

DEPARTMENT OF MINES
& NATURAL RESOURCES

AUG 17 1971

DIRECTOR OF MINES

PLAN FOR UNIT OPERATION
GOVERNING THE UNITIZED MANAGEMENT
OPERATION AND FURTHER DEVELOPMENT OF
EAST ROUTLEDGE UNIT NO. 1

AMENDMENTS OF OCT 5/71
(Enclosed)

JULY 21, 1971

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EAST ROUTLEDGE UNIT NO. 1

PART I

INTERPRETATION

- References to terms and expressions 1.01 This Plan shall be construed with reference to "The Interpretