect these changes.

  
\_\_\_\_\_  
J. S. Roper.

JSR/gls

c.c. - Jas. T. Cawley  
- I. Haugh

Province of Manitoba

## inter-departmental memo

To:

The Oil and Natural Gas Conservation  
Board,  
Mr. Jas. T. Cawley, P. Eng., Chairman  
Mr. J. S. Roper, Deputy Chairman  
Dr. I. Haugh, Member.

Date 76 04 27

From

H. C. Moster, P. Eng.,  
Director,  
Petroleum Branch.

~~XXXXX~~SUBJECT:

"Plan for Unit Operation Governing the Unitized Management Operation  
and Future Development of Daly Unit No. 3."

Recommended Changes to the Proposed Plan.

BACKGROUND:

The Board held a Public Hearing in Winnipeg, Manitoba on March 12, 1976  
to consider an application by Chevron Standard Limited for unitization of a  
portion of Daly Field.

DISCUSSION:

Certain changes were made by Chevron at the hearing for both the Application  
and the Plan. Chevron submitted an Exhibit (No. 3) to reflect the changes in  
the Plan. These changes consist of the following:

1. New pages 4 and 5. These two pages include the new definition of the  
Unitized Strata. Corrections were made to use "Souris Valley Beds"  
instead of "Souris River Beds", and to include submembers in the definition  
which were not listed in the original application.
2. The Electric Log for the well 8-14-10-28. This log represents the new  
definition of the Unitized Strata including all of the submembers.
3. New pages 62 and 63, Part XXII. These pages set out the tract numbers  
with their respective legal descriptions. Tract 5 of 1 was added to the  
tracts (it was missing in the Original Plan).
4. New pages 65 and 66, Part XXIV. These pages set out new tract part-  
icipation factors. These participation factors correspond with the ones  
calculated by the Branch. These pages were submitted to correct the  
original participation factors which did not represent the correct share  
for each tract.

Proposed Changes in the Plan:

Based on the discussions at the hearing and the cross-examination of Chevron's representatives by Mr. Frank Starratt of Ashland Oil Canada Ltd., one of the Working Interest Owners in the proposed Unit, the following items and changes in the Plan are presented to the Board for approval.

(Transcript  
Pg. Ref.)

1. Clause 8.05, Part VIII, Page 29, line 15 ✓ from the top of the page and the second last line ~~On~~ the page:

Delete the word fifteen (15) in both places and substitute thirty (30) therefore. This allows the Working Interest Owners more time to pay their share of Unit costs to the Unit Operator. Both the Board and Chevron verbally agreed to the change at the Hearing.

(Pg. 39)

2. Clause 10.01, Part X, Page 35, lines 7 and 16:

Capitalize the letter "w" to become "W" in the word "wells" in both lines. The point of capitalization as mentioned by Mr. Starratt is that as long as the Plan deals with the wells in the Proposed Unit Area, the word wells should be capitalized to define these Unit wells. Both the Board and Chevron agreed to the change.

(Pg. 40)

Mr. Starratt specifically asked for the capitalization in only the above two lines, however, the word "wells" (without capitalization) appears in many places throughout the Plan (e.g. line 11 on the same page 35). We recommend the capitalization only be in lines 7 and 16 as per the hearing.

(Pg. 41)

3. Subclause (a), clause 20.06, Part XX, Page 59, the Board agreed to add "two or more" after "a majority" to read as follows:  
(a) a majority, two or more, of the . . .

The reason for this addition as explained by Mr. Starratt is that it will be in Chevron's best interest to have support from other Working Interest Owners if Chevron decides to apply for a re-hearing.

We quote:

Starratt: "...On Page 59, Clause 20.06 (a). This refers to re-hearings with regards to amendments, etc. We would prefer that change to read something in the order of 95% or 75% plus 2 parties. We may have to live with this agreement for some long period of time. Ashland has a very minor interest and we think it would also be in Chevron's best interest to have some support here. The way the agreement reads now, with their participation interest, they have the ability to ask for re-hearing on any item on their own behalf where no other Working Interest Owner has . . . "

This last statement by Mr. Starratt is not correct. Section 78 (2) of the Mines Act states as follows:

78 (2) "Where an order contains no provisions as to limitation on a further application with respect to the order, any working interest owner may apply for, or the Board may of its own motion hold, a re-hearing of the matters covered by the order, or a working interest owner may apply for, or the Board of its own motion may hold a hearing to consider amendments to the order."

Subclause (c) of clause 20.06 of the Plan also states:  
"(c) the Conservation Board, after full consideration of the application of any Working Interest Owner, decides that such application should be heard."

We recommend, therefore, that no change be made to subclause (a), clause 20.06 of the Plan.

(Pg. 41-42)

4. Subclause (e) (iii), clause 26.07, Page 72, Mr. Starratt requested taking this clause out of the Plan. This clause states:

"(iii) Moving expenses of employee incurred by the initial staffing, additions and replacements beyond the control of the Unit Operator shall be charged to the common account."

Mr. Starratt supported his request by saying that that kind of expense is the responsibility of the Unit Operator for which he is compensated for by his overhead.

This kind of charge is common in the industry and this clause is present in all the previous Unit Agreements in Manitoba.

Chevron objected to taking this clause out of the Agreement. They also objected to replacing this clause by a fixed amount of money to be charged on an annual basis. They stated that it was difficult to have an estimation for that kind of expenditure (i.e. employee is going to quit, be transferred or terminated).

Although Chevron has a degree of control over the transfer and termination of employees, the Branch recommends leaving this clause in its present form which allows the charge by the Unit Operator for that kind of expenditure as it occurs.

(Pg. 42-45)

5. Subclause (k) (iii) (c), clause 26.07, Page 74, Mr. Starratt requested the inclusion of the sentence "There shall be no overhead charges for expenditures \$10,000 or under".

Chevron requested that if the clause be changed, it should read "There shall be no overhead charges for project costing \$10,000 or under".

The difference between expenditures and project costing, as we understand it, is that expenditures would refer to the cost of a single item, whereas project costing would refer to the cost of more than one item.

This Branch checked with Mr. Starratt and there was no objection to substitute "expenditures" by "project costing" in the inclusion.

It is recommended, therefore, that the following sentence be added after the subclause (c) on page 75

(c) . . . over \$100,000. "There shall be no overhead charges for projects costing \$10,000 or under."

(Pg. 45)

6. Subclause (1), Clause 26.07, Page 75, Mr. Starratt requested adding "two inches in diameter and over" after "tubular goods".

According to Mr. Starratt, this will decrease the amount of book-keeping on controlled material for small diameter tubular goods (1" and 1½" pipes).

Chevron stated that this kind of controllable equipment is confined, and the major equipment and materials are defined and determined by the Operating Committee from time to time.

It is recommended that this clause should be kept under its present form.

(Pg. 47  
- 52)

Maximum Permissible Rate Exemption Application

Along with the application for Unitization, Chevron also applied to the Board to remove all production restrictions for all the wells in the Unit Area. Order No. 13A by the Board dated February 19th, 1955 sets out the maximum permissible daily rate of production to be seventy-five (75) barrels per day for each well located in the Daly Field. This Order does not apply to any well adjacent to a water injection well.

Chevron's reason for this application is to maintain flexibility in operations by removing this restriction.

Chevron stated that if the reservoir is re-pressured due to water injection, they could face the situation where a non-adjacent well in the Unit begins to respond to the waterflood and would be capable of producing in excess of the maximum permissible rate.

(Pg. 52)

The Chairman of the Board stated that the Board would be inclined to withdraw this order of restriction. We quote: Chairman . . . "I don't see any reason why any of the restriction shouldn't be taken off. I'd be inclined to take off the restrictions and assume that the Company under Unitization are going to operate this at the most efficient and effective manner. That is one of the reasons for Unitization. But I would suggest to counsellor that even there, if you really want to stretch it, adjacent would probably meet the injection there. So I think what the Board would be inclined to withdraw this order of restriction."

The Branch continues to recommend this exemption not be granted. The reasons being:

1. There is no need for exemption evident at this time.
2. Any further case which might support the need for such exemption would in all likelihood be already covered by Order No. 13A (exempts wells adjacent to injection wells).
3. Potential for possible lease line drainage from non-unit properties or reservoir damage.

RECOMMENDATIONS:

The above proposed "changes" and "no-changes" are recommended to the Board for approval.

Upon confirmation from the Board of these changes or other changes, the Branch shall proceed to request the applicant submit appropriate amended pages to the Unit Agreement to reflect these changes.

A handwritten signature in cursive script, reading "H. C. Moster". The signature is written in dark ink and is positioned to the right of the main text block.

H. C. Moster

HCM/cf



July 7, 1976

Chevron Standard Limited  
Box 100  
Virden, Manitoba  
R0M 2G0

Attention: Mr. G. W. Grudisbank  
Area Supervisor

Dear Sir:

Re: Dely Unit No. 3

Attached hereto for your information are:

1. Unitization Order No. 23 dated June 1st, 1976 (including the 11 pages from the Plan which were amended and approved by the Board).
2. Order No. 64A dated June 14th, 1976.

Please notify the Conservation Board in writing as to:

1. The members of the Operating Committee
2. The Unit Operator
3. The Chairman of the Operating Committee

We await submission of an application for a pressure maintenance order to cover the waterflooding operations within the Unit area. Please submit appropriate application at your earliest convenience pursuant to Subsection 62(9)(d) of The Mines Act.

Yours sincerely,



H. C. Master, P. Eng.,  
Director, Petroleum Branch.

HCM/et  
Attache.

76 07 07

Mr. A. J. Balkaran  
Registrar of Regulations  
249 Legislative Building

H. C. Moster  
Director  
Petroleum Branch

Unitization Order No. 23 — Order No. 64A

1. Unitization Order No. 23

This Oil and Natural Gas Conservation Board Order was passed by the Board on June 1, 1976 and approved by O.I.C. No. 737/76 on June 29, 1976. The Certificate and regulation have been sent to Mr. Bedson to be forwarded directly to yourself for filing (c.c. of memo attached).

Please note that only 3 specific Parts of the Plan are to be published in The Manitoba Gazette. Publication of the Plan in its entirety were dispensed with under the O.I.C. pursuant to Subsection 4 (1) of The Regulations Act.

2. Order No. 64A

Attached hereto for filing, original and 1 copy of Certificate plus original and 1 copy of Manitoba Regulation, covering The Oil and Natural Gas Conservation Board Order No. 64A signed June 14, 1976.

Original Signed by H. C. Moster

H. C. Moster

HCM/et  
Attachs.

76 07 07

Mr. Derek Bedson  
Clerk of the Executive Council  
Room 204 Legislative Building

H. C. Moster  
Director  
Petroleum Branch

Certificate (C.I.C. No. 737/76)

Attached for your approval and execution is a Certificate pertaining to Unitization Order No. 23 approved by Order-in-Council No. 737/76 together with the regulation.

Please forward the signed Certificate and regulation directly to Mr. Balkaran.

Original Signed by H. C. Moster

H. C. Moster

HCM/ec

Attachs.

c.c. A. C. Balkaran

76 06 04

Mr. Derek Bedson,  
Clerk of the Executive Council,  
Room 204, Legislative Building.

H. C. Moster,  
Director,  
Petroleum Branch.

Certificates

Attached for your approval and execution are six (6) Certificates.

Five (5) of the Certificates do not have the respective regulations attached, as those regulations [Unitization Orders No. 17 (O.I.C. 611/76), No. 18 (O.I.C. 612/76), No. 19 (O.I.C. 613/76), No. 20 (O.I.C. 614/76) and No. 21 (O.I.C. 615/76)] were inadvertently forwarded to the Registrar of Regulations (A. C. Balkaran) with incorrect certificates.

The sixth Certificate does have the regulation attached [Unitization Order No. 22 (O.I.C. 618/76)].

Please forward the signed Certificates directly to Mr. Balkaran.

Original Signed by H. C. Moster

H. C. Moster

HCM/et  
Attachs.  
c.c. A. C. Balkaran

76 06 02

Mr. A. C. Balkaran  
Registrar of Regulations  
249 Legislative Building

H. J. Moster  
Director  
Petroleum Branch

REGULATIONS

Oil and Natural Gas Conservation Board Orders  
Unitization Orders No. 17, 18, 19, 20 and 21

Attached hereto for filing, original and 1 copy of Certificate plus original and 1 copy of Manitoba Regulation; for each of five (5) separate Orders of The Oil and Natural Gas Conservation Board entitled:

1. Unitization Order No. 17 (signed May 4th, 1976)
2. Unitization Order No. 18 (signed May 4th, 1976)
3. Unitization Order No. 19 (signed May 4th, 1976)
4. Unitization Order No. 20 (signed May 4th, 1976)
5. Unitization Order No. 21 (signed May 4th, 1976)



H. J. Moster

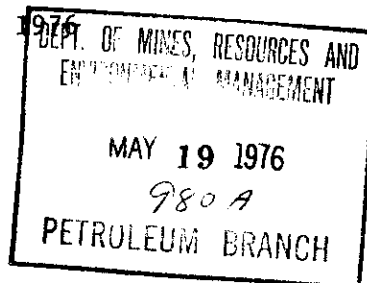
HW/et  
Attache.



**Chevron Standard Limited**

400 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7

May 18, 1976



Proposed Daly Unit No. 3

Mr. H. C. Moster, P. Eng.,  
Director, Petroleum Branch,  
Department of Mines, Resources and  
Environmental Management,  
993 Century Street,  
Winnipeg, Manitoba.  
R3H 0W4

Dear Sir:

Thank you for your letter of May 5, 1976. We have made the changes as requested in your letter and enclose six (6) copies of each of Pages Nos. 4, 5, 29, 35, 59, 62, 63, 65, 66, 75, and 79.

Yours very truly,

  
E. H. GAUDET

EHG/ps

Encls.

The Oil and Natural Gas  
Conservation Board:  
Jas. T. Conley, P. Eng., Chairman,  
J. S. Roper, Deputy Chairman,  
I. Haugh, Member.

76 05 06

H. C. Moster,  
Director,  
Petroleum Branch.

Five Orders-in-Council Pertaining To Unitization Orders No. 17, 18, 19, 20, and 21

Attached are five (5) separate Orders-in-Council to cover each of the five (5) Unitization Orders passed by The Oil and Natural Gas Conservation Board on May 4th, 1976, as required under Section 78(5) of The Mines Act.

When the Orders-in-Council have been passed please send a copy of each to the Petroleum Branch in order that the individual Orders may be filed with the Registrar of Regulations and Gazetted.

Original Signed by H. C. Moster

H. C. Moster

HCM/et

Attachs.

DEPARTMENT OF MINES, RESOURCES AND ENVIRONMENTAL MANAGEMENT

ROUTE SLIP

TO

*SAM*

FROM

*HGM*

TO

FROM

☐ For your approval or revision

☐ Reply direct with copy to me

☐ Please sign

☒ For your information

☐ Please supply data for my reply

☒ Please return

☐ Please take action

☐ Return with comments and/or recommendations

☐ Please see me

☐ Extracts of minutes for your information and action

☐ Investigate and report

☐ Please phone

☐ Please draft reply for signature of

Date

*March 10/76*

Subject

*Daly Unit #3*

Message

*For your future understanding  
of Vintigation proceedings!*



Province of Manitoba

## inter-departmental memo

To:

H. C. Moster, Director  
 Petroleum Branch  
 Dept. of Mines, Resources and  
 Environmental Management  
 Century Plaza

Date 76 03 08

From

J. F. Redgwell  
 Departmental Solicitor

MAR 10 1976

667A

PETROLEUM BRANCH

Subject: PROPOSED DALY UNIT 3 - UNITIZATION ORDER

Referring to your memo of the 3rd and to our subsequent discussions:

1. Water Flooding Unitization Agreements, or indeed, any other forms of agreement pertaining to the lands and the production of oil or gas therefrom do not have to be individually terminated or modified. Section 82(1) of the Act, taken together with clauses 1.02(f) and 2.03 of the Agreement make any such action a redundancy.

Agreed ✓

However it might be regarded as a worthwhile house-keeping matter to bring all agreements into line with the provisions of the Order. Whether or not this be done is optional.

2. There should not be any discrepancy between the consent or agreement made under S.77 and the matter consented to. Consequently, your request for a revised consent form is in order. What you should end up with is a consent to the proposed plan of operation which comes before the Board, and not to something different.
3. It is true that there can be certain ambiguities created if one reads Sections 74 and 75 together with Sections 76, 77, 78 etc. The trick is to keep the sections separate, referring to Sections 74 and 75 only where the Board is not going to hold a hearing and make an Order.

Already  
 Requested  
 and  
 Received.  
 HGM

One uses Sections 74 and 75 as a voluntary process where all interested parties agree and the Board simply approves of their agreement, while sections 76, 77, 78 etc. are employed where the Board conducts a hearing and makes an Order. The latter process is a compulsory one, in that the Board, rather than the parties, establishes the terms and conditions of operation.

Of course, you can have a situation where all parties agree and could therefor proceed under sections 74 and 75, but for one reason or another, a decision is made to

proceed instead under Sections 76, 77, 78 etc. When this occurs, the procedure is as set forth in sections 76, 77, 78 etc., and sections 74 and 75 are ignored.

If the processes are kept separate in this fashion the ambiguities will not arise.

(a) All that is necessary to comply with S. 77 is that you have "agreed in writing to the proposed plan of unit operation:. You can do this either by signing the Agreement itself, or by providing a separate consent. You don't have to do both, although it doesn't do any harm. The effect is the same, whether you sign either or both.

The time of signing is really not significant, although the Board can't make an Order under S. 77 until you have done so. If I were the Board, I would require the filing of or undertaking to file your consent prior to commencement of the hearing, else the hearing could prove abortive in the event that the consent was not forthcoming.

(b) and (c) Having elected a S.76 hearing, the effective document becomes the Order of the Board, and not the Agreement. Accordingly, it is possible that the Board may, in its Order, impose terms and conditions other than those which were applied for or consented to. (If one proceeds under sections 74 and 75, this probably wouldn't happen, for if the Board disagreed with the terms of the Agreement proposed, it might simply refuse to approve it).

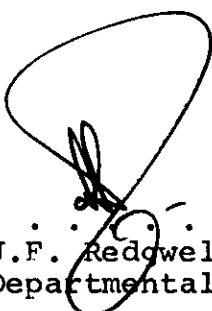
The fact that the Board may alter the provisions of the proposed Agreement in its Order should not give rise to any concern, for the Orders of the Board are, by S.76(3), subject to the approval of the Lieutenant Governor in Council. There is, then, a type of in-house appeal process available. Frankly, I think that it would be an extraordinary case indeed when one might have cause to contemplate utilizing this process.

Finally, the Act is silent on the question of how the agreement of the Crown is to be given under S.77. One can

argue for or against a requirement for the Minister having to obtain the approval of the Lieutenant Governor in Council prior to signing any agreement or consent. However, as any Board Order is itself subject to the approval of the Lieutenant Governor in Council, it would seem somewhat redundant to require a further approval simply to get the matter before the Board. Accordingly, I would opt for the Minister's capacity to sign without prior approval. ✓

*Already  
carried  
out.  
H6m*

The documents forwarded with your memo of the 3rd are attached.

  
.....  
J.F. Reddwell  
Departmental Solicitor

/gs

Enc.

c.c. J. T. Cawley, P.Eng.  
Dept. of M.R.E.M.

J.S. Roper, Policy Advisor  
Dept. of M.R.E.M.

Dr. Ian Haugh  
Assistant Deputy Minister  
Dept. of M.R.E.M.

The Oil and Natural Gas Conservation Board,  
Province of Manitoba,  
Legislative Building,  
Box 42,  
Winnipeg, Manitoba.

Gentlemen:

Her Majesty the Queen, in the Right of the Province of Manitoba, being the owner of a Royalty Interest of a head lessor in the proposed Daly Unit No. 3, as hereinafter set out:

<u>Tract No.</u>	<u>Royalty Owner's Interest</u>
13-6	100%
9-10	100%
10-10	100%
16-10	100%
1-11	100%
2-11	100%
3-11	100%
4-11	100%
5-11	100%
6-11	100%
7-11	100%
8-11	100%
9-11	100%
10-11	100%
11-11	100%
12-11	100%
13-11	100%
14-11	100%
15-11	100%
16-11	100%
1-12	100%
2-12	100%
3-12	100%
4-12	100%
5-12	100%
6-12	100%
7-12	100%
8-12	100%
3-14	100%
4-14	100%
5-14	100%
6-14	100%

HEREBY AGREES to the Proposed Plan of Unit Operation entitled "Plan for Unit Operation Governing the Unitized Management Operation and Further

The Oil and Natural Gas Conservation Board

Development of Daly Unit No. 3", a copy of which Plan has been provided me by Chevron Standard Limited, and CONSENTS AND AGREES to the Board making an Order pursuant to Section 76 of The Mines Act of the Revised Statutes of Manitoba 1970, and amendments thereto, ordering that a certain portion of the Daly Field as described in the said Plan be operated as a Unit in accordance with the Plan of Unit Operation.

SIGNED at Winnipeg, in the Province of Manitoba, this \_\_\_\_\_ day of \_\_\_\_\_, A.D. 197\_\_.

\_\_\_\_\_  
Minister, Department of Mines  
and Natural Resources

Chevron

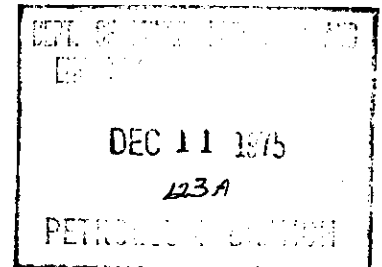
**Chevron Standard Limited**

400 - Fifth Ave S.W., Calgary, Alberta T2P 0L7

December 5, 1975

Proposed Daly Unit No. 3

The Honourable Sidney Green, Q.C.,  
Minister of Mines, Resources and  
Environmental Management,  
Province of Manitoba,  
Legislative Buildings,  
Winnipeg, Manitoba.  
R3C 0P8



Dear Sir:

We enclose three (3) copies of a Consent Form for execution by you in connection with the formation of the proposed Daly Unit No. 3.

For your information we enclose a copy of our Application to The Oil and Natural Gas Conservation Board.

The Board has not yet set a date for the hearing of our Application but we would like to be able to file the requisite Consent Forms with the Board at the hearing.

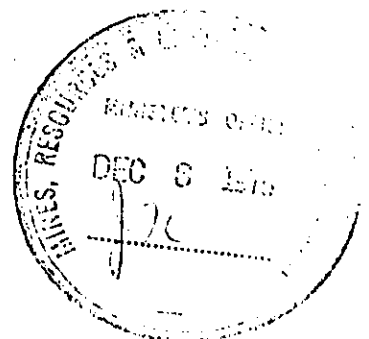
If you have any questions or would like further information please let me know.

Yours very truly,

E. H. GAUDET, Chairman,  
Legal Committee -  
Proposed Daly Unit No. 3

EHG/ps  
Encls.

cc: E. C. Møster (2 copies of Consent Form and other  
material attached)  
J. S. Roper (1 copy of Consent Form attached)  
I. Haugh



76 03 03

J. R. Redgwell  
Departmental Solicitor  
Room 14, Legislative Building

H. C. Moster  
Director  
Petroleum Branch

XXXX

Subject:

Minister's Consent (Royalty Owner)  
Proposed Daly Unit No. 3

Background:

Chevron Standard Limited has made application to The Oil and Natural Gas Conservation Board to unitize a portion of the Daly Field. Certain tracts within the proposed unit area are Crown minerals. Some of these Crown tracts are presently included in Water Flooding Unitization Agreements to which the Minister is a party. These existing Water Flooding Unitization Agreements do not contain provision for termination, other than through lack of production.

Chevron Standard Limited has submitted a Consent Form for execution by the Minister, as a Royalty Owner, pertaining to the proposed unitization agreement for the proposed Daly Unit No. 3.

Discussion:

1. The proposed agreement covering Daly Unit No. 3 contains the following clauses:

"1.02(f) "Leases" means severally and collectively the petroleum and natural gas leases, petroleum leases, natural gas leases, subleases, agreements to grant a lease and any other agreements whether similar or dissimilar to the foregoing covering the lands described in Part XXII hereof;"

"2.03(a) On and after the Effective Date, the terms and provisions of the Leases are hereby amended to the extent necessary to make them conform to the terms and provisions hereof and, the Leases as amended, shall continue in full force and effect."

It is my opinion that the above clauses cover the necessary overriding of the existing Agreements to make a requirement for individual "Termination Agreements" unnecessary.

2. The tract participation values submitted as "Part XXIV" of the unitization agreement were checked by the Petroleum Branch. Errors were determined and brought to the Applicant's attention. The Applicant submitted revised copies of Part XXIV (February 6, 1976) which the Petroleum Branch concur with.

The subject Consent Form states that the Minister

"HEREBY AGREES to the Proposed Plan of Unit Operation entitled "Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Daly Unit No. 3", a copy of which Plan has been provided me by Chevron Standard Limited, and CONSENTS AND AGREES to the Board making an Order pursuant to Section 76 of The Mines Act of the Revised Statutes of Manitoba 1970, and amendments thereto, ordering that a certain portion of the Daly Field as described in the said Plan be operated as a Unit in accordance with the Plan of Unit Operation."

Therefore, the Plan initially submitted and referred to in the Consent Form does not contain the correct tract participation factors.

I have requested Chevron to submit a revised Consent Form that will pertain to the revised tract participation factors.

*Ridgewell  
agrees ✓*

3. Subsections (1) and (2) of Section 75 of The Mines Act permits the Minister to enter into unitization agreements on behalf of the Crown, upon authorization from the Lieutenant Governor in Council.

In my opinion there is some uncertainty or ambiguity as to the following:

- (a) At what point does the Minister enter into a unitization agreement? Upon signing the Consent Form?
- (b) The unitization agreement is not effective till it has been approved by the Board.
- (c) The Board cannot make a unitization order until it has 75% of the consents of working interest and royalty owners.

Therefore, in this case the Province holds 42% of the royalty interests in the proposed unit. The Minister's consent is required before the Board may make a unitization order. The unitization agreement covered by the Board's unitization order may not be the same as that initially presented to the Board or on which Consent Forms have been signed.



Questions:

1. Does the proposed unitization agreement satisfactorily terminate the existing Water Flooding Unitization Agreements?
2. When should Minister's consent be given and when is Lieutenant Governor in Council's authorization required?

*Yes, if still  
same parties.*

*- After revised consent  
forms received.  
- Does not require  
LG in C approval*

Your comments on the above questions is requested as soon as possible, preferably prior to March 12, 1976 (hearing date).

*- LG in C must  
approve Unit Order*



H. G. Moster

HGM/et

c.c. Board Members:

Jas. T. Cawley, P. Eng., Chairman

J. S. Roper, Deputy Chairman

I. Haugh, Member

Attachs.

Form of Amendment

# inter-departmental memo

To

Jas. T. Cawley, P. Eng.,  
Deputy Minister,  
Dept. of M., R. & E. M.

Date 76 03 05

From Ian Haugh,  
Assistant Deputy Minister,  
Mineral Resources Division.

Subject: PROPOSED DALY UNIT NO. 3 — MINISTER'S CONSENT FORMS

Chevron Standard Limited has made application to unitize a portion of the Daly Field. The Crown is the mineral owner of 1,280 acres or 40% of the total proposed acreage to be unitized. All unitization agreements must be approved by The Oil and Natural Gas Conservation Board before they are put into effect (Section 74(2) - The Mines Act). The Board may only approve a unitization agreement when the royalty owner's affected agree to the unit operation (Section 74(3) - The Mines Act).

## Discussion:

Chevron Standard Limited has requested the signature of the Minister on the attached Consent Forms in order that they may be filed with the Board. As a royalty owner the major concern of the Minister with respect to the proposed unitization should be with respect to the tract participation factors affecting Crown lands. The tract participation factors shown on Pg. 65 - 66 under Part XXIV have been checked by the Petroleum Branch and are recommended for approval.

Section 75(1) permits the Minister to enter into a unitization agreement on the authorization of the Lieutenant Governor in Council. As a unitization order made by the Board approving unit agreements under Section 76(3) also requires the approval of the Lieutenant Governor in Council, it is recommended that the Consent Form be signed by the Minister without an Order-in-Council. The proposed agreement to which the Consent refers may be amended by the Board before it is approved. Therefore the unitization order made by the Board is the final approval and requires an Order-in-Council.

## Recommendation:

It is recommended that the attached Consent Forms be recommended to the Minister for signing.

**\* NOTE:** Please return signed consents to the Petroleum Branch in order that they may be available for the March 12, 1976 hearing.

Department of Mines, Resources  
& Environmental Management  
Mineral Resources Division

MAR 9 1976

Ian Haugh ASSISTANT DEPUTY MINISTER

HCM/et  
Attachs.

*Returned ✓  
signed.  
March 9/76  
1976*

*HG Miller*

*Ian Haugh*



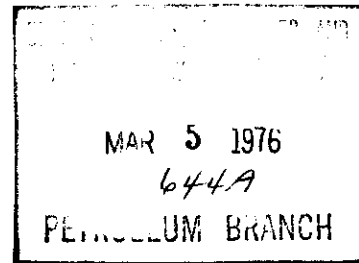
**Chevron Standard Limited**

400 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7

March 3, 1976

Proposed Daly Unit No. 3


Mr. H. C. Moster, P. Eng.,  
Director, Petroleum Branch,  
Department of Mines, Resources and  
Environmental Management,  
993 Century Street,  
Winnipeg, Manitoba.  
R3H 0W4



Dear Sir:

Further to our conversation today I enclose three (3) copies of the  
Consent Form revised by attaching copies of the "Plan".

Yours very truly,

  
E. H. GAUDET, Chairman,  
Legal Committee,  
Proposed Daly Unit No. 3

EHG/ps  
Encls.

December 22, 1975

Chevron Standard Limited  
400 - Fifth Avenue S. W.  
Calgary, Alberta  
T2P 0L7

Attention: Mr. L.H. Gaudet, Chairman  
Legal Committee - Proposed Laly Unit No. 3

Dear Sir:

On behalf of the Minister, we acknowledge receipt of your letter dated December 5, 1975 plus three (3) copies of the accompanying Consent Form for execution by the Minister as a royalty interest owner in connection with formation of the proposed Unit.

We are presently checking the Tract Participation factors presented in the Proposed Plan of Unit Operation which you submitted.

Yours sincerely,

H. C. Moster, P. Eng.,  
Director, Petroleum Branch.

HCM/et

c.c. Honourable Sidney Green, Q.C.

The Oil and Natural Gas Conservation Board

## ROUTE SLIP

TO	H. C. Master	FROM	Jas. T. Cawley
TO	cc I. Haugh	FROM	
	J. S. Roper		

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> For your approval or revision                       | <input type="checkbox"/> Reply direct with copy to me                | <input type="checkbox"/> Please sign   |
| <input type="checkbox"/> For your information                                | <input type="checkbox"/> Please supply data for my reply             | <input type="checkbox"/> Please return |
| <input checked="" type="checkbox"/> Please take action                       | <input type="checkbox"/> Return with comments and/or recommendations | <input type="checkbox"/> Please see me |
| <input type="checkbox"/> Extracts of minutes for your information and action | <input type="checkbox"/> Investigate and report                      | <input type="checkbox"/> Please phone  |
| <input type="checkbox"/> Please draft reply for signature of                 |  |  |

Date December 10, 1975

Subject The Attached.

Message

DEC 11 1975

1234

BRANCH

Use reverse side if necessary

DEPARTMENT OF MINES, RESOURCES AND ENVIRONMENTAL MANAGEMENT  
ROUTE SLIP

TO Mr. J. T. Cawley

FROM Irma Kelm

TO

FROM

☐ For your approval or revision

☐ Reply direct with copy to me

☐ Please sign

☐ For your information

☐ Please supply data for my reply

☐ Please return

☒ Please take action

☐ Return with comments and/or recommendations

☐ Please see me

☐ Enclose minutes for your information and action

☐ Investigate and report

☐ Please phone

☐ Please draft reply for signature of

Date December 8, 1975.

Subject

Messrs.

Would you please deal with this

matter on behalf of the Minister?

MNR

Use reverse side if necessary

Chevron

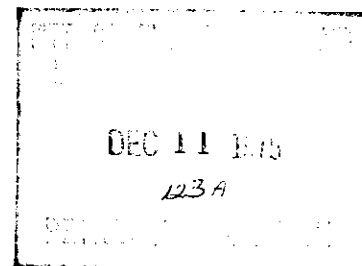
# Chevron Standard Limited

400 - Fifth Ave S.W., Calgary, Alberta T2P 0L7

December 5, 1975

## Proposed Daly Unit No. 3

The Honourable Sidney Green, Q.C.,  
Minister of Mines, Resources and  
Environmental Management,  
Province of Manitoba,  
Legislative Buildings,  
Winnipeg, Manitoba.  
R3C 0P8



Dear Sir:

We enclose three (3) copies of a Consent Form for execution by you in connection with the formation of the proposed Daly Unit No. 3.

For your information we enclose a copy of our Application to The Oil and Natural Gas Conservation Board.

The Board has not yet set a date for the hearing of our Application but we would like to be able to file the requisite Consent Forms with the Board at the hearing.

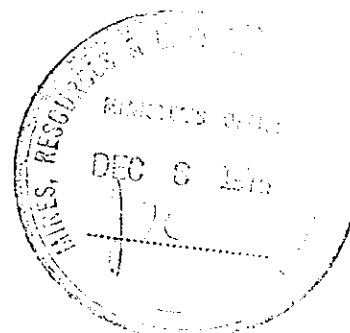
If you have any questions or would like further information please let me know.

Yours very truly,

E. H. GAUDET, Chairman,  
Legal Committee -  
Proposed Daly Unit No. 3

EHC/ps  
Encls.

cc: E. C. Moster (2 copies of Consent Form and other  
material attached)  
J. S. Roper (1 copy of Consent Form attached)  
I. Haugh





## Chevron Standard Limited

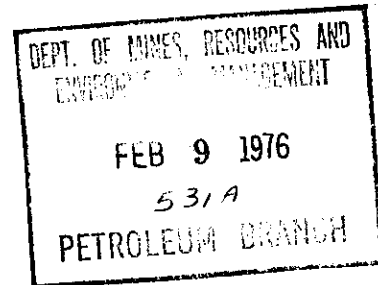
400 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7

February 6, 1976

Proposed Daly Unit No. 3

Department of Mines, Resources  
and Environmental Management  
Mineral Resources Division  
Petroleum Branch  
993 Century Street  
Winnipeg, Manitoba  
R3H 0W4

Attention: Mr. H. C. Moster  
Director, Petroleum Branch



Gentlemen:

Thank you for your letter of January 27, 1976 with attached worksheets. Mr. Less is to be congratulated for the neat and orderly way he arranged his calculations which simplified our job in detecting discrepancies between our figures.

Basically the 1974 production figures which account for 90% of the participation are in agreement. The minor differences were caused by Chevron using the annual figure and multiplying by the appropriate fraction while Mr. Less used the sum of the actual barrels allocated on a monthly basis. The monthly allocations are rounded which results in the discrepancy. Chevron's net production figure for the allocating wells totals 47,224 barrels compared to your figure of 47,226. Our allocated production figure is 71,510 barrels compared to your 71,511 barrels.

The cumulative production contains many discrepancies. The only discrepancy in the non-sharing producers is for the 5-2 well and Chevron previously indicated that a transcribing error was made and your figure is correct.

The remaining discrepancies in the cumulative productions for wells allocating and receiving allocations were also caused by errors in Chevron's calculations. Listed below are the reasons for our figures being incorrect.

- 13-1 The cumulative production prior to conversion was added when calculating the 16-2 allocation instead of subtracting.
- 9-2 Chevron only deducted the 1974 allocated production.
- 1-12 Chevron calculated the allocation to 16-1 and 2-12 as 1653 barrels instead of 16,530 barrels.



- 3-12 Allocation from 3-12 to 14-1 not included in calculation.
- 15-12 Chevron only deducted the 1974 allocated production.
- 12-1 Chevron did not include allocation to 12-1 from 9-2.
- 14-1 Chevron did not include allocation to 14-1 from 3-12.
- 16-1 A mathematical error where 1653 barrels was used instead of 16,530.
- 16-2 Chevron did not include allocation to 16-2 from 9-2.
- 6-11 Chevron did not include allocation from 7-11 to 6-11.
- 12-11 The cumulative production prior to conversion was added when calculating the 9-10 allocation instead of subtracting.
- 2-12 1653 barrels used instead of 16,530.
- 10-12 Chevron did not include allocation from 15-12 well.
- 14-12 As above in 10-12.
- 8-14 Transcribing error in cumulative allocated production.


Chevron will be holding a meeting on February 17, 1976 with the other Working Interest Owners to obtain approval to use the tract participations as calculated by the Petroleum Branch. Enclosed please find ten (10) copies of revised Part XXIV pages for your copies of the Plan.

Also enclosed please find three (3) copies of a revised Prima Facie list of Royalty Owners. The original list included with our Application to the Board dated November 7, 1975 was reviewed and some revisions resulted.

Copies of agreement covering certain waterflood units as requested in your letter of January 27, 1976 were forwarded to your attention on February 2, 1976 by Mr. Pashelka of our Legal Staff.

We will advise you of the results of our February 17, 1976 meeting. Please contact us if you require any additional information.

Yours very truly,



D. M. MAHURA  
Co-ordinator  
Units and Joint Ventures

DMM/sb  
Enclosure

(Proposed Questions for Hearing)

DALY UNIT NO. 3 (Chevron)

A. Unitization Application

The Applicant, in the attachment to the submission entitled "Proposal for Unitized Operations" has given the reasons for wishing to unitize the area as:

- (1) "to protect royalty owner's interests in future changes in the mode of operation."

JSR — 1. Could the Applicant elaborate more fully on this statement and indicate what future changes in the mode of operation are to be implemented?

- (2) "to permit the consolidation of producing facilities which will result in a lower economic producing limit than is attainable under existing competitive producing operations."

JSR — 2. What in general will the consolidation entail?

JSR — 3. How long will it take to complete this consolidation?

JSR — 4. What shall be the production capacity of the consolidated facilities? How does this compare with the proposed unit area's present capacity?

JSR — 5. What is the average "economic producing limit" of non-unitized wells?

JSR — 6. What is the estimated average "economic producing limit" of wells under unitized operations?

JSR — 7. Is the estimated ultimate recovery figure of 8,800,000 barrels for the Unit Area based on the lower economic producing limit due to unitized operations?

JSR — 8. What is the estimated additional ultimate recovery for the Unit Area which shall be obtained by the proposed unitization?

JSR — 9. Does "existing competitive producing operations" mean that competitiveness causes higher operating costs?

- (3) "the desire to eliminate the cross line agreements which presently exist in the waterflood area."

JSR — 10. What is <sup>the</sup> reason behind wishing to eliminate these cross line agreements?

JSR — 11. Have such agreements been equitable to the royalty and working interest owners affected?

- JSR -- 12. In a letter dated February 6, 1976 from D. M. Mahura, Co-ordinator Units and Joint Ventures for Chevron Standard Limited to the Petroleum Branch a list of items was presented indicating the reasons for the revisions to the initially proposed tract allocation factors. The list stated that certain allocations of production between wells had not been included in the original calculations. Where such allocations carried out in actual practise?

The Board has been informed by the Petroleum Branch that in case of certain Crown wells missed allocations have occurred in reality. The Branch is presently determining if any adjustments (credits or charges) are required in the case of Crown wells.

- JSR -- 13. Has the Applicant carried out such a review?
- JSR -- 14. Does it intend to?
- JSR -- 15. If errors are found would adjustments also be made?

It appears that the proposed unit shall include nearly all of the wells in the north-east portion of the Daly Field.

- JSR -- 16. Why have the four wells operated by Triton Oil and Gas Corporation in Section 24-10-28 (Lsd. 3, 5, 6 and 11) not been included in the proposed unit?
- JSR -- 17. In the Applicant's opinion would these wells not benefit equally as well from unitization as any other well in the area?
- JSR -- 18. Does the exclusion of these wells create any additional operational hardship on the proposed unit? (Transprairie gathering line).
- JTC -- 19. Does the Applicant feel that these wells should be forced to become part of the unit by Board order?
- JSR -- 20. Why is the well in 1-15-10-28 operated by Centoba Oils Ltd. not included in the Unit? (similar questions pertaining to this well as 17, 18 and 19)
- JSR -- 21. There appears to be four Chevron wells in Sections 3 and 10-10-28 (11-3, 14-3, 3-10, 6-10) which are not presently proposed to be in any of the three units in this area of the Field. What are Chevron's intentions regarding these 4 wells?
- JSR -- 22. Why have they not been included in the proposed unit?
- JSR -- 23. In Appendix I to the "Proposal For Unitized Operations", the Applicant has stated "there are presently 26 cross line agreements in the waterflood area,". It would appear there are presently only 24 such agreements, including water flood unit # 7 which covers the abandoned producer in 1-14-10-28. Could the Applicant confirm this?

- JTC — 24. In the first line on Page 2 of Appendix I the Applicant states that the proposed method of allocating production in the unit is "a more conventional method" in a waterflood area. Would the Applicant please elaborate more fully on that statement? (Is using production figures a better method than using a recoverable reserve approach?)
- JTC — 25. What is the estimated "additional production which will be ultimately produced because of a more efficient operation." as mentioned in the first paragraph on Page 2 of Appendix I. (similar to Question 8)
- JTC — 26. Would the Applicant give a general evaluation of the current reservoir status in this area of the Field (pressures, state of depletion, operating problems, etc.)?
- JTC — 27. I believe that at present 6 of the 22 injection wells in the waterflood area are suspended. What is the reason for this?
- JTC — 28. What were the general details and results of the pilot high pressure waterflood conducted on the 14-1 injection well?
- JTC — 29. Is there any plans to attempt further high pressure floods in this area of the Field?
- JTC — 30. How long after unitization would the investigations into converting additional wells to water injection be completed?
- IH — 31. What reservoir characteristics make certain areas of the reservoir less suitable to waterflooding than others?
- JSR — 32. Figure 2 does not indicate any existing or proposed flowlines from the wells in Lsds 7 and 8 of Section 24 or Lsd. 13 of Section 11. For what reason?
- JSR — 33. How will the production from the northern portion of the unit get to the proposed unit battery in 2-11-10-28? (Figure 2) (use of Transprairie gathering line?)
- JSR — 34. Does Figure 4 present the unitized or non-unitized production prediction for the proposed unit?
- IH — 35. Is there any plans to drill additional wells around the periphery of the proposed unit? (If no, why?)

Re: "Plan for Unit Operation Governing The  
Unitized Management Operation and Further Development  
of Daly Unit No. 3"

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- JSR — Page 2      It is noted that the "Plan" does not include provision for an Investment Account which past plans in the Province have contained. Why has it been excluded and what effects does such exclusion create?
- JSR — Page 3 (n)    Should the definition of Stock Tank Barrel also include "and 14.7 psia" or "and atmospheric pressure"?
- IH — Page 4 (u)    Should "Souris River Beds" read "Souris Valley Beds"? (Souris River is a formation in the Devonian).
- IH — Page 5 (u)    The log used in the definition of unitized strata from the well 8-11-10-28 does not cover the bottom section of the unitized strata. Would not a log from a well penetrating the entire section of interest be more appropriate? A suggestion would be the well in 14-4-10-28. (Note: the remoteness of 14-4 to the unit area, 2 miles may be the reason.)
- If the unitized strata means the Lodgepole Formation, then it should cover "to the base of the basal limestone facies", not "to the base of the Cromer Shale Facies" as stated.
- "Souris River Beds" should again read "Souris Valley Beds".
- The list of submembers should include "Lower Daly (Main Cruickshank)" after "(First Crinoidal)," and "Basal Limestone Facies" after "(Daly Shale Zone)".
- JTC — Page 21 - 26    Part VII - Explain the obligations Unit Operator remains liable for when he resigned or is removed as unit operator (eg. - well bond)?
- JTC —                Have the necessary Consents been filed?
- JSR — Page 23 7.04 -    Why has the previous standard "Five Thousand Dollars (\$5,000.00)" in past "Plans" been replaced by "Ten Thousand Dollars (\$10,000.00)"?
- JSR — Page 54 18.04 -    Why has the previous standard "Two Thousand Dollars (\$2,000.00)" in past "Plans" been replaced by Five Thousand Dollars (\$5,000.00)"?
- JSR — Page 62    Part XXII - Immediately under Township 10, Range 28 WPM the following should be added:
- "5-1            Lsd. 5            Section 1"
- JSR — Page 65-66    Part XXIV - Does the Applicant certify that the amended values under Part XXIV to the Plan are correct to the best of its knowledge? (prevent any future contentions that such numbers were derived by Petroleum Branch).

(Proposed Questions for Hearing)

DALY UNIT NO. 3 (Chevron)

B. Application for Unit Maximum  
Permissable Rate of Production

---

- JSR — 1. On what basis is the Applicant requesting the proposed unit be excluded from any provisions governing the limitations of oil production?
- JSR — 2. How many wells in the proposed unit are not presently exempt from allowables under Manitoba Revised Regulation M160 - R4P (previously Board Order No. 13A) which excludes all producing wells adjacent to water injection wells from production restrictions? (Only 19 of 80 presently under allowable restriction)
- JSR — 3. What is the present productive capacity of these restricted wells? (11 out of the 19 are suspended with the best producer of the 8 producing have a capacity of 20 BOPD).
- JSR — 4. With the present 75 BOPD allowable, what "future programs conducted in the area may result in some wells producing at rates in excess of the current allowable producing rate"? (If the answer is additional injection wells, then Reg. M160 - R4P would continue to exempt all adjacent producers.)
- JSR — 5. Will the proposed consolidation of facilities provide for any reasonable expected increases in production rates?
- JTC — 6. Is there any specific evidence that past high production rates have not damaged the reservoir or affected offsetting production?



PROVINCE OF MANITOBA

## MINES BRANCH

## THE OIL AND NATURAL GAS CONSERVATION BOARD

ORDER NO. 13A

Pertaining to the maximum  
permissible rate of production  
in the Daly Field

Made and passed pursuant to "The Mines Act", 1947,  
by The Oil and Natural Gas Conservation Board, of  
Manitoba.

1. Until further order, the maximum permissible daily rate of production of each well located in the Daly Field shall be seventy-five (75) barrels per day.
2. This Order rescinds Board Order No. 5A.
3. This Order may be rescinded by the Board at any time without notice.
4. This Order shall not apply to any well adjacent to a water injection well.
5. The monthly production for any well shall be the amount equal to the product of the daily maximum permissible rate multiplied by the number of days in the month. The rate for any well in any given day shall not be exceeded by an amount greater than twenty per cent. (20%) thereof.
6. This Order shall be effective on and from the 1st day of March, 1955, at 12 o'clock noon.

Oil and Natural Gas Order No. 13A,  
made and passed this 19th day  
of February, A.D. 1955, at the  
City of Winnipeg, in the Prov-  
ince of Manitoba, by The Oil  
and Natural Gas Conservation  
Board,

*[Signature]*  
Chairman,  
The Oil and Natural Gas  
Conservation Board

*[Signature]*  
Deputy Chairman,  
The Oil and Natural Gas  
Conservation Board

*[Signature]*  
J. B. Charlewood

## DEPARTMENT OF MINES, RESOURCES AND ENVIRONMENTAL MANAGEMENT

## ROUTE SLIP

TO **HCM**FROM **M. L.**

TO

FROM

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> For your approval or revision                       | <input type="checkbox"/> Reply direct with copy to me                | <input type="checkbox"/> Please sign   |
| <input checked="" type="checkbox"/> For your information                     | <input type="checkbox"/> Please supply data for my reply             | <input type="checkbox"/> Please return |
| <input type="checkbox"/> Please take action                                  | <input type="checkbox"/> Return with comments and/or recommendations | <input type="checkbox"/> Please see me |
| <input type="checkbox"/> Extracts of minutes for your information and action | <input type="checkbox"/> Investigate and report                      | <input type="checkbox"/> Please phone  |
| <input type="checkbox"/> Please draft reply for signature of                 |  |  |

Date

**FEB. 11/76**

Subject

**CR. PART. FACTOR  
IN DALT UNIT #3**

Message

**MAINLY DUE TO THE OMITTING OF THE ALLOCATED  
PRODUCTION FROM CHEVRON DALT PROV. 3-12-10-28 TO  
CHEVRON DALT 14-1-10-28 THE PARTICIPATION  
FACTOR FOR THE PROVINCIAL PORTION DROPPED  
FROM 41.83849% (CHEVRON'S CALCULATIONS)  
TO 41.74722% (PETR. BRANCH CALC.)  
0.09127%**

MNR-A-94

Use reverse side if necessary

**"OLD" PART. FACTOR FOR 3-12 = 2.95856%  
"NEW" " 3-12 = 2.87039%  
DIFFERENCE OF 0.08917%**



DEPARTMENT OF MINES, RESOURCES AND ENVIRONMENTAL MANAGEMENT

ROUTE SLIP

TO

*M. LESS*

FROM

*JHBM*

TO

FROM

- |  |   |  |
|--|---|--|
| <input type="checkbox"/> For your approval or revision                       | <input type="checkbox"/> Reply direct with copy to me                           | <input type="checkbox"/> Please sign   |
| <input type="checkbox"/> For your information                                | <input type="checkbox"/> Please supply data for my reply                        | <input type="checkbox"/> Please return |
| <input type="checkbox"/> Please take action                                  | <input checked="" type="checkbox"/> Return with comments and/or recommendations | <input type="checkbox"/> Please see me |
| <input type="checkbox"/> Extracts of minutes for your information and action | <input type="checkbox"/> Investigate and report                                 | <input type="checkbox"/> Please phone  |
| <input type="checkbox"/> Please draft reply for signature of                 |   |  |

Date

*FEB. 9/76*

Subject

*DAY #3*

Message

*Please check new no's submitted and make note of any further work req'd: eg - past alloc. not complied with*

MNR-A-94

Use reverse side if necessary



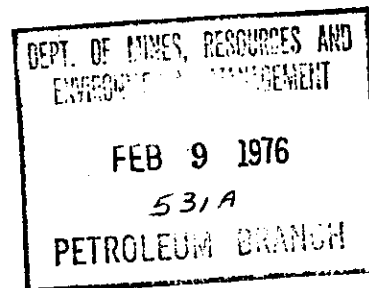
## Chevron Standard Limited

400 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7

February 6, 1976

### Proposed Daly Unit No. 3

Department of Mines, Resources  
and Environmental Management  
Mineral Resources Division  
Petroleum Branch  
993 Century Street  
Winnipeg, Manitoba  
R3H 0W4



Attention: Mr. H. C. Moster  
Director, Petroleum Branch

Gentlemen:

Thank you for your letter of January 27, 1976 with attached worksheets. Mr. Less is to be congratulated for the neat and orderly way he arranged his calculations which simplified our job in detecting discrepancies between our figures.

Basically the 1974 production figures which account for 90% of the participation are in agreement. The minor differences were caused by Chevron using the annual figure and multiplying by the appropriate fraction while Mr. Less used the sum of the actual barrels allocated on a monthly basis. The monthly allocations are rounded which results in the discrepancy. Chevron's net production figure for the allocating wells totals 47,224 barrels compared to your figure of 47,226. Our allocated production figure is 71,510 barrels compared to your 71,511 barrels.

The cumulative production contains many discrepancies. The only discrepancy in the non-sharing producers is for the 5-2 well and Chevron previously indicated that a transcribing error was made and your figure is correct.

The remaining discrepancies in the cumulative productions for wells allocating and receiving allocations were also caused by errors in Chevron's calculations. Listed below are the reasons for our figures being incorrect.

- 13-1 The cumulative production prior to conversion was added when calculating the 16-2 allocation instead of subtracting.
- 9-2 Chevron only deducted the 1974 allocated production.
- 1-12 Chevron calculated the allocation to 16-1 and 2-12 as 1653 barrels instead of 16,530 barrels.

- 3-12 Allocation from 3-12 to 14-1 <sup>Crown Freehold</sup> not included in calculation.
- 15-12 Chevron only deducted the 1974 allocated production.
- 12-1 Chevron did not include allocation to 12-1 from 9-2. <sup>Freehold Freehold</sup>
- 14-1 Chevron did not include allocation to 14-1 from 3-12. <sup>Freehold Crown</sup>
- 16-1 A mathematical error where 1653 barrels was used instead of 16,530.
- 16-2 Chevron did not include allocation to 16-2 from 9-2. <sup>Freehold Freehold</sup> same prime Lessor
- 6-11 Chevron did not include allocation from 7-11 to 6-11. <sup>Crown Crown</sup> same prime Lessor
- 12-11 The cumulative production prior to conversion was added when calculating the 9-10 allocation instead of subtracting.
- 2-12 1653 barrels used instead of 16,530.
- <sup>Freehold</sup> 10-12 Chevron did not include allocation from 15-12 well. <sup>Freehold</sup> same prime Lessor
- <sup>Freehold</sup> 14-12 As above in 10-12. <sup>Freehold</sup>
- 8-14 Transcribing error in cumulative allocated production.

Chevron will be holding a meeting on February 17, 1976 with the other Working Interest Owners to obtain approval to use the tract participations as calculated by the Petroleum Branch. Enclosed please find ten (10) copies of revised Part XXIV pages for your copies of the Plan.

Also enclosed please find three (3) copies of a revised Prima Facie list of Royalty Owners. The original list included with our Application to the Board dated November 7, 1975 was reviewed and some revisions resulted.

Copies of agreement covering certain waterflood units as requested in your letter of January 27, 1976 were forwarded to your attention on February 2, 1976 by Mr. Pashelka of our Legal Staff.

We will advise you of the results of our February 17, 1976 meeting. Please contact us if you require any additional information.

Yours very truly,



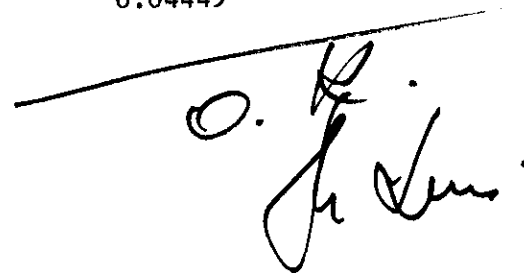
D. M. MAHURA  
Co-ordinator  
Units and Joint Ventures

DMM/sb  
Enclosure

PART XXIV

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
13-6	0.01618	16-10	0.00864
4-7	1.22137	1-11	2.45346
5-1	0.02491	2-11	1.14999
10-1	0.48041	3-11	0.60268
11-1	0.00470	4-11	1.89342
12-1	0.92143	5-11	0.05433
13-1	2.57163	6-11	0.48240
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15-1	1.92163	8-11	2.08095
16-1	0.82597	9-11	1.39662
5-2	0.37064	10-11	1.05654
7-2	0.02995	11-11	0.41786
8-2	2.85886	12-11	0.24683
9-2	1.68366	13-11	3.20655
10-2	1.11117	14-11	0.89668
12-2	0.01922	15-11	1.30393
13-2	1.01951	16-11	0.91258
14-2	1.71467	1-12	2.11323
15-2	1.11772	2-12	1.73832
16-2	1.69995	3-12	2.87039
9-10	0.97997	4-12	1.50999
10-10	1.50200	5-12	4.16933

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6-12	2.17411	2-14	0.79490
7-12	1.23795	3-14	2.82838
8-12	0.41011	4-14	0.11702
9-12	0.61908	5-14	0.06822
10-12	1.30168	6-14	0.71371
11-12	1.86136	8-14	0.20142
12-12	1.90923	12-14	0.05596
13-12	1.01301	1-23	1.93305
14-12	1.14384	8-23	2.23083
15-12	2.58400	9-23	1.32371
16-12	1.30274	2-24	0.03959
1-13	0.04914	7-24	0.04449
2-13	2.50118		
3-13	0.04064		
4-13	0.46601		
5-13	1.19540		
6-13	4.08746		
7-13	0.03910		
10-13	3.54386		
11-13	0.08105		
12-13	2.63477		
13-13	0.08499		
14-13	2.12797		
15-13	1.74373		





## **Chevron Standard Limited**

400 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7

Rec'd A 25  
Nov 13/75

November 7, 1975

The Oil and Natural Gas Conservation  
Board,  
Province of Manitoba,  
Legislative Building,  
Box 42,  
Winnipeg, Manitoba.

Attention: Mr. J. T. Cawley, Chairman

Dear Sirs:

Chevron Standard Limited, under and pursuant to The Mines Act, being Chapter M160 of the Revised Statutes of Manitoba 1970, and amendments thereto, hereby requests the Board to hold a hearing to consider and approve the following:

1. Proposed "Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Daly Unit No. 3" pursuant to Section 76 of The Mines Act.
2. "Application for a Unit Maximum Permissible Rate of Production" pursuant to Section 62 of The Mines Act.

Enclosed are ten (10) copies of each of the following:

1. "Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Daly Unit No. 3".
2. "Proposal for Unitized Operations" which includes:
  - (a) Appendix I - Investigation of the Feasibility of Unitization.
3. "Application for a Unit Maximum Permissible Rate of Production, Proposed Daly Unit No. 3".

In addition we are enclosing the following information:

1. A discussion of the Unitization and Participation Formula for the proposed Daly Unit No. 3.

November 7, 1975

- 14 2. A Prima Facie list of Working Interest Owners and Royalty Owners in the proposed Unit Area, which may assist the Board in sending out notices of hearing.

We will attempt to file at the hearing Consents of the Working Interest Owners and Royalty Owners in the proposed Unit Area, as required by the Act.

An early consideration of our request will be greatly appreciated.

Yours very truly,

  
R. A. PARK,  
Production Manager.

AH/ps  
Encls.



**Chevron Standard Limited**  
400 - Fifth Ave. S.W., Calgary, Alberta T2P 0L7

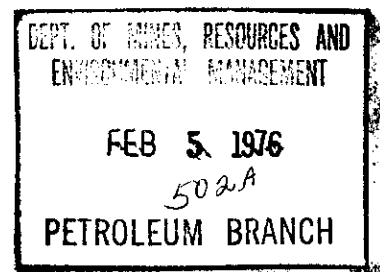
R. R. Mahaffey  
General Attorney

February 2, 1976

Water Flooding Unitization  
Agreements  
Our File No. 56,692-A

Department of Mines, Resources and  
Environmental Management  
Mines Branch  
993 Century Street  
Winnipeg, Manitoba  
R3H 0W4

Attention: H. C. Moster, P. Eng.,  
Chief Petroleum Engineer



Dear Sirs:

In compliance with your request for copies of agreements covering certain Water Flood Units, we enclose herewith those Documents covering:

1. Producing Well 5-12 covered by Document No. 51298 and 52924.
2. Producing Well 5-13 covered by Document No. 52835.
3. Producing Well 5-11 covered by Document No. 52924 and 11085.
4. Producing Well 3-11 covered by Document No. 12674 and 52924.
5. Producing Well 9-10 does not appear to be covered by a separate formal agreement, but appears to be included in Flooding Unit No. 7 being Document No. 52924.
6. Producing Well 11-1 covered by Document No. 51298 dated May 15, 1953.

There is some question in our minds as to their completeness, but they constitute all the documentation we have covering the said wells.

Yours very truly,

R. R. MAHAFFEY

RAP/blh

enc.

cc: A. Hamberg  
D. Mahura



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7-2	0.02995	11-11	0.41786
8-2	2.85886	12-11	0.24683
9-2	1.68366	13-11	3.20655
10-2	1.11117	14-11	0.89668
12-2	0.01922	15-11	1.30393
13-2	1.01951	16-11	0.91258
14-2	1.71467	1-12	2.11323
15-2	1.11772	2-12	1.73832
16-2	1.69995	3-12	2.87039
9-10	0.97997	4-12	1.50999
10-10	1.50200	5-12	4.16933

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6-12	2.17411	2-14	0.79490
7-12	1.23795	3-14	2.82838
8-12	0.41011	4-14	0.11702
9-12	0.61908	5-14	0.06822
10-12	1.30168	6-14	0.71371
11-12	1.86136	8-14	0.20142
12-12	1.90923	12-14	0.05596
13-12	1.01301	1-23	1.93305
14-12	1.14384	8-23	2.23083
15-12	2.58400	9-23	1.32371
16-12	1.30274	2-24	0.03959
1-13	0.04914	7-24	0.04449
2-13	2.50118		
3-13	0.04064		
4-13	0.46601		
5-13	1.19540		
6-13	4.08746		
7-13	0.03910		
10-13	3.54386		
11-13	0.08105		
12-13	2.63477		
13-13	0.08499		
14-13	2.12797		
15-13	1.74373		

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6-12	2.17411	2-14	0.79490
7-12	1.23795	3-14	2.82838
8-12	0.41011	4-14	0.11702
9-12	0.61908	5-14	0.06822
10-12	1.30168	6-14	0.71371
11-12	1.86136	8-14	0.20142
12-12	1.90923	12-14	0.05596
13-12	1.01301	1-23	1.93305
14-12	1.14384	8-23	2.23083
15-12	2.58400	9-23	1.32371
16-12	1.30274	2-24	0.03959
1-13	0.04914	7-24	0.04449
2-13	2.50118		
3-13	0.04064		
4-13	0.46601		
5-13	1.19540		
6-13	4.08746		
7-13	0.03910		
10-13	3.54386		
11-13	0.08105		
12-13	2.63477		
13-13	0.08499		
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11-12	1.86136	8-14	0.20142
12-12	1.90923	12-14	0.05596
13-12	1.01301	1-23	1.93305
14-12	1.14384	8-23	2.23083
15-12	2.58400	9-23	1.32371
16-12	1.30274	2-24	0.03959
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12-12	1.90923	12-14	0.05596
13-12	1.01301	1-23	1.93305
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12-13	2.63477		
13-13	0.08499		
14-13	2.12797		
15-13	1.74373		



**Chevron Standard Limited**

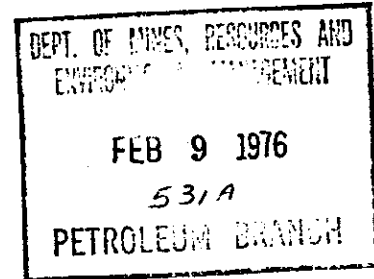
400 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7

February 6, 1976

Proposed Daly Unit No. 3

Department of Mines, Resources  
and Environmental Management  
Mineral Resources Division  
Petroleum Branch  
993 Century Street  
Winnipeg, Manitoba  
R3H 0W4

Attention: Mr. H. C. Moster  
Director, Petroleum Branch



Gentlemen:

Thank you for your letter of January 27, 1976 with attached worksheets. Mr. Less is to be congratulated for the neat and orderly way he arranged his calculations which simplified our job in detecting discrepancies between our figures.

Basically the 1974 production figures which account for 90% of the participation are in agreement. The minor differences were caused by Chevron using the annual figure and multiplying by the appropriate fraction while Mr. Less used the sum of the actual barrels allocated on a monthly basis. The monthly allocations are rounded which results in the discrepancy. Chevron's net production figure for the allocating wells totals 47,224 barrels compared to your figure of 47,226. Our allocated production figure is 71,510 barrels compared to your 71,511 barrels.

The cumulative production contains many discrepancies. The only discrepancy in the non-sharing producers is for the 5-2 well and Chevron previously indicated that a transcribing error was made and your figure is correct.

The remaining discrepancies in the cumulative productions for wells allocating and receiving allocations were also caused by errors in Chevron's calculations. Listed below are the reasons for our figures being incorrect.

- 13-1 The cumulative production prior to conversion was added when calculating the 16-2 allocation instead of subtracting.
- 9-2 Chevron only deducted the 1974 allocated production.
- 1-12 Chevron calculated the allocation to 16-1 and 2-12 as 1653 barrels instead of 16,530 barrels.

- 3-12 Allocation from 3-12 to 14-1 not included in calculation.
- 15-12 Chevron only deducted the 1974 allocated production.
- 12-1 Chevron did not include allocation to 12-1 from 9-2.
- 14-1 Chevron did not include allocation to 14-1 from 3-12.
- 16-1 A mathematical error where 1653 barrels was used instead of 16,530.
- 16-2 Chevron did not include allocation to 16-2 from 9-2.
- 6-11 Chevron did not include allocation from 7-11 to 6-11.
- 12-11 The cumulative production prior to conversion was added when calculating the 9-10 allocation instead of subtracting.
- 2-12 1653 barrels used instead of 16,530.
- 10-12 Chevron did not include allocation from 15-12 well.
- 14-12 As above in 10-12.
- 8-14 Transcribing error in cumulative allocated production.

Chevron will be holding a meeting on February 17, 1976 with the other Working Interest Owners to obtain approval to use the tract participations as calculated by the Petroleum Branch. Enclosed please find ten (10) copies of revised Part XXIV pages for your copies of the Plan.

Also enclosed please find three (3) copies of a revised Prima Facie list of Royalty Owners. The original list included with our Application to the Board dated November 7, 1975 was reviewed and some revisions resulted.

Copies of agreement covering certain waterflood units as requested in your letter of January 27, 1976 were forwarded to your attention on February 2, 1976 by Mr. Pashelka of our Legal Staff.

We will advise you of the results of our February 17, 1976 meeting. Please contact us if you require any additional information.

Yours very truly,



D. M. MAHURA  
Co-ordinator  
Units and Joint Ventures

DMM/sb  
Enclosure

PART XXIV

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
13-6	0.01618	16-10	0.00864
4-7	1.22137	1-11	2.45346
5-1	0.02491	2-11	1.14999
10-1	0.48041	3-11	0.60268
11-1	0.00470	4-11	1.89342
12-1	0.92143	5-11	0.05433
13-1	2.57163	6-11	0.48240
14-1	1.70119	7-11	1.13485
15-1	1.92163	8-11	2.08095
16-1	0.82597	9-11	1.39662
5-2	0.37064	10-11	1.05654
7-2	0.02995	11-11	0.41786
8-2	2.85886	12-11	0.24683
9-2	1.68366	13-11	3.20655
10-2	1.11117	14-11	0.89668
12-2	0.01922	15-11	1.30393
13-2	1.01951	16-11	0.91258
14-2	1.71467	1-12	2.11323
15-2	1.11772	2-12	1.73832
16-2	1.69995	3-12	2.87039
9-10	0.97997	4-12	1.50999
10-10	1.50200	5-12	4.16933

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7-13	0.03910		
10-13	3.54386		
11-13	0.08105		
12-13	2.63477		
13-13	0.08499		
14-13	2.12797		
15-13	1.74373		

PROPOSED DAILY UNIT NO. 3

Prima Facie List of Working Interest Owners  
and Royalty Owners

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>TOTAL PERCENTAGE INTEREST</u>
<u>10-27 WPM</u>			
13-6	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba	100%
4-7	Rundle Petroleum Ltd. Pancana Industries Ltd. Ashland Oil Canada Ltd.	Director of Veterans Land Act Ottawa	15% 35% 50% 100%
<u>10-28 WPM</u>			
5-1	Chevron Standard Limited	Cecil James Williams Viriden, Manitoba	47%
		Willis C. Glinz and Norman E. Glinz, Arvel H. Glinz Bottineau, North Dakota	25%
		Charles Wilson Brandon, Manitoba	28%
		Norman Richard Williams Viriden, Manitoba	37.5%
10-1	Chevron Standard Limited	W. L. Franke Brandon, Manitoba	3.125%
		R. J. Perry Santa Barbara, California	25%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>TOTAL PERCENTAGE INTEREST</u>
10-1 Cont'd.	Chevron Standard Limited	Perry J. Cook Houston, Texas	6.25%
		Ron P. Franke	3.125%
		Canada Permanent Trust Company, Winnipeg	25%
11-1	Same as 10-1	Same as 10-1	100%
12-1	Same as 10-1	Same as 10-1	100%
13-1	Same as 10-1	Same as 10-1	100%
14-1	Same as 10-1	Same as 10-1	100%
15-1	Same as 10-1	Same as 10-1	100%
16-1	Same as 10-1	Same as 10-1	100%
5-2	Chevron Standard Limited	Gerald Benjamin Haskett Post Office Cromer, Manitoba	8-2/3%
		Willis C. Glinz and Norman E. Glinz, Arvel H. Glinz, Bottineau, North Dakota	8-1/3%
		Marion Wilson Executrix of the Estate of Charles Robert Wilson 308 - 15 Street Brandon, Manitoba	25%
		Canada Permanent Trust Company, Regina	58%
			100%



<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>TOTAL PERCENTAGE INTEREST</u>
7-2	Chevron Standard Limited	Cecil James Williams Virden, Manitoba	47%
		Willis C. Glinz and Norman E. Glinz, Arvel H. Glinz Bottineau, North Dakota	25%
		Charles Wilson Brandon, Manitoba	28%
8-2	Same as 7-2	Same as 7-2	100%
9-2	Scurry-Rainbow Oil Limited	Bessie Emma Haskett Post Office Cromer, Manitoba	25%
		Canada Permanent Trust Company - Regina	50%
		Canada Permanent Trust Company - Winnipeg	25%
		Canadian Superior Oil Ltd. 1800 Three Calgary Place 355 - 4 Ave. S.W. Calgary, Alberta	(overriding royalty)
		Montreal Trust 10185 - 102 Street Edmonton, Alberta	(net profits royalty)
10-2	Same as 9-2	Same as 9-2	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>TOTAL PERCENTAGE INTEREST</u>
12-2	Chevron Standard Limited	Gerald Benjamin Haskett Post Office Cromer, Manitoba	8-2/3%
		Willis C. Glinz and Norman E. Glinz Bottineau, North Dakota	8-1/3%
		Marion Wilson Executrix of the Estate of Charles Robert Wilson 308 - 15 Street Brandon, Manitoba	25%
		Canada Permanent Trust Company - Regina	58%
13-2	Same as 12-2	Same as 12-2	100%
14-2	Same as 12-2	Same as 12-2	100%
15-2	Chevron Standard Limited	Bessie Emma Haskett Virden, Manitoba	25%
		Canada Permanent Trust Company - Regina	50%
		Canada Permanent Trust Company - Winnipeg	100%
16-2	Same as 15-2	Same as 15-2	100%

		TOTAL	
<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
9-10	Chevron Standard Limited	The Minister Department of Mines, Resources and Environmental Management Legislative Building Winnipeg, Manitoba	100%
10-10	Same as 9-10	Same as 9-10	100%
16-10	Same as 9-10	Same as 9-10	100%
1-11	Chevron Standard Limited	The Minister Department of Mines, Resources and Environmental Management Legislative Building Winnipeg, Manitoba	100%
2-11	Same as 1-11	Same as 1-11	100%
3-11	Same as 1-11	Same as 1-11	100%
4-11	Same as 1-11	Same as 1-11	100%
5-11	Same as 1-11	Same as 1-11	100%
6-11	Same as 1-11	Same as 1-11	100%
7-11	Same as 1-11	Same as 1-11	100%
8-11	Same as 1-11	Same as 1-11	100%
9-11	Same as 1-11	Same as 1-11	100%
10-11	Same as 1-11	Same as 1-11	100%

TRACT NO.			TOTAL	
WORKING INTEREST OWNER			PERCENTAGE INTEREST	
ROYALTY OWNER				
11-11.	Same as 1-11	Same as 1-11	100%	
12-11	Same as 1-11	Same as 1-11	100%	
13-11	Same as 1-11	Same as 1-11	100%	
14-11	Same as 1-11	Same as 1-11	100%	
15-11	Same as 1-11	Same as 1-11	100%	
16-11	Same as 1-11	Same as 1-11	100%	
1-12	Chevron Standard Limited	The Minister Department of Mines, Resources and Environmental Management Legislative Building Winnipeg, Manitoba	100%	
2-12	Same as 1-12	Same as 1-12	100%	
3-12	Same as 1-12	Same as 1-12	100%	
4-12	Same as 1-12	Same as 1-12	100%	
5-12	Same as 1-12	Same as 1-12	100%	
6-12	Same as 1-12	Same as 1-12	100%	
7-12	Same as 1-12	Same as 1-12	100%	
8-12	Same as 1-12	Same as 1-12	100%	
9-12	Chevron Standard Limited	Scurry-Rainbow Oil Limited 709 - 8 Ave. S.W. Calgary, Alberta	25%	
		Beatrice Ann Powers Moose Jaw, Saskatchewan	50%	

		TOTAL	
<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
9-12 Cont'd.	Chevron Standard Limited	Canada Permanent Trust Company - Regina	25%
		Canadian Superior Oil Ltd. 1800 Three Calgary Place 355 - 4 Ave S.W. Calgary, Alberta	(overriding royalty)
10-12	Chevron Standard Limited	Scurry-Rainbow Oil Limited 709 - 8 Ave. S.W. Calgary, Alberta	(5% net profits royalty)
		Scurry-Rainbow Oil Limited 709 - 8 Ave. S.W. Calgary, Alberta	25%
		Beatrice Ann Powers Moose Jaw, Saskatchewan	50%
		Canada Permanent Trust Company - Regina	25%
11-12	Chevron Standard Limited	Scurry-Rainbow Oil Limited 709 - 8 Ave. S.W. Calgary, Alberta	(5% net profits royalty)
		Gerald Haskett Virden, Manitoba	8.67%
		Marion Wilson Brandon, Manitoba	25%
		Willis C. Glinz, Arvel H. Glinz and Norman E. Glinz Bottineau, North Dakota	8.33%
		Canada Permanent Trust Company - Regina	33%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>TOTAL</u>	
		<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
11-12 Cont'd.	Chevron Standard Limited	Canada Permanent Trust Company - Winnipeg	25% 100%
12-12	Same as 11-12	Same as 11-12	100%
13-12	Same as 11-12	Same as 11-12	100%
14-12	Same as 11-12	Same as 11-12	100%
15-12	Scurry-Rainbow Oil Limited	Scurry-Rainbow Oil Limited 709 - 8 Ave. S.W. Calgary, Alberta	25%
		Beatrice Ann Powers Moose Jaw, Saskatchewan	50%
		Canada Permanent Trust Company - Regina	25%
		Canadian Superior Oil Ltd. 1800 Three Calgary Place 355 - 4 Ave. S.W. Calgary, Alberta	(overriding royalty)
		Montreal Trust 10185 - 102 Street Edmonton, Alberta	(Net Profits Royalty)
16-12	Chevron Standard Limited	Scurry-Rainbow Oil Limited 709 - 8 Ave. S.W. Calgary, Alberta	25%
		Beatrice Ann Powers Moose Jaw, Saskatchewan	50%
		Canada Permanent Trust Company - Regina	25%
			100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>TOTAL PERCENTAGE INTEREST</u>
16-12 Cont'd.	Chevron Standard Limited	Canadian Superior Oil Ltd. 1800 Three Calgary Place 355 - 4 Ave. S.W. Calgary, Alberta	(overriding royalty)
1-13	Chevron Standard Limited	Scurry-Rainbow Oil Limited 709 - 8 Ave. S.W. Calgary, Alberta	(net profits royalty)
		Joseph Haskett Virden, Manitoba	50%
		Canada Permanent Trust Company - Regina	25%
		Canada Permanent Trust Company - Winnipeg	25%
2-13	Same as 1-13	Same as 1-13	100%
3-13	Same as 1-13	Same as 1-13	100%
4-13	Same as 1-13	Same as 1-13	100%
5-13	Same as 1-13	Same as 1-13	100%
6-13	Same as 1-13	Same as 1-13	100%
7-13	Same as 1-13	Same as 1-13	100%
10-13	Chevron Standard Limited	John Mosse Young Virden, Manitoba	100%
11-13	Same as 10-13	Same as 10-13	100%
12-13	Same as 10-13	Same as 10-13	100%

		TOTAL	
<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
13-13	Same as 10-13	Same as 10-13	100%
14-13	Same as 10-13	Same as 10-13	100%
15-13	Same as 10-13	Same as 10-13	100%
2-14	Chevron Standard Limited	John Mosse Younge Viriden, Manitoba	75%
		Canada Permanent Trust Company - Regina	25%
			100%
3-14	Chevron Standard Limited	The Minister Department of Mines, Resources and Environmental Management Legislative Building Winnipeg, Manitoba	100%
4-14	Same as 3-14	Same as 3-14	100%
5-14	Same as 3-14	Same as 3-14	100%
6-14	Same as 3-14	Same as 3-14	100%
8-14	Chevron Standard Limited	John Mosse Younge Viriden, Manitoba	75%
		Canada Permanent Trust Company - Regina	25%
			100%
12-14	Chevron Standard Limited	John Mosse Younge Viriden, Manitoba	50%
		Nora Muriel Younge Regina, Saskatchewan	25%
		Katherine Angell Viriden, Manitoba and Mary Younge Calgary, Alberta	25%
			100%



<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>TOTAL PERCENTAGE INTEREST</u>
1-23	Chevron Standard Limited	John Mosse Younge Virden, Manitoba	50%
		George Harrison Younge Virden, Manitoba	25%
8-23	Same as 1-23	Anne K. Vilven River Forest, Illinois	25%
9-23	Chevron Standard Limited	Same as 1-23 John Mosse Younge Virden, Manitoba	75%
		George Harrison Younge Virden, Manitoba	25%
2-24	Chevron Standard Limited	Barbara Assad New Orleans, Louisiana	25% G.O.R.
		Canada Permanent Trust Company - Regina	50%
		Joyce Irene Williamson Belmont, Manitoba	11.11%
		Mary Ellen Turner Salmon Arm, B.C.	11.11%
		Edward G. Wardle Executor of the Estate of Amelia E. Wardle and Sole Beneficiary	16.67%
		Charles Kenneth Wardle Calgary, Alberta	11.11%
7-24	Same as 2-24	Same as 2-24	100%

The Oil and Natural Gas  
Conservation Board:  
Jas. T. Conley, P. Eng., Chairman  
J. S. Rogers, Deputy Chairman  
L. Hough, Member

76 02 02

H. G. Moster  
Director  
Petroleum Branch

XXXXX

**Subject:**

Chevron Standard Limited

1. Unitization Application (Daly Unit No. 3)
2. Permissible Rate Application (Daly Unit No. 3)

**Background:**

The Daly Field is located approximately 10 miles SW of Virden and was the first oil field discovered in Manitoba (1951). In 1953, The California Standard Company (presently Chevron) initiated a pilot water-flood program in the NE portion of the Field (see attached map). To provide for reasonable distribution or allocation of production from the producing tract(s), Water Flooding Unitization Agreements (or cross line agreements) were drawn-up and signed between the parties with interests in each of the pooled injection and production tracts (a copy of the first Water Flooding Unitization Agreement dated May 15, 1973 covering Water Flooding Unit No. 1 is attached). As noted, the principal was to have a 5-spot pattern (a producer surrounded by 4 injectors) in a pooled area covering 80 acres described by lines drawn between injectors with wells on 40 acre spacing. Production from the producing well was allocated between wells according to the well's area in the pooled area, i.e.: producer = 40 acres =  $40/80 = 50\%$  and each injector = 10 acres =  $10/80 = 12\frac{1}{2}\%$ . This ideal pattern could be altered according to situation or agreement, with the extreme case being one producer allocating to one injector with the respective allocations being 80% and 12%. The attached map shows the 24 Flooding units which were established in the Field.

**Discussion:**

The proposed unit includes 80 non-abandoned wells. There are a total of 85 non-abandoned wells in this area of the Field. Chevron is the working interest owner of 76 of the 80 wells included. Forty-five (45) of the wells included are presently included in the existing waterflood units and covered by individual Water Flooding Unit Agreements. The 5 wells not included in the proposed unit are:

Gentoba Daly	1-15-10-28	Producer
Landa et al Wardle Daly	3-24-10-28	Producer
Landa et al Wardle Daly	5-24-10-28	Producer
Landa et al Wardle Daly	6-24-10-28	Producer
Landa et al Wardle Daly SMD	11-24-10-28	SMD

**Note:** The above wells shown in Landa's name are presently owned/operated by Triton Oil and Gas Corporation.

No explanation has been provided by the Applicant as to the reason why the above 5 wells are not included in the proposed unit.

1. Items pertaining to the application for unitisation

Under Section 74(1) of The Mines Act it states that the Board shall encourage efforts initiated by working interest owners with respect to unitisation of operations. The proposed unitisation application will allow existing operating facilities to be consolidated, resulting in a more efficient total operation.

The proposed Unitisation Agreement is modelled after other existing agreements in Manitoba with minor changes.

A comprehensive check of the tract participation factors submitted by the Applicant has been carried out by the Petroleum Branch. This check resulted in major discrepancies, upon which the Applicant's supporting work was requested. A review of the worksheets submitted by the Applicant showed numerous errors. These errors were brought to the Applicant's attention, whereupon they requested our Branch's worksheets to aid them in their new calculations. This request was agreed to and complied with. At present we are awaiting submission of new factors by the Applicant. (Copies of the Branch's final worksheets are attached, which indicate the complexity of the work involved).

The Crown's interest as a royalty owner in the proposed Unit is significant (41.74722% according to Branch calculations). The consent forms received by the Minister have been forwarded to the Petroleum Branch for checking. Due to the discrepancies in tract participation factors, these consents are being held by the Branch. On settling these discrepancies, and receiving amended factors submitted by the Applicant, these consents shall be recommended for the Minister's approval. Section 75 of The Mines Act requires the Lieutenant Governor in Council's authorization before the Minister may enter into such an agreement.

2. Items pertaining to application for a unit maximum permissible rate

Manitoba Revised Regulation M160 - R&P (previously Board Order No. 13A) sets the maximum permissible daily rate of production from each well in the Daly Field at 75 BOPD, but excludes all producing wells adjacent to water injection wells from any rate restriction. Other units in the province in which waterflood schemes are in operation have similarly been exempted from such production allowable.

At present 61 wells of the total 80 wells proposed for the Unit are exempt from allowable restrictions under the above Regulation. Of the other 19 wells, 13 wells are adjacent to producing wells not proposed to be included in the Unit. The existing 75 BOPD allowable for these wells is not unreasonable and no reason is evident at this time for exemption from such a maximum rate restriction. In fact 11 of the 19 wells are presently suspended and of the 8 wells producing the present capability of the best producer (10-13) is 20 BOPD. Therefore, in light of the above information the Branch would recommend such application not be approved at this time. If at some future date, conditions warrant such an amendment, an application could be made for same at that time.

Recommendation:

It is recommended that this dual application be heard at a public hearing.

Additional data and proposed questions for such hearing shall be prepared by the Petroleum Branch.

H. G. Mosier

HGM/et  
Attache.

WATER FLOODING AGREEMENT

This agreement, between THE CALIFORNIA STANDARD COMPANY and BRADON EXPLORATION COMPANY, both Delaware Corporations, hereinafter collectively called the "Operators", and all other parties who sign this agreement or a counterpart or ratification hereof, which other signatory parties are hereinafter called "Subscribers"

WITNESSETH:

Operators hold leases and grants of the petroleum, natural gas and related hydrocarbons underlying certain lands in the Province of Manitoba, details of which leases and grants and the description of which lands are set out in Schedule "A" hereto. Each Subscriber represents that he is the owner in fee simple of certain petroleum, natural gas and related hydrocarbons, or is the owner of or is entitled to receive a royalty interest in the petroleum, natural gas and related hydrocarbons in some or all of the lands covered by the Operators' leases set out in Schedule "A" hereto

The names of the parties and persons who represent that they own such interests are as follows:

Norman Richard Williams, Virden, Manitoba  
Richard Truman Perry, Estevan, Saskatchewan  
John Clifford Cory, Virden, Manitoba  
John Wesley Clarke, Virden, Manitoba  
Her Majesty the Queen, in the right of the  
Province of Manitoba, represented by the  
Minister of Mines and Natural Resources  
(hereinafter referred to as "Subscribers").

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

*[Handwritten signature]*

The parties hereto desire that the petroleum, natural gas and related hydrocarbons in the Mississippian formation underlying the lands set out in Schedule "A" hereto, whether represented by ownership in fee simple, by leasehold, royalty interest or any other interest whatsoever, be pooled consolidated and merged to permit waterflooding of the said formation with a view to securing the most economic recovery of petroleum, natural gas and related hydrocarbons from the said formation, and to accomplish the more efficient and more economical development and production of petroleum, natural gas and related hydrocarbons from the said formation.

Therefore, in consideration of the premises and of the sum of One (\$1.00) Dollar in cash paid by the Operators to each subscriber (receipt of which each subscriber acknowledges) and of the mutual covenants hereinafter set forth, IT IS AGREED AS FOLLOWS:

#### SECTION ONE

For the purposes of this agreement, the following terms or phrases shall have the following meanings:

- (a) A "unitized lease" shall mean any lease of petroleum, natural gas or related hydrocarbons situate in whole or in part within the area set out in Schedule "A" hereto and shown on a map set out as Schedule "B" hereto outlined in red, but only in so far as such lease relates to the petroleum, natural gas and related hydrocarbons lying in the Mississippian formation, which said lease has been unitized by the holders thereof under an agreement with the Operators for the purpose of waterflooding the said formation.
- (b) A "floodng unit" shall mean each eighty acre square or part thereof shown on a map set out as Schedule "B" hereof as a flooding unit, in the centre of which Operators have drilled, or may hereafter drill a producing oil well, and at or near the corners of which Operators have drilled, or may hereafter drill water injection wells.

- (c) The "Mississippian formation" shall mean all producing zones and horizons which may lie between the top of the limestone generally recognized by the oil industry as the top of the Mississippian, down to and including the base of the Bakken formation, which commonly rests on the Lyleton formation.
- (d) The "pooled area" shall mean the area covered by unitized leases.
- (e) A "producing oil well" shall include any well which has heretofore or may hereafter be drilled in or near the pooled area by the Operators which has produced oil in any quantity whatsoever, unless such well is converted into a water injection well by the terms hereof.
- (f) A "water injection well" shall include any well which may hereafter be drilled in or near the pooled area by the Operators for the purpose of injecting water into the Mississippian formation, and any producing oil well which has heretofore been drilled in or near the pooled area by the Operators which has been or will be converted into a water injection well.

In Schedule "A" hereto annexed and made a part hereof is set forth a description of the leases in the pooled area which are unitized hereunder. If and whenever Operators shall acquire or unitize with leases hereunder unitized any new or additional lease or interest therein necessary to form additional flooding units in which any unitized lease hereunder may form a part, such new leases may be added to Schedule "A" hereto by certificate, acknowledged by the Operators and filed with the Department of Mines and Natural Resources at Winnipeg, Manitoba. The number of acres set out in the map marked and annexed as Schedule "B" hereto shall be conclusive on the parties hereto for the sole purpose of determining the assignment of production from any flooding unit to the unitized lease or leases which make up such unit.

#### SECTION TWO

All interests in the petroleum, natural gas and related hydrocarbons lying in the Mississippian formation underlying the pooled area, now

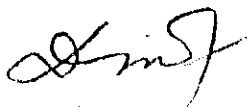
or hereafter acquired by each Subscriber shall, after the lease of the area under which such interest lies is unitized and so long thereafter as such unitization exists, be bound by this agreement.

Nothing in this agreement shall bind or enure to the benefit of any non-subscribing owner of any interest whatever in any petroleum, natural gas or related hydrocarbons, or of any Subscriber's interest which is not at the time bound hereby, unless and until any such Subscriber's interest becomes subject to a unitized lease.

### SECTION THREE

As between Operators and Subscribers, the leases stated in Schedule "A" to be held by Operators, and the interest of Subscribers in the petroleum, natural gas and related hydrocarbons in the lands respectively covered thereby, in so far as such leases and interests extend to petroleum and natural gas rights in the Mississippian formation are hereby pooled, consolidated, merged and unitized, and shall henceforth be considered and treated as an entirety in the same manner and with like effect as though all of the said lands had been included in one lease covering the petroleum and natural gas rights in the Mississippian formation. Such new or additional lease or interest which may hereafter be added to Schedule "A" hereto by certificate aforesaid, and become part of the pooled area, shall with the lands unitized hereunder be thenceforth considered and treated as an entirety in the same manner and with like effect as though all of the said lands had been included in one lease covering the petroleum and natural gas rights in the Mississippian formation.

In so far as it covers petroleum, natural gas and related hydrocarbons in the Mississippian formation, any new lease or interest therein may at any time be unitized with all or any part of the leases hereby unitized and thereby become included in the pooled area and become subject to the terms of this agreement precisely as if it were one of the leases described in Schedule "A" hereto that therein are stated to be held by the Operators, by the Operators filing with the Department of Mines and Resources at Winnipeg, Manitoba, a counterpart of this agreement duly executed by the Operators and





by the owners of all other interests in the petroleum, natural gas and related hydrocarbons underlying the lands described in such lease and thereupon all petroleum, natural gas and related hydrocarbons underlying the lands described in such lease and in the interest of each Subscriber shall become unitized and shall become bound hereby.

Notwithstanding the provisions contained in any unitized lease hereunder, there shall be no obligation on Operators to drill interior offsets to any producing oil wells drilled hereunder in so far as they relate to the Mississippian formation. All unitized leases in so far as they relate to the Mississippian formation may be developed and operated by the Operators for petroleum, natural gas and related hydrocarbons as a unit, without regard to the boundaries of the said leases constituting the pooled area.

#### SECTION FOUR

Operators have drilled heretofore or are drilling the following wells in the pooled area which are, or have been capable of producing petroleum, natural gas or related hydrocarbons:

<u>Name of Well</u>	<u>Location</u>
California Standard Daly 13-1	Lsd. 13 Section 1, Twp. 10, Rge. 28, W.P.M.
California Standard Daly 14-1	Lsd. 14 " 1, " 10, " 28, "
California Standard Daly 15-1	Lsd. 15 " 1, " 10, " 28, "
California Standard Daly 10-1A	Lsd. 10 " 1, " 10, " 28, "
California Standard Daly 2-12	Lsd. 2 " 12, " 10, " 28, "
California Standard Daly 3-12	Lsd. 3 " 12, " 10, " 28, "
California Standard Daly 4-12	Lsd. 4 " 12, " 10, " 28, "
California Standard Daly 5-12	Lsd. 5, " 12, " 10, " 28, "
California Standard Daly 6-12	Lsd. 6 " 12, " 10, " 28, "
California Standard Daly 7-12	Lsd. 7 " 12, " 10, " 28, "

#### SECTION FIVE

Operators cannot economically continue to produce all of the said wells heretofore drilled in the pooled area at the present rate of recovery of oil, and after conducting various techniques of acidizing, shooting with nitro-glycerine, and hydrofracing have come to the conclusion that the technique of waterflooding should now be conducted on a test basis within the unit area. Operators have accordingly made arrangements to conduct such test

on Flooding Unit No. 1 as shown on Exhibit "B".

Operators therefore propose to and Subscribers hereby agree that Operators may inject water into the Mississippian formation underlying the pooled area through the following wells:

California Standard Daly 2-12

California Standard Daly 10-1A

California Standard Daly 14-1

and that Operators may convert the said wells to water injection wells within the meaning of this agreement.

In addition Operators propose to drill a well on Lsd. 16, Section 1, Township 10, Range 28, W.P.M. for the sole purpose of water injection, and Subscribers hereby consent to their so doing.

Operators represent that waterflooding is a recognized oil-field method of increasing the recovery of oil, but do not in any way guarantee that waterflooding will increase the amount of oil recovered from the pooled area. Operators do not guarantee that in the event of failure of waterflooding that it will be possible to convert wells used for water injection back to oil wells, and Subscribers waive any claim against Operators which they may hereafter have for damage to any presently producing well which may be caused in any way by such use for water injection.

✓ In Flooding Unit No. 1, as set out in Schedule "B" hereto, Operators will produce California Standard Daly 15-1 well as a producing oil well.

#### SECTION SIX

If it should appear, after a reasonable period of time, that waterflooding has increased or is likely to increase substantially the recovery of oil from the pooled area, Operators in their sole discretion may proceed to set up additional flooding units in the pooled area, and add such parts of additional leases to the pooled area as may be necessary to form such additional flooding units. Conversion of presently producing

oil wells to water injection wells, the drilling of new oil wells and new water injection wells, and all other phases of operation and development of the said additional flooding units shall be in the sole discretion of the Operators.

#### SECTION SEVEN

Upon completion of California Standard Daly 16-1 well as a water injection well, and the commencement of flooding operations, all production of petroleum, natural gas and related hydrocarbons saved and marketed from California Standard Daly 15-1 well shall be divided among the unitized leases contained in the pooled area in the proportion that the area of the part of such unitized lease contained in Flooding Unit No. 1 bears to total area of the flooding unit, and royalties shall be payable by the Operators in respect to such production assigned to the various unitized leases at the rate and subject to the terms and conditions set out in the lease to which such production is assigned, as if the production so assigned had actually been produced from a well or wells actually located on the lease so unitized.

PROVIDED, HOWEVER, that where any producing oil well in the pooled area is located outside of a flooding unit in which flooding operations are taking place hereunder, and the Operators continue to produce such well, the Operators shall pay royalties in respect of such production from such a well as if the lease had not been unitized until such time as it becomes part of a flooding unit.

#### SECTION EIGHT

If the Operators should set up additional flooding units in the pooled area, they shall give notice thereof to each Subscriber.

All production of petroleum, natural gas or related hydrocarbons from the producing well located in any flooding unit shall be assigned to each unitized lease making up such flooding unit in the proportion that the area of such unitized leases included in such flooding unit bears to the total area of the flooding unit, and royalties shall be payable by the Operators in

*[Handwritten signature]*

respect to such production assigned to the various unitized leases at the rate and subject to the terms and conditions set out in the lease to which such production is assigned, as if the production so assigned had actually been produced from a well or wells actually located on the said lease.

#### SECTION NINE

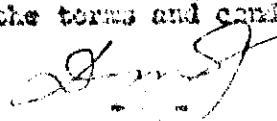
As between themselves and Operators, Subscribers agree to accept the royalties provided in Sections Seven (7) and Eight (8) hereof in full satisfaction of all royalties provided to be paid under the terms of any unitized leases, in so far as such royalty provisions apply to production from the Mississippian formation.

#### SECTION TEN

Upon this agreement coming into effect each unitized lease shall continue in full force and effect as to all petroleum, natural gas and related hydrocarbons covered thereby as long as petroleum, natural gas or related hydrocarbons, or any of them, are being produced from the pooled area or any operations for the drilling or re-working of a well or wells are being conducted on the pooled area and during any periods intervening between the cessation of any operations or conditions and the resumption or fulfillment thereof. Each unitized lease shall be perpetuated by any of the aforementioned operations or conditions in the same manner and to the same effect as though such operations or conditions were being conducted on or obtained with respect to the land covered by each such lease separately and distinct from other lands in the pooled area.

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

In the event that any of the terms or conditions of this agreement should be in conflict with any of the terms or conditions of any lease hereby unitized, the terms and conditions of this agreement shall



prevail and such lease shall be deemed to be amended or modified to the extent necessary to give effect to the terms and conditions hereof.

#### SECTION ELEVEN

Nothing herein contained shall be deemed to reduce the discretion or other rights of the Operators granted under the terms of any unitized lease, or to prevent the Operators from relying upon the terms of such lease, and without in any way restricting the generality of the foregoing, ~~upon~~ the following clause shall continue to apply wherever the same appears:

"13. The Lessee shall have the right to abandon any well before completion thereof or at any time thereafter should it prove in the sole discretion of the Lessee unlikely that such well will prove productive of petroleum and/or natural gas or that it is unprofitable or uncommercial to continue producing such well. The Lessee shall have full and complete power and authority in its own discretion either itself or by agreement with other producers or owners of petroleum and/or natural gas in the vicinity of the said lands to evolve, enter into and carry into effect any arrangements or agreements for the conservation of petroleum and/or natural gas, proration of production thereof or unitization or restrictions of development therefor or any other similar arrangements and may withhold production or withhold the leased substances from the market as conditions and/or the price of such leased substances may in the Lessee's sole discretion warrant, and in so far as the terms of this lease and grant are in conflict with, or inconsistent with, the terms of such arrangement or agreement the provisions of such agreement or arrangement shall prevail."

#### SECTION TWELVE

Subscribers grant to Operators the right to conclude agreements with other companies or Operators whereby such other companies or Operators may operate or participate in the operation and development of flooding units bordering upon or adjacent to the pooled area, and Subscribers also grant to Operators the right to commit such part of the pooled area to such flooding units as may be necessary to complete the said units, subject to the payment of royalties as hereinbefore set out on production from said units assigned to such committed part of the pooled area.

#### SECTION THIRTEEN

No change in ownership of any of the petroleum, natural gas

*[Handwritten signature]*

*9 B W.  
H M  
Jelle  
G R*

or related hydrocarbons or interests therein owned by any Subscriber shall be binding on Operators until Operators are furnished with a certified copy of the instrument effecting such change, nor shall any such change, however accomplished, operate to enlarge the obligations or diminish the rights of Operators hereunder, and any such rights and interest so changed in ownership shall in all things remain subject to the provisions of this agreement.

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

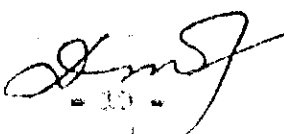
#### SECTION FOURTEEN

This agreement and all Operators' obligations hereunder are subject to all laws, regulations and orders-in-council of the Province of Manitoba, and the Dominion of Canada applicable thereto. Without in any way restricting the generality of the foregoing, this agreement is subject to the approval of Minister of Mines and Natural Resources of the Province of Manitoba, pursuant to the provisions of Section No. 196 of the Regulations under The Mines Acts covering exploration, development and production of oil and natural gas in Manitoba, or any regulation which may hereafter be passed in substitution therefor.

#### SECTION FIFTEEN

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

The term "Force Majeure" as employed herein shall mean an Act

  
- 10 -

of God, strike, lock-out or other industrial disturbance, act of the public enemy, war, blockade, riot, fires, lightning, storms, flood, explosion, Governmental restraint, and any other cause whether of the kind herein enumerated or otherwise, and not reasonably within the control of the Operators.

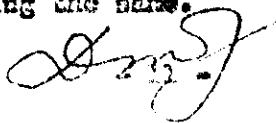
The settlement of strikes, lockouts, and other labour difficulties shall be entirely within the discretion of the party having the difficulty. The above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts or other labour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

#### SECTION SIXTEEN

Inasmuch as all of the Subscribers to this agreement may not conveniently be able to execute the original of this instrument, it is agreed that counterparts hereof or instruments of ratification hereof may be executed by any Subscriber or Subscribers, in which each executed counterpart, ratification, and the original hereof shall be construed together as one instrument. This agreement shall bind and inure to the benefit of any and all Subscribers who may execute this agreement or a counterpart or ratification hereof, regardless of whether all the owners of petroleum, natural gas and related hydrocarbons and royalty interests in the pooled area may execute this agreement, or a counterpart or ratification hereof and throughout the duration of this agreement as between Operators and each Subscriber, this instrument shall continuously be a several agreement.

#### SECTION SEVENTEEN

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



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

IN WITNESS WHEREOF this agreement is executed by the respective Subscribers and Operators as of the 15<sup>th</sup> day of May, A.D. 1953.

BRANDON EXPLORATION COMPANY

Per: F. L. Knop PRESIDENT

Per: H. G. Nicholson VICE-PRESIDENT

THE CALIFORNIA STANDARD COMPANY

Per: F. L. Knop PRESIDENT

Per: H. G. Nicholson VICE-PRESIDENT

Signed by the said NORMAN RICHARD WILLIAMS in the presence of

W. M. Winterton Norman Richard Williams  
Address

Signed by the said RICHARD TRUMAN PERRY in the presence of

W. M. Winterton Richard Truman Perry  
600 PHEUM THEATRE  
Estevan, Saskatchewan.  
Address

Signed by the said JOHN CLIFFORD CORY in the presence of

W. M. Winterton John Clifford Cory  
Fielden, Man.  
Address

Signed by the said JOHN WESLEY CLARKE in the presence of

W. M. Winterton John Wesley Clarke  
343 Conroy St. St. James, Man.  
Address

Signed, sealed and delivered in the presence of

W. M. Winterton W. M. Winterton  
Minister of Mines and Natural Resources

W. M. Winterton



CANADA  
PROVINCE OF MANITOBA  
TO WIT:

I, William Milne Winterton of Winnipeg  
in the Province of Manitoba, Landman, MAKE OATH AND SAY:  
(occupation)

1. THAT I was personally present and did see JOHN CLIFFORD CORY named in the within unitization agreement, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Winnipeg, in the Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said JOHN CLIFFORD CORY and he is in my belief of the full age of twenty-one years.

SWORN before me at Winnipeg  
In the Province of Manitoba  
this 28 day of May  
A.D. 1953.

Wm Winterton

R. Con  
A Commissioner for Oaths in and  
for the Province of Man  
My Comm Expires  
31 Dec 1953

AFFIDAVIT OF EXECUTION

CANADA  
PROVINCE OF MANITOBA  
TO WIT:

I, William Milne Winterton, of Winnipeg  
in the Province of Manitoba, Landman, MAKE OATH AND SAY:  
(occupation)

1. THAT I was personally present and did see JOHN WESLEY CLARKE named in the within unitization agreement, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Winnipeg, in the Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said JOHN WESLEY CLARKE and he is in my belief of the full age of twenty-one years.

SWORN before me at Winnipeg  
in the Province of Manitoba  
this 12th day of June  
A.D. 1953.

Wm Winterton

Tom A. Goulding  
A Commissioner for Oaths in and  
for the Province of Manitoba  
My Commission Expires 22/12/54

AFFIDAVIT OF EXECUTION

CANADA  
PROVINCE OF MANITOBA  
TO WIT: Manitoba

I, William Milne Winterton, of Winnipeg,  
in the Province of Manitoba, Landman, MAKE OATH AND SAY:  
(occupation)

1. THAT I was personally present and did see RICHARD TRUMAN PERRY named in the within unitization agreement, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Winnipeg, in the Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said RICHARD TRUMAN PERRY and he is in my belief of the full age of twenty-one years.

SWORN before me at Winnipeg  
in the Province of Manitoba  
this 12<sup>th</sup> day of June  
A.D. 1953.

Wm Winterton

Tom A. Goulding  
A Notary Public in and for the  
Province of Manitoba.

AFFIDAVIT OF EXECUTION

CANADA  
PROVINCE OF MANITOBA  
TO WIT: Manitoba

I, William Milne Winterton, of Winnipeg,  
in the Province of Manitoba, Landman, MAKE OATH AND SAY:  
(occupation)

1. THAT I was personally present and did see NORMAN RICHARD WILLIAMS named in the within instrument, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Virden, in the Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said NORMAN RICHARD WILLIAMS and he is in my belief of the full age of twenty-one years.

SWORN before me at Winnipeg  
in the Province of Manitoba  
this 28 day of May  
A.D. 1953.

Wm Winterton

W. Winterton  
A Commissioner of the Court and  
in the Province of Manitoba

11/04/53  
By Court Clerk

This is Schedule "A" to that certain waterflooding unitization agreement attached hereto between Brandon Exploration Company and The California Standard Company as operators, and Norman Richard Williams, Richard Truman Perry, John Clifford Cory and John Wesley Clarke, and Her Majesty the Queen in right of the Province of Manitoba as subscribers.

Signed for identification:

BRANDON EXPLORATION COMPANY

Per: H. G. Nicholson  
VICE-PRESIDENT

N. R. Williams  
NORMAN RICHARD WILLIAMS

John W. Clarke  
JOHN WESLEY CLARKE

THE CALIFORNIA STANDARD COMPANY

Per: H. G. Nicholson  
VICE-PRESIDENT

John Clifford Cory  
JOHN CLIFFORD CORY

Richard Truman Perry  
RICHARD TRUMAN PERRY

James D. ...  
MINISTER OF MINES AND NATURAL RESOURCES

Lease No. 1187, dated September 13, 1948, granted by Norman Richard Williams to Brandon Exploration Company of the petroleum, natural gas, related hydrocarbons other than coal underlying the North West Quarter of Section One (1) in Township Ten (10) in Range Twenty-Eight (28) West of the Principal Meridian, and later assigned to The California Standard Company;

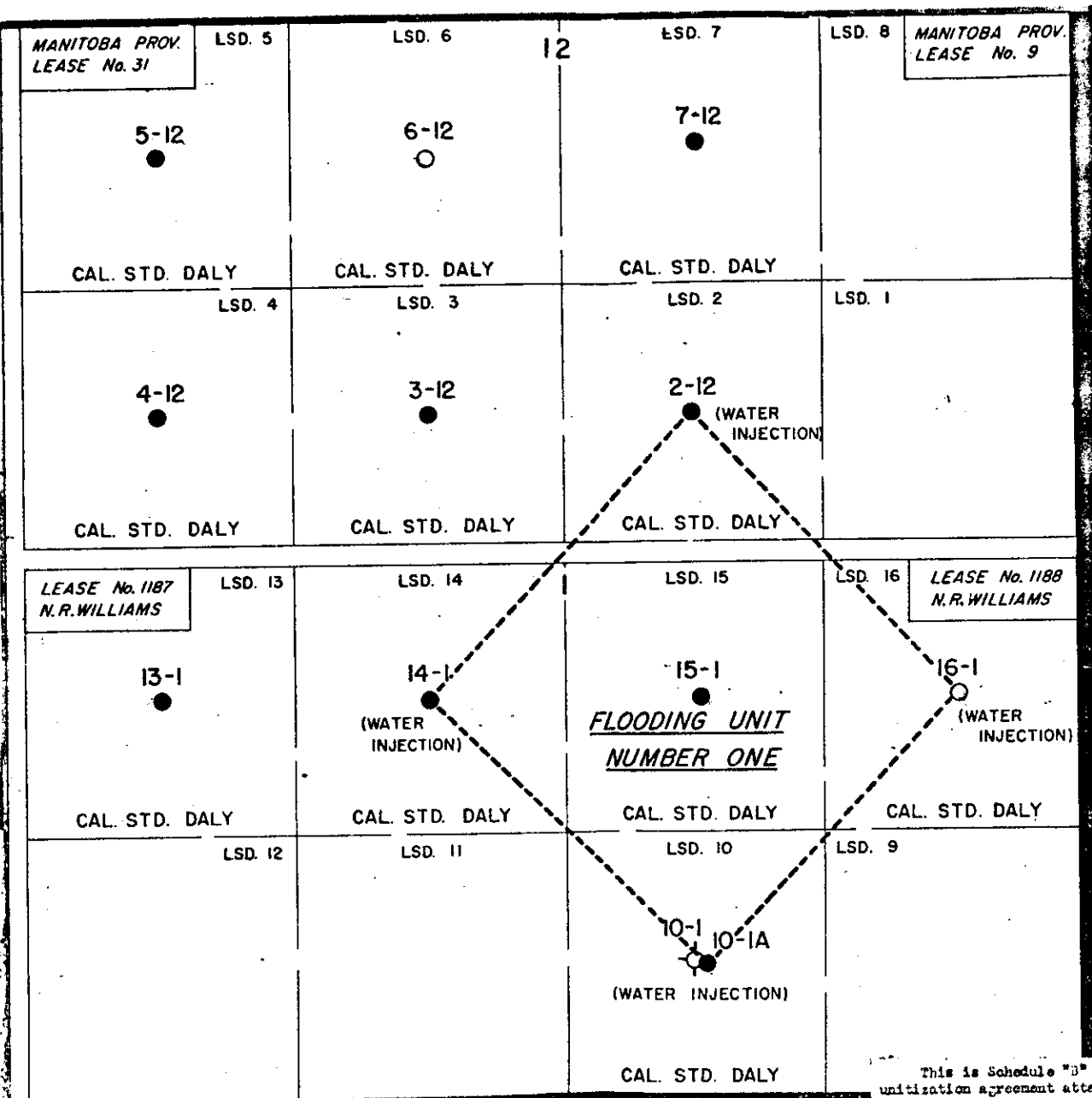
Lease No. 1188, dated September 13, 1948, granted by Norman Richard Williams to Brandon Exploration Company of the petroleum, natural gas, and related hydrocarbons other than coal underlying the North East Quarter of Section One (1) in Township Ten (10) Range Twenty-Eight (28) West of the Principal Meridian, and later assigned to The California Standard Company;

Manitoba Provincial Lease No. 9, dated April 28, 1951, granted by His Majesty the King in the right of the province of Manitoba to Brandon Exploration Company, of the petroleum and natural gas underlying the South East Quarter of Section Twelve (12) in Township Ten (10) in Range Twenty-Eight (28) West of the Principal Meridian;

Manitoba Provincial Lease No. 31, dated June 23, 1952, granted by Her Majesty the Queen in the right of the province of Manitoba to Brandon Exploration Company, of the petroleum and natural gas underlying the South West Quarter of Section Twelve (12) in Township Ten (10) in Range Twenty-Eight (28) West of the Principal Meridian.

Amf  
- 15 -

# RGE. 28 W.P.M.



TP. 10

THE PARTIES HAVE AGREED THAT FLOODING UNIT NUMBER ONE  
IS COMPRISED AS FOLLOWS:

LEASE No. 1187, N.R.WILLIAMS	10 ACRES
MANITOBA PROV. LEASE No. 9	10 ACRES
LEASE No. 1188, N.R.WILLIAMS	60 ACRES
<b>TOTAL</b>	<b>80 ACRES</b>

This is Schedule "B" to that certain waterflooding unitization agreement attached hereto between Brandon Exploration Company and The California Standard Company as operators, and Norman Richard Williams, Richard Armas Perry, John Clifford Cory and John Wesley Clarke, and Her Majesty the Queen in right of the Province of Manitoba as Subscribers.

Signed for identifications:

BRANDON EXPLORATION COMPANY THE CALIFORNIA STANDARD COMPANY

Per: *H.G. Nicholson* Per: *H.G. Nicholson*  
VICE-PRESIDENT VICE-PRESIDENT

*N.R. Williams* *Richard Armas Perry*  
NORMAN RICHARD WILLIAMS RICHARD ARMAS PERRY

*John Wesley Clarke* *John Clifford Cory*  
JOHN WESLEY CLARKE JOHN CLIFFORD CORY

*Norman Richard Williams*  
NORMAN RICHARD WILLIAMS

40  
1

AGREEMENT BETWEEN THE OPERATORS AND THE SUBSCRIBERS

This agreement, between the SAHIO and STANFORD OILFIELD and the STANFORD OILFIELD CO. INC., both of which are collectively called the "Operators", and all other parties who sign this agreement or a counterpart or ratification hereof, which other signatory parties are hereinafter called "Subscribers"

WITNESSES:

Operators hold leases and grants of the petroleum, natural gas and related hydrocarbons underlying certain lands in the Province of Alberta, details of which leases and grants and the description of which lands are set out in Schedule "A" hereto. Each Subscriber represents that he is the owner in fee simple of certain petroleum, natural gas and related hydrocarbons, or is the owner of or is entitled to receive a royalty interest in the petroleum, natural gas and related hydrocarbons in some or all of the lands covered by the Operators' leases set out in Schedule "A" hereto.

The names of the parties and persons who represent that they own such interests are as follows:

Thomas Richard Halliday, Jordan, Manitoba  
Richard Graham Perry, Calgary, Saskatchewan  
John Clifford Gray, St. John, Manitoba  
John Wesley Clarke, Toronto, Ontario  
For the City of St. John, in the right of the  
Municipality of St. John, represented by the  
Minister of Energy and Natural Resources  
(hereinafter referred to as "Subscribers").

Should any other persons similarly represent any such interests in themselves, Operators shall have the right, pending the acceptance of this agreement and the other lands, the existence of this agreement to receive a royalty interest in such lands and a royalty interest in the petroleum, natural gas and related hydrocarbons in such lands, and to the extent of such interest, the interest of a counterpart or ratification hereof, with interest in the same as a royalty interest.

*[Handwritten signature]*

The parties hereto desire that the petroleum, natural gas and related hydrocarbons in the Mississippian formation underlying the lands set out in Schedule "A" hereto, whether represented by ownership in fee simple, by leasehold, royalty interest or any other interest whatsoever, be pooled consolidated and merged to permit waterflooding of the said formation with a view to securing the most economic recovery of petroleum, natural gas and related hydrocarbons from the said formation, and to accomplish the more efficient and more economical development and production of petroleum, natural gas and related hydrocarbons from the said formation.

Therefore, in consideration of the premises and of the sum of One (\$1.00) Dollar in cash paid by the Operators to each subscriber (receipt of which each subscriber acknowledges) and of the mutual covenants hereinafter set forth, IT IS AGREED AS FOLLOWS:

#### SECTION ONE

For the purposes of this agreement, the following terms or phrases shall have the following meanings:

- (a) A "unitized lease" shall mean any lease of petroleum, natural gas or related hydrocarbons situate in whole or in part within the area set out in Schedule "A" hereto and shown on a map set out as Schedule "B" hereto outlined in red, but only in so far as such lease relates to the petroleum, natural gas and related hydrocarbons lying in the Mississippian formation, which said lease has been unitized by the holders thereof under an agreement with the Operators for the purpose of waterflooding the said formation.
- (b) A "flooding unit" shall mean each eighty acre square or part thereof shown on a map set out as Schedule "B" hereof as a flooding unit, in the centre of which Operators have drilled, or may hereafter drill a producing oil well, and at or near the corners of which Operators have drilled, or may hereafter drill water injection wells.

- (c) The "Mississippian formation" shall mean all producing zones and horizons which may lie between the top of the limestone generally recognized by the oil industry as the top of the Mississippian, down to and including the base of the Balden formation, which commonly rests on the Lyleton formation.
- (d) The "pooled area" shall mean the area covered by unitized leases.
- (e) A "producing oil well" shall include any well which has heretofore or may hereafter be drilled in or near the pooled area by the Operators which has produced oil in any quantity whatsoever, unless such well is converted into a water injection well by the terms hereof.
- (f) A "water injection well" shall include any well which may hereafter be drilled in or near the pooled area by the Operators for the purpose of injecting water into the Mississippian formation, and any producing oil well which has heretofore been drilled in or near the pooled area by the Operators which has been or will be converted into a water injection well.

