

November 13, 1957.

Joe. 470. 51298.
Mr. R. R. Mahaffey,
Legal Counsel,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Sir: Attention: Mr. R. F. Goss

In accordance with our verbal understanding, I am attaching hereto, copy of Order-in-Council No. 411/57 and attached Schedules "A" and "B", which ratifies and confirms the agreements entered into previous to the date of this Order-in-Council, and also authorizes the Minister to enter into the agreements mentioned in Schedule "B", which were subsequently signed by the Minister on behalf of the Crown.

Yours very truly, .

J. S. Richards,
Director of Mines.

JSR/lm
Enc.

C.C. Director of Mines
and Senior Petroleum Engineer

May 14, 1957.

The Toronto General Trusts
Corporation,
Portage and Smith,
Winnipeg.

Dear Sirs:

Attention: Mr. Christie

Attached cheque Nos. G 2363 and 2364 issued in favor
of N. R. Williams, covering \$574.73 and \$3,572.96.

These refunds are royalties paid to the Crown by The
California Standard Company, to which Mr. Williams
is entitled by the agreements contained in the follow-
ing documents:

1. No. 51,298, Flood Unit No. 3.

Refund consists of 1/8 of the royalty paid
by The California Standard Company on Calstan Daly
Prov. 3-12 well, since December 1, 1954, amounting to
\$3,572.96- cheque attached is for credit to Oil and
Natural Gas Lease No. 1187, held by N. R. Williams.

2. No. 52,113, Equity Agreement.

Refund consists of 1/8 of the royalty paid
by The California Standard Company on Calstan Daly
Prov. 1-12 well, since September 1, 1955, amounting to
\$574.73. Cheque attached is for credit to Oil and
Natural Gas Lease No. 1188, held by N. R. Williams.

Yours truly,


R. Cox,
Chief Mining Recorder.

E
Enc.

C.C. to Mr. Williams, Virden.

Director of Mines

Mr. M. J. Gobert,
Senior Petroleum Engineer.

Oil and Natural Gas -
Water Flooding Agreements -
The California Standard Company.

May 10, 1957.

Attached, herewith, Order-in-Council No. 411/57,
together with Schedules A and B, both duly certified.

This Order-in-Council is dated March 19, 1957,
and was received in this office on March 22.

Recently this Order-in-Council had to be returned
to the Deputy Minister's office in order to rectify an error, and is,
herewith, returned to your office, duly corrected.

This Order-in-Council ratifies and confirms
agreements mentioned in Schedule A, namely, Document Nos. 8,924,
11,085, 12,674, 51,649, and 51,727; and gives authority to the Min-
ister to enter into the agreements mentioned in Schedules A and B,
namely, Document Nos. 8,924, 11,085, 12,674, 51,649, 51,727, 51,298,
and 52,113.


J. B. Richards.

:DB

Enc. 1.

Director of Mines

Mr. R. Cox,
Chief Mining Recorder.

Refunds re

May 1, 1957.

M. R. Williams;

The California Standard Company -

Flood Unit No. 3, Document No. 51,298;

Equity Agreement, Document No. 52,113.

Further to our recent conversation, kindly have issued two refund cheques, authorized by the above documents, which were ratified and confirmed by Order-in-Council No. 411/57.

These refunds are royalties paid to the Crown by The California Standard Company, to which Mr. Williams is entitled by the agreements contained in the said documents.

1. Document No. 51,298:

Refund consists of 1/8 of the royalty paid by The California Standard Company on Calstan Daly Prov. 3-12 well since December 1, 1954, amounting to \$3,572.96. Cheque should be forwarded to The Toronto General Trusts Corporation for credit to Petroleum and Natural Gas Lease No. 1187, held by M. R. Williams.

2. Document No. 52,113:

Refund consists of 1/8 of royalty paid by The California Standard Company on Calstan Daly Prov. 1-12 well since September 1, 1955, amounting to \$574.73. Cheque should be forwarded to The Toronto General Trusts Corporation for credit to Petroleum and Natural Gas Lease No. 1188, held by M. R. Williams.

JSR:DB

J. S. Richards.

c. c. to: Mr. M. J. Gobert,
Senior Petroleum Engineer.

Mr. A. G. Wirdnam,
Departmental Accountant.

INTER-DEPARTMENTAL
MEMORANDUM



PROVINCE OF MANITOBA

FROM J.G. Cowan
Deputy Minister

TO Mr. J.S. Richards
Director of Mines

ATTENTION _____

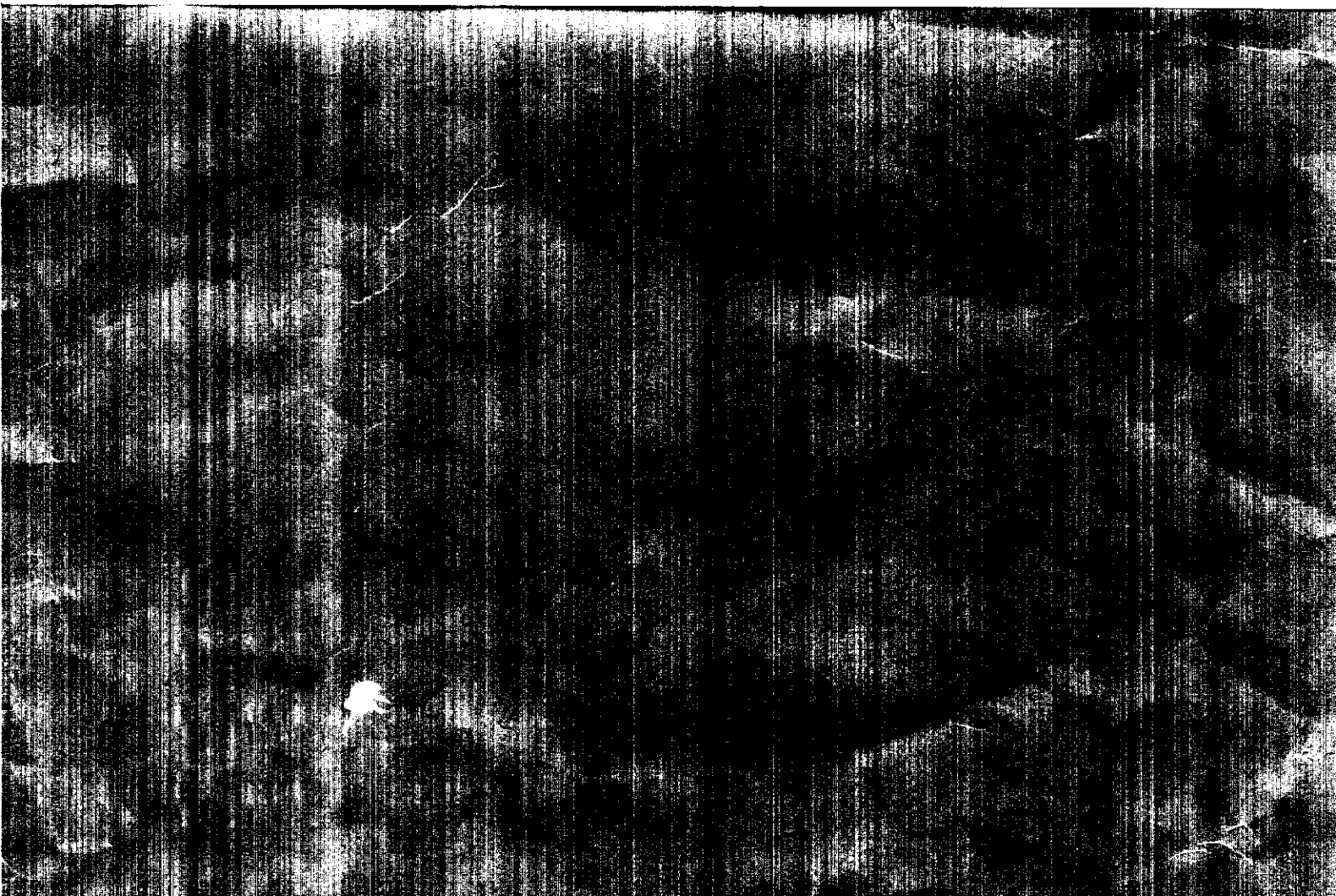
SUBJECT The California Standard Company -
Flood Unit No. 3, Document No. 51,298;
Equity Agreement, Document No. 52,113.

DATE April 29, 1957.

I have your memo of April 15 in connection with the above matter. I was finally able to reach Mr. Williams by phone last week and I am now enclosing the original of his letter to me authorizing us to pay monies due to him to the Toronto General Trusts Corporation.

J.G. Cowan.

JGC/mm
Enc.



COPY

April 29, 1957.

Mr. M.R. Williams,
Box 192,
Virden, Manitoba.

Dear Mr. Williams:

I have your letter of April 26 authorizing us to pay the monies to the Toronto General Trusts Corporation. I have forwarded your letter to Mr. J.S. Richards, Director of Mines, and I understand that the cheques will go forward very shortly.

Yours very truly,

J.G. Cowan,
Deputy Minister.

JGC/mm

cc. Mr. J.S. Richards. ✓

April 21 1957
Box 192
Virden

Man.

Sir: Please turn monies for me
over to Toronto General Trust Co.,

Thank you

W R Williams

Director of Mines

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

The California Standard Company -

April 15, 1957.

- Flood Unit No. 3, Document No. 51,298;
Equity Agreement, Document No. 52,113.

Enclosed herewith, reply received from The California Standard Company to my letter of April 2nd, a copy of which was forwarded to you.

Without being requested to do so, the company has computed the back royalty due to the end of March in respect to both of the above mentioned documents. We have not, as yet, received the company's final returns for the month of March, but, I believe, these figures agree to within a few cents of our calculation of both these sums.

Since receipt of this letter, which advises that the back payments should be made to Mr. N. R. Williams, the company has further advised that his depository is the Toronto General Trusts Corporation, Winnipeg. Possibly, you may desire to write to Mr. Williams, advising him that these back payments will amount to approximately \$3,572 and \$575, respectively, and that the company has suggested that these monies should be paid to the Toronto General Trusts Corporation. By the time we have received this reply, we should be in a position to make this payment.

J. S. Richards.

JSR/lm
Enc.

c.c. Mr. M. J. Gobert,
Senior Petroleum Engineer.

THE CALIFORNIA STANDARD COMPANY

H. G. NICHOLSON
VICE-PRESIDENT,
SECRETARY AND TREASURER

CALGARY, ALBERTA

April 11, 1957

Dept. of Mines & Natural Resources,
Mines Branch,
Winnipeg 1, Manitoba

Attention: Mr. J. S. Richards,
Director of Mines

Dear Sir:

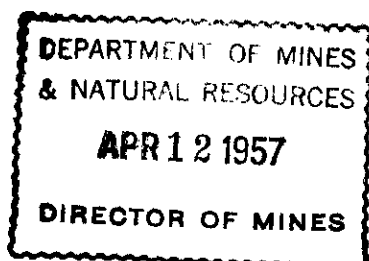
Further to our letter of April 10 re the payments of royalties to Mr. Norman Richard Williams, we wish to advise that the depository for Mr. Williams is the Toronto General Trusts Corporation, Winnipeg.

Yours very truly,

GAH/del

cc: D. M. Johnston


H. G. NICHOLSON



THE CALIFORNIA STANDARD COMPANY

H. G. NICHOLSON
VICE-PRESIDENT,
SECRETARY AND TREASURER

CALGARY, ALBERTA

April 10, 1957

Dept. of Mines & Natural Resources,
Mines Branch,
Winnipeg 1, Manitoba

Attention: Mr. J. S. Richards,
Director of Mines

Dear Sir:

We refer to your letter of April 2 addressed to Mr. D. M. Johnston concerning Water Flood Unit No. 3 (Document No. 51298) and Document No. 52113.

In the case of Water Flood Unit No. 3, Mr. N. R. Williams is entitled to one-eighth of all royalties paid on sales from the well Daly Prov. 3-12 since Dec. 1, 1954. We have calculated this amount to be \$3572.54 to the end of March 1957.

Document No. 52113 covers producing wells Daly 13-1 and Daly Prov. 1-12. However the agreement concerning Daly 13-1 does not become effective until Daly 4-12 goes on injection.

The agreement for Daly 1-12 states that effective September 1, 1955 Mr. N. R. Williams is entitled to one-eighth of the royalty paid re: the sales from this well. Our calculations show this amount to be \$575.04 up to the end of March 1957.

We are enclosing schedules showing how we arrived at the amounts payable to Mr. Williams.

Commencing with the month of April we will pay Mr. Williams his one-eighth share of the royalties for the above wells.

Yours very truly,

GAH/del

cc: D. M. Johnston

Encl.


H. G. NICHOLSON

April 4, 1957.


Mr. R. T. Perry,
2801 State Street,
Santa Barbara, California,
U. S. A.

Dear Sir:

Mr. D. M. Johnston of The California Standard Company has forwarded a copy of your letter of March 20th, in respect to financial adjustment on the Water Flood Project on the N. $\frac{1}{2}$ of Section 1, Township 10, Range 28, W.P.M.

In reply, I would advise that the final documents ratifying this adjustment have only recently been received by this Department. However, you may be assured that we will now proceed with this matter and expect to be able to make a distribution of the monies owing within a very short time.

Yours very truly,


A. S. Richards,
Director of Mines.

JGR/lm

c.c. Mr. J. G. Cowan, Q.C.,
Deputy Minister,
together with copy of a letter to Mr. D. M. Johnston,
The California Standard Company, dated April 2, 1957.

April 2, 1957.

Mr. D. M. Johnston,
Legal Counsel,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Mr. Johnston:

This will acknowledge receipt of your letter of March 26th, enclosing a copy of a letter received from Mr. R. T. Perry, Santa Barbara, California, relative to the disbursement of back royalties in respect to Water Flood Unit No. 3 (Document No. 51,298).

You may recall sometime ago, it was suggested by this Department that the disbursement of these back royalties be handled by The California Standard Company once the agreement had been signed. However, there now seems a possibility that this Department may desire to distribute these funds itself.

Would you kindly, therefore, indicate the names of the individuals which your records show are entitled to a share of this money and the share to which each is entitled. It would also be appreciated if similar information were supplied in respect to Equity Agreement, Document No. 52,113.

Yours very truly,

J. S. Richards,
Director of Mines.

JSR/lm
c.c. Mr. M. J. Gobert,
Senior Petroleum Engineer.

INTER-DEPARTMENTAL
MEMORANDUM

PROVINCE OF MANITOBA

FROM J.G. Cowan
Deputy MinisterTO Mr. J.S. Richards
Director of Mines

ATTENTION _____

SUBJECT Flooding Unit No. 3 -
Document No. 51,298.DATE April 1, 1957

I have your memo of March 28 enclosing a copy of Mr. Perry's letter of March 20 to Mr. Johnston of California Standard.

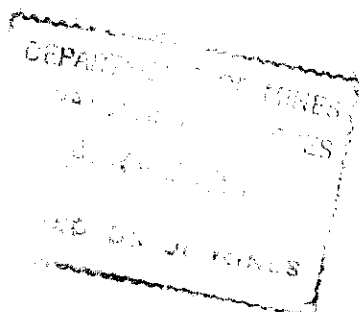
I would suggest that you reply to Mr. Perry intimating that just recently the final documents were submitted to us and that shortly we expect to be in a position to make a distribution.

I would further suggest that you might write to Mr. Johnston and ascertain from him how the one-eighth royalty in respect to this particular acreage is being distributed. I am assuming that the amount of \$3,414.52 referred to in your memo of March 21 should be distributed in exactly the same way as the ordinary royalties.

When you obtain the information from Mr. Johnston, I would then suggest that you check with Mr. Ewens. Unless there has in the meantime been some change, the information from California Standard should jibe with Mr. Ewens' tax roll.

J.G. Cowan.

JGC/mm



Director of Mines

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

Flooding Unit No. 3 -
Document No. 51,298.

March 28, 1957.

Enclosed herewith, copy of a letter to Mr. D. M. Johnston, The California Standard Company from R. T. Perry, Santa Barbara, California, forwarded by Mr. Johnston without comment.

Possibly, you may wish to advise Mr. Perry that, although the delay has not been due to this Department, the money will be going forward shortly.


J. S. Richards.

JSR:lm
Enc.



THE CALIFORNIA STANDARD COMPANY

D. M. JOHNSTON
LEGAL COUNSEL

CALGARY, ALBERTA

March 26, 1957.

Mr. J. S. Richards,
Director of Mines,
Department of Mines and Natural Resources,
WINNIPEG, Manitoba.

Dear Sir:

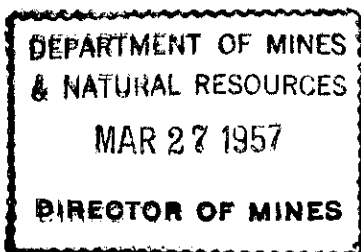
Re: Daly Waterflood.

I enclose herewith thermofax copy of letter received from
Mr. R. T. Perry, 2801 State Street, Santa Barbara, California.

Yours very truly,

D. M. Johnston
D. M. JOHNSTON.

Encl.



March 20, 1957

Mr. D. M. Johnston
The California Standard Company
CALGARY, Alberta, Canada

Dear Mr. Johnston:

Re: Water Flood Project
N^o 1-10-28 WPM

A great deal of time has elapsed since this matter has reached the stage where a financial adjustment should have been made under the first agreement.

During my last trip to Canada I did hear a rumour to the effect that the funds were sitting idly somewhere awaiting a request from someone that they be paid. Could this possibly be true?

Thank you for your attention in this matter and I will await your reply.

Yours very truly,

RTP-mm

R. T. Perry

Director of Mines

Mr. M. J. Gobert,
Senior Petroleum Engineer.

The California Standard Company -
Flooding Unit No. 3 -
Document No. 51,298.

March 25, 1957.

I am attaching herewith, one copy of completed agreement, with respect to Flooding Unit No. 3, covering Calstan Daly 2-12, 3-12, 4-12, and 14-1 wells, being Document No. 51,298, which has been duly completed by the Minister of this Department on behalf of the Crown.

This agreement has been ratified by Order-in-Council No. 411/57, a copy of which is also attached.

J. S. Richards.

JSR/lm
Enc.

(To be filled in by office of origin)
(À remplir par le bureau d'origine)

REGISTERED ARTICLE
Envoi recommandé

POSTED AT THE OFFICE OF
déposé au bureau de poste de

DATE 23.3.57 UNDER No.
sous le

ADDRESSED TO **Mr. D. M. Johnston,**
à **The California Standard Company,**
Medical Arts Building,
CALGARY, Alberta.

(Street and number)
(Rue et numéro)

Place
Lieu

Country of destination
Pays de destination

(1) The undersigned acknowledges that the registered article described opposite has been duly delivered on the

Le soussigné déclare que l'envoi recommandé mentionné ci-contre a été dûment livré le

Signature of the addressee:
du destinataire:

of addressee's representative
du représentant du destinataire

the Postmaster of the office of destination
est l'agent du bureau destinataire

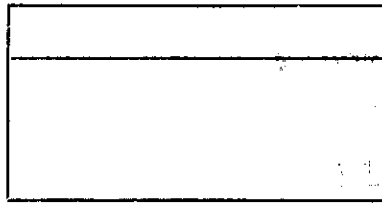
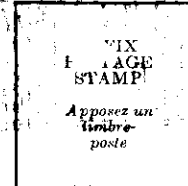
Date stamp of office of destination

Timbre du bureau destinataire

- (1) This advice should be signed by the addressee or if the regulations of the country of destination so provide, by the Postmaster of the delivery office and returned by first mail to the address shown on the other side.
Cet avis doit être signé par le destinataire ou, si le règlement du pays de destination le comporte, par l'agent du bureau destinataire, et renvoyé par le premier courrier à l'expéditeur, dont l'adresse figure au recto.
- (2) When delivery is made to the authorized representative of the addressee, both addressee's name and representative's signature must appear on this receipt.
Lorsque la remise est faite au représentant autorisé du destinataire, le nom du destinataire et la signature de son représentant doivent figurer sur ce reçu.

ON POSTAL SERVICE
Service des Postes

(1)

Date Stamp
of Office of Origin
l'empreinte de l'office d'origineACKNOWLEDGMENT OF RECEIPT
AVIS DE RÉCEPTION(2) RETURN TO
Retournez à

Director of Mines Office, Mines Branch

Room 21, 469 Broadway Avenue,

STREET AND NUMBER—Rue et numéro

(3)

WINNIPEG 1, Manitoba.

PLACE OF ORIGIN OF REGISTERED ARTICLE

Lieu d'origine de l'envoi recommandé

CANADA

- (1) If this advice is to be returned by air, it should bear very conspicuously the indication "Return by Air Mail" and the label "By Air Mail".
Si le présent avis doit être renvoyé par avion, le revêtir de la mention très apparente "Renvoi par Avion" et de l'étiquette "Par Avion".
- (2) To be filled in by sender, who will indicate his complete address for return of this advice.
A remplir par l'expéditeur, qui doit mentionner son adresse complète pour le renvoi du présent avis.
- (3) In printed characters.
En lettres moulées.

39B—600,000—11-6-56

March 23, 1957.

Mr. D. M. Johnston,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Mr. Johnston:

We are returning herewith, five copies of completed agreement, with respect to Flooding Unit No. 3, covering Calstan Daly 2-12, 3-12, 4-12, and 14-1 wells, being Document No. 51,298, which have been duly completed by the Minister of this Department on behalf of the Crown.

Yours very truly,

J. S. Richards,
Director of Mines.

JSR/lm
Enc.
Registered.

c.c. Mr. M. J. Gobert,
Senior Petroleum Engineer.

Director of Mines

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

The California Standard Company -
Flooding Unit No. 3 -
Document No. 51,298.

March 21, 1957.

Further to our recent correspondence, this is to advise that our calculation of the monies owing to Mr. N. R. Williams, in accordance with the above agreement, is \$3,414.52, as of January 31, 1957.

It is my recollection that you were going to write to Mr. Williams in respect to the manner of disbursement of this money. Will you kindly advise the procedure you wish to be followed in effecting this repayment.

J. S. Richards.

JSR/lm

INTER-DEPARTMENTAL
MEMORANDUM



PROVINCE OF MANITOBA

FROM M. J. Gobert

TO J. S. Richards

ATTENTION _____

SUBJECT Unitization Agreement
Calstan Daly Prov. 3-12 well
Calstan Daly 14-1 well

DATE March 20, 1957.

Dec 6 1957

In accordance with your recent request, the attached tabulation is an analysis of the Production and Royalty for the Calstan Daly Prov. 3-12 well, in accordance with the unitization agreement presently in process of execution.

From this, it is apparent that the sum of \$3,414.52 is due and payable to Mr. N. R. Williams, as of January 31, 1957.

M. J. Gobert

ANALYSIS OF PRODUCTION & ROYALTY

Calistan Dally Prov. 3-12

Month	Open Inven.	Close Inven.	Prod.	Royalty Disp. bbls.	Royalty bbls. @ 12 1/2%	Ave. Price	Value of Royalty	1/8 Share Williams	1/8 Share Prov. Lease #9	3/4 Share Prov. Lease #31
Dec./54	358	695	2,856	2,519	315	2.61	822.15	102.77	102.77	616.61
Jan./55	695	484	2,602	2,813	352	2.555	899.36	112.42	112.42	674.52
Feb.	484	1,007	2,773	2,250	281	2.449	688.17	86.02	86.02	516.13
Mar.	1,007	990	3,292	3,309	414	2.34	968.76	121.10	121.10	726.56
April	1,990	1,025	3,434	3,399	425	2.34	994.50	124.31	124.31	745.88
May	1,025	603	4,287	4,709	589	2.34	1,378.26	172.28	172.28	1,033.70
June	603	429	5,021	5,195	649	2.34	1,518.66	189.83	189.83	1,139.00
July	429	981	4,378	3,826	478	2.34	1,118.52	139.82	139.82	838.88
Aug.	981	897	3,832	3,916	490	2.34	1,146.60	143.33	143.33	859.94
Sept.	897	659	3,981	4,219	527	2.34	1,233.18	154.15	154.15	924.88
Oct.	659	586	3,756	3,829	479	2.34	1,120.86	140.11	140.11	840.64
Nov.	586	570	2,962	2,978	372	2.34	870.48	108.81	108.81	652.86
Dec.	570	398	2,632	2,804	351	2.34	821.34	102.67	102.67	616.00
Jan./56	398	290	2,580	2,688	336	2.34	786.24	98.28	98.28	589.68
Feb.	290	585	3,099	2,804	351	2.34	821.34	102.67	102.67	616.00
Mar.	585	598	3,668	3,655	457	2.34	1,069.38	133.67	133.67	802.04
April	598	660	4,173	4,111	514	2.34	1,202.76	150.35	150.35	902.06
May	660	658	4,692	4,694	587	2.34	1,373.58	171.70	171.70	1,030.18
June	658	885	4,748	4,521	565	2.34	1,322.10	165.26	165.26	1,110.92
July	885	729	4,904	5,060	633	2.34	1,481.22	185.15	185.15	1,221.42
Aug.	729	541	4,468	4,656	582	2.34	1,361.88	170.23	170.23	1,102.14
Sept.	541	433	3,858	3,966	496	2.34	1,067.04	145.08	145.08	870.48
Oct.	433	327	3,538	3,644	456	2.34	994.50	124.31	124.31	745.88
Nov.	327	584	2,671	2,414	302	2.34	706.68	88.34	88.34	530.00
Dec.	584	562	2,055	2,077	260	2.34	608.40	76.05	76.05	456.30
Jan./57	562	400	2,388	2,550	319	2.426	773.89	96.74	96.74	580.41
	16,534	16,576	92,648	92,606	11,580		\$27,315.99	\$3414.52	\$3414.52	\$20,486.95

Director of Mines

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

The California Standard Company -

March 14, 1957.

Flood Unit No. 3, Document No. 51,298;
Equity Agreement, Document No. 52,113.

In accordance with the agreement contained in your memorandum of March 11, enclosed, herewith, suggested Recommendation-to-Council, granting the Minister authority to enter into water flooding agreements. This Recommendation has been drafted in accordance with the advice of Mr. Rae H. Tallin, Departmental Solicitor with the Legislative Counsel Branch.

Schedules A and B include all agreements which have been completed, as it was considered advisable to confirm the agreements entered into before Section 68 of "The Mines Act" came into force.

Document Nos. 51,298 and 52,113 are returned, herewith, for the Minister's signature after approval of the Recommendation-to-Council.



J. S. Richards.

JSR:DB

Encs.

Agreements for Water Flooding Entered Into,
as per Schedule A:

Document Nos. 8,924; 11,085; 12,674; 51,649; 51,727.

Mines and Natural Resources,

, subsection (1), of Section 68 of "The Mines Act", being Chapter 166 of the Revised Statutes, as the section was enacted by Chapter 1 of the Statutes of Manitoba, 1955, provides as follows:

"68. (1) The Lieutenant-Governor-in-Council may authorize the minister to enter into an agreement for the injection, storage, recycling, or reproduction, in or from an underground formation, of any mineral substance or water."

AND WHEREAS, The California Standard Company has instituted a water flooding program with a view to securing the most economic recovery of oil and natural gas from certain lands in the Daly Field;

AND WHEREAS, the said water flooding program, mentioned in Schedules A and B, comprises the entering into "water Flooding Unitization Agreements" which pool, consolidate, and assign certain oil and natural gas interests owned by the Crown, and other owners of oil and natural gas rights;

AND WHEREAS, the Minister of Mines and Natural Resources has entered into the agreements, described in the Schedule A hereto, with the persons who are parties to those agreements;

AND WHEREAS, the Minister of Mines and Natural Resources wishes to enter into the agreements, mentioned in Schedule B hereto, with the persons who are parties to those agreements;

AND WHEREAS, it is considered that the provisions of the said agreements will result in a better recovery of oil and natural gas from the said lands;

AND WHEREAS, it is deemed expedient and advisable to confirm and ratify the agreements mentioned in Schedule A hereto, and to authorize the minister to enter into the agreements mentioned in Schedules A and B.

, the agreements entered into by the Minister of Mines and Natural Resources, are mentioned in Schedule A, to ratified and confirmed, and that the Minister of Mines and Natural Resources be authorized to enter into the agreements mentioned in Schedule A.

SCHEDULE A

Agreements for Water Flooding Entered Into

By the Minister of Mines and Natural Resources

1. Agreement, dated the Fifteenth day of May, 1953,
respecting the wells described as:

Calstan Daly 10-1A, 14-1, 15-1, 16-1;
Calstan Daly Prov. 2-12;

and marked "Document No. 8924";

2. Agreement, dated the First day of November, 1954,
respecting the wells described as:

Calstan Daly Prov. 8-11, 4-12, 5-12,
6-12, 12-12;

and marked "Document No. 11,085";

3. Agreement, dated the Seventh day of January, 1956,
respecting the wells described as:

Calstan Daly 1-14, 2-14, 8-14;
Calstan Daly Prov. 6-11, 9-11, 10-11,
11-11, 12-11, 14-11,
15-11, 16-11, 4-13;

and marked "Document No. 12,674";

4. Agreement, dated the Seventh day of January, 1956,
respecting the wells described as:

Calstan Daly 2-14;
Calstan Daly Prov. 14-11, 3-14;

and marked "Document No. 51,649";

5. Agreement, dated the Eleventh day of January, 1956,
respecting the wells described as:

Calstan Daly 13-12;
Calstan Daly Prov. 16-11, 4-13;

and marked "Document No. 51,727".

SCHEDULE B

Agreements for Water Flooding Into Which
The Minister of Mines and Natural Resources wishes to Enter

1. Agreement, dated the Twenty-sixth day of May, 1956,
respecting the wells described as:

Calstan Daly 14-1;
Calstan Daly Prov. 2-12, 3-12, 4-12;

and marked "Document No. 51,298";

2. Agreement, dated the Twenty-first day of December, 1956,
respecting the wells described as:

Calstan Daly 13-1, 16-1;
Calstan Daly Prov. 1-12, 4-12;

and marked "Document No. 52,113".

INTER-DEPARTMENTAL
MEMORANDUM



PROVINCE OF MANITOBA

FROM J.G. Cowan
Deputy Minister

TO Mr. J.S. Richards
Director of Mines

ATTENTION _____

SUBJECT The California Standard Company -
Flood Unit No. 3, Doc.No.51,298-
Equity Agreement, Doc.No.52,113.

DATE March 11, 1957.

I have your memo of March 1 in connection with the above matter and I would suggest that salt water disposal wells be left entirely with the Conservation Board. As these Orders are approved by the Minister I would think that would be the better practice even if Section 68(1) appears to be wide enough to cover salt water disposal wells.

It would appear that the authority should be obtained for the Minister to approve of the present agreement and also the agreement that was signed after Sec. 68(1) was enacted. There would be no objection to the one Order-in-Council covering both.

P.C. to: Mr. M. J. Robert

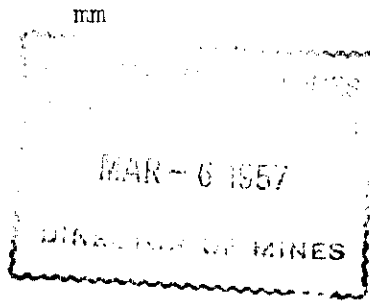
Senior Petroleum Engineer

J.G. Cowan.

JGC/mm

March 6, 1957.

is requested over the telephone this morning.



Document 52112 ✓

1/2 12-10-28

✓ 1/2 1-10-28 ✓ X

calls 13-1 1-12 ✓ X
4-12 ✓ 16-14 ✓

Document 5-248 ✓

✓ 1/2 12-10-28

✓ 1-10-28

calls 3-12 ✓ X
0-12 ✓ 14-10 ✓
2-12 ✓

234 $\frac{1}{4}$

248 $\frac{1}{4}$

237 - 1

696

256 $\frac{1}{4}$

260 -

June 1953

710

709

Feb 1954

W. A. Robert

J. S. Richards

The California Standard Company
Holy Field - Water Flood
Water Flooding - Unitization Agreements

March 4, 1957.

In accordance with your recent request, the following
analysis of all the above agreements filed in this office may
be of assistance:

<u>Company</u> <u>Acct. No.</u>	<u>Pooled Area</u>	<u>Well/Location</u>	<u>Effective Date</u>
8924	N/2 1-10-28 S/2 12-10-28	10-1: 14-1: 16-1 <u>15-1: 2-12</u>	May 15, 1952
11,385	NW/4 12-10-28 ✓ SE/4 11-10-28	4-12: <u>5-12: 6-12:</u> <u>12-12: 8-11</u>	Nov. 1, 1954
12,674	NE/4 10-10-28 SW/4 11-10-28 N/2 11-10-28 SW/4 13-10-28 Sec. 14-10-28	6-11: 9-11: 10-11: 11-11: <u>12-11: 14-11:</u> <u>15-11: 16-11: 4-13:</u> <u>1-14: 2-14: 8-14</u>	Jan. 7, 1956 S 1/2 10-10-28 N 1/2 11-10-28
52,649	side agreement	14-11: 2-14: <u>3-14</u>	Jan. 7, 1956
52,727	side agreement	<u>16-11:</u> 13-12: 4-13 ✓	Jan. 11, 1956

Well locations shown as underlined are "producers", whereas
others are water injection wells.

J. Robert

NE 1/4 11-10-28
NW 12-10-28
SW 13-10-28
S 1/2

Director of Mines

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

The California Standard Company -
Flood Unit No. 3, Doc. No. 51,298 -
Equity Agreement, Doc. No. 52,113.

March 1, 1957.

As you are aware, the original water flooding agreement, which included a re-allocation of production from, and to, certain wells by reason of the flooding, was approved by the Minister of this Department, on behalf of the Crown. At this time, it was agreed that the Minister had the power to execute such agreements.

However, Section 68 (1) of An Act to amend The Mines Act, Cap. 45, S.M. 1955, which came into force April 1, 1955, provides:

"68 (1) The Lieutenant-Government-in-Council may authorize the minister to enter into an agreement for the injection, storage, recycling, or reproduction, in or from an underground formation, of any mineral substance or water."

It would, therefore, appear that authority should be obtained for the Minister to approve the above agreements, forwarded with my memorandum of February 27th. It would also appear desirable to confirm by Order-in-Council any similar agreements which have been signed on, or after, April 1, 1955.

Kindly advise if you agree, and if all such agreements may be included in one Recommendation-to-Council.

The wording of Section 68 (1) is so broad that it would appear to also include salt water disposal wells. To date, the Conservation Board has been operating under the authority of clause (f) of subsection (8) of Section 59 of this Act. Board Order No. 354D, a copy of which is enclosed, was issued by the Board and approved by the Minister. The Board has since authorized individual salt water disposal wells under the authority of Section 4 of this Order. As Section 59 and Section 68 appear to conflict, your advice would be appreciated.

J. A. Richards.

JSR:lm
Enc.

c.c. Mr. M. J. Gobert, Senior Petroleum Engineer.

March 1, 1957.

Mr. N. R. Williams,
Box 192,
Virden, Manitoba.

Dear Mr. Williams:

In reply to your letter of February 23rd, in respect to Water Flood Unit Agreements, in particular that in relation to 3-12-10-28 W.P.M., I have to advise that this agreement, and also the agreement in respect to 4-12 and 13-1, has just been received in this office.

I would be pleased to advise you further as soon as we have had an opportunity to review these agreements.

Yours very truly,

J. S. Richards,
Director of Mines.

JSR:lm

Virden Man
Box 192

February 28 1957.

Mr. J. S. Richards
Dept of Mines & Minerals
Winnipeg.

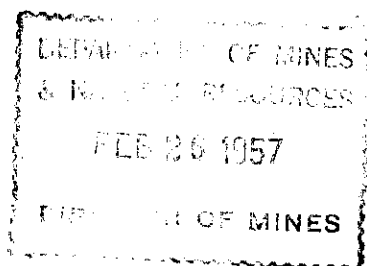
Sir:
Re. Water Flood Unit Agreement on 3-12-10-28.
we wish to reassure you that we nor any of
interested parties have changed our minds in any way.
We understand that the agreement on 3-12 has
been completed for some time except that we
have not received our share, though it has been
turned in to your department.

The agreement on 4-12 and 13-1 is that when
4-12 is put down to water then we will relinquish
a share of 13-1.

We repeat that we feel that these are two
separate agreements and should be completed
in turn.

Yours Very Truly

H R Williams



Director of Mines

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

The California Standard Company -
Flooding Unit No. 3, Doc. No. 51,298 -
Equity Agreement Cal. Stan. Daly
13-1 and 12-1, Doc. No. 52,113.

February 27, 1957.

Enclosed herewith, for completion by the Minister,
the following:

1. Six copies of completed agreement with respect to Flooding Unit No. 3 covering Cal. Stan. Daly 3-12, Document No. 51,298.
2. Four copies of completed agreement with respect to equity adjustment covering Cal. Stan. Daly 13-1 well and Cal. Stan. Daly 1-12 well, Document No. 52,113.

These documents have been reviewed and appear to be entirely in order.

You will recall that we have been trying to complete the first document for approximately twenty-one months.

The second document was considered necessary in order to protect the Crown's interest at such time as Cal. Stan 4-12 (10-28) well is converted to water flood.

The first agreement will require a considerable back payment of royalty by the Crown to M. R. Williams. Approximately eighteen months ago, it was agreed that this Department would forward a cheque to California Standard with the request that they distribute the money to the royalty holders. This would still appear to be the most desirable procedure as, I understand, Mr. Williams has sold a considerable part of his royalty interest. In the interim, the amount owing by the Crown will be calculated.

It is assumed, as in the past, that all copies will be returned to this office on completion for return to the company.

J. G. Richards.

JSR:lm

c.c. Mr. M. J. Gobert, Senior Petroleum Engineer.



THE CALIFORNIA STANDARD COMPANY

D. M. JOHNSTON
LEGAL COUNSEL

February 21, 1957.

CALGARY, ALBERTA

Mr. J. S. Richards,
Director of Mines,
Department of Mines and Natural Resources,
WINNIPEG, Manitoba.

Dear Sir:

I now enclose herewith as follows:

- (1) Six copies of completed agreement with respect to
Flooding Unit No. 3 covering Cal. Stan. Daly 3-12; (Dec. 51 258)
- (2) Four copies of completed agreement with respect to
equity adjustment covering Cal. Stan. Daly 13-1 well
and Cal. Stan. Daly 1-12 well. (Dec. 52113)

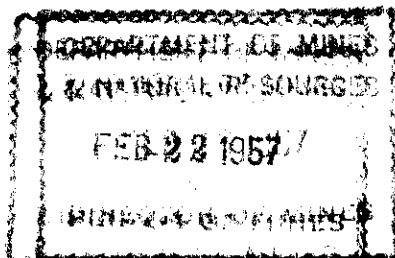
The other outstanding matters will be reviewed shortly.

I trust that you will now find yourself in a position to
execute both agreement and release the moneys held with respect
to Daly 3-12. If we can be of any assistance in the accounting
adjustment, please advise.

Yours very truly,

D. M. Johnston
D. M. JOHNSTON.

Encls.





THE CALIFORNIA STANDARD COMPANY

D. M. JOHNSTON
LEGAL COUNSEL

CALGARY, ALBERTA

February 19, 1957.

Mr. J. S. Richards,
Director of Mines,
Department of Mines and Natural Resources,
WINNIPEG 1, Manitoba.

Dear Sir:

Re: N. R. Williams.

The subject agreement is presently being executed by this Company and should be forwarded to you by the end of this week. It has just been returned from California where it was executed by Mr. R. T. Perry. The agreement was returned to this office by our Brandon office a week or ten days ago.

With best personal regards,

Yours very truly,

D. M. Johnston
D. M. JOHNSTON.

February 18, 1957.

Mr. D. M. Johnston,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Mr. Johnston:

Enclosed herewith, copy of a letter received
from Mr. N. R. Williams in respect to Water Flood Unit No. 3.

As you are aware, we do not agree with Mr.
Williams' remarks in respect to 13-1-10-28 and 4-12-10-28,
and it was my understanding that he was quite willing to
enter into the reciprocal sharing of royalties in respect
to 1-12-10-28.

However, I would appreciate it if you would
advise me immediately as to the present status of these
various agreements, and if there is any opportunity for
early completion. We feel that this matter should be fina-
lized immediately.

Yours very truly,



J. S. Richards,
Director of Mines.

JSR/lm
Enc.

February 18, 1957.

Mr. N. R. Williams,
Box 192,
Virden, Manitoba.

Dear Mr. Williams:

This will acknowledge receipt of your letter of February 13th, in respect to the Water Flood Unit Agreement and the well 3-12-10-28 W.P.M.

I do not understand your statement that the agreements between 13-1-10-28 and 4-12-10-28 have absolutely no relation to the agreement on 3-12-10-28. During your last visit to my office it was my understanding that you agreed that, if the agreement was completed in respect to 3-12-10-28, a part of this agreement would be a settlement of royalties between 13-1-10-28 and 4-12-10-28. I should be pleased to be advised if you and the other interested parties have changed your minds in regard to this latter sharing of royalties.

In the meantime, I will forward a copy of your letter to Mr. D. M. Johnston, requesting that he advise as to the status of these various negotiations.

Yours very truly,

J. S. Richards,
Director of Mines.

JSR/lm

Mr. Richards
Dept. of Mines

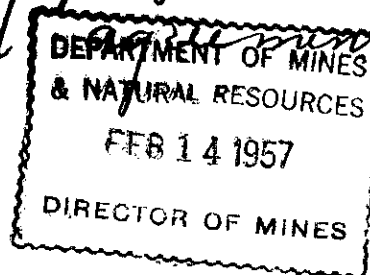
Box 192

Warden Man
Feb. 13 1957.

Sir:-

Re: agreement on Water Flood Unit on
3-12-10-28. We have just been advised by
Mr. Carl Younger of Brandon Cal Standard office.
that above agreement has been completed, but
is still being withheld because of a delay
in completion of agreements on 13-1-10-28 and
4-12-10-28 also 1-12-10-28

These are absolutely separate agreements
and we hereby request your advice to
Mr. Johnson of Standard office Calgary to
release the payment of royalties involved
in completed agreement.



H R Williams

November 5, 1956.

Mr. H. G. Nicholson,
Vice-President,
Secretary and Treasurer,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Sir: Attention: Mr. D. M. Johnston

You will recall that on August 10th, you advised that you planned to clear up all outstanding equity problems including Water Flooding Unit No. 3.

Mr. N. R. Williams called at this office today and showed me a letter from your company stating that the Water Flooding Unit No. 3 had not been completed because "to date the Manitoba Government has not executed the Agreement." Mr. Williams naturally took this to mean that the Crown had refused to sign the agreement. When our position in respect to 4-12 was explained, Mr. Williams agreed that it was entirely reasonable and that he thought this matter was included in the agreement.

As you are aware, this agreement has now been dragging for about a year and a half; we would request that every effort be made to finalize it immediately.

On many occasions your company has stated its intention to convert 4-12 to injection. Would you kindly advise if this conversion is going forward.

Yours very truly,


J. S. Richards,
Director of Mines.

JSR:lm

c.c. Mr. M. J. Gobert,
Senior Petroleum Engineer.

COPY

THE CALIFORNIA STANDARD COMPANY

November 1, 1956.

District Office
153-8th Street
BRANDON, Manitoba

Mr. Norman Richard Williams,
Virden, Manitoba.

Dear Sir:

Re: Water Flood Agreement #3.

In accordance with our recent discussion regarding the status of this Water Flooding Unitization Agreement, I have contacted our Calgary Office and have been advised that to date the Manitoba Government has not executed the Agreement. Apparently there are further equity agreements necessary before the Government will sign with R. Perry.

I trust that this information will be of some value to you in your proposed discussion with the Government.

Yours very truly,

THE CALIFORNIA STANDARD COMPANY

"C. H. Young"

C. H. Young

CHY/mn

THE CALIFORNIA STANDARD COMPANY

H. G. NICHOLSON
VICE-PRESIDENT,
SECRETARY AND TREASURER

CALGARY, ALBERTA

August 10th, 1956.

Model Engineering

Mr. J. S. Richards,
Director of Mines,
Department of Mines and Natural Resources,
Mines Branch,
WINNIPEG 1, Manitoba.

Dear Sir:

Re: Water Flooding Unit No. 3

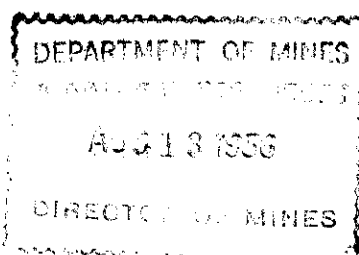
I acknowledge receipt of your letter of July 31st, 1956, in connection with Water Flooding Unit No. 3 Agreement. Due to some oversight within our company organization the letters referred to did not come to my attention.

Consequently, I plan to discuss all the outstanding equity problems in the south with our Mr. Swanson and clear these up with a new agreement which will take care of the requirements outlined by Mr. Greenlay in his letter to Mr. Perry.

I will write you further as soon as I have had an opportunity to review the matter with Mr. Swanson.

Yours very truly,

H. G. Nicholson
H. G. NICHOLSON



July 31, 1956.

Mr. H. G. Nicholson,
Vice-President,
Secretary and Treasurer,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

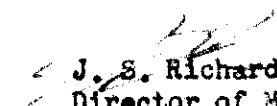
Dear Sir: Attention: Mr. D. M. Johnston

We are returning herewith, six copies of
Water Flooding Unit No. 3 Agreement, forwarded with your
letter of July 28th.

Your attention is directed to a letter of
June 21st from the Honourable Charles E. Greenlay to Mr.
R. T. Perry, Santa Barbara, California. In this letter,
Mr. Greenlay states that this Department is agreeable to
signing the said Water Flooding Agreement "provided that,
when 4-12 is converted to water flood, this well shares in
the production from 13-1." A copy of this letter was for-
warded to Mr. G. L. Knox.

A similar statement was made in a letter
over my signature, dated April 23rd, to Mr. H. W. How, a
copy of which was forwarded to Mr. C. D. Mims.

Yours very truly,


J. S. Richards,
Director of Mines.

JSR/lk
Encs.
Registered.

THE CALIFORNIA STANDARD COMPANY

H. G. NICHOLSON
VICE-PRESIDENT,
SECRETARY AND TREASURER

CALGARY, ALBERTA

July 28th, 1956.

REGISTERED

Mr. J. S. Richards,
Director of Mines,
Department of Mines and
Natural Resources,
WINNIPEG, Manitoba.

Dear Mr. Richards:

Re: Water Flooding Unit No. 3.

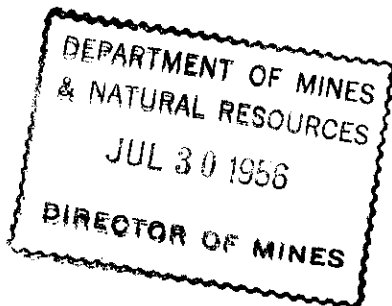
We enclose herewith, duly executed by all subscribers, six copies of Water Flooding Unit No. 3 Agreement. It would be appreciated if the Minister could now execute the Agreement and return five copies to this company for disposal.

If our Accounts Division can be of any assistance in the required adjustment, please advise.

Yours very truly,

H. G. Nicholson
H. G. NICHOLSON

Enclosures



July 5, 1956

Mr. R.T. Perry,
2801 State Street,
SANTA BARBARA, California,

Dear Sir:

Re: Water Flooding
Unit #3

In September of last year this Company and yourself had some considerable correspondence over the formation of water Flooding Unit #3 in the Daly Field, and were unable at that time to reach a satisfactory understanding under which you felt you would be able to sign the proposed agreement covering Unit No. 3.

Since our correspondence at that time, this Company has applied for and secured Government permission to convert our Daly 4-12 into a water injection well. A shortage of water has delayed actual conversion. We understand from Mr. Richards that you have been inquiring as to when you might expect an adjustment in respect of the production from Daly 3-12 well.

While from a purely legal point of view, it is not necessary, the Department of Mines and Minerals would prefer a signed agreement between itself, this Company and the freehold mineral owners covering this problem and accordingly, we have re-drawn Page Two (2) of the agreement previously submitted to you, to provide for the change of status of Daly 4-12 well. The signatures of all other interested parties who have been contacted to date have now been secured and we enclose six (6) copies of the agreement in the hope that the changed conditions which now exist may be such that you will feel able to sign the said agreement as revised.

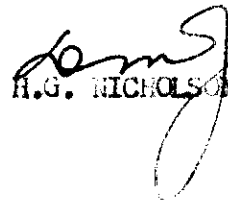
Should you decide to sign, the witness before whom you sign the documents should take one of the Affidavits of Execution which appear at the rear of the document, before a Notary Public in and for the particular County of the State of California in which you reside. The consent of one other mineral interest owner must also be obtained.

Cont'd.....2

July 6, 1956

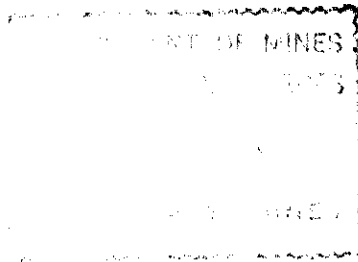
If, when you have completed the documents, they could be returned to this office for further handling, it would be appreciated.

Yours very truly,


H.G. NICHOLSON

Encls.
DMJ/mo

cc - Mr. J.S. Richards



THIS AGREEMENT between THE CALIFORNIA STANDARD COMPANY, (hereinafter called "Operator"), and Norman Richard Williams, Virden, Manitoba, Richard Truman Perry, Estevan, Saskatchewan, John Clifford Cory, Virden, Manitoba, John Wesley Clarke, Virden, Manitoba, William L. Franke, Brandon Manitoba, Elizabeth Gwen Franke, Brandon Manitoba, and Her Majesty the Queen, in the right of the Province of Manitoba, represented by the Minister of Mines and Natural Resources, (hereinafter called "Subscribers").

WHEREAS under and by virtue of an agreement dated May 15, 1953 (hereinafter called "the first agreement"), Operator and Subscribers entered into an agreement whereby the Mississippian formation underlying the North half of Section One (1) and the South half of Section Twelve (12), both in Township Ten (10), Range Twenty-eight (28), West of the Principal Meridian, was unitized for the production of oil and natural gas; and

WHEREAS Brandon Exploration Company has assigned its entire interest under the first agreement to Operator; and

WHEREAS under and by virtue of an agreement dated November 1, 1954 (hereinafter called "the second agreement"), between Operator and Subscribers named in the second agreement, the Mississippian formation underlying the South East quarter of Section Eleven (11) and the North West quarter of Section Twelve (12), both in Township Ten (10), Range Twenty-eight (28), West of the Principal Meridian were added to the area unitized under the first agreement; and

WHEREAS Operator has conducted experimental waterflooding operations under the first and second agreements, and as a result of such operations Operator desires to form a third waterflooding unit as outlined in the map attached as Schedule "A" hereto; and

WHEREAS the Minister of Mines and Natural Resources of the Province of Manitoba has consented to the formation of the third waterflooding unit upon the following terms and conditions;

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

1. Pursuant to Section Six (6) of the first agreement, Operator gives notice that Operator proposes to form Flooding Unit No. 3 as outlined on Schedule "A" hereto, effective as of December 1, 1954.
2. Pursuant to Section Six (6) of the first agreement, Operator gives notice that Operator has secured the permission of the Department of Mines and Natural Resources to the conversion of Daly 4-12 to a water injection well pursuant to the terms of the first agreement, and Operator further undertakes that whenever water in sufficient quantities is available to Operator, Daly 4-12 well shall be converted to a water injection well within the meaning of the first agreement.
3. Operator proposes to allocate production from Daly 3-12 well as and from December 1, 1954 as follows:

Freehold Lease No. 1187, N.R. Williams	1/8
Manitoba Provincial Lease No. 31	6/8
Manitoba Provincial Lease No. 9	1/8

and Operator further gives notice that Flooding Unit No. 3 will be deemed to be composed as follows:

Freehold Lease No. 1187, N.R. Williams	10 acres
Manitoba Provincial Lease No. 31	60 acres
Manitoba Provincial Lease No. 9	10 acres

Operator and The Minister of Mines and Natural Resources covenant with Subscribers to readjust back to December 1, 1954 royalties already paid under a previous allocation. Such readjustment shall be made upon the execution of this agreement by Subscribers.

4. The Minister of Mines and Natural Resources hereby consents to the formation of Waterflooding Unit No. 3 under the provisions of Section 196 of the Regulations under The Mines Act covering exploration, development and production of oil and natural gas in Manitoba.

5. Subscribers acknowledge receipt of notice of the formation of Waterflooding Unit No. 3, and agree that the allocation of production as set out in Section Three (3) hereof is correct and agree that the acreages set out in respect of Waterflooding Unit No. 3 shall be deemed to be correct for all purposes hereunder.

6. The terms and conditions of the first agreement are made by reference a part hereof, and except as expressly amended shall continue to apply to all operations upon Waterflooding Unit No. 3.

7. 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 original hereof shall be construed together as one instrument. This agreement shall bind and enure to the benefit of any and all Subscribers who may execute this agreement or a counterpart or ratification hereof, regardless of whether all the owners of petroleum, natural gas and related hydrocarbons and royalty interests 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.

8. This agreement shall bind and inure to the benefit of the Operator and Subscribers hereto, and their respective successors, assigns, heirs and legal representatives as provided in the first agreement.

IN WITNESS WHEREOF this agreement is executed by the respective Subscribers and Operator as of the 26th day of May, A.D. 1956. J.R.W.
RTI

THE CALIFORNIA STANDARD COMPANY

Per: T. L. Kropf
President

Per: J. H. Swanson
Vice-President

Signed by the said NORMAN RICHARD WILLIAMS in the presence of

Henry W. Shaw

Signed by the said RICHARD TRUMAN PERRY in the presence of

Richard T. Perry

Signed by the said JOHN CLIFFORD CORN in the presence of

John W. Clarke

Signed by the said JOHN WESLEY CLARKE in the presence of

John W. Clarke

Signed by the said WILLIAM L. FRANKE in the presence of

W. L. Franke

Signed by the said ELIZABETH GWEN FRANKE in the presence of

Elizabeth Franke

Signed Sealed and Delivered in the presence of

J. R. Williams
Under Man
Address

Richard T. Perry
C/O CANADIAN BANK OF COMMERCE
ESTERON, SASK.
Address

J. H. Swanson
Box 23 VIRDEN, MANITOBA
Address

John W. Clarke
343 Conway St. St. James
Winnipeg 12, Manitoba
Address

W. L. Franke
255-14th St
Brandon, Man
Address

Elizabeth Franke
255-14th St
Brandon
Address

The Minister of Mines and Natural Resources

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, landman
(occupation)

MAKE OATH AND SAY:

1. THAT I was personally present and did see John Clifford Cory & Norman
Richard Williams ^{are} personally known to me to be the persons
named in the within instrument, who ~~was~~ personally known to me to be the persons
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 Clifford Cory & Norman R. Williams ^{they are each} and ~~know~~ 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 21st
day of June
A.D. 1958

[Signature]
A Commissioner for Oaths in and
for the Province of Manitoba.
My Commission expires May 9th, 1958.

[Signature]

AFFIDAVIT OF EXECUTION

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

I, Henry Walter How City Brandon of the landman of Brandon in the Province of Manitoba, (occupation)
MAKE OATH AND SAY:

John W. Clarke

1. THAT I was personally present and did see _____
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 Brandon in the Province of Manitoba, and that I am the subscribing witness thereto.

John W. Clarke

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

SWORN BEFORE ME at the city Brandon
of _____ in the Province of Manitoba, this 21st
day of May
A.D. 1958

Henry Walter How

John W. Clarke
A Commissioner for Oaths in and
for the Province of Manitoba.

May 9th - 1958.

AFFIDAVIT OF EXECUTION

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

I, JACK MENNIN M FARLAND, of the City of
Brandon, in the Province of Manitoba, Landman,
(occupation)

MAKE OATH AND SAY:

1. THAT I was personally present and did see William L. Franke
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 Wassenaar, in the
Province of Manitoba, and that I am the subscribing witness thereto.

3. THAT I know the said William L. Franke 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 11th)
day of June)
A.D. 1956.)

[Signature]
A Commissioner for Oaths in and
for the Province of Manitoba.

my commission expires
May 9th, 1958.

[Signature]

AFFIDAVIT OF EXECUTION

CANADA)
PROVINCE OF MANITOBA)
TO WIT:)

I, JACK MELVIN McFARLAND, of the City of
Brandon, in the Province of Manitoba, Landman,
(occupation)
MAKE OATH AND SAY:

1. THAT I was personally present and did see Elizabeth Gwen Franke
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 Wassenaar, in the
Province of Manitoba, and that I am the subscribing witness thereto.
3. THAT I know the said Elizabeth Gwen Franke and she 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 11th
day of June
A.D. ¹⁹⁵⁶ ~~1955~~ 15

[Signature]
A Commissioner for Oaths in and
for the Province of Manitoba.

my commission
expires May 9th, 1958.

[Signature]

CONSENT BY WIFE OR HUSBAND

I, Ida Marie Williams (~~husband~~) (wife) of Norman Richard Williams, the Subscriber named in the Instrument above or within written, hereby consent to the making of same by (him) (~~her~~)

Dated this 26th day of May A.D. 1956.

Witness: _____ Signature: Ida M. Williams

CERTIFICATE OF ACKNOWLEDGMENT BY WIFE

The above consent was acknowledged before me by Ida Marie Williams wife of Norman Richard Williams apart from her husband, to have been voluntarily executed by her of her own free will and accord, and without any compulsion on the part of her husband. She has further acknowledged that she is aware of the nature and effect of the same.

Dated at the P.O. of Virden in the Province of Manitoba, this 26th day of May A.D. 1956.

Henry W. Shaw
A Commissioner for Oaths within Manitoba
My Commission expires January 12th., 1957

AFFIDAVIT BY MAKER OF INSTRUMENT

CANADA) I, Norman Richard Williams of the
PROVINCE OF MANITOBA) Post Office of Virden in the Province of
TO WIT:) Manitoba, Farmer, make oath and say:

1. That I am the Subscriber named in the Instrument above or within written, and I am of the full age of twenty-one years.
2. ~~That I am the registered owner of the lands described in the within Instrument.~~

OR

- (b) That the woman who consents as wife, to the instrument above or within written, is the wife of me Norman Richard Williams the Subscriber.
- Ida Marie Williams

3. That I am the registered owner of the lands described in the within Survey Agreement.

SWORN before me at the Post Office)
of Virden in the)
Province of Manitoba, this)
26th day of May)
A.D. 1956.

Henry W. Shaw
A Commissioner for Oaths within Manitoba
My Commission expires January 12th., 1957

AFFIDAVIT OF EXECUTION

CANADA) I, Henry W. Shaw of the City
PROVINCE OF MANITOBA) of Brandon in the Province of Manitoba,
TO WIT:) Lawson, make oath and say:

1. That I was personally present and did see the within Instrument and Duplicates thereof duly signed, sealed and executed by Norman Richard Williams of the parties thereto ~~and the within consent duly signed and executed by~~
2. That the said Instrument and Duplicates thereof ~~and consent~~ were executed at the Post Office of Virden, Manitoba.
3. That I know the said party he is and am satisfied that he is of the full age of twenty-one years.
4. That I am a subscribing witness to the said Instrument and Duplicates ~~and consent~~.

SWORN before me at the City)
of Brandon in the)
Province of Manitoba, this)
day of May)
A.D. 1956.

A Commissioner for Oaths within Manitoba,
My Commission expires

AFFIDAVIT OF EXECUTION

CANADA)
PROVINCE OF MANITOBA)
TO WIT:)

I, BARBARA FUKUZAWA, of the CITY of
SANTA BARBARA, in the STATE OF CALIFORNIA Province of Manitoba, STENOGRAPHER,
(occupation)

MAKE OATH AND SAY:

1. THAT I was personally present and did see RICHARD T. PERRY
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 SANTA BARBARA, in the
STATE OF CALIFORNIA
Province of Manitoba, and that I am the subscribing witness thereto.
3. THAT I know the said RICHARD T. PERRY and he is in
my belief of the full age of twenty-one years.

SWORN BEFORE ME at the CITY OF
of SANTA BARBARA in the
STATE OF CALIFORNIA
Province of Manitoba, this 13
day of July
A.D. 1959

Ray Beaudouin

I Commissioner for Oaths in and
for the Province of Manitoba.

My Commission Expires April 3, 1960.

Barbara Fukuzawa

AFFIDAVIT OF EXECUTION

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

I, _____, of the _____ of _____, in the Province of Manitoba, _____, (occupation)

MAKE OATH AND SAY:

1. THAT I was personally present and did see _____
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 _____ 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. 1955.

A Commissioner for Oaths in and
for the Province of Manitoba.

80 ACRES
TOTAL

May 2, 1956.

Mr. H. W. How,
The California Standard Company,
153 - 8th Street,
Brandon, Manitoba.

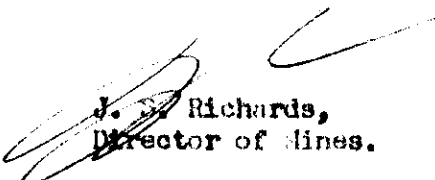
Dear Sir:

This will acknowledge with thanks your letter of April 27th, relative to the Daly Water Flood Unit No. 3 and other water flood agreements.

We must apologize in respect to the agreement pertaining to Daly Prov. 3-14. We have found a copy of this agreement on our files, and regret any inconvenience which may have been created by this request.

We are awaiting with interest receipt of the other agreements mentioned in your letter.

Yours very truly,



J. S. Richards,
Director of Mines.

JH/lk

c.c. to: Mr. M. J. Gobert,
Senior Petroleum Engineer,
with copy of agreement returned herewith.

THE CALIFORNIA STANDARD COMPANY

April 27, 1956.

DISTRICT OFFICE
153 - BIR STREET
BRANDON, MANITOBA

Mr. J. S. Richards,
Director of Mines,
Department of Mines & Natural Resources,
Broadway Government Building,
Winnipeg 1, Manitoba.

Dear Sir:

Re: Daly Water Flood Unit #3.

In reply to your letter of the 23rd instant and further to our subsequent phone conversation, we will amend the agreement covering the above unit and will try and get it signed by all the individuals concerned and then submit it to the Crown.

Your enquiry as to water flood No. 4, 5, etc., be advised that we have after considerable effort obtained instructions to Canada Permanent to sign the agreement on behalf of the parties represented by that Company. After it is completed by Canada Permanent it will have to be submitted to Dominion Minerals, and finally the Crown. It has involved a lot of work to get it this far.

As to the side agreements, be advised as follows:-

- 1) Daly Prov. 3 - 14 -- Calgary advises that a copy of this agreement was sent to you on February 7, 1956. Will you kindly check again to see if this is in your possession.
- 2) Daly 11 - 12 and 13 - 12 -- The equity agreements with respect to these wells have been signed by all local parties and I believe are in the hands of Canada Permanent for completion. I am checking on this at the present time.
- 3) Daly Prov. 1 - 12 -- No agreement covering this has ever been forwarded from our Calgary office. I may say, however, that I have raised the matter ~~with them~~ but no action has been taken.
- 4) Daly 13 - 1 -- As you stated in your letter of the 23rd instant an agreement covering this well should be completed once Daly Prov. 4 - 12 is put on injection.

DEPARTMENT OF MINES
& NATURAL RESOURCES

APR 30 1956

DIRECTOR OF MINES

Yours very truly,

THE CALIFORNIA STANDARD COMPANY

H. W. HOW

HWH/nn

April 23, 1956.

Mr. H. A. How,
The California Standard Company,
151 - 8th Street,
Brandon, Manitoba.

Dear Mr. How:

Re: Daly Water Flood Unit #3

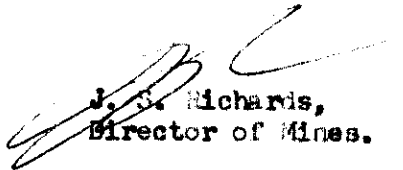
As you are aware, we have deferred answering your letter of March 15th, relative to the above water flood unit, until we had an opportunity of reviewing the problem as a whole. We believe that the agreement, as drawn, is equitable, provided that it is made clear that it terminates as of the date that Daly 4-12 is converted to a water injection well. When this conversion is completed, the Crown should have credited to Daly 4-12 one-eighth of the production from Daly 13-1, if the above agreement is to remain in force.

I would also draw to your attention that this Department has not received any completed agreements in respect to the most recent expansion of the Water Flooding Project.

As you are aware, six copies of the side agreement, in respect to Daly Prov. 3-14, were completed by the Crown several months ago, but we have not received a copy completed by the other interested parties. No copy of the main agreement has been received, nor have side agreements, in respect to Daly Prov. 1-12, Daly 11-12, and Daly 13-12, been forwarded. We are particularly interested in Mr. Haskett's attitude in respect to the last two wells. Would you kindly advise immediately what progress has been made with these agreements.

The copy of the agreement in respect to Flood Unit #3 is returned herewith.

Yours very truly,


J. S. Richards,
Director of Mines.

JSS:lk

Registered

c.c. to: Mr. C. D. Mims,
Vice-President, Producing,
The California Standard Company,
Calgary, Alberta.

Mr. M. J. Gobert,
Senior Petroleum Engineer.

J.S.R Mar 22

Seems OK.

Side agreements
or Equity agreements
are a good idea

R

THE CALIFORNIA STANDARD COMPANY

DISTRICT OFFICE
153 - 8th STREET
BRANDON, MANITOBA

March 15th, 1956.

Mr. J.S. Richards,
Director of Mines,
Department of Mines and Natural Resources,
Broadway Government Building,
Winnipeg 1, Manitoba.

Dear Sir:-

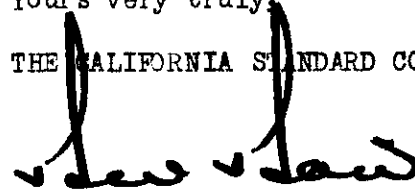
Re: Daly Water Flood Unit #3

In accordance with our phone conversation of this date, I enclose copy of the agreement respecting the above water flood unit as originally drawn. You are going to peruse it and let us have your views as to any amendments which should be made. I have in pencil, indicated an adjustment to paragraph 2 on page 2. In replying will you return this copy of the agreement and indicate any views you have with regard to Daly 4-12 well.

I should mention at this time that Mr. Williams while in the office today, raised some question about Daly 1-12 well and whether a part of its production should be credited to his lease 1188. He makes the same point with regard to East Daly Prov. 13-6 well now being drilled, just East of his 16-1 well, should it be a producer. We also pointed out to Mr. Williams that when Daly 4-12 is converted to injection that the Crown could claim a share of the production from Daly 13-1 well. If you agree on the merits of the latter suggestions I presume that Equity Agreements along the lines of the ones we are presently working out on the North West Quarter of 12 could be drawn up.

Yours very truly,

THE CALIFORNIA STANDARD COMPANY



H. W. HOW

HWH*mc

Encl.

c.c. - head office - lease file & reading file

February 29, 1956.

Mr. C. D. Mims,
Vice-President,
Producing Department,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Mr. Mims:

We are in receipt of a letter from Mr. H. W. How, dated February 27th, advising that the agreement in respect to Daly Water Flood Unit No. 3 was never completed owing to the fact that Daly Prov. 4-12 has never been flooded.

This came as a complete surprise to us, as after rather lengthy correspondence, initiated by you, we had agreed as to the date from which Flooding Unit No. 3 should be considered to be in existence and the method of adjusting the royalty payments to Mr. Williams; the last communication, I believe, being on July 29, 1955, over my signature. At no time was the 4-12 well mentioned, except during informal discussions between officials of your company and this Department. In these discussions it was agreed that 4-12 should remain as a producing well for some time, but with the understanding it would have to be converted to an injection well before too long. As you are also aware, an application to convert 4-12 to an injection well was received and approved by the Oil and Natural Gas Conservation Board some time ago.

Messrs. Williams, Cory, and others were recently in this office discussing the overall problem. While Mr. Williams stated that he had not signed the agreement in respect to Flood Unit No. 3, he at no time said he had refused to sign because 4-12 was not converted to injection. However, he did state that he considered that 4-12 should be converted and appeared satisfied when advised that an application had been received and apparently it was your intention to proceed with this conversion.

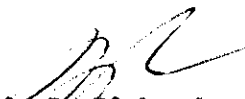
In other words, I believe Mr. Williams will sign the agreement in respect to Flood Unit No. 3 as soon as you convince him that 4-12 is being converted to injection.

2, Mr. C. D. Mims, February 29, 1956.

As this matter was first submitted for consideration last May, we feel that it should be finalized as soon as possible. Would you kindly advise what action will be taken.

In regard to the last paragraph of Mr. How's letter referring to agreements respecting wells on the fringe of proposed units, it is noted that no reference is made to the main agreement covering the most recent expansion. Would you kindly advise when we may expect to receive a copy.

Yours very truly,



J. S. Richards,
Director of Mines.

JSR:lk

c.c. to: Mr. H. W. How,
The California Standard Company,
153 - 8th Street,
Brandon, Manitoba.
Mr. J. G. Cowan, Q.C.,
Deputy Minister.

Mr. M. J. Gobert,
Senior Petroleum Engineer.

THE CALIFORNIA STANDARD COMPANY

DISTRICT OFFICE
153 - 8th STREET
BRANDON, MANITOBA

February 27th, 1956.

*cc mg. 9
no intervention
refused to sign*

Mr. J.S. Richards,
Director of Mines,
Department of Mines & Natural Resources,
Room 21, Broadway Government Building,
Winnipeg 1, Manitoba.

Dear Sir:-

Re: Daly Water Flood Unit #3.

In reply to your letter of the 1st. instant, I find that the Agreement covering the above was never completed. We obtained the signatures of John C. Cory and John W. Clarke who had fractional mineral interest in the lands affected. However, Norman Williams, R.T. Perry, Mr. & Mrs. Franke, and the Crown (Manitoba) have never signed the same. I believe that it was some objection to the Agreement because Daly Prov. 4-12 well has never been flooded and yet the Agreement made no allowances for this in the disposition of production.

Perhaps therefore you can now indicate what, if any, adjustment is going to be made by the Crown in this regard, and with this information we might now approach the un-signed parties and see if they will execute the Agreement. I am sorry that I did not check up on this when I was last speaking with you as I think I indicated that the Agreement has been finalized, and that we could therefore furnish you with a copy.

As to the Equity Agreement respecting wells on the fringe of existing or proposed units, we hope to have these completely signed within a matter of three weeks and will be pleased to furnish you with copies.

Yours very truly,

THE CALIFORNIA STANDARD COMPANY

H. W. HOW

HWH:mc

c.c. - head office - lease file
- reading file

February 1, 1956.

Mr. H. W. How,
The California Standard Company,
153 - 8th Street,
Brandon, Manitoba.

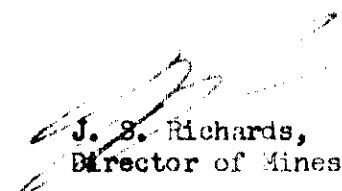
Dear Mr. How:

Many thanks for your letter of January 30th and the information contained therein. However, I believe that there are two items in my letter of January 24th to which you do not make reference.

As previously stated, this office does not appear to have received a copy of Water Flooding Unitization Agreement in respect to Flood Unit No. 3 nor a copy of the main agreement covering the most recent expansion of the Water Flooding Project, of which the Water Flood Equity Agreement recently submitted form additions thereto.

We would appreciate having some idea when we may receive copies of these two agreements.

Yours very truly,



J. S. Richards,
Director of Mines.

JSR/lk

INTER-DEPARTMENTAL
MEMORANDUM



PROVINCE OF MANITOBA

FROM J.G. Cowan
Deputy Minister


TO Mr. J.S. Richards
Director of Mines

ATTENTION _____

SUBJECT Water Flood Utilization Agreement

DATE November 18, 1955

I have your memo of October 14th enclosing suggested letter to Mr. Mims of California Standard. I would suggest that the letter might well go forward.


J.G. Cowan.

JGC/mm

Director of Mines

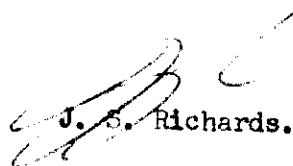
Mr. J. G. Cowan, Q.C.,
Deputy Minister.

Water Flooding Unitization Agreement.

November 14, 1955.

Enclosed herewith, copy of a letter received from
Mr. C. D. Mims, The California Standard Company, together
with a suggested draft reply thereto.

Will you kindly advise if this letter should be
forwarded to Mr. Mims.


J. S. Richards.

JSR:lk
Enc.

November 14, 1955.

Mr. C. D. Mims,
Vice-President, Producing,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Mr. Mims:

The following comments are offered in reply to your letter of November 7th, relative to the terms of the "Water Flooding Utilization Agreement".

We realize that Section Fourteen of the agreement stipulates that all Operators are subject to all laws, regulations, etc. of the Province of Manitoba, but felt that the several phrases giving the company the right to further expand the flood programme could be interpreted to mean that the Minister of Mines and Natural Resources was, in advance, giving the consent necessary under Section 196 of the Regulations for any such expansion. We feel that the agreement should make clear to all subscribers that this is not intended.