In Schedule "A" hereto annexed and made a part hereof is set forth a description of the leases in the pooled area which are unitized hereunder. If and whenever Operators shall acquire or unitize with leases hereunder unitized any new or additional lease or interest therein necessary to form additional flooding units in which any unitized lease hereunder may form a part, such new leases may be added to Schedule "A" hereto by certificate, acknowledged by the Operators and filed with the Department of Mines and Natural Resources at Winnipeg, Manitoba. The number of acres set out in the map marked and annexed as Schedule "E" hereto shall be conclusive on the parties hereto for the sole purpose of determining the assignment of production from any flooding unit to the unitized lease or leases which make up such unit.

#### SECTION TWO

All interests in the petroleum, natural gas and related hydrocarbons lying in the Mississippian formation underlying the pooled area, now

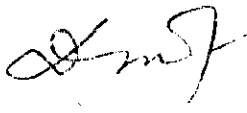
or hereafter acquired by each Subscriber shall, after the lease of the area under which such interest lies is unitized and so long thereafter as such unitization exists, be bound by this agreement.

Nothing in this agreement shall bind or secure to the benefit of any non-subscribing owner of any interest whatever in any petroleum, natural gas or related hydrocarbons, or of any Subscriber's interest which is not at the time bound hereby, unless and until any such Subscriber's interest becomes subject to a unitized lease.

#### UNITIZATION

As between Operators and Subscribers, the leases stated in Schedule "A" to be held by Operators, and the interest of Subscribers in the petroleum, natural gas and related hydrocarbons in the lands respectively covered thereby, in so far as such leases and interests extend to petroleum and natural gas rights in the Mississippian formation are hereby pooled, consolidated, merged and unitized, and shall henceforth be considered and treated as an entirety in the same manner and with like effect as though all of the said lands had been included in one lease covering the petroleum and natural gas rights in the Mississippian formation. Such new or additional lease or interest which may hereafter be added to Schedule "A" hereto by certificate aforesaid, and become part of the pooled area, shall with the lands unitized hereunder be thenceforth considered and treated as an entirety in the same manner and with like effect as though all of the said lands had been included in one lease covering the petroleum and natural gas rights in the Mississippian formation.

In so far as it covers petroleum, natural gas and related hydrocarbons in the Mississippian formation, any new lease or interest therein may at any time be unitized with all or any part of the leases hereby unitized and thereby become included in the pooled area and become subject to the terms of this agreement precisely as if it were one of the leases described in Schedule "A" hereto that therein are stated to be held by the Operators, by the Operators filing with the Department of Mines and Resources at Ottawa, Ontario, a counterpart of this agreement duly executed by the Operators and





by the owners of all other interests in the petroleum, natural gas and related hydrocarbons underlying the lands described in such lease and thereupon all petroleum, natural gas and related hydrocarbons underlying the lands described in such lease and in the interest of each Subscriber shall become unitized and shall become bound hereby.

Notwithstanding the provisions contained in any unitized lease hereunder, there shall be no obligation on Operators to drill interior offsets to any producing oil wells drilled hereunder in so far as they relate to the Mississippian formation. All unitized leases in so far as they relate to the Mississippian formation may be developed and operated by the Operators for petroleum, natural gas and related hydrocarbons as a unit, without regard to the boundaries of the said leases constituting the pooled area.

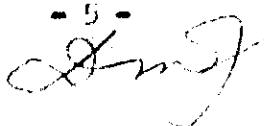
#### SECTION FOUR

Operators have drilled heretofore or are drilling the following wells in the pooled area which are, or have been capable of producing petroleum, natural gas or related hydrocarbons:

<u>Name of Well</u>	<u>Location</u>
California Standard Daly 13-1	Lsd. 13 Section 1, Twp. 10, Rgc. 28, S.P.M.
California Standard Daly 14-1	Lsd. 14 " 1, " 10, " 28, "
California Standard Daly 15-1	Lsd. 15 " 1, " 10, " 28, "
California Standard Daly 10-1A	Lsd. 10 " 1, " 10, " 28, "
California Standard Daly 2-12	Lsd. 2 " 12, " 10, " 28, "
California Standard Daly 3-12	Lsd. 3 " 12, " 10, " 28, "
California Standard Daly 4-12	Lsd. 4 " 12, " 10, " 28, "
California Standard Daly 5-12	Lsd. 5, " 12, " 10, " 28, "
California Standard Daly 6-12	Lsd. 6 " 12, " 10, " 28, "
California Standard Daly 7-12	Lsd. 7 " 12, " 10, " 28, "

#### SECTION FIVE

Operators cannot economically continue to produce all of the said wells heretofore drilled in the pooled area at the present rate of recovery of oil, and after conducting various techniques of acidizing, shooting with nitro-glycerine, and hydrofracing have come to the conclusion that the technique of waterflooding should now be conducted on a test basis within the unit area. Operators have accordingly made arrangements to conduct such test



on Flooding Unit No. 1 as shown on Exhibit "B".

Operators therefore propose to and Subscribers hereby agree that Operators may inject water into the Mississippian formation underlying the pooled area through the following wells:

California Standard Daly 2-12

California Standard Daly 10-1A

California Standard Daly 14-1

and that Operators may convert the said wells to water injection wells within the meaning of this agreement.

In addition Operators propose to drill a well on Lsd. 16, Section 1, Township 10, Range 28, W.P.M. for the sole purpose of water injection, and Subscribers hereby consent to their so doing.

Operators represent that waterflooding is a recognized oil-field method of increasing the recovery of oil, but do not in any way guarantee that waterflooding will increase the amount of oil recovered from the pooled area. Operators do not guarantee that in the event of failure of waterflooding that it will be possible to convert wells used for water injection back to oil wells, and Subscribers waive any claim against Operators which they may hereafter have for damage to any presently producing well which may be caused in any way by such use for water injection.

✓ In Flooding Unit No. 1, as set out in Schedule "B" hereto, Operators will produce California Standard Daly 15-1 well as a producing oil well.

#### SECTION SIX

If it should appear, after a reasonable period of time, that waterflooding has increased or is likely to increase substantially the recovery of oil from the pooled area, Operators in their sole discretion may proceed to set up additional flooding units in the pooled area, and add such parts of additional leases to the pooled area as may be necessary to form such additional flooding units. Conversion of presently producing

oil wells to water injection wells, the drilling of new oil wells and new water injection wells, and all other phases of operation and development of the said additional flooding units shall be in the sole discretion of the Operators.

#### SECTION SEVEN

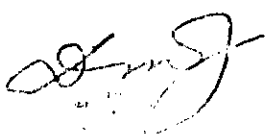
Upon completion of California Standard Dally 16-1 well as a water injection well, and the commencement of flooding operations, all production of petroleum, natural gas and related hydrocarbons derived and produced from California Standard Dally 16-1 well shall be divided among the unitized leases contained in the pooled area in the proportion that the area of the part of such unitized lease contained in Flooding Unit No. 1 bears to total area of the flooding unit, and royalties shall be payable by the Operators in respect to such production assigned to the various unitized leases at the rate and subject to the terms and conditions set out in the lease to which such production is assigned, as if the production so assigned had actually been produced from a well or wells actually located on the lease so unitized.

PROVIDED, HOWEVER, that where any producing oil well in the pooled area is located outside of a flooding unit in which flooding operations are taking place hereunder, and the Operators continue to produce such well, the Operators shall pay royalties in respect of such production from such a well as if the lease had not been unitized until such time as it becomes part of a flooding unit.

#### SECTION EIGHT

If the Operators should set up additional flooding units in the pooled area, they shall give notice thereof to each Subscriber.

All production of petroleum, natural gas or related hydrocarbons from the producing well located in any flooding unit shall be assigned to each unitized lease within such flooding unit in the proportion that the area of such unitized lease included in such flooding unit bears to the total area of the flooding unit, and royalties shall be payable by the Operators in



respect to such production assigned to the various unitized leases at the rate and subject to the terms and conditions set out in the lease to which such production is assigned, as if the production so assigned had actually been produced from a well or wells actually located on the said lease.

#### SECTION NINE

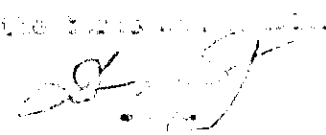
As between themselves and Operators, Subscribers agree to accept the royalties provided in Sections Seven (7) and Eight (8) hereof in full satisfaction of all royalties provided to be paid under the terms of any unitized leases, in so far as such royalty provisions apply to production from the Mississippian formation.

#### SECTION TEN

Upon this agreement coming into effect each unitized lease shall continue in full force and effect as to all petroleum, natural gas and related hydrocarbons covered thereby as long as petroleum, natural gas or related hydrocarbons, or any of them, are being produced from the pooled area or any operations for the drilling or re-working of a well or wells are being conducted on the pooled area and during any periods intervening between the cessation of any operations or conditions and the resumption or fulfillment thereof. Each unitized lease shall be perpetuated by any of the aforementioned operations or conditions in the same manner and to the same effect as though such operations or conditions were being conducted on or obtained with respect to the land covered by each such lease separately and distinct from other lands in the pooled area.

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

In the event that any of the terms or conditions of this agreement should be in conflict with any of the terms or conditions of any lease heretofore executed, the terms and conditions of this agreement shall



prevail and such lease shall be deemed to be amended or modified to the extent necessary to give effect to the terms and conditions hereof.

#### SECTION ELEVEN

Nothing herein contained shall be deemed to reduce the discretion or other rights of the Operators granted under the terms of any unitized lease, or to prevent the Operators from relying upon the terms of such lease, and without in any way restricting the generality of the foregoing, ~~then~~ the following clause shall continue to apply wherever the same appears:

"13. The Lessee shall have the right to abandon any well before completion thereof or at any time thereafter should it prove in the sole discretion of the Lessee unlikely that such well will prove productive of petroleum and/or natural gas or that it is uneconomically or uncommercial to continue producing such well. The Lessee shall have full and complete power and authority in its own discretion either itself or by agreement with other producers or owners of petroleum and/or natural gas in the vicinity of the said lands to evolve, enter into and carry into effect any arrangements or agreements for the conservation of petroleum and/or natural gas, protection of production thereof or unitization or restrictions of development thereof or any other similar arrangements and may withhold production or withhold the leased substances from the market as conditions subject the price of such leased substances may in the Lessee's sole discretion warrant, and in so far as the terms of this lease and grant are in conflict with, or inconsistent with, the terms of such arrangements or agreement the provisions of such agreement or arrangement shall prevail."

#### SECTION TWELVE

Subscribers grant to Operators the right to conclude agreements with other companies or Operators whereby such other companies or Operators may operate or participate in the operation and development of flooding units bordering upon or adjacent to the pooled area, and Subscribers also grant to Operators the right to commit such part of the pooled area to such flooding units as may be necessary to complete the said units, subject to the payment of royalties as hereinbefore set out on production from said units assigned to such committed part of the pooled area.

#### SECTION THIRTEEN

No change in ownership of any of the petroleum, natural gas

*[Handwritten signature]*

or related hydrocarbons or interests therein owned by any Subscriber shall be binding on Operators until Operators are furnished with a certified copy of the instrument effecting such change, nor shall any such change, however accomplished, operate to enlarge the obligations or diminish the rights of Operators hereunder, and any such rights and interest so changed in ownership shall in all things remain subject to the provisions of this agreement.

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

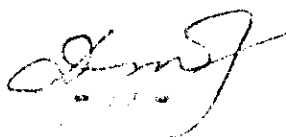
#### SECTION FOURTEEN

This agreement and all Operators' obligations hereunder are subject to all laws, regulations and orders-in-council of the Province of Manitoba, and the Dominion of Canada applicable thereto. Without in any way restricting the generality of the foregoing, this agreement is subject to the approval of Minister of Mines and Natural Resources of the Province of Manitoba, pursuant to the provisions of Section No. 195 of the Regulations under The Mines Acts covering exploration, development and production of oil and natural gas in Manitoba, or any regulation which may hereafter be passed in substitution thereof.

#### SECTION FIFTEEN

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

The term "Force Majeure" as employed herein shall mean an act



of God, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, riot, fires, lightning, storms, flood, explosion, Governmental restraints, and any other cause whether of the kind herein enumerated or otherwise, and not reasonably within the control of the Operators.

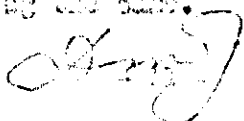
The settlement of strikes, lockouts, and other labour difficulties shall be entirely within the discretion of the party having the difficulty. The above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts or other labour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

#### ~~ARTICLE SEVENTH~~

Inasmuch as all of the Subscribers to this agreement may not conveniently be able to execute the original of this instrument, it is agreed that counterparts hereof or instruments of ratification hereof may be executed by any Subscriber or Subscribers, in which such executed counterpart, ratification, and the original hereof shall be construed together as one instrument. This agreement shall bind and inure to the benefit of any and all Subscribers who may execute this agreement or a counterpart or ratification hereof, regardless of whether all the owners of petroleum, natural gas and related hydrocarbons and royalty interests in the pooled area may execute this agreement, or a counterpart or ratification hereof and throughout the duration of this agreement as between Operators and each Subscriber, this instrument shall continuously be a several agreement.

#### ~~ARTICLE EIGHTH~~

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



SECTION EIGHTH

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

IN WITNESS WHEREOF this agreement is executed by the respective Subscribers and Operators as of the 15<sup>th</sup> day of May, A.D. 1953.

BRANDON EXPLORATION COMPANY

Per: E. L. Knop PRESIDENT

Per: H. G. Nicholson VICE-PRESIDENT

THE CALIFORNIA STANDARD COMPANY

Per: E. L. Knop PRESIDENT

Per: H. G. Nicholson VICE-PRESIDENT

Signed by the said NORMAN RICHARD WILLIAMS in the presence of

W. M. Winterston

Norman Richard Williams

Vienna Man.  
Address

Signed by the said RICHARD TRUMAN PERRY in the presence of

W. M. Winterston

Richard Truman Perry  
60 OILFIELD THEATRE  
Estacada, Saskatchewan.  
Address

Signed by the said JOHN CLIFFORD CORY in the presence of

W. M. Winterston

John Clifford Cory  
Vienna Man.  
Address

Signed by the said JOHN WESLEY CLARKE in the presence of

W. M. Winterston

John Wesley Clarke  
343 Conroy St. St. James Man.  
Address

Signed, sealed and delivered in the presence of

[Signature]

[Signature]  
Member of Bureaus and  
Natural Resources

[Signature]



AFFIDAVIT OF EXECUTION

CANADA  
PROVINCE OF MANITOBA  
TO WIT:

I, William Miles Waitt of Winnipeg,  
in the Province of Manitoba, Landman, MAKE OATH AND SAY:  
(occupation)

1. THAT I was personally present and did see JOHN CLIFFORD CORY named in the within unitization agreement, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Piuden, in the Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said JOHN CLIFFORD CORY and he is in my belief of the full age of twenty-one years.

SWORN before me at Winnipeg  
In the Province of Manitoba  
this 28 day of May  
A.D. 1953.

Wm Miles Waitt

R. Con  
A Commissioner for Oaths in and  
for the Province of Man

My Comm Expires  
31 Dec 1953

AFFIDAVIT OF EXECUTION

CANADA  
PROVINCE OF MANITOBA  
TO WIT:

I, William Miles Waitt, of Winnipeg,  
in the Province of Manitoba, Landman, MAKE OATH AND SAY:  
(occupation)

1. THAT I was personally present and did see JOHN WESLEY CLARKE named in the within unitization agreement, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Winnipeg, in the Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said JOHN WESLEY CLARKE and he is in my belief of the full age of twenty-one years.

SWORN before me at Winnipeg  
in the Province of Manitoba  
this 12th day of June  
A.D. 1953.

Wm Miles Waitt

Tom A Goulding  
A Commissioner for Oaths in and  
for the Province of Manitoba

My Commission Expires 22.12.54

AFFIDAVIT OF SUBSCRIPTION

CANADA  
PROVINCE OF MANITOBA  
TO WIT: Manitoba  
Winnipeg

I, William Miles Winters, of Winnipeg,  
in the Province of Manitoba, Lawyer, MAKE OATH AND SAY:  
(occupation)

1. THAT I was personally present and did see RICHARD THOMAS PERRY named in the within unitization agreement, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Winnipeg, in the Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said RICHARD THOMAS PERRY and he is in my belief of the full age of twenty-one years.

SWORN before me at Winnipeg  
in the Province of Manitoba  
this 12<sup>th</sup> day of June  
A.D. 1953.

William Miles Winters

Tom A. Goulding  
A Notary Public in and for the  
Province of Manitoba.

AFFIDAVIT OF EXECUTION

CANADA  
PROVINCE OF MANITOBA  
TO WIT:

I, William Miles Winters, of Winnipeg,  
in the Province of Manitoba, Lawyer, MAKE OATH AND SAY:  
(occupation)

1. THAT I was personally present and did see NORMAN RICHARD WILLIAMS named in the within instrument, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes named therein.

2. THAT the same was executed at Virden, in the Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said NORMAN RICHARD WILLIAMS and he is in my belief of the full age of twenty-one years.

SWORN before me at Winnipeg  
in the Province of Manitoba  
this 28 day of May  
A.D. 1953.

William Miles Winters

W. C. [Signature]  
A Commissioner for the Province of Manitoba

My Comm. Ex. 1000-57

This is Schedule "A" to that certain waterflooding unitization agreement attached hereto between Brandon Exploration Company and The California Standard Company as operators, and Norman Richard Williams, Richard Truman Perry, John Clifford Cory and John Wesley Clarke, and Her Majesty the Queen in right of the Province of Manitoba as Describers.

Signed for identification:

BRANDON EXPLORATION COMPANY

Per: H. G. Nicholson  
VICE-PRESIDENT

THE CALIFORNIA STANDARD COMPANY

Per: H. G. Nicholson  
VICE-PRESIDENT

N. R. Williams  
NORMAN RICHARD WILLIAMS

J. C. Cory  
JOHN CLIFFORD CORY

John W. Clarke  
JOHN WESLEY CLARKE

R. T. Perry  
RICHARD TRUMAN PERRY

J. M. Davies  
MINISTER OF MINES AND NATURAL RESOURCES

Lease No. 1187, dated September 13, 1948, granted by Norman Richard Williams to Brandon Exploration Company of the petroleum, natural gas, related hydrocarbons other than coal underlying the North East Quarter of Section One (1) in Township Ten (10) in Range Twenty-eight (28) West of the Principal Meridian, and later assigned to The California Standard Company;

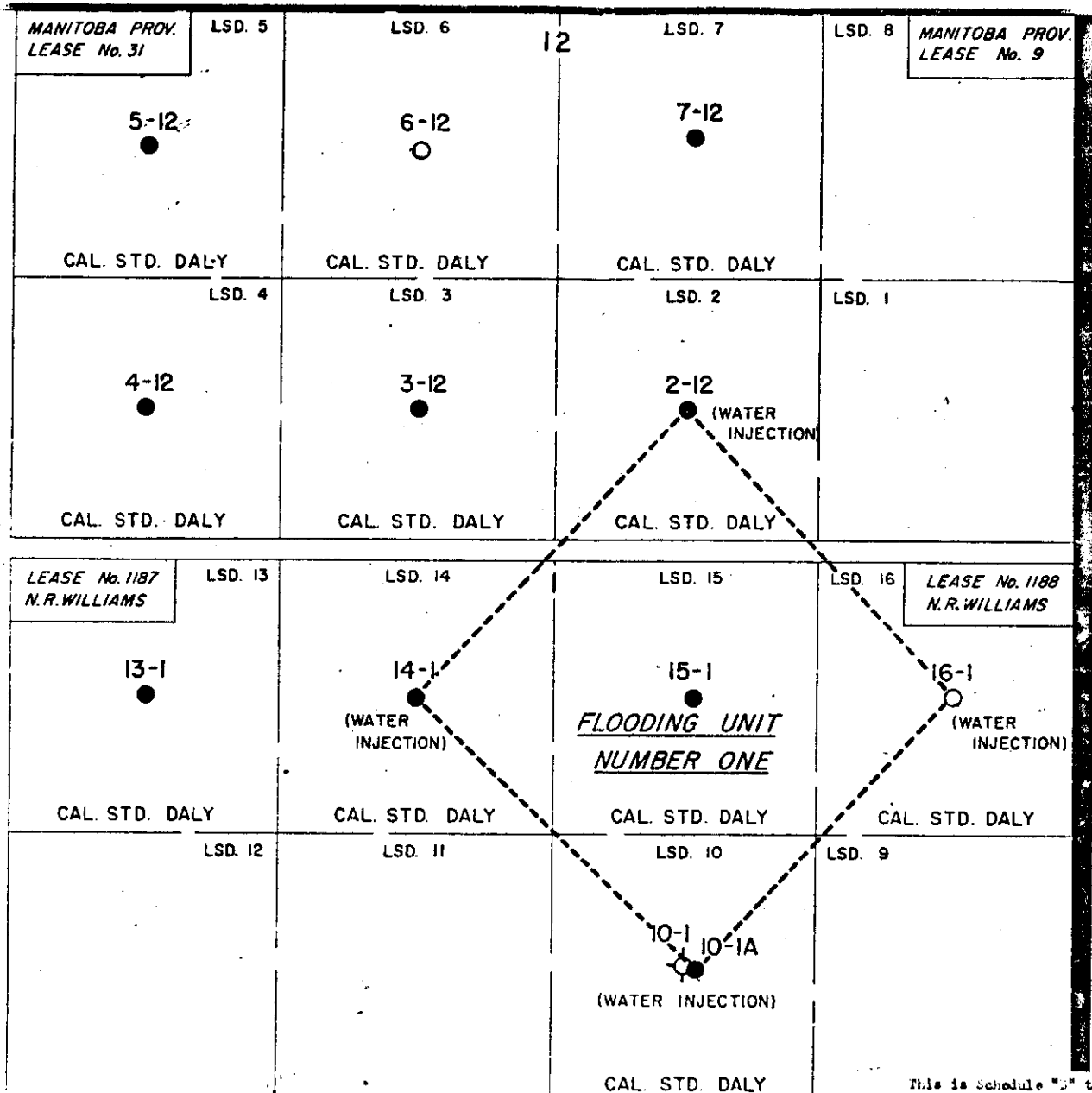
Lease No. 1188, dated September 13, 1948, granted by Norman Richard Williams to Brandon Exploration Company of the petroleum, natural gas, and related hydrocarbons other than coal underlying the North East Quarter of Section One (1) in Township Ten (10) Range Twenty-eight (28) West of the Principal Meridian, and later assigned to The California Standard Company;

Manitoba Provincial Lease No. 9, dated April 28, 1951, granted by His Majesty the King in the right of the province of Manitoba to Brandon Exploration Company, of the petroleum and natural gas underlying the South East Quarter of Section Twelve (12) in Township Ten (10) in Range Twenty-eight (28) West of the Principal Meridian;

Manitoba Provincial Lease No. 51, dated June 23, 1952, granted by Her Majesty the Queen in the right of the province of Manitoba to Brandon Exploration Company, of the petroleum and natural gas underlying the South West Quarter of Section Twelve (12) in Township Ten (10) in Range Twenty-eight (28) West of the Principal Meridian.

H. G.  
- 15 -

# RGE. 28 W.P.M.



TP. 10

THE PARTIES HAVE AGREED THAT FLOODING UNIT NUMBER ONE  
IS COMPRISED AS FOLLOWS:

LEASE No. 1187, N.R. WILLIAMS	10 ACRES
MANITOBA PROV. LEASE No. 9	10 ACRES
LEASE No. 1188, N.R. WILLIAMS	60 ACRES
TOTAL	80 ACRES

This is Schedule "B" to that certain waterflooding unitization agreement attached hereto between Brandon Exploration Company and the California Standard Company as operators, and Norman Richard Williams, Richard Truman Perry, John Clifford Cory and John Wesley Clarke, and Her Majesty the Queen in right of the Province of Manitoba as subscribers.

Signed for identification:

BRANDON EXPLORATION COMPANY THE CALIFORNIA STANDARD COMPANY

Per: *[Signature]* Per: *[Signature]*

*[Signature]* *[Signature]*

*[Signature]* *[Signature]*

*[Signature]* *[Signature]*

ORIGINAL

THIS AGREEMENT between HER MAJESTY THE QUEEN in the right of the Province of Manitoba, represented by the Minister of Mines and Natural Resources (hereinafter called "the Minister"); and JOHN MOSSE YOUNGE, of Virden, Manitoba (hereinafter called "J. M. Younge"); and THE CALIFORNIA STANDARD COMPANY (hereinafter called "California Standard"); and persons claiming an interest in certain mines and minerals by, through and under J. M. Younge (hereinafter called "subscribers").

WHEREAS California Standard is carrying on a program of water flooding operations in the Daly field of the Province of Manitoba; and

WHEREAS J. M. Younge and subscribers have agreed that California Standard may inject water into the Mississippian formation underlying the said area through Calstar Daly 2-14 well now producing petroleum under a lease granted to California Standard by J. M. Younge; and

WHEREAS it appears likely that the injection of water through Calstar Daly 2-14 well will materially increase production and recovery of petroleum from Calstar Daly Prov. 3-14 well presently located on lands belonging to the Minister; and

WHEREAS all the parties have agreed that when California Standard shall drill wells and commence water injection on Legal Subdivision Four (4) and Legal Subdivision Six (6) of Section Fourteen (14), Township Ten (10), Range Twenty-eight (28), West of the Principal Meridian, the parties hereto will share in production from Calstar Daly Prov. 3-14 well now producing petroleum under a lease granted to California Standard by Her Majesty; and

WHEREAS pending the completion of such a flooding unit, the Minister has agreed to share with J. M. Younge and subscribers the production from Calstan Daly Prov. 3-14 well;

NOW THEREFORE THIS MEMORANDUM WITNESSETH and the parties hereto agree to and with one another as follows:

1. In consideration of the agreement of the Minister, J. M. Younge and Subscribers hereby consent to the injection by California Standard of water into the Mississippian formation in Calstan Daly 2-14 well.

2. In consideration of the covenants set out in Section One (1) hereof, the Minister hereby directs California Standard to allocate production from Calstan Daly Prov. 3-14 well currently as petroleum is produced from the said well as follows:

Manitoba Provincial Lease No. 246 - 6/8

Manitoba Provincial Lease No. 245 - 1/8

Freehold Lease No. 1192, J. M. Younge - 1/8,

such allocation to be effective from the date that Calstan Daly 2-14 well is used for injecting water into the Mississippian formation, and to pay royalties on such production in the manner and at the rate set out in such leases.

3. This agreement shall be deemed to terminate on the first day of the month next following the date upon which California Standard forms a flooding unit and drills wells and injects water into the Mississippian formation through wells located on Legal Subdivisions Four (4) and Six (6) of Section Fourteen (14), Township Ten (10), Range Twenty-eight (28), West of the Principal Meridian, and nothing herein contained shall be deemed

to derogate in any way from the terms of any waterflooding unitization agreement or agreements between the parties heretofore completed.

4. California Standard hereby accepts the direction of the Minister to allocate production and to pay royalties thereon as herein provided from Calstan Daly Prev. 3-14 well.

IN WITNESS WHEREOF this agreement is executed by the respective parties as of the 7 day of January A.D. 1956.

THE CALIFORNIA STANDARD COMPANY

Per: V. L. Karp  
President

Per: [Signature]  
Vice-President

Signed by the said JOHN MOSSE )  
YOUNG in the presence of:

[Signature]

[Signature]  
[Signature]



Signed by the said Minister of )  
Mines and Natural Resources in )  
the presence of:

[Signature]

[Signature]  
[Signature]

AFFIDAVIT OF EXECUTION

C A N A D A )

PROVINCE OF MANITOBA )

TO WIT: )

I, Henry Walter How, of the City  
of Brandon, in the Province of Manitoba, District Leaser  
(occupation)  
MALE OATH AND SAY:

1. THAT I was personally present and did see JOHN MOSSE YOUNG  
named in the within instrument, who is personally known to me to be the  
person named therein, duly sign, seal and execute the same for the purposes  
therein named.

2. THAT the same was executed at Town of Virden, in the  
Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said JOHN MOSSE YOUNG and he is in my belief  
of the full age of twenty-one years.

SWORN BEFORE ME at the City  
of Brandon in the  
Province of Manitoba, this 10th  
day of January  
A.D. 1956.

Henry W. How

Dorothy A. Duggan  
Commissioner for Oaths and for  
the Province of Manitoba.

My Commission expires December 2, 1957.



AFFIDAVIT OF EXECUTION

C A N A D A )  
PROVINCE OF MANITOBA )  
TC WIT: )

I, \_\_\_\_\_, of the \_\_\_\_\_  
of \_\_\_\_\_, in the Province of Manitoba, \_\_\_\_\_  
(occupation)

1. THAT I was personally present and did see CHAS. E. GREENLAY, Minister of Mines and Natural Resources, named in the within instrument, who is personally known to me to be the person named therein, duly sign, seal and execute the same for the purposes therein named.

2. THAT the same was executed at \_\_\_\_\_, in the  
Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said JES. D. GRONLUND, Minister of Mines and Natural Resources, and he is in my belief of the full age of twenty-one years.

SWORN BEFORE ME at the \_\_\_\_\_  
of \_\_\_\_\_ in the  
Province of Manitoba, this \_\_\_\_\_  
day of \_\_\_\_\_  
A.D. 1951 .

Commissioner for Oaths in and  
for the Province of Manitoba.

Mailed at the Post Office of  
Déposé au bureau de poste de Winnipeg, Manitoba

under Registered no.  
sous le n° de recommandation

ne of Add  
m du desti Standard Ltd.

and St. P.O. Box or R.R. No., Apt. No.  
et rue ou case postale n° de R.R. ou d'appartement 400-5th Ave Sd.

ty - Ville Winnipeg Province Manitoba Postal CODE Postal T2P 0P7 Co Pa

AFFIX POSTAGE  
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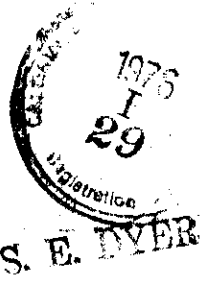
I acknowledge that this registered article was delivered on 29/1/76  
Je déclare que l'envoi recommandé susmentionné a été dûment livré le

Signature of addressee OR authorized representative  
Signature du destinataire OU de son représentant [Signature]

Signature of Postmaster or office of delivery  
Signature de l'agent du bureau destinataire [Signature]

This advice should be signed by the addressee or authorized representative or if the regulations of the country of destination so provide, by the Postmaster of the delivery office and returned by first mail to address shown on other side.

(1) Cet avis doit être signé par le destinataire ou son représentant ou, si le règlement du pays de destination le comporte, par l'agent du bureau destinataire, et renvoyé par le premier courrier à l'adresse indiquée au recto.



(occupation)

Text and did see S. E. GREENIAY,  
... within instrument,  
... therein, duly sign,  
... rain red.

... at \_\_\_\_\_, in the  
... the subscribing witness thereto.

... S. E. GREENIAY, Minister of Mines and  
... and he is in my belief of the full age of twenty-one  
... years.

... at the \_\_\_\_\_  
... in the \_\_\_\_\_  
... this \_\_\_\_\_  
... day of \_\_\_\_\_  
... 1976.

...  
... of Manitoba.

POSTES  
CANADA  
POST

ACKNOWLEDGEMENT OF RECEIPT  
AVIS DE RÉCEPTION

FEB 2 1976



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Province

Postal CODE Postal

CANADA

January 27, 1976

Chevron Standard Limited  
1100 - Fifth Avenue S. W.  
Calgary, Alberta  
T2P 0L7

Attention: Mr. B. A. Park  
Production Manager

Dear Sir:

Re: Proposed Daly Unit No. 3 Application  
Tract Participation Factor Calculations

Pursuant to our telephone conversation of January 26, 1976 and a return call from your Mr. A. Hamburg today, we wish to confirm that our check of the tract participation factors included in your submission of November 7, 1975 has resulted in a number of significant discrepancies.

In order to present these differences we are enclosing, as per Mr. Hamburg's request, a copy of our final results plus our major work sheet in support thereof. If clarification is required with respect to this material please contact either Mr. Marian Less or the undersigned.

It is requested that Chevron submit its revised tract participation factors upon completion of necessary re-calculations.

It is hoped that the attached material will aid you in this task. We would appreciate any comments you may have with respect to our calculation methods and results, with particular emphasis on any remaining areas of discrepancy.

In carrying out the above work we have found our files lack copies of agreements covering the following waterflood units:

Waterflood Unit No. 16  
Waterflood Unit No. 19  
Waterflood Unit No. 21  
Waterflood Unit No. 22  
Waterflood Unit No. 25  
Waterflood Unit No. 27

Would you please send us copies of the respective agreements.

Yours sincerely,

original Signed by H. G. Mosier

H. G. Mosier, P. Eng.,  
Director, Petroleum Branch.

HGM/et  
Incls.

AGREEMENT #	DATE	ALLOCATING WELLS	ON PRODUCTION	DATE	NET CUM. PRODUCTION	TOTAL ACTUAL & ALLOCATED	TOTAL	PARTICIPATION FACTOR BASED	NET PRODUCTION	ALLOCATED PRODUCTION	OF NON-SHARING WELLS	PARTICIPATION FACTOR BASED	TOTAL
					OF ALLOCATING WELLS TO DEC 31/74	PRODUCTION TO WII'S TO DEC 31/74	1974	ON CUM. PRODUCTION TO DEC 31/74	OF ALLOCATING WELLS IN 1974	PRODUCTION TO WII'S IN 1974	IN 1974	ON 1974 PRODUCTION	PARTICIPATION FACTOR
				NOV./60	31.09			0.00470					0.00470
52113		13-1	"	DEC./52	145921			0.22067	5141			235096	257163
52224		15-1	"	JULY/52	136422			0.20631	3751			171532	192163
52224		9-2	"	JULY/53	83994			0.12702	3404			155664	168366
52224		15-2	"	JULY/52	69005			0.10435	2216			101337	111772
		9-10	"	NOV./53	42626			0.06446	2002			091551	097997
52724		1-11	"	AUG./63	203552			0.30783	4692			214563	245346
52724		3-11	"	JULY/53	57429			0.08685	1128			051583	060268
52724		5-11	"	NOV./53	35926			0.05433					0.05433
52724		7-11	"	JUNE/55	64301			0.07724	2269			103761	113485
52724		9-11	"	JUNE/55	64430			0.07744	2841			129918	139662
12674		11-11	"	JULY/55	29557			0.04470	816			037316	041786
52113		15-11	"	AUG./55	81157			0.12273	2583			118120	130393
52113		1-12	"	SEPT/55	103458			0.15646	4279			195677	211323
52113		3-12	"	JULY/52	288440			0.43620	5323			243419	287039
52113		5-12	"	SEPT/52	243231			0.36783	8313			380150	416933
52113		7-12	"	JULY/51	91350			0.13815	2405			109980	123795
52113		9-12	"	DEC/55	38640			0.05843	1226			056065	061908
52113		1-13	"	NOV./52	125298			0.18948	3656			167188	186136
52113		15-13	"	JUNE/55	52381			0.07921	2049			093350	101301
52113		5-13	"	AUG./53	124163			0.18777	5240			239623	258400
52113			"	NOV./54	58982			0.08920	2419			110620	119540
12674		3-14	"	DEC/55	127009			0.19207	5765			263631	282838

NET PROD. OF ALLOCATING WELLS TO DEC 31/74 → 2270381

NET PROD. OF ALLOC. WELLS IN 1974 → 71511

IND. DATE	WIIW	TO A-1	SHARING WITH:										
JULY 14 53	WIIW	10A-1	1-1, 15-1	35848	0.05421	932	0.42620	0.48041					
AUG 13 61	WIIW	12-1	11-1, 13-1, 9-2	50485	0.07635	1848	0.84508	0.92143					
JULY 12 53	WIIW	14-1	1-1, 13-1, 15-1, 3-12	132178	0.19989	3283	1.50130	1.70119					
JULY 20 53	WIIW	16-1	15-1, 1-12	49046	0.07417	1644	0.75180	0.82597					
NOV 6 59	WIIW	16-2	13-1, 9-2, 15-2, 1-11	99300	0.15017	3389	1.54976	1.69995					
NOV 5 59	WIIW	2-11	15-2, 1-11, 3-11, 7-11	66449	0.10049	2295	1.04950	1.14999					
DEC 25 52	WIIW	6-11	3-11, 5-11, 7-11, 11-11	29900	0.04522	956	0.43718	0.48240					
DEC 27 54	WIIW	8-11	1-11, 7-11, 9-11, 5-12	137149	0.20741	4097	1.87354	2.08095					
DEC 20 55	WIIW	10-11	7-11, 9-11, 11-11, 15-11	53615	0.08113	2133	0.97541	1.05654					
NOV 21 55	WIIW	12-11	9-12, 5-11, 11-11	13521	0.02047	405	0.22526	0.24053					
JAN 5 57	WIIW	14-11	11-11, 15-11, 3-14	45307	0.06852	1811	0.82516	0.89067					
JAN 13 53	WIIW	16-11	9-11, 15-11, 13-12, 1-14	41606	0.06272	1852	0.84966	0.91218					
JAN 15 53	WIIW	2-12	15-1, 1-12, 3-12, 7-12	144935	0.21918	3322	1.51914	1.73830					
JUL 9 57	WIIW	4-12	13-1, 1-11, 3-12, 5-12	251582	0.38047	2470	1.12052	1.50990					
DEC 6 54	WIIW	6-12	3-12, 5-12, 7-12, 11-12	154295	0.23334	4244	1.94077	2.17411					
NOV 6 61	WIIW	8-12	7-12, 9-12	28970	0.04381	801	0.36630	0.41011					
NOV 19 59	WIIW	10-12	7-12, 9-12, 11-12, 15-12	75132	0.11362	2598	1.18806	1.30168					
DEC 6 52	WIIW	12-12	9-11, 5-12, 11-12, 13-12	111357	0.16840	3807	1.74083	1.90923					
NOV 18 59	WIIW	14-12	11-12, 13-12, 15-12	59363	0.08777	2305	1.05407	1.14334					
NOV 4 50	WIIW	4-13	13-12, 5-13, 1-14	32074	0.04850	913	0.41751	0.46601					
NOV 6 53	WIIW	2-14	15-11, 1-14, 3-14	36665	0.05545	1617	0.73945	0.79493					
NOV 13 52	WIIW	3-14	5-13, 1-14	9811	0.01484	408	0.18658	0.20142					

1658641

TOTAL ALLOC. PROD. TO WIIW'S IN 1974 → 47226

#### NON-SHARING PRODUCERS

5-1	16969	0.02491	669	0.30593	0.37064
5-2	42792	0.06471			0.05995
1-2	19806	0.02995			
8-2	121438	0.18368	5850	267518	255886
9-2	46226	0.06991	2277	1.04126	1.11117
12-2 SWD	12712	0.01922			0.01922
1-3	202127	0.30569	1561	0.71384	1.01951
1-4	113269	0.17129	3375	1.54338	1.71467
1-5	10700	0.01618			0.01618
1-6	25351	0.03834	2587	1.18303	1.22131
1-7	66077	0.09993	3066	1.40207	1.50200
1-8	5713	0.00864			0.00864
1-9	134702	0.20371	3695	1.68971	1.89342
1-10	196850	0.29769	6361	2.90886	3.20655
1-11	72311	0.11011	202	1.19263	1.20274
1-12	32496	0.04914			0.04914
1-13	125342	0.18955	5055	2.31163	2.50118
1-14	26877	0.04064			0.04064
1-15	16918	0.25577	8379	3.83169	4.08746
1-16	25857	0.03910			0.03910
1-17	202779	0.30666	7079	3.23720	3.54366
1-18	53572	0.08105			0.08105
1-19	145341	0.21979	5281	2.41498	2.63477
1-20	56199	0.08499			0.08499
1-21	146166	0.22104	4170	1.90693	2.12797
			3570	1.63255	1.74375

W1W	2-11	15-2, 1-11, 3-11, 7-11	66449	0.10049	2295	1.04950	1.14999
W1W	6-11	3-11, 5-11, 7-11, 11-11	29900	0.04522	956	0.43718	0.48240
W1W	8-11	1-11, 7-11, 9-11, 5-12	137149	0.20741	4097	1.87354	2.08095
W1W	10-11	7-11, 9-11, 11-11, 15-11	53615	0.08113	2133	0.97541	1.05654
W1W	12-11	9-10, 5-11, 11-11	13520	0.02047	405	0.22506	0.24353
W1W	14-11	11-11, 15-11, 3-14	45307	0.06852	1811	0.82816	0.84065
W1W	16-11	9-11, 15-11, 13-12, 1-14	41606	0.06272	1852	0.84966	0.91235
W1W	2-12	15-1, 1-12, 3-12, 7-12	144935	0.21918	3322	1.51914	1.73830
W1W	4-12	13-1, 1-11, 3-12, 5-12	251582	0.38047	2470	1.12952	1.50992
W1W	6-12	3-12, 5-12, 7-12, 11-12	154295	0.23334	4244	1.94077	2.17411
W1W	8-12	7-12, 9-12	28970	0.04381	801	0.36630	0.41011
W1W	10-12	7-12, 9-12, 11-12, 15-12	75123	0.11362	2598	1.18806	1.30168
W1W	12-12	9-11, 5-12, 11-12, 13-12	111357	0.16840	3807	1.74083	1.90923
W1W	14-12	11-12, 13-12, 15-12	59363	0.08977	2305	1.05407	1.14354
W1W	16-12	13-12, 5-13, 1-14	32074	0.04850	913	0.41751	0.46651
W1W	2-13	15-11, 1-14, 3-14	36665	0.05545	1617	0.73945	0.79493
W1W	3-14	5-13, 1-14	9811	0.01484	408	0.18658	0.20145

ACTUAL PRODUCTION TO W1W'S TO DEC. 31/74 → 1658641 TOTAL ALLOC. PROD. TO W1W'S IN 1974 → 47226

NON-SHARING PRODUCERS

5-1	16469	0.02491	—	0.02491
5-2	42792	0.06471	669	0.30593
7-2	19806	0.02995	—	0.02995
8-2	121458	0.18368	5850	2.67518
10-2	46226	0.06991	2277	1.04126
12-2 SWD	12712	0.01922	—	0.01922
13-2	202127	0.30567	15351	0.71384
14-2	113269	0.17129	3375	1.54338
13-6	10700	0.01618	—	0.01618
14-7	25351	0.03834	2537	1.18303
16-10	66077	0.09993	3066	1.40207
16-10	5713	0.00864	—	0.00864
4-11	134702	0.20371	3695	1.68971
13-11	196850	0.29769	6261	2.90886
6-12	72811	0.11011	2068	1.19263
1-13	32496	0.04914	—	0.04914
2-13	125342	0.18955	5055	2.31163
2-13	26377	0.04064	—	0.04064
5-13	169128	0.25577	8379	3.83169
—	25357	0.03910	—	0.03910
10-13	202779	0.30666	7079	3.23720
11-13	53572	0.08105	—	0.08105
13-13	145341	0.21979	5251	2.41498
13-13	56139	0.08499	—	0.08499
14-13	146166	0.22104	4170	1.90693
15-13	73519	0.11118	3570	1.63255
4-14	77379	0.11702	—	0.11702
5-14	45112	0.06822	—	0.06822
6-14	34080	0.05154	1448	0.66217
12-14	37003	0.05596	—	0.05596
1-15	93174	0.14070	3919	1.79215
5-15	154314	0.23336	4363	1.99747
9-23	42525	0.06431	2754	1.25940
2-24	26177	0.03959	—	0.03959
7-24	29417	0.04449	—	0.04449

TOTAL CUM. PROD. NON-SHARING PRODUCERS TO DEC. 31/74 → 2683540 PRODUCTION NON-SHARING PROD. IN 1974 → 78072

TOTAL CUM. PROD. OF ALL WELLS IN PROPOSED DAILY UNIT 3 TO DEC. 31/74 6612562 100000000 ALL WELLS PROD. IN 1974 1968099 100000000

CROWN PARTICIPATION FACTOR

4.49218 3725504 41.74722

[illegible]



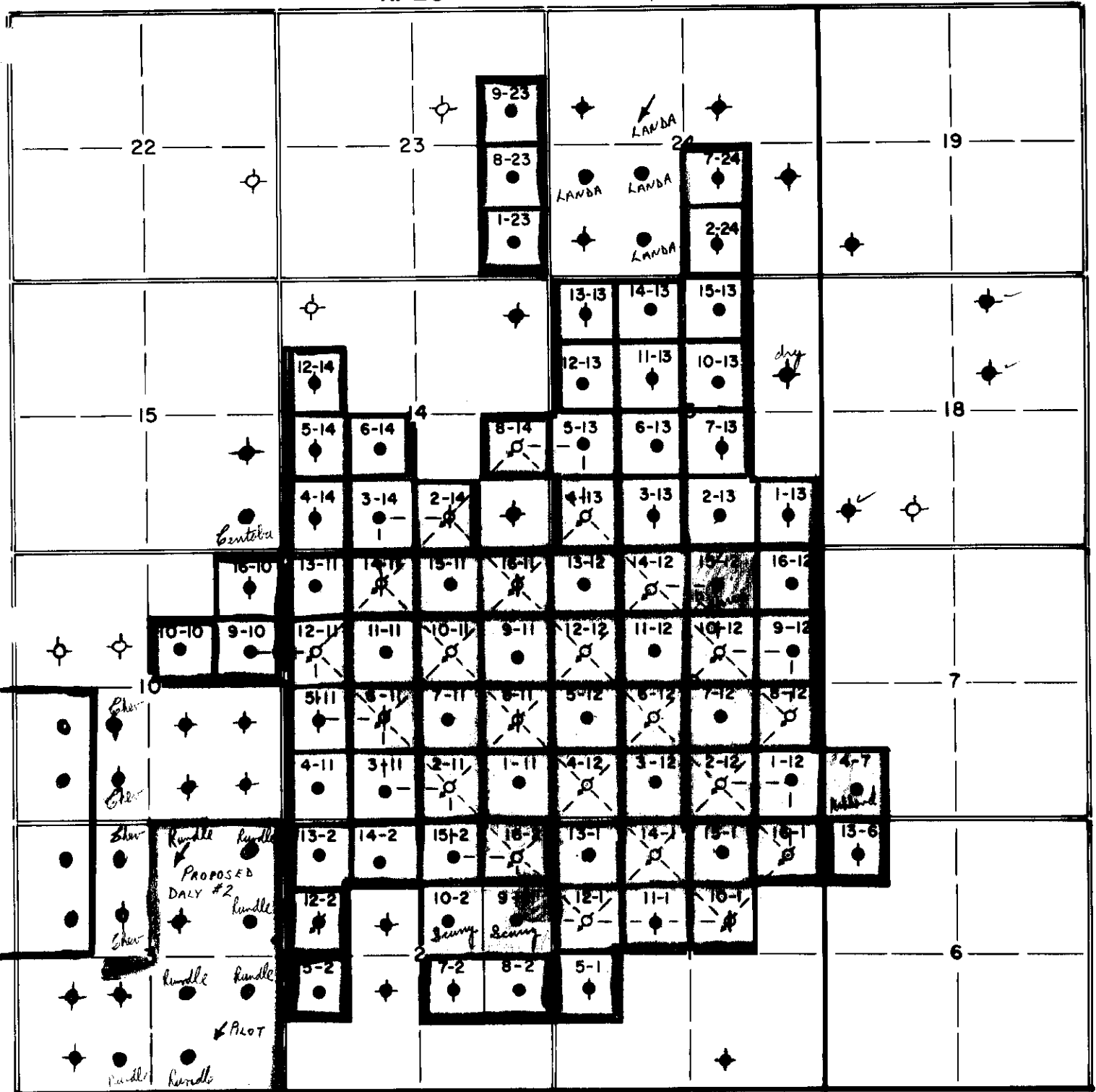
NET PRODUCTION OF ALKYLATING WELLS	FOR 1974 ONLY
-	
5141	
3751	
3404	
2216	
2002	
4692	
1128	
-	
2269	
2841	
816	
2583	
4279	
5323	
8313	
2405	
1226	
3656	
2012	
5240	
2419	
-	
5765	
71511	

PART XXIII  
MAP OF UNIT AREA

MEAD

R. 28

R. 27WPM



LEGEND

- - OILWELL
- ◐ - SUSPENDED OILWELL
- ⊗ - INJECTION WELL
- 10-12 - NUMBERED TRACT
- - UNIT BOUNDARY

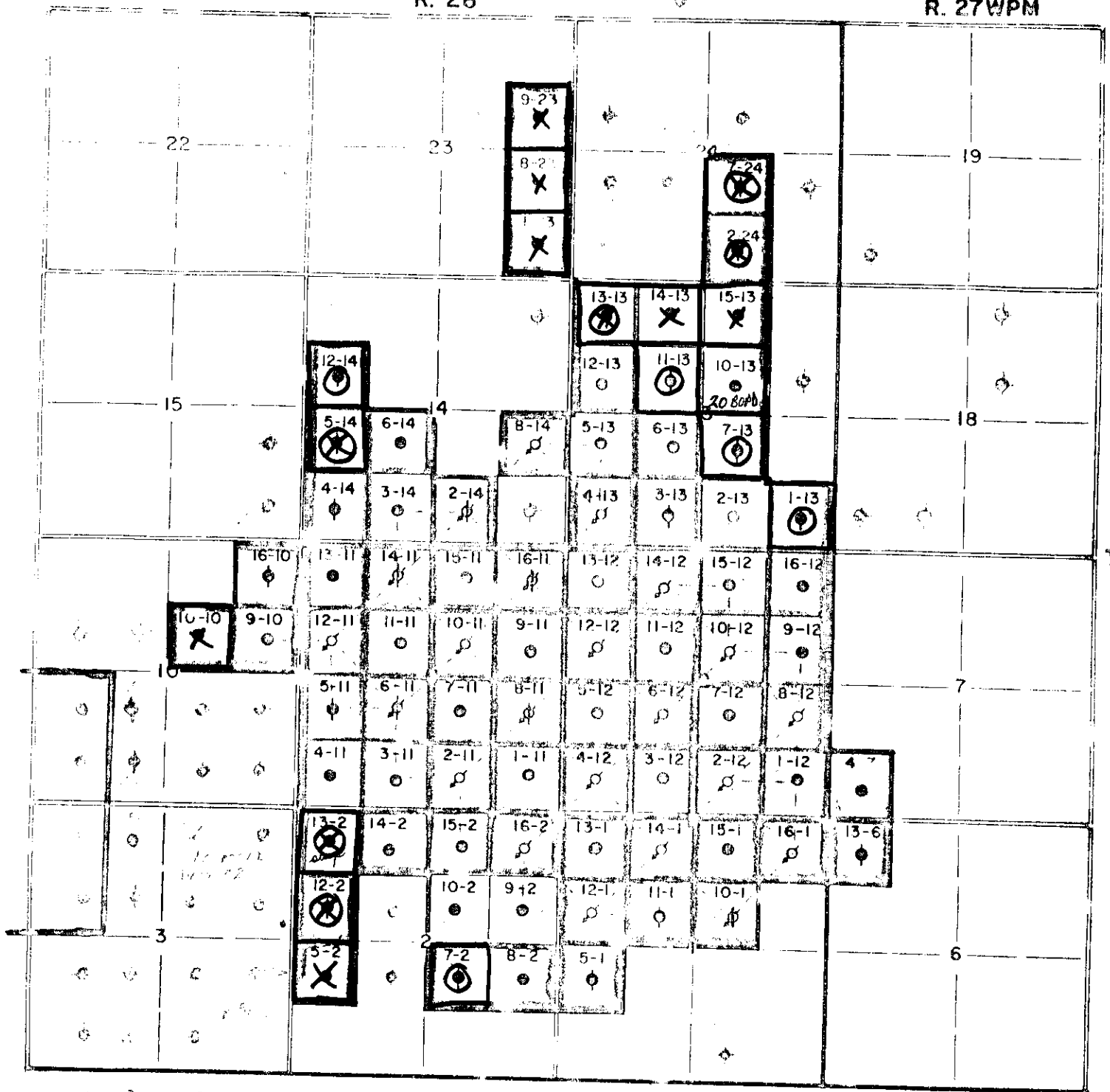
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PART XXIII  
MAP OF UNIT AREA

R. 28

R. 27WPM



LEGEND

- - OILWELL
- ⊙ - SUSPENDED OILWELL
- ⊗ - INJECTION WELL
- 10-12 - NUMBERED TRACT
- - UNIT BOUNDARY



Non adjacent wells with  
75 BOPD allowables.

X Well adjacent non-unit  
producers.

O Susp. wells

December 19, 1975

Chevron Standard Limited  
400 - Fifth Avenue S.W.  
Calgary, Alberta  
T2P 0L7

Attention: Mr. R.A. Park,  
Production Manager.

Dear Sir:

Re: Proposed Daly Unit No. 3 Application  
Tract Participation Factor Calculations

Pursuant to our telephone conversation of this date enclosed are two (2) of this Branch's work sheets used to determine the cumulative allocated production for two separate wells in the proposed Unit.

As noted, the results of these calculations do not coincide with those indicated on the Chevron ~~work~~ sheets received from Mr. A. Hamborg. Please have our calculations checked and advise us as soon as possible as to the origin of the discrepancies.

As requested, we are awaiting receipt from Chevron of a comprehensive list of the injection wells, their on injection dates and the producing wells from which they receive allocated production.

If you have any questions regarding the above please contact the undersigned or Mr. F. Less.

Yours sincerely,

Original Signed by H. C. Moster

H. C. Moster, P. Eng.,  
Director, Petroleum Branch.

HCM/et  
Encl.

① What about Treston  
well in SW  $\frac{1}{4}$ -24

② What about single  
Centote well in 1-15

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COPY

November 17, 1975

Chevron Standard Limited  
400 - Fifth Avenue S. W.  
Calgary, Alberta  
T2P 0L7

Attention: Mr. M. A. Park  
Production Manager

Dear Sir:

Re: Proposed Daly Unit No. 3  
1. Unitization Application  
2. Maximum Permissible Rate Application

On behalf of The Oil and Natural Gas Conservation Board we acknowledge receipt of your letter dated November 7, 1975 together with enclosures.

You shall be notified as to the time, date and location of the hearing when such has been determined.

Yours sincerely,

H. C. Moster, P. Eng.,  
Director, Petroleum Branch.

HCM/et

c.c. Members of the Board:  
Jas. T. Cawley, Chairman  
J. S. Roper, Deputy Chairman  
I. Haugh, Member

Province of Manitoba

**inter-departmental memo**

To:

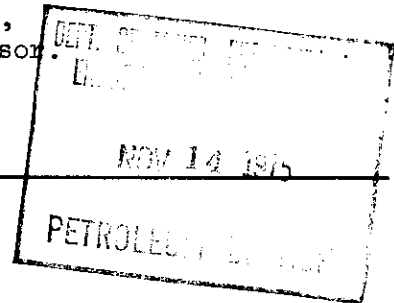
H. C. Moster,  
 Director of Petroleum Branch,  
 Mineral Resources Division,  
 993 Century Street.

Date

November 14th, 1975.

From

J. S. Roper,  
 Policy Advisor



Subject: DALY UNIT NO. 3.

Attached please find:

- (a) Letter dated Nov. 7/75 to Mr. Cawley, Chairman, Oil and Natural Gas Conservation Board from R. A. Park, Production Manager, Chevron Standard Limited.
- (b) 8 copies of each of the following:
  - (i) "Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Daly Unit No. 3".
  - (ii) "Proposal for Unitized Operations" which includes:
    - (a) Appendix I - Investigation of the Feasibility of Unitization.
  - (iii) "Application for a Unit Maximum Permissible Rate of Production Proposed Daly Unit No. 3".
- (c) 1 copy of each of the following:
  - (i) A discussion of the Unitization and Participation Formula for the proposed Daly Unit No. 3.
  - (ii) A Prima Facie list of Working Interest Owners and Royalty Owners in the proposed Unit Area, which may assist the Board in sending out notices of hearing.

A copy of (a), (b) and (c) has been retained for Mr. Cawley's file as well as a copy for my file.

Please acknowledge receipt of the letter and copies on behalf of the Board.

Please have the material reviewed and forward your recommendation at the earliest possible date.

*J. S. Roper.*

JSR/gls

c.c. - Jas. T. Cawley  
 - I. Haugh

First Fold



**Chevron Standard Limited**

400 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7

Rec'd 4<sup>25</sup> P.M.  
Nov 13/75

November 7, 1975

The Oil and Natural Gas Conservation  
Board,  
Province of Manitoba,  
Legislative Building,  
Box 42,  
Winnipeg, Manitoba.