As you state, the internal offset may not be a factor if all wells are drilled prior to the extension of the flooding units. However, we feel that, should the company elect to complete only a part of the proposed programme, it should not be relieved of its internal offset obligation. We also believe that the company should not be relieved of its drill-out obligation.

We were not aware that the suggested method of sharing royalty was a "standard practice of the Conservation Boards across the three Prairie Provinces" and would appreciate being advised where this practice has been followed.

You will recall that the initiative in creating Flood Unit #3 was taken by you on May 2, 1955, because "we feel that in fairness to Mr. M. R. Williams and his assigns, we should inquire from you as to whether you would be willing to have us form Flooding Unit No. 3".

As previously stated, we feel that the acceptance will immediately create problems identical to that which necessitated the creation of Flood Unit No. 3. However, should you believe that our proposal leads to

2--Mr. C. D. Mims, November 14, 1955.

similar inequities we will be pleased to discuss the matter at anytime which is mutually convenient.

We realize the difficulty in going back to the royalty holders who have signed the original agreement. However, if the water flooding is successful, as it appears to be, it will not be long before other operators are involved and, consequently, we feel that now is the time to determine if our suggestions have any merit.

Yours very truly,



J. S. Richards,
Director of Mines.

JSR:lk

c.c. to: Mr. J. G. Cowan, Q.C.,
Deputy Minister.

c.c. to: Mr. M. J. Gobert,
Senior Petroleum Engineer.

THE CALIFORNIA STANDARD COMPANY

C. D. MIMS
VICE-PRESIDENT
PRODUCING

CALGARY, ALBERTA

November 7, 1955.

Director of Mines,
Department of Mines & Natural Resources,
Mines Branch,
WINNIPEG, Manitoba.

Attention: Mr. J. S. Richards

Water Flood Agreement

Dear Sir:

We acknowledge receipt of your letter dated October 3, 1955 and wish to comment as follows on the points raised therein.

We had hoped that section 14 of the said agreement would have been found by you to have been a sufficient qualification of any phrases in the agreement which the Department might have found objectionable. This section reads as follows:

"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."

However, it is apparent from your letter that we have not sufficiently distinguished between Her Majesty the Queen in the right of the Province of Manitoba as a landowner, and Her Majesty the Queen as a regulatory body. Consequently, although we would prefer to leave the existing agreement worded as it is, we would be willing to enter into a separate agreement with the Minister in his capacity as a regulatory body by which it would be quite clear that The California Standard Company submitted itself to the jurisdiction of the regulations in every particular.

November 7, 1955.

Your second point dealt with internal offsets. This clause applies only to offset obligations which might otherwise arise between freehold and Crown leases which had been unitized. The present development of the field indicates that this is not likely to become a factor, as wells would probably be drilled prior to the extension of flooding units in question. We regard it, however, as desirable in our dealings with freehold lessors. We would be willing to cover this point in the separate agreement with the minister in his capacity as a regulatory body. We will arrange in any further draft of the agreement to see that the official names of the wells appear in the agreement.

Your next point was that the present method of sharing royalty created inequities. Our submission is that in the partial unitization of a field, inequities are probably inevitable no matter which method of sharing royalties is used. The entire basis of the present agreement reflects a standard practice of the Conservation Boards across the three Prairie Provinces whereby a spacing unit is drained by a well drilled at or near the centre. In addition, rightly or wrongly, the initial agreement started out on the present basis. We, quite frankly, do not wish to go back to all the royalty holders who have signed the original agreement, and we feel that if flooding units are formed on any other basis than as at present, we will have to do so at considerable expense and difficulty. We would suggest that, everything considered, the maintenance of an 80-acres spacing unit drained by a single well at the centre is desirable from every point of view.

We have hesitated in the past to urge problems of equity or inequity upon the Crown, as it was our feeling that these matters were better dealt with as they arose. We would not like to be in a position where it might be suggested that the company had asked the Crown to give up something to which the Crown was entitled. If, however, the problem of equities is an important one to the Crown, and you would prefer to deal with the problem of equities before they arise, we would suggest as follows:

- (a) That the spacing unit of 80 acres drained by a single well in the centre be maintained; and
- (b) That wherever the Crown feels an inequity to exist, we attempt to take a supplementary agreement between the royalty owners involved which would apply until the full 80-acre spacing unit was formed. We would ask, however, that insofar as the supplementary agreements were concerned, that the initiative in each case come from the Crown, and that the Crown request the agreement.

We should also like to advise that we are prepared to convert California Standard Dally 4-12 to an injection well at any time with your approval. We should also like to have your approval of any new draft agreement prior to submitting it to the royalty owners, as it would be rather pointless to

Mr. J. S. Richards

- 3 -

November 7, 1955.

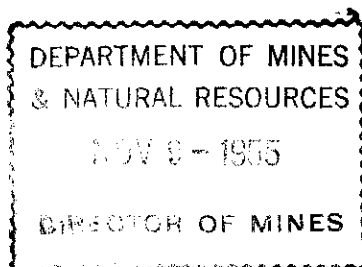
take around an agreement which the Crown was not prepared to execute. It would be all right with us if the Crown executed the agreement last so long as the Crown had approved the form prior to submission to the other royalty holders.

Would you please advise at your earliest convenience if the solutions we have proposed would substantially meet your objections.

Very truly yours,



C. D. MIMS.



July 29, 1955.

Mr. C. D. Mims,
Vice-President, Producing,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Mr. Mims:

This will acknowledge receipt of your letter of July 12th, enclosing a draft of the proposed agreement in respect to Water-flooding Unit No. 3, and enquiring as to the method to be followed to adjust the royalties paid to this Department from December 1, 1954, to the present on production from the Daly 3-12 well.

In regard to the adjustment of royalties, I have to advise that the Department would prefer the suggestion proposed in your alternative (c), namely; that the refund be made to your company, which would then distribute it to the royalty holders. When the agreement has been signed by all the interested parties, we will proceed with the necessary royalty adjustment.

Yours very truly,


J. S. Richards,
Director of Mines.

JSR:lk

c.c. to: Mr. J. G. Cowan, Q.C.,
Deputy Minister.

INTER-DEPARTMENTAL
MEMORANDUM



PROVINCE OF MANITOBA

FROM J. G. Cowan,
Deputy Minister.

TO Mr. J. S. Richards,
Director of Mines.

ATTENTION _____

SUBJECT Flooding Unit No. 3.

DATE July 25th, 1955.

I have your memorandum of July 19th enclosing copy of Mr. Mims letter to you of July 12th and also copy of the proposed agreement, etc.

I note that in addition to Mr. N.R. Williams there are quite a number of other parties who are also interested in the distribution of royalties. I was in error, under the impression that the refund would be made to Mr. N.R. Williams. Presumably, however, Mr. Williams has sold certain interests to R.T. Perry, J.C. Cory, J.W. Clarke, William L. Franke, and Elizabeth Gwen Franke.

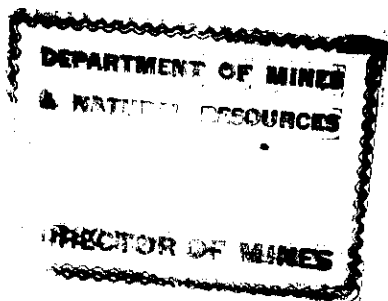
While alternatives (a) and (b) entail less work, etc. for the Department, it does seem to me that a refund of this nature should perhaps be approved by order-in-council in order to protect departmental officials, etc.

I would therefore suggest that you notify Mr. Mims that we prefer alternative (c).

As I assume we have no information on our files regarding the interests of the respective parties, the suggestion that the refund be made to the company and that they then distribute it to the royalty holders, appears to me to be satisfactory.


J. G. Cowan.

JGC:GB



Director of Mines

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

Flooding Unit No. 3.

July 19, 1955.

Enclosed herewith, copy of a letter dated July 12, 1955, from The California Standard Company and enclosed draft of the proposed agreement covering Waterflooding Unit No. 3.

This agreement appears to be satisfactory, provided that you consider that the wording is adequate. I am assuming that, although this appears as a draft agreement, it could be signed by the Minister, if satisfactory to you.

You will note that the company offers three alternatives in respect to the adjustment of royalties already paid to the Department from December 1, 1954 to the present on the production from the Daly 3-12 well. The choice would apparently be simply a matter of which is acceptable to the Provincial Treasurer. Scheme (a) would appear to involve the least work on the part of the Department, but possibly from the accounting point of view, it would be preferable to adopt either (b) or (c).



J. S. Richards.

JSR/lk

THE CALIFORNIA STANDARD COMPANY

Return

C. D. MIMS
VICE-PRESIDENT
PRODUCING

CALGARY, ALBERTA

July 12, 1955.

FLOODING UNIT No. 3

Mr. J. S. Richards,
Director of Mines,
Department of Mines
and Natural Resources,
WINNIPEG, Manitoba.

Dear Sir:

We enclose herewith draft of proposed agreement covering Waterflooding Unit No. 3. A map similar to the enclosed would be attached to the agreement. We propose to secure execution of this agreement by subscribers if approved by you.

If the proposed agreement is satisfactory will you so advise and also advise as to how the Department would wish to handle the adjustment of royalties already paid to the Department from December 1, 1954 to the present on production from Daly 3-12.

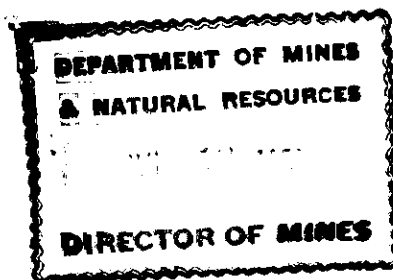
There appear to be three alternatives:

- (a) This company could advance the ascertained sum, and recover out of future royalties payable to the Crown;
- (b) This company could advance the ascertained sum, and bill the Department for the balance;
- (c) The Department could refund the ascertained sum to the company, which could then distribute it to the royalty holders.

Whichever method best suited your accounting methods would be acceptable to the company.

We would like to have the agreement signed by the subscribers prior to distributing the money.

Yours very truly,



Encls.

C. D. MIMS

C. D. MIMS.

Director of Mines

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

> Proposed Flooding Unit No. 3.

June 30, 1955.

In reply to your memorandum of June 27th, relative to the above mentioned subject, I have to advise that it was not our intention to reopen the matter of royalty divisions, which form part of the agreements in respect to Flooding Units No. 1 and No. 2, but that the matter of royalty division should be reviewed before any new agreements were concluded, in respect to any expansion of the present flooding area.


J. S. Richards.

JSR:lk

c.c. to: Mr. M. J. Gobert,
Senior Petroleum Engineer.

INTER-DEPARTMENTAL
MEMORANDUM



PROVINCE OF MANITOBA

FROM J.G. Cowan
Deputy Minister

TO Mr. J.S. Richards
Director of Mines
ATTENTION _____

SUBJECT Proposed Flooding Unit No. 3

DATE June 27, 1955.

I am enclosing herewith copy of Mr. Mims' further letter to me in connection with this matter. It will be noted that Mr. Mims has some reservations in connection with the suggestion that the whole matter of royalty division be reconsidered. He appears to be of the opinion that all parties are reasonably satisfied with the present arrangement. If so, I doubt if we should disturb the present arrangement.

J.G. Cowan.

JGC/mm
Enc.

C O P Y

THE CALIFORNIA STANDARD COMPANY

Calgary, Alberta

June 22, 1955.

Mr. J. G. Cowan,
Deputy Minister,
Department of Mines & Natural Resources,
WINNIPEG, Manitoba.

Dear Sir:

PROPOSED FLOODING UNIT NO. 3

Thank you for your letter of June 20, 1955.

In suggesting a date of May 1, 1955 as a cut off date, you will understand that I was merely setting out a date for accounting purposes, if the Department were agreeable to forming a third unit. The equities of the situation are between the Department and Mr. Williams. This company as operator has no desire to suggest what those equities are.

I would draw to your attention, however, with respect to Mr. Kinsley's second suggestion that so long as the present limits of the Daly field are undefined, and water flooding is in an experimental stage, apparent inequities may exist from time to time in the division of royalties. As water flooding expands these inequities will disappear. We must also keep in mind that the reservoir in the Daly field is a complex one, and its characteristics may vary from area to area in the field. Some parts may not benefit from the application of water flooding, or may benefit to differing degrees. The other thing I would also mention is that the present method of dividing royalties has been acceptable to nearly all the persons with whom we have dealt, and that a change might necessitate recontacting all the persons who have signed the agreements to date.