Attention: Mr. J. T. Cawley, Chairman

Dear Sirs:

Chevron Standard Limited, under and pursuant to The Mines Act, being Chapter M160 of the Revised Statutes of Manitoba 1970, and amendments thereto, hereby requests the Board to hold a hearing to consider and approve the following:

1. Proposed "Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Daly Unit No. 3" pursuant to Section 76 of The Mines Act.
2. "Application for a Unit Maximum Permissible Rate of Production" pursuant to Section 62 of The Mines Act.

Enclosed are ten (10) copies of each of the following:

- 8 x 1. "Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Daly Unit No. 3". ✓
- 8 x 2. "Proposal for Unitized Operations" which includes:  
(a) Appendix I - Investigation of the Feasibility of Unitization.
- 8 x 3. "Application for a Unit Maximum Permissible Rate of Production, Proposed Daly Unit No. 3".

In addition we are enclosing the following information:

- 1 y 1. A discussion of the Unitization and Participation Formula for the proposed Daly Unit No. 3.



November 7, 1975

- ly 2. A Prima Facie list of Working Interest Owners and Royalty Owners in the proposed Unit Area, which may assist the Board in sending out notices of hearing.

We will attempt to file at the hearing Consents of the Working Interest Owners and Royalty Owners in the proposed Unit Area, as required by the Act.

An early consideration of our request will be greatly appreciated.

Yours very truly,

  
R. A. PARK,  
Production Manager.

AH/ps  
Encls.

786M

## PROPOSAL FOR UNITIZED OPERATIONS

The applicant proposes to unitize the east portion of the Daly field to form a single unit. The proposed area consists of 80 wells on 40-acre spacing (see Figure 1). The primary reason for unitizing this area is to protect royalty owners' interests in future changes in the mode of operation. An immediate advantage of unitization is that it will permit the consolidation of producing facilities which will result in a lower economic producing limit than is attainable under the existing competitive producing operations. A third consideration in unitizing Daly is the desire to eliminate the cross line agreements which presently exist in the waterflood area.

From volumetric calculations that considered the penetrated pay sections at the individual wells, it is estimated that the original oil-in-place was 44,800,000 barrels. It is estimated that the ultimate recovery for the Unit Area will be 8,800,000 barrels, for a recovery factor of 19.6%. Cumulative production to the end of 1974 was ~~6,622,936~~ barrels which represents 14.8% recovery. 6,612,562

Unitization of the area under application would enable all interests in the area to be merged so that this portion of the reservoir may be operated as a single property. Unitization will permit the commingling of production without regard to property demarcation. This provides a flexibility in operation that is desirable for efficient operation and necessary for the consolidation of operating facilities.

Unitization will also eliminate the need for cross line agreements which presently exist in the waterflood area. The cross line agreements have served to equitably allocate production from producing wells to injection wells, but Unit participation factors will have the advantage of preventing any serious disruptions in income for individual royalty owners.

The proposed Unit Area encompasses most of the east portion of the Daly field. All wells presently in cross line agreements are included in the proposed Unit. Abandoned wells within the Unit Area have been excluded as window acreage.

## APPENDIX I

### INVESTIGATION OF THE FEASIBILITY OF UNITIZATION

#### I. INTRODUCTION

The majority of the wells in the proposed Daly Unit No. 3 were drilled during the period 1951 to 1956. A pilot waterflood scheme was initiated in July 1953 with the conversion of the four wells surrounding 15-1 to water injection. Expansions to the project in 1954, 1955, 1956, 1959 and 1961 have increased the waterflood to include 22 injection wells.

#### II. DISCUSSION OF ADVANTAGES OF UNITIZATION

##### 1. Battery Consolidation

There are presently 12 batteries in the proposed Unit Area to handle approximately 540 BOPD production. Only a minimum amount of investment would be required to consolidate all producing facilities to one central battery (see Figure 2).

The basic objective of the proposed battery consolidation scheme is to recover the greatest amount of oil economically and to realize immediate savings in operating expense. The producing facilities can be conveniently consolidated only after the area has been unitized.

##### 2. Cross Line Agreements

During the early development history of Daly it became apparent that there was a necessity of equitably allocating production to injection wells prior to the institution of a pilot waterflood scheme. Agreement was reached whereby one-eighth of the production from the producing well would be allocated to each directly offsetting injection well. As further expansions to the waterflood proceeded, cross line agreements were executed to cover wells in the expansion area. There are presently ~~26~~ 23 + 14-1 cross line agreements in the waterflood area, covering the allocation of production of ~~26~~ wells to offsetting injection wells.

23 + 14-1

Chevron believes that this is an equitable method of distribution of production to royalty owners, but is of the opinion that unitization would be advantageous since it offers the owner protection from any serious loss of income in the event that one or more wells suddenly become unproductive. Unitization will result in the cross line agreements being replaced by

a more conventional method of allocating production in a water-flood area. The participation factors proposed will present virtually no loss of current income, since they are based 90% on current production, and will also provide working and royalty interest owners a method of sharing additional production which will be ultimately produced because of a more efficient operation.

### III. RESERVOIR REVIEW

#### 1. Geology

The Daly field lies on the northeast flank of the Williston basin, about 10 miles west of the town of Virden. The reservoir beds are limestones of the Lodgepole formation of Mississippian age. Regional dip of these beds is about 30 feet per mile to the southwest in this area, and they are unconformably overlain by the Jurassic Watrous series of Red Beds and anhydrites which form a good seal. Anhydritization from the evaporitic Watrous seas commonly penetrated the limestones to a depth of 60 or more feet, destroying the reservoir by infilling.

Although there is a structural trough along the east side of the Daly field, with a reversal in the order of 40 feet, the trap is in part stratigraphic, with permeability disappearing along strike. The reservoir beds have been divided into three zones as follows:

- i) The First Crinoidal - This reservoir bed, immediately underlying the anhydritized zone, is a limestone, crinoidal, in part siliceous, with earthy chert nodules and some brown and maroon shaly interbeds. It is commonly finely crystalline and has irregular poor to good intergranular and fine vuggy porosity. It is 20 to 30 feet thick.
- ii) The Main Crinoidal - This is a limestone with coarse crinoidal bands, and some shaly interbeds. Porosity ranges from poor to good. It is 8 to 15 feet thick and overlies a shaly unit 10 to 15 feet thick, which is sometimes known as the Cruickshank shale.
- iii) The Cruickshank Crinoidal - Another limestone with coarse crinoidal bands and some shaly interbeds. Porosity is patchy and ranges from very poor to good. The zone is 6 to 10 feet thick.

At the bottom of the Cruickshank Crinoidal is a thick argillaceous limestone and calcareous shale unit called the Shaly Zone. This zone is approximately 200 feet thick.

Permeability in the field is generally poor and oil saturation is not uniform. Fluid recoveries on drillstem tests were usually small.

## 2. Original Oil-in-Place

An attempt was made to establish the amount of oil originally in place in the proposed unit area. The total pay isopach is presented as Figure 3.

Many wells in the south and northwest portions of the waterflood area penetrated the entire pay interval and have core analysis data. The net pay isopach drawn through these areas is deemed fairly accurate; however, a northeast to southwest belt through the middle of the waterflood area has virtually no core analysis data. To compound the difficulty in contouring the area, none of the wells penetrated the entire pay interval and few, if any, reliable porosity logs exist. The values assigned to wells in this area are estimates made to logs to which an extrapolated value for unpenetrated pay has been added.

Listed below is a summary of reservoir parameters used to calculate the original oil-in-place. These parameters were obtained from interpretation of logs, core analyses, oil base core data, and other miscellaneous sources.

Surface Area	3,200 acres
Average Pay Thickness	29.5 feet
Reservoir Rock Volume	96,400 ac. ft.
Average Porosity	10.7%
Average Water Saturation	39.5%
Average Initial Oil Saturation	60.5%
Formation Volume Factor	1.08 res. bbls/STB
Original Oil-in-Place	465 bbls/ac. ft.
Original Oil-in-Place	44,800,000 bbls.
Estimated Recovery	8,800,000 bbls.
Recovery Factor	19.6%

## 3. Production and Ultimate Reserves

Figure 4 represents the production history of the eighty wells in the proposed unit and a forecast of future performance. The predicted ultimate recovery for the area is 8,800,000 barrels. The cumulative production to December 31, 1974 was 6,622,936 barrels.

## 4. Future Operations

The present injection pressure in the Daly waterflood area is

restricted to a wellhead pressure of 1080 psi. A pilot high pressure injection test conducted utilizing the 14-1 injection well proved inconclusive. Large quantities of water were injected, however, little or no increase in production was noted in offsetting wells. There was no evidence of channeling or water breakthrough.

Future plans which will be investigated include the feasibility of converting additional wells to water injection. The areas of possible extension include Section 2 and the south one-half of Section 13.

R. 28

R. 27WP

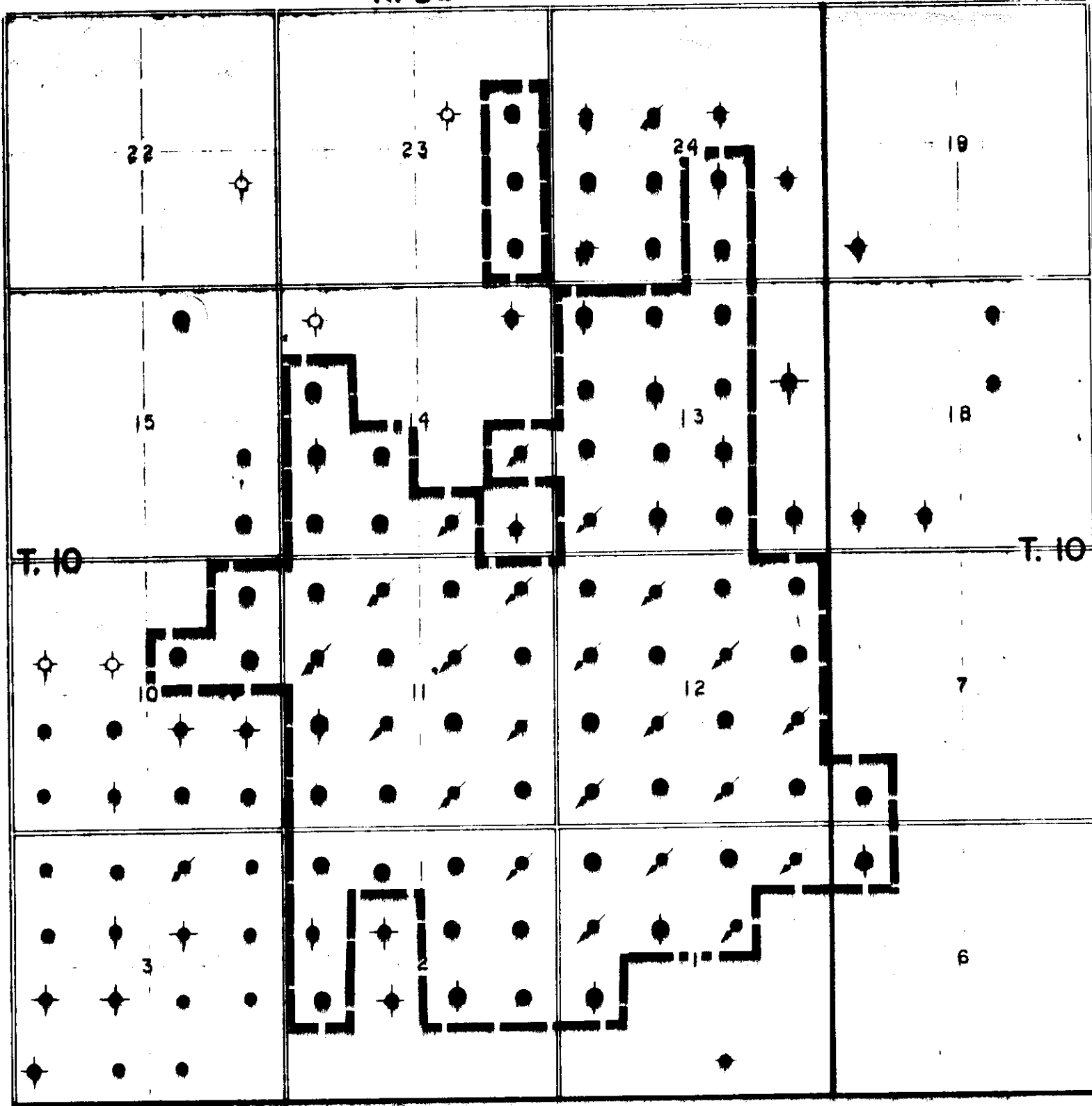


FIGURE 1

LEGEND

- OILWELL
- ◐ SUSPENDED OILWELL
- ◑ INJECTION WELL
- ✦ ABANDONED OILWELL

DALY UNIT No. 3  
MAP OF AREA

R. 28

R. 27WP

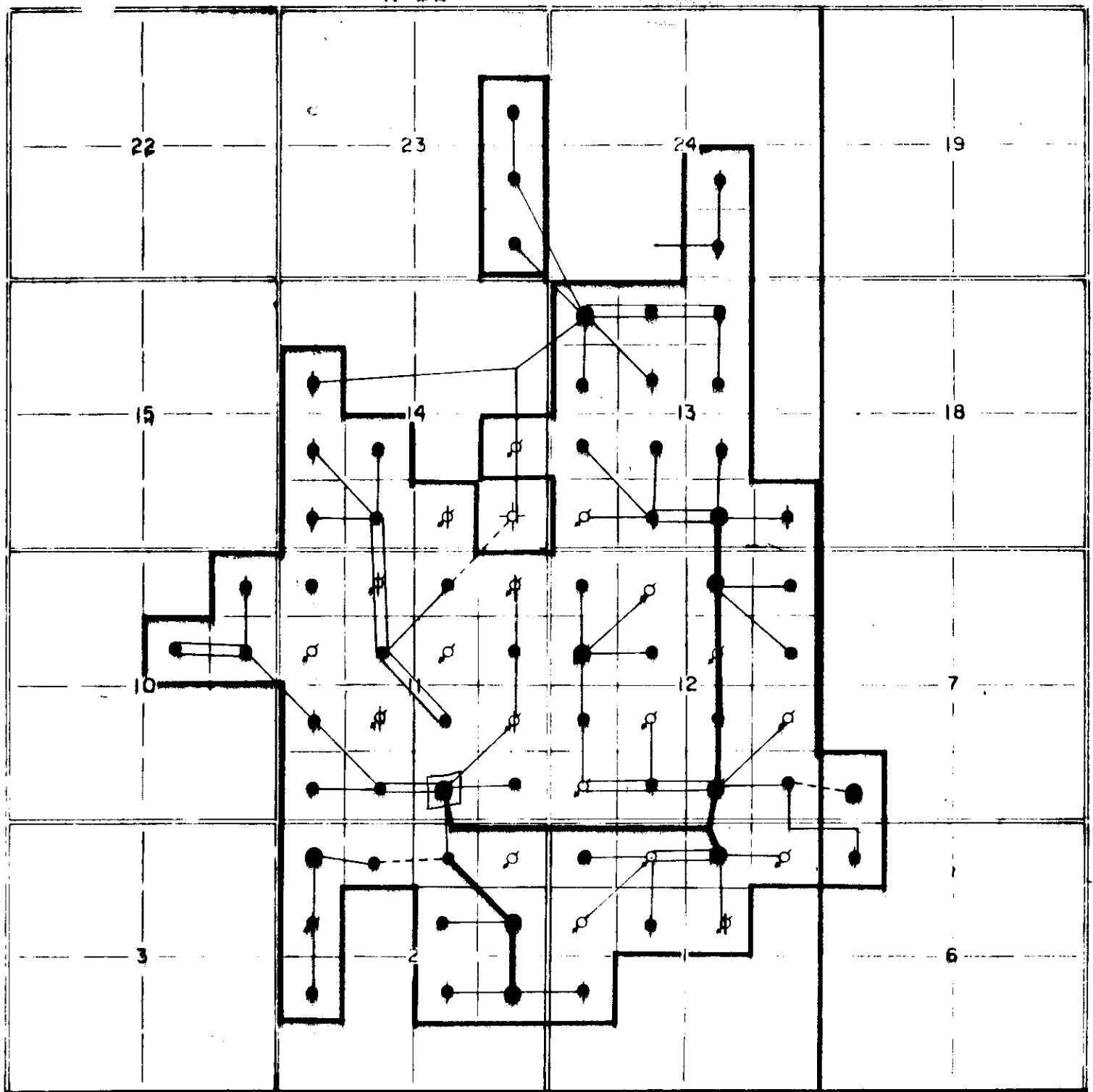


FIGURE 2

DALY UNIT No.3

BATTERY

CONSOLIDATION PLAN

LEGEND

- - OILWELL
- - SUSPENDED OILWELL
- ⊕ - INJECTION WELL
- 10-12 - NUMBERED TRACT
- - UNIT BOUNDARY
- - EXISTING BATTERY
- - EXISTING FLOWLINES
- - PROPOSED FLOWLINES
- - UTILIZED 3" TPL LINES

UNIT BATTERY 2-11-10-28

INJECTION PLANT 15-1-10-28



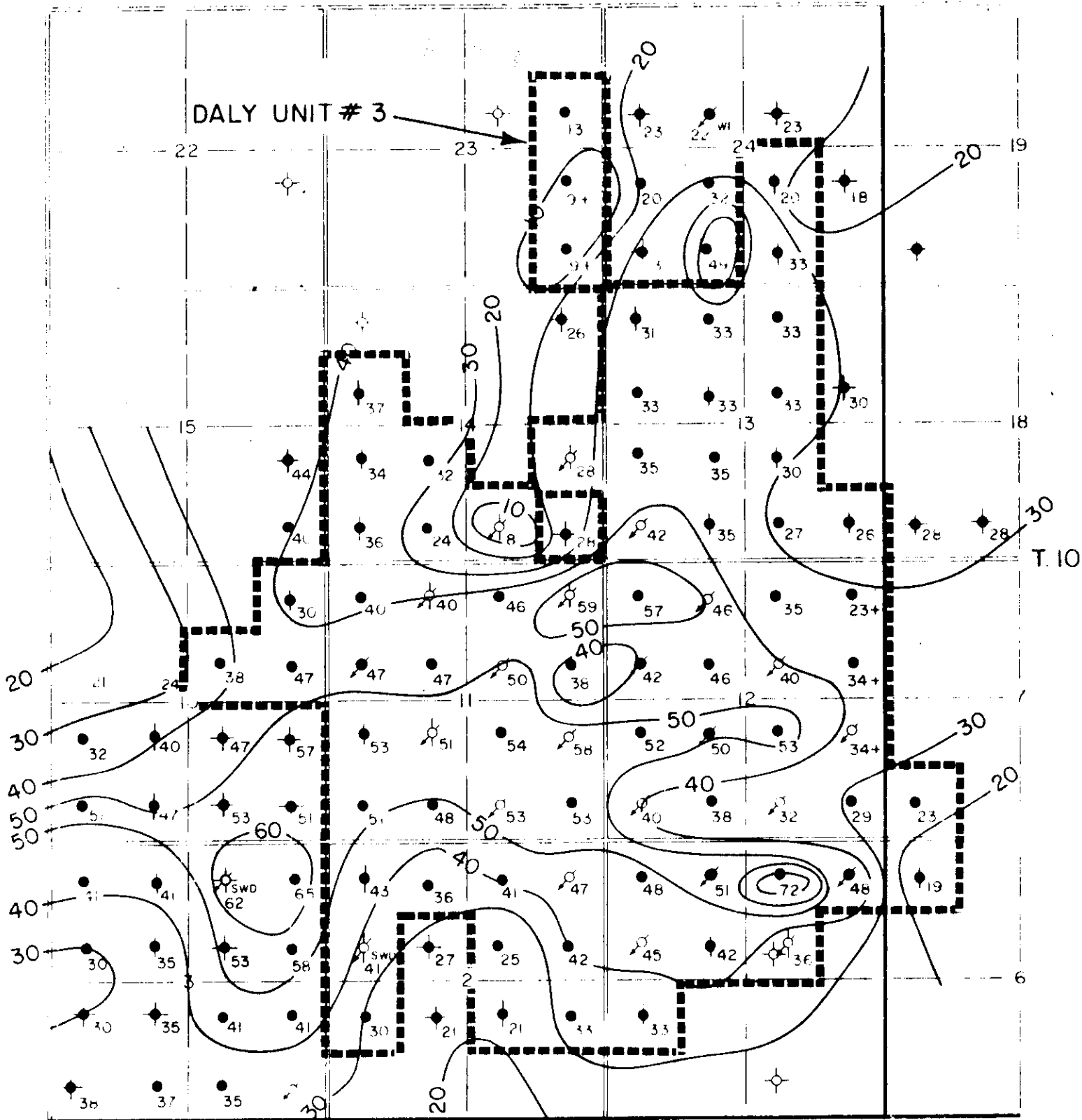


FIGURE 3  
DALY UNIT No. 3  
ISOPACH OF NET PAY

РАТНИКОВ О. И. 1911



APPLICATION FOR A UNIT MAXIMUM PERMISSIBLE RATE  
OF PRODUCTION DALY UNIT NO. 3

The applicant proposes that a degree of production flexibility, which is consistent with good engineering practice, be provided for Daly Unit No. 3.

It is possible that future programs conducted in the area may result in some wells producing oil at rates in excess of the current allowable producing rate.

Some wells in the proposed unit area have been under pressure maintenance since July 1953. Certain wells have produced at rates in excess of 100 BOPD for extended periods of time. There is no reason to believe that any reservoir damage has resulted in the past from producing wells at capacity, or that non-unit oil has been or will be produced within the Unit. There is no reason to believe that reservoir damage outside the Unit area would result or that the production at any future offsetting non-unit wells would be in any way affected by the production of Unit boundary wells at unrestricted rates.

The applicant respectfully requests that, on and after the first day that Daly Unit No. 3 becomes effective, the Unit be excluded from any provisions governing the limitations of oil production.

HEM

DISCUSSION OF THE UNITIZATION AND PARTICIPATION  
FORMULA FOR THE PROPOSED DALY UNIT NO. 3

The unitization of any field or portion of a field requires incentive for both the working and royalty interest owners. Lower operating costs as a result of consolidation of batteries will result in a reduction in the economic limit permitting the recovery of additional oil and, thus, an incentive for both working and royalty interest owners. Another attractive feature of unitization is the protection of income it guarantees each royalty owner since he will share in production from the entire Unit, not just the one well, or group of wells in which he has an interest.

The present cross line agreements have served to provide a fair and equitable allocation of production in the Daly waterflood area since 1953. It has now become apparent that it is important to provide a measure of protection to the royalty owner in the event that a well is flooded out, or becomes unproductive. Presently, the owner of such a well could experience a serious disruption of income. Unitization would serve to protect working and royalty owners from any large disruptions in income inasmuch as they would participate in the Unit until such a time as all wells are unproductive.

A major factor in accomplishing the unitization of a producing area is to determine the most suitable basis for participation. In Daly we are confronted with this same problem, but the cross line agreements create additional difficulties. In order to terminate the original cross line agreements it would seem fair and equitable for both the working and royalty interest owners to expect to receive essentially the same oil production after unitization. The most important consideration of the unitization formula thus becomes preserving the income received under cross line agreements.

The presently producing wells in the proposed unit area cover a wide range of productivities. In addition, there is a certain amount of month to month variation in production from specific wells. Because of this, a stipulated one year test period was selected by the working interest owners in arriving at a representative current production factor for each well.

The Operating Committee for the proposed Daly Unit No. 3 unanimously agreed that the current production factor would be based on the actual production for 1974. The Committee also unanimously agreed that the unitization formula should include a cumulative production factor which would be based on cumulative production to the end of 1974. In order to protect the current income position of working interest owners and royalty owners, the unit participations were based 90% on the current production factor and 10% on the cumulative production factor. Use of this formula permits the inclusion of presently suspended wells in the Unit which will provide greater flexibility in future operations if changes in injection patterns are required.

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PROPOSED DALY UNIT NO. 3

Prima Facie List of Working Interest Owners  
and Royalty Owners

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
<u>10-27 WPM</u>			
13-6	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba	100%
4-7	Rundle Petroleum Ltd. Pancana Industries Ltd. Ashland Oil Canada Ltd.	Director of Soldier Settlement of Canada	15% 35% 50%
<u>10-28 WPM</u>			
5-1	Chevron Standard Limited	Cecil James Williams, Virden, Manitoba.	100%
10-1	Chevron Standard Limited	Norman Richard Williams, Virden, Manitoba.	100%
11-1	Chevron Standard Limited	Norman Richard Williams, Virden, Manitoba.	100%
12-1	Chevron Standard Limited	Norman Richard Williams, Virden, Manitoba.	100%
13-1	Chevron Standard Limited	Norman Richard Williams, Virden, Manitoba.	100%
14-1	Chevron Standard Limited	Norman Richard Williams, Virden, Manitoba.	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
15-1	Chevron Standard Limited	Norman Richard Williams, Virден, Manitoba.	100%
16-1	Chevron Standard Limited	Norman Richard Williams, Virден, Manitoba.	100%
5-2	Chevron Standard Limited	Gerald Benjamin Haskett, Post Office, Cromer, Manitoba	8-2/3%
		Paul Boyle, Mohall, North Dakota	8%
		Willis C. Glinz and Norman E. Glinz, Arvel H. Glinz Bottineau, North Dakota.	8-1/3%
		Robert Stead, Westhope, North Dakota.	25%
		Ingvald Rosendahl, Westhope, North Dakota.	25%
		Marion Wilson, Executrix of the Estate of Charles Robert Wilson, 308 - 15 Street Brandon, Manitoba.	25%
7-2	Chevron Standard Limited	Cecil James Williams, Virден, Manitoba.	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
8-2	Chevron Standard Limited	Cecil James Williams, Virden, Manitoba.	100%
9-2	Scurry-Rainbow Oil Limited	Robert Stead, Westhope, North Dakota.	25%
		Benjamin Haskett, Post Office, Cromer, Manitoba.	25%
		John W. Clark, 243 Cenway Street, Winnipeg, Manitoba.	25%
		Vernon M. Johnson, Wahpeton, North Dakota.	25%
		Canadian Superior Oil Ltd. 1800 Three Calgary Place 355 Fourth Avenue S.W., Calgary, Alberta.	(overriding royalty)
		Montreal Trust, 10185 - 102 Street, Edmonton, Alberta.	(net profits royalty)
10-2	Scurry-Rainbow Oil Limited	Robert Stead, Westhope, North Dakota.	25%
		Benjamin Haskett, Post Office, Cromer, Manitoba	25%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
10-2 Cont'd.		John W. Clark, 243 Conway Street, Winnipeg, Manitoba.	25%
		Vernon M. Johnson, Wahpeton, North Dakota.	25%
		Canadian Superior Oil Ltd., 1800 Three Calgary Place, 355 Fourth Avenue S.W., Calgary, Alberta.	(overriding royalty)
		Montreal Trust, 10185 - 102 Street, Edmonton, Alberta.	(net profits royalty)
12-2	Chevron Standard Limited	Gerald Benjamin Haskett, Post Office, Crowder, Manitoba.	8-2/3%
		Paul Boyle, Mohall, North Dakota.	8%
		Willis C. Glinz and Norman E. Glinz, Bottineau, North Dakota.	8-1/3%
		Robert Stead, Westhope, North Dakota.	25%



<u>TRACT-NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
12-2 Cont'd.		Ingwald Rosendahl, Westhope, North Dakota.	25%
		Marion Wilson, Executrix of the Estate of Charles Robert Wilson, 308 - 15 Street Brandon, Manitoba.	25%
		Gerald Benjamin Haskett, Post Office, Cromer, Manitoba.	8-2/3%
13-2	Chevron Standard Limited	Paul Boyle, Mohall, North Dakota.	8%
		Willis C. Glinz, Arvel H. Glinz and Norman E. Glinz, Bottineau, North Dakota.	8-1/3%
		Robert Stead, Westhope, North Dakota.	25%
		Ingwald Rosendahl, Westhope, North Dakota.	25%
		Marion Wilson, Executrix of the Estate of Charles Robert Wilson, 308 - 15 Street Brandon, Manitoba.	25%

100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
14-2	Chevron Standard Limited	Gerald Benjamin Haskett, Post Office, Cromer, Manitoba.	8-2/3%
		Paul Boyle, Mohall, North Dakota.	8%
		Willis C. Glinz, Arvel H. Glinz Norman E. Glinz, Bottineau, North Dakota.	8-1/3%
		Robert Stead, Westhope, North Dakota.	25%
		Ingwald Rosendahl, Westhope, North Dakota.	25%
		Marion Wilson, Executrix of the Estate of Charles Robert Willson, 308 - 15 Street Brandon, Manitoba.	25%
15-2	Chevron Standard Limited	Bessie Emma Haskett, Virgen, Manitoba.	25%
		Robert Stead, Westhope, North Dakota.	25%
		Vernon M. Johnson, Wahpeton, North Dakota.	25%
			100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
15-2 Cont'd.		John Wesley Clark, 243 Conway Street, Winnipeg, Manitoba.	25%
		Bessie Emma Haskett, Virden, Manitoba.	25%
16-2	Chevron Standard Limited	Robert Stead, Westhope, North Dakota.	25%
		Vernon M. Johnson, Wahpeton, North Dakota.	25%
		John Wesley Clark, 243 Conway Street, Winnipeg, Manitoba.	25%
9-10	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
10-10	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
16-10	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
1-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
2-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
3-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
4-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
5-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
6-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
7-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
8-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
9-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
10-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
11-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
12-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
13-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
14-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
15-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building Winnipeg, Manitoba.	100%

<u>TRACE NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
16-11	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
1-12	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
2-12	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
3-12	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
4-12	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
5-12	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
6-12	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
7-12	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
8-12	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
9-12	Chevron Standard Limited	Scurry-Rainbow Oil Limited, 709 - 8th Avenue S.W., Calgary, Alberta.	3 1/8
		Beatrice Ann Powers,	6 1/2
		Vernon M. Johnson, Wahpeton, North Dakota.	3 1/8
		Canadian Superior Oil Ltd. 1800 Three Calgary Place, 355 - 4 Ave. S.W. Calgary, Alberta.	(overriding royalty)
		Scurry-Rainbow Oil Limited	(5% net profits royalty)



<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
10-12	Chevron Standard Limited	Chevron Standard Limited	100%
11-12	Chevron Standard Limited	Gerald Haskett, Virden, Manitoba.	100%
12-12	Chevron Standard Limited	Gerald Haskett, Virden, Manitoba.	100%
13-12	Chevron Standard Limited	Gerald Haskett, Virden, Manitoba.	100%
14-12	Chevron Standard Limited	Gerald Haskett, Virden, Manitoba.	100%
15-12	Scurry-Rainbow Oil Limited	Scurry-Rainbow Oil Limited, 709 - 8 Ave. S.W. Calgary, Alberta.	25%
		Beatrice Ann Powers,	50%
		Vernon M. Johnson, Wahpeton, North Dakota.	25%
		Canadian Superior Oil Ltd. 1800 Three Calgary Place, 355 - 4 Ave. S.W. Calgary, Alberta.	100%
		(overriding royalty)	

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>		<u>PERCENTAGE INTEREST</u>
15-12 Cont'd.		Montreal Trust 10185 - 102 Street, Edmonton, Alberta.	(Net Profits Royalty)	
16-12	Chevron Standard limited	Scurry-Rainbow Oil limited 709 - 8 Ave. S.W. Calgary, Alberta.	25%	
		Beatrice Ann Powers,	25%	
		Vernon M. Johnson, Wahpeton, North Dakota.	25%	100%
		Canadian Superior Oil Ltd., 1800 Three Calgary Place, 355 - 4 Ave. S.W. Calgary, Alberta.	(overriding royalty)	
1-13	Chevron Standard limited	Scurry-Rainbow Oil limited	(net profits royalty)	
		Joseph Haskett, Virden, Manitoba.		100%
2-13	Chevron Standard limited	Joseph Haskett, Virden, Manitoba.		100%
3-13	Chevron Standard limited	Joseph Haskett, Virden, Manitoba.		100%

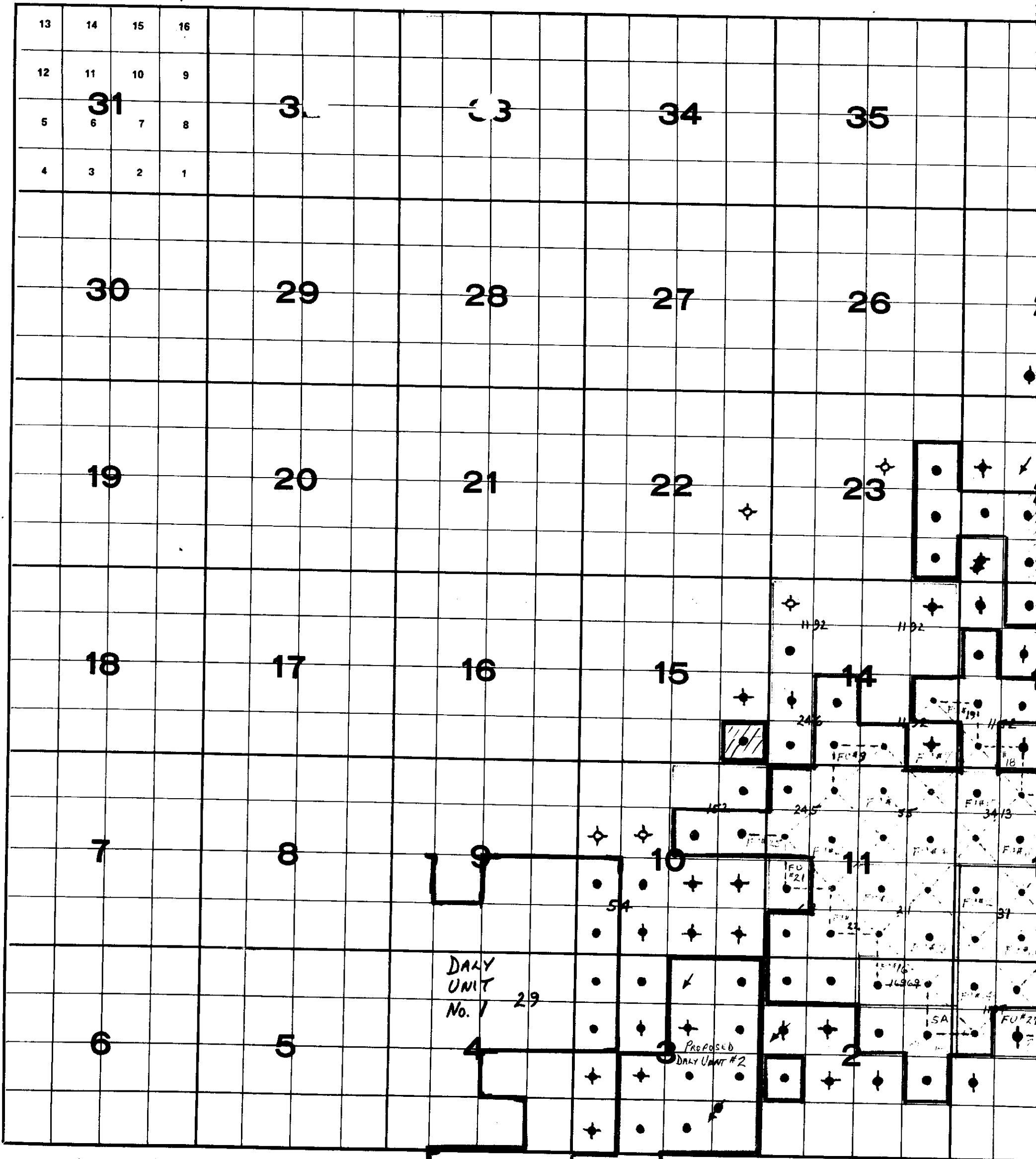
<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
4-13	Chevron Standard Limited	Joseph Haskett, Virден, Manitoba.	100%
5-13	Chevron Standard Limited	Joseph Haskett, Virден, Manitoba.	100%
6-13	Chevron Standard Limited	Joseph Haskett, Virден, Manitoba.	100%
7-13	Chevron Standard Limited	Joseph Haskett, Virден, Manitoba.	100%
10-13	Chevron Standard Limited	John Mosse Youngе, Virден, Manitoba.	100%
11-13	Chevron Standard Limited	John Mosse Youngе, Virден, Manitoba.	100%
12-13	Chevron Standard Limited	John Mosse Youngе, Virден, Manitoba.	100%
13-13	Chevron Standard Limited	John Mosse Youngе, Virден, Manitoba.	100%
14-13	Chevron Standard Limited	John Mosse Youngе, Virден, Manitoba.	100%
15-13	Chevron Standard Limited	John Mosse Youngе, Virден, Manitoba.	100%
2-14	Chevron Standard Limited	John Mosse Youngе, Virден, Manitoba.	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
3-14	Chevron ed	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
4-14	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
5-14	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
6-14	Chevron Standard Limited	The Minister, Department of Mines, Resources and Environmental Management, Legislative Building, Winnipeg, Manitoba.	100%
8-14	Chevron Standard Limited	John Mosse Young, e, Virden, Manitoba.	100%
12-14	Chevron Standard Limited	John Mosse Young, e, Virden, Manitoba.	100%
1-23	Chevron Standard Limited	John Mosse Young, e, Virden, Manitoba.	100%

<u>TRACT NO.</u>	<u>WORKING INTEREST OWNER</u>	<u>ROYALTY OWNER</u>	<u>PERCENTAGE INTEREST</u>
8-23	Chevron Standard Limited	John Mosse Younge, Virden, Manitoba.	100%
9-23	Chevron Standard Limited	John Mosse Younge, Virden, Manitoba.	100%
2-24	Chevron Standard Limited	Gordon Eugene Wardle (Estate of)  Barbara Assad  Canada Permanent Trust Co.  Joyce Irene Williamson  Mary Ellen Turner  Amelia Elizabeth Wardle  Charles Kenneth Wardle	
7-24	Chevron Standard Limited	Gordon Eugene Wardle (Estate of)  Barbara Assad  Canada Permanent Trust Co.  Joyce Irene Williamson  Mary Ellen Turner  Amelia Elizabeth Wardle  Charles Kenneth Wardle	100%

100%

# Tp. 10 Rge. 28 P.M.



7-12  
18-9  
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19-16970  
19-16970

Equity Adjustment Agreement

3-2 Card 8 Ys-1155  
Ys-16969  
Ys-16969

3-14 Panel 6 6/8-246  
Ys-245  
Ys-1192

11-12 Panel 6 Ys-31-  
Ys-3413

13-12 Panel 6 Ys-55  
Ys-1152  
6/8-3413

FU #1  
FU #2  
FU #3  
FU #4-7  
FU #8  
FU #9-13

Jan. 7/56

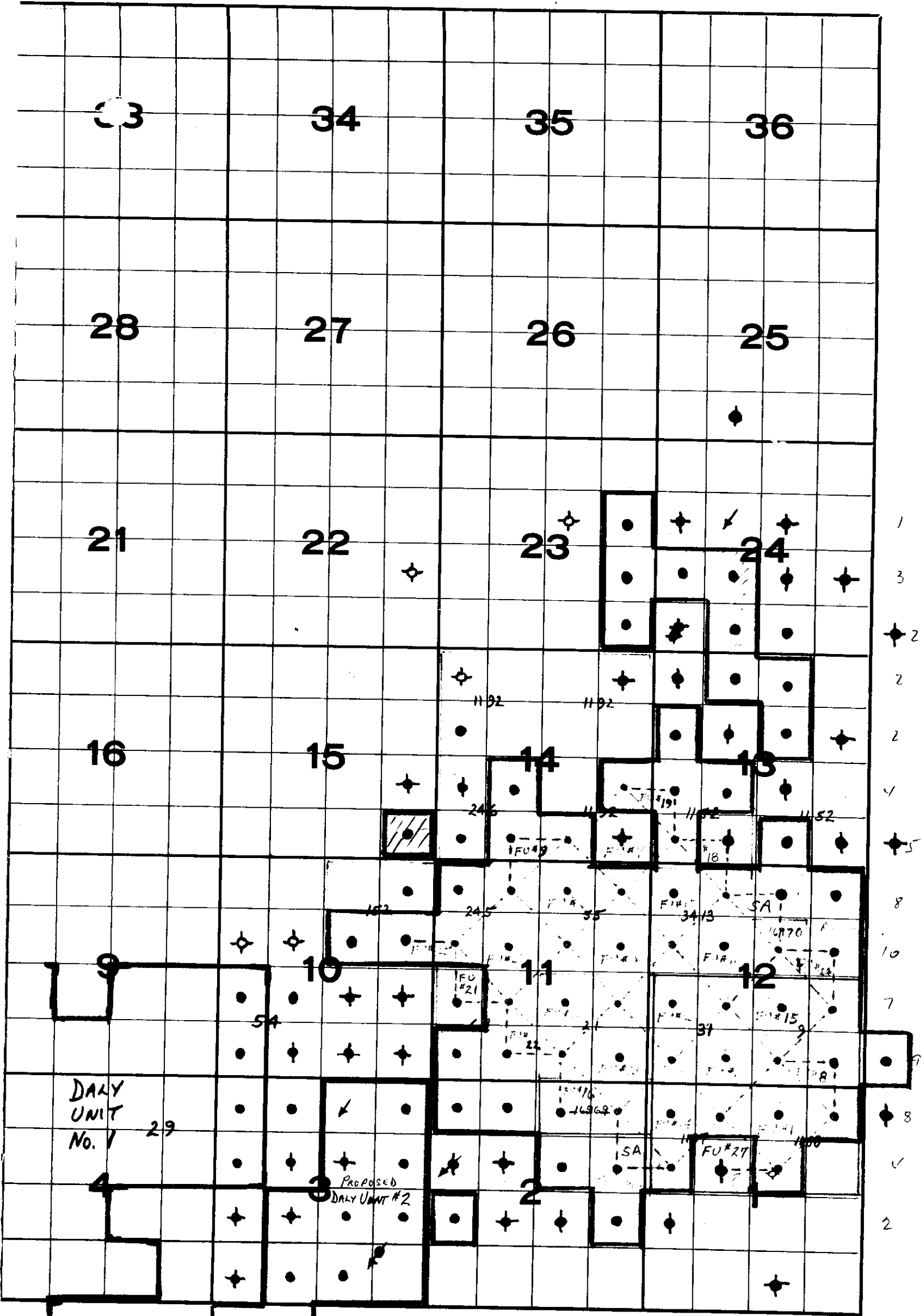
Feb. 10/56

Jan. 11/56

1-12: 7/8-9  
Ys-1188

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2 Rge. 28 P.M.



4/8-246  
1/8-245  
1/8-1192  
N. 7/56

11-12 P. 1/8-31  
1/8-2413  
Feb. 1/56

13-12 P. 1/8-55  
1/8-1152  
6/8-3413  
Jan. 1/56

FU#1 - 1/8-1192  
FU#2 - 1/8-1192  
FU#3 - 1/8-1192  
FU#4 - 1/8-1192  
FU#5 - 1/8-1192  
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FU#30 - 1/8-1192  
FU#31 - 1/8-1192  
FU#32 - 1/8-1192  
FU#33 - 1/8-1192  
FU#34 - 1/8-1192  
FU#35 - 1/8-1192  
FU#36 - 1/8-1192

December 27, 1974

Chevron Standard Limited  
400 - Fifth Avenue S. W.  
CALGARY, Alberta  
T2P 0L7

Attention: Mr. R. R. Mahaffey, General Attorney

Dear Sir:

RE: TERMINATION AGREEMENTS  
PROPOSED DALY UNIT NO. 3

I have had our Departmental Solicitor review the draft Termination Agreement that you submitted to us in November 1974. The following comments on the subject agreement are hereby provided:

1. The parties on the Termination Agreement should coincide with the parties described on the original Water Flooding Unitization Agreement.
2. The phrase "whether or not the said Agreement terminates" should be deleted from Paragraph 4.
3. Paragraph 5 should be deleted.
4. A paragraph such as the following should be added:  
"This Agreement shall endure to the benefit of and be binding upon the parties hereto and their respective heirs, administrators, successors and assigns."
5. All parties to the Agreement should be correctly described at the end of it and the words "Signed, Sealed and Delivered in the presence of" should be added to the left of the list of the parties thereto, so that the witnesses to the various parties' signatures can endorse their signatures thereon. Also each party would be required to place his respective seal on the Agreement.

It is hoped the above comments aid you in formulation of a satisfactory agreement. If you have any further questions, please do not hesitate to contact me.

Yours truly,



H. C. Moster, P. Eng.,  
Chief Petroleum Engineer



Province of Manitoba

**inter-departmental memo**

Mr. H.C. Moster,  
Chief Petroleum Engineer,  
Mineral Resources Division,  
993 Century Street.

Date December 20, 1974.

From D.D. Blevins,  
Departmental Solicitor,  
Dept. of Attorney-General.

Subject: Termination Agreements - Proposed Daly Unit No. 3

I have your memorandum of November 28, 1974, to  
Mr. Moylan, for my attention and reply.

On December 17, 1974, you advised me that your  
Department agrees with the substance of the draft Termination  
Agreement. I will limit my comments to the form of the  
Agreement:


1. The parties to the Termination Agreement must be  
the same parties that entered into the original  
agreement. Note that Chevron Standard Limited  
has advised that it is the successor to the  
California Standard Company and Brandon  
Exploration Company. This will have to be  
confirmed either by checking with the appropriate  
companies branch or receiving copies of the legal  
documents noting the change of name. The Province  
must be sure that it is contracting with the proper  
parties.
2. Paragraph 5 appears to be superfluous and should  
be deleted.
3. The following paragraph should be added:

2...../

First | Fold

"This Agreement shall endure to the benefit of and be binding upon the parties hereto and their respective heirs, administrators, successors and assigns."

4. All parties to the Agreement should be correctly described at the end of it and the words "Signed, Sealed and Delivered in the presence of" should be added to the left of the list of the parties thereto, so that the witnesses to the various parties' signatures can endorse their signatures thereon. Please note that each party must place his respective seal on the Agreement.

  
.....  
D.D. Blevins.

/pam

November 28, 1974

H. C. Moster  
Chief Petroleum Engineer  
Mineral Resources Division

D. W. Moylan, Q. C.  
Director of Civil Litigation  
Attorney-General

RE: TERMINATION AGREEMENTS -- PROPOSED DALY UNIT NO. 3

Background

As you may be aware, there is an area in the Daly Field of Manitoba in which several individual "Water Flooding Unitization Agreements" have been implemented as early as May 15, 1953 along with "Equity Adjustment Agreements" with respect to oil production allocation and royalty payments. A sample copy of each of the above type agreements is enclosed.

Discussion

Also enclosed is a letter from Chevron Standard Limited, dated November 12, 1974, requesting your comments on a proposed sample "Termination Agreement" to cover the above type of agreements. It is Chevron's proposed intention to attempt to unitize a large area of the Daly Field which shall include the area, or parts thereof, which are covered by the above Water Flooding Unitization and Equity Adjustment agreements. As these existing agreements do not contain termination clauses which would cover the proposed change to a single Daly Unit No. 3 Unitization Agreement (see Section Ten of Document No. 8924, and clause 3. of Agreement A) the proposed "Termination Agreements" would appear necessary.

Would you therefore study the attached material and prepare your comments with respect to Chevron's request to be forwarded through me to Chevron. I would appreciate discussing Chevron's proposed Termination Agreement with you at your convenience. Any further background information you may require I shall be pleased to attempt to provide.



H. C. Moster

HCM/evh  
Encls.

Chevron



**Chevron Standard Limited**

400 - Fifth Ave. S.W., Calgary, Alberta T2P 0L7

R. R. Mahaffey  
General Attorney

November 12, 1974

Daly Unit No. 3  
Our File No. 56,692

Department of Mines, Resources and  
Environmental Management  
Mines Branch  
Petroleum Engineering Division  
993 Century Street  
Winnipeg, Manitoba  
R3H 0W4

Attention: The Solicitor

Dear Sir:

As you may be aware, Chevron Standard Limited is desirous of unitizing lands and leases as described in Schedule "A" hereof in a unit to be known as the Daly Unit No. 3. Many of the lands covered by the proposed Unit area are the subject matter of several Water Flooding Unitization Agreements, which Agreements do not provide for termination, other than through lack of production. Hence, it was deemed necessary that we enter into a Termination Agreement of these various Water Flooding Unitization Agreements in conjunction with the effective date of the proposed Daly Unit #1. - 3

As the Crown has considerable royalty interests in many of the subject lands, and is party to several Water Flood Unitization Agreements, we would appreciate if you would review the drafts enclosed herewith and provide us with your comments as soon as conveniently possible.

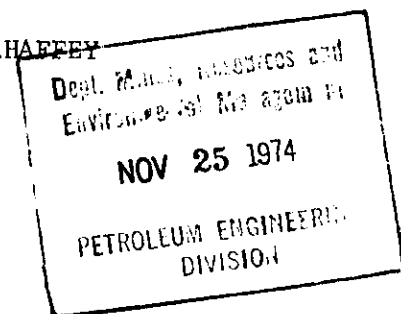
Yours very truly,

A handwritten signature in cursive script, likely belonging to R. R. Mahaffey.

R. R. MAHAFFEY

RAP/blh

enc.



MEMORANDUM OF AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_,

A.D. 1974.

B E T W E E N:

CHEVRON STANDARD LIMITED, successor to  
THE CALIFORNIA STANDARD COMPANY and  
BRANDON EXPLORATION COMPANY, body  
corporate, carrying on business in the  
Province of Manitoba (hereinafter  
referred to as "the Operator")

OF THE FIRST PART

- and -

OF THE SECOND PART

WHEREAS the parties hereto entered into a certain Water Flooding  
Unitization Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ ("the  
said Agreement"), attached hereto, made a part hereof and marked as Exhibit  
"A" to this Agreement;

AND WHEREAS the Operator desires to unitize the leases and lands  
covered by the said Agreement with other land and leases in a Unit to be  
known as Daly Unit No. 3 ("the proposed Unit"), pursuant to the Mines Act;

AND WHEREAS the parties of the Second Part agree to the proposed  
plan of Unit Operation provided to us by Chevron Standard Limited;

AND WHEREAS the parties to the said Agreement agree that the said  
agreement should be terminated on the effective date of the proposed Unit.

NOW THEREFORE this Agreement witnesseth that, in consideration of  
the premises herein contained, the parties agree as follows:

1. The Operator is hereby directed to attempt to include the lands and leases covered by the said Agreement in the proposed Unit.
2. Upon the effective date of the proposed Unit, the said Agreement shall terminate and have no further force and effect.
3. In the event the proposed Unit does not become effective or the proposed Unit does not include the lands and any or all leases in the said Agreement, the said Agreement shall continue to govern the relationship between the parties in respect to the lands and leases covered thereby.
4. Each royalty owner by execution of this Agreement agrees that it will accept royalty based on the allocation of production to their respective tracts in the proposed Unit whether or not the said Agreement terminates.
5. This Agreement may be executed in separate counterparts, and all the executed counterparts shall constitute one Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed as of the day and year first above written.

CHEVRON STANDARD LIMITED

Per: \_\_\_\_\_

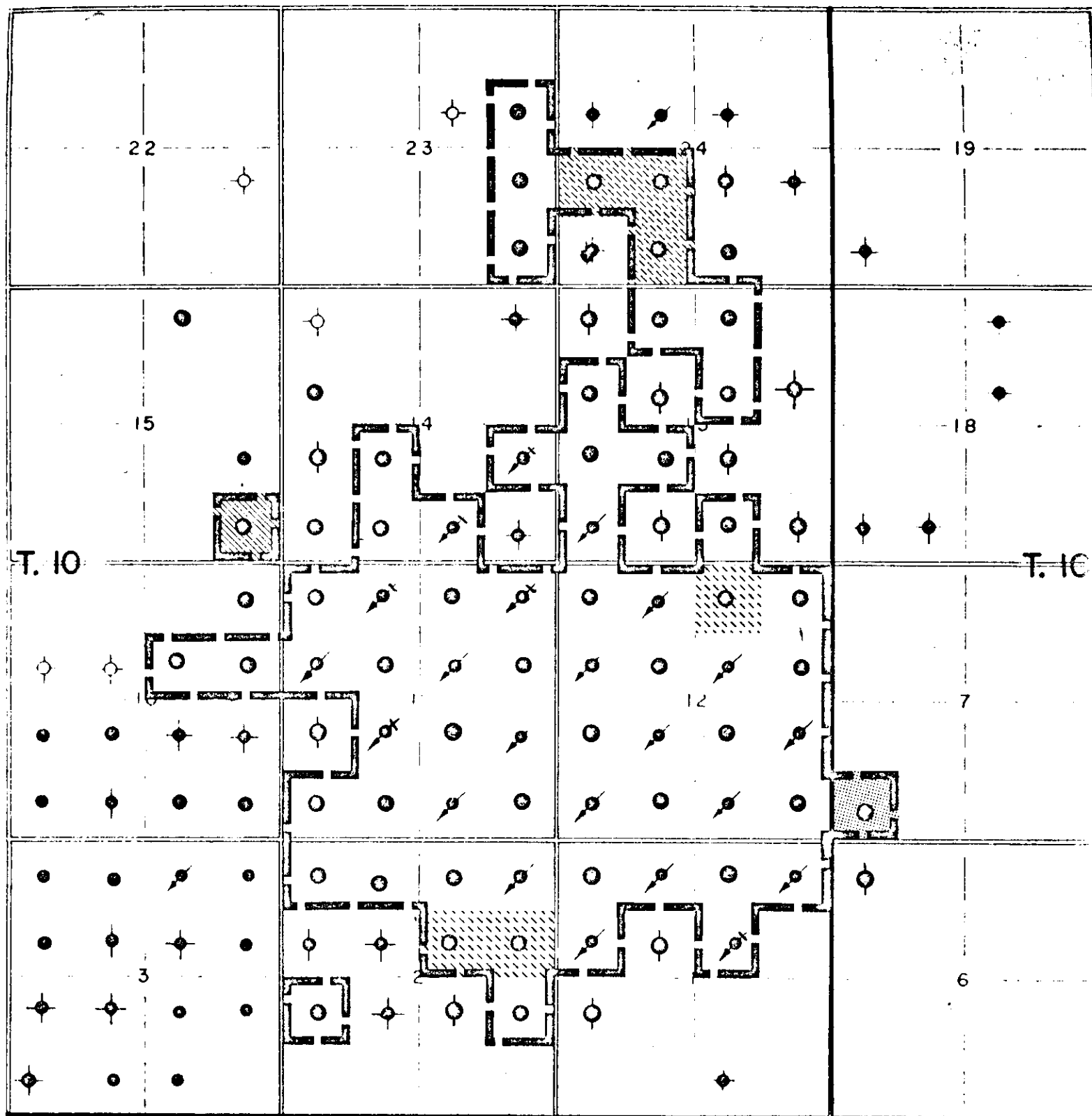
Per: \_\_\_\_\_






TABLE I  
TRACT FACTORS

<u>Well</u>	<u>Tract Factors</u>	<u>Well</u>	<u>Tract Factors</u>	<u>Well</u>	<u>Tract Factors</u>
4-7	1.22961	8-11	1.96980	14-12	1.05061
10-1	0.41571	9-11	1.28245	15-12	2.45296
12-1	0.88101	10-11	0.98294	16-12	1.21349
13-1	2.42363	11-11	0.46816	2-13	2.39564
14-1	1.55946	12-11	0.25216	4-13	0.38263
15-1	1.66290	13-11	2.77939	5-13	0.87419
16-1	0.71701	14-11	0.81010	6-13	2.59222
5-2	0.14195	15-11	1.13670	10-13	3.06060
8-2	2.77581	16-11	0.84172	12-13	2.40370
9-2	1.65064	1-12	1.80782	14-13	1.67561
10-2	0.90273	2-12	1.53909	15-13	2.15071
13-2	1.44052	3-12	2.68922	2-14	0.69306
14-2	1.75397	4-12	1.23404	3-14	2.45330
15-2	0.88527	5-12	3.79972	6-14	0.64973
16-2	1.65669	6-12	1.98687	8-14	0.14570
9-10	0.94583	7-12	1.13692	1-15	1.75397
10-10	1.19111	8-12	0.37793	1-23	1.90219
1-11	2.51251	9-12	0.56219	8-23	2.07861
2-11	1.12231	10-12	1.19161	9-23	1.37380
3-11	0.51316	11-12	1.61941	3-24	3.64093
4-11	0.83691	12-12	1.72234	5-24	4.26649
6-11	0.46368	13-12	0.94773	6-24	0.92467
7-11	1.04446				

R. 28

R. 27WP :



-  CHEVRON
-  SCURRY
-  RUNDLE ET AL
-  CENTOBA
-  TRITON ET AL

# DALY FIELD PROPOSED UNIT LAND OWNERSHIP MAP

AUGUST 1974