As the major portion of our next proposed expansion will be on presently undrilled Crown owned leases, we do not anticipate that the question of equities will arise in the immediate future, as it has in this case.

The Department will be hearing from us shortly.

Yours very truly,

"C.C. MIMS"

CDM:DMc

June 29, 1955.

Mr. C. D. Mims,
Vice-President, Producing,
The California Standard Company,
Medical Arts Building,
Calgary, Alberta.

Dear Sir:

Would you kindly advise if you are proceeding with the preparation of an agreement on Flooding Unit No. 3, as intimated in your recent correspondence with Mr. J. G. Cowan.

Yours very truly,



J. S. Richards,
Director of Mines.

JSR:lk

COPY

June 20, 1955.

Mr. C.D. Mims,
Vice-President, Producing,
California Standard Company,
Calgary, Alberta.

Dear Mr. Mims:

Re: Proposed Flooding Unit
No. 3 -- Daly Field

I have your letter of June 13 in connection with the above matter. When I received your letter of May 2 I referred the matter to Mr. Richards and he has intimated that his reply to me was held until Mr. Kinsley had an opportunity to prepare an estimate of the recovery which would have been obtained from the Daly 3-12 well had the flooding not been carried out.

Mr. Richards has now replied to me at some length and in his communication states that he and the other members of the Conservation Board are in agreement with Mr. Kinsley's comments which he summarizes as follows:

" 1. In equity, Mr. Williams should be paid his royalty from December 1, 1954, as if Flooding Unit No. 3 had been formed at that time. Mr. Mims' suggested date of May 1 does not appear logical because, if any redress is proper, it should date at least from the commencement of the process creating the reason for the redress which is Flooding Unit No. 2.

2. That the whole matter of royalty division, and the possible inclusion of wells adjacent to flooding wells but outside the flooding units, as presently constituted, should be reconsidered before the approval of any expansion of the flooding programme. "

I am assuming that the officials of the Department and your officials can work out the necessary adjustments in the accounts, etc. If a refund is coming to Mr. Williams, which appears to be the case

2.

we may well have to submit a Recommendation under The Treasury Act to obtain authority for the necessary refund. This is, however, a detail which should be worked out in our Accounts branch.

I should perhaps mention that, approximately 10 days ago, Mr. Williams called me on the telephone intimating that he was coming to Winnipeg and asked if he could see me. Mr. Williams called at the office and he, of course, questioned the fairness of the present division. He quite frankly stated that he had signed the documents after they were fully explained to him and that he likely had no redress at law. He expressed the hope, however, that the Department would deal fairly with him.

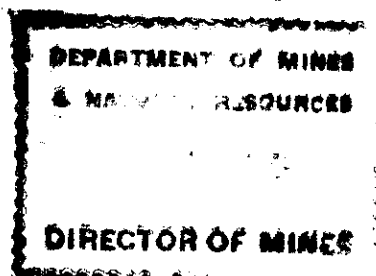
By the time he called at the office I had Mr. Richards' report and was able to intimate to him that the matter was under consideration. Mr. Williams appears to be a very reasonable man and he was quite satisfied when advised that the matter had been raised by your company and was already under consideration.

Yours very truly,

J.G. Cowan,
Deputy Minister.

JGC/mm

cc. Mr. J.S. Richards, ✓
Director of Mines.



Director of Mines.

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

> The California Standard Company,
Flooding Unit No. 3.

June 8th, 1955.

This will acknowledge receipt of your reply, dated May 6th to Mr. C. D. Mims' letter of May 2nd, relative to the above subject.

Our reply has been deferred until Mr. Kinsley had an opportunity to prepare an estimate of the recovery which would have been obtained from the Daly 3-12 well, had the flooding not been carried out. Mr. Kinsley's estimate and comments are quoted in full.

"The California Standard Company has suggested that Flood Unit #3, which is now a physical fact, be formed for accounting purposes. In the interest of equity, the unit should be formed and the agreement backdated to December 1, 1954.

"From the inception of Flood Units #1, in August, 1953, and #2, in December, 1954, to the end of May, 1955, the Calstan Daly #3-12 well has benefitted by an estimated increase in production of 48,000 bbls. (Table 1). Since Flood Unit #2 was formed the Crown has received, from the 3-12 well, nearly \$6,000 of Royalty payment of which approximately \$730 would have gone to Mr. Williams, the lesser of the California Standard Williams lease #1187 had Flood Unit No. 3 been in December 1, 1954. (Table 11 enclosed).

"Decline curves constructed show that the #3-12 well would have produced about 23,000 bbls., under normal methods, between July 1, 1953 and May 31, 1955, while the actual production was 70,832 bbls. Between July 1, 1953 and December 1, 1954, the comparable figures are about 19,000 bbls. and actual 51,588. Thus about 32,000 bbls. of increased production was caused by Flood Unit #1 and Units 1 & 2 combined to increase production by about 15,000 bbls.

"Under the present system of Flood Units, wells offsetting injection wells outside the Flood pattern may benefit from the flood but contribute nothing to the cost. As was noted previously (memo to J. S. Richards, Mar. 29/55), a new approach to Flood Unit allocation of oil production should be made. Since the present units, 1 & 2, have been agreed to, the 4-12 well conversion approved in principal, the Flood Unit #3 a physical fact, there is probably no legal grounds for change but if any future Flood Units are created, consideration should be given to an alteration in allocation of production from wells offsetting injection wells."

2-- Mr. J. G. Cowan, Q.C., June 8th, 1955.

The other members of the Conservation Board and I are in agreement with Mr. Kinsley's comments which may be summarized as follows:

- (1) In equity, Mr. Williams should be paid his royalty from December 1, 1954, as if Flooding Unit No. 3 had been formed at that time. Mr. Mims suggested date of May 1st does not appear logical because, if any redress is proper, it should date at least from the commencement of the process creating the reason for the redress which is Flooding Unit No. 2.
- (2) That the whole matter of royalty division, and the possible conclusion of wells adjacent to flooding wells but outside the flooding units, as presently constituted, should be reconsidered before the approval of any expansion of the flooding programme.


J. S. Richards,

JSR/lk

c.c. to: Mr. M. J. Gobert,
Senior Petroleum Engineer.

TABLE II

Value of Royalty paid by Leaseholder
and distribution of Royalty if Unit #3
formed with Unit #2

<u>Month-Year</u>	<u>Wells Production</u>	<u>Royalty \$ (A)</u>	<u>1/8 Share to Williams</u>	<u>1/8 Share to Prov. Lease #9</u>	<u>1/8 Share to Prov. Lease #31</u>
Dec./54	2856	957	120	120	717
Jan./55	2602	831	104	104	624
Feb./55	2773	849	106	106	637
Mar./55	3292	963	120	120	720
Apr./55	3434	1004	125	125	754
<u>May /55</u>	<u>4287</u>	<u>1254</u>	<u>157</u>	<u>157</u>	<u>940</u>
Totals	19,244	5,858	732 ✓	732 ✓	4,394

(A) - approximate

File
↓

**File Memorandum re Daly Water Flood Unitization Agreements
and Equity Adjustment Agreements:**

**1. Water Flooding Unitization Agreement - Virden Flooding Unit No. 1
(file 50,621) dated May 15, 1953.**

Pooled Lands: - NW $\frac{1}{4}$ 1, NE $\frac{1}{4}$ 1, SE $\frac{1}{4}$ 12, SW $\frac{1}{4}$ 12,
all in Twp. 10, Rge. 28, WPM

Wells Drilled: - Daly 13-1
14-1
15-1
10-1A
2-12
3-12
4-12
5-12
6-12
7-12
All in Twp. 10, Rge. 28, WPM

Wells to be converted
to water injection: - Daly 2-10
10-1A
14-1

Wells to be drilled solely
for water injection: - Daly 16-1

Flooding Unit No. 1
Producing well: - Daly 15-1

**2. Water Flooding Unitization Agreement No. 2
(file 51,039) dated November 1, 1954, Expansion Agreement.**

Existing Pooled area: N $\frac{1}{2}$ 1, S $\frac{1}{2}$ 12, Expansion to include NW $\frac{1}{4}$ 12,
in Twp. 10, Rge. 28, WPM SE $\frac{1}{4}$ 11, in Twp. 10, Rge. 28, WPM

Wells Drilled: - Daly 1-11
2-11
8-11
11-12
12-12
14-12

Wells to be converted
to water injection: - Daly 12-12
6-12
8-11

Wells to be converted to water
injection in the future: - Daly 4-12

Producing Well: - Daly 5-12
(Water Flood Unit No. 2)

✓ Expansion Agreement - Flooding Unit No. 3
(File 51,298) Dated May 26, 1956

Injection Wells: - Daly 2-12
6-12
14-1

Producing Well: - Daly 3-12

Allocation of Production:

Freehold Lease 1187, M.R. Williams	-	1/8
Manitoba Prov. Lease No. 31	-	6/8
Manitoba Prov. Lease No. 9	-	1/8

Incorporates the terms and conditions of the first agreement.
Royalties adjusted back to December 1st, 1954.

4. Expansion Agreement - Water Flood Units 4, 5, 6 & 7.
(File 12,674) - Dated January 7, 1956.

Existing Pooled Area: - NE $\frac{1}{4}$ 1, SE $\frac{1}{4}$ 11, NW $\frac{1}{4}$ 12, S $\frac{1}{4}$ 12,
all in Twp. 10, Rge. 28, WPM

Expansion to include: - NE $\frac{1}{4}$ 10, SW $\frac{1}{4}$ 11, N $\frac{1}{2}$ 11, SW $\frac{1}{4}$ 13, all of 14,
all in Twp. 10, Rge. 28, WPM

Wells Drilled or to be drilled:	Daly 9-10	Daly 3-13
	10-10	4-13
	3-11	5-13
	4-11	6-13
	5-11	1-14
	7-11	3-14
	9-11	7-14
	11-11	8-14
	13-11	9-14
	15-11	16-14

Injection Wells:	-	Daly 6-11	Daly 14-11
		10-11	16-11
		12-11	2-14

Daly 8-14 and 4-13 presently producing oil wells
to be converted to water.

Producing Wells: - Daly 9-11
11-11
15-11
1-14

Water Field Equity Agreement
(File # 13) dated December 21, 1956:

Provides for allocation of production from Dally 15-1 commencing when 15-12 is converted to water injection as follows:

Household Lease 1187, M.R. Williams - 7/8
 Manitoba Prov. Lease No. 31 - 1/8

Provides for allocation of production from Daly 1-12, effective September 1st, 1955, as follows:

Manitoba Prov. Lease No. 9 - 7/8
Freehold Lease 1188, N.R. Williams - 1/8
(Water Flood Unit No. 8)

Provides agreement to terminate when wells 13-1 and 1-12 become the centre of a flooding unit.

6. Water Flood Equity Agreement
(file 51,649), dated January 7, 1956:

Injection well: - Daily 2-14

Producing well: - Daily 3-14

Allocation of production from Dally 3-14 commencing from date 2-14 goes on injection, as follows:

Manitoba Prov. Lease No. 246	-	6/8
Manitoba Prov. Lease No. 245	-	1/8
Freehold Lease No. 1192, J.M. Young	-	1/8
(Water Flood Unit No. 9)		

Provides agreement to terminate when Daly 3-14 becomes centre of a flooding unit.

7. Water Flood Equity Agreement
(file 51,727) dated January 11, 1956:

Injection wells: - Daily 16-11
 4-13

Producing well: - Daly 13-12
(Water Flood Unit No. 10)

Provides for allocation of production from Dally 13-12 effective as of the date Dally 16-11 and 4-13 go on injection as follows:

Manitoba Prov. Lease No. 55 - 1/8
Freehold Lease 1152, J. Haskett - 1/8
Freehold Lease 3413, G. Haskett - 6/8

Provides agreement will terminate the first day of the month following the date upon which Daly 13-12 becomes the centre of a flooding unit.

Water Flood Equity Agreement
(File 51,726) dated February 10, 1956 - NOT executed.

Injection well: - Daly 6-12

Producing well: - Daly 11-12

Allocates production from Daly 11-12 to be effective when 6-12 goes on
Injection as follows:

Manitoba Prov. Lease No. 31 - 1/8

Freehold Lease 3413, G. Haskett - 7/8

Provides agreement will terminate when California Standard and operators of
Daly 10-12 reach agreement and commence injection into Daly 10-12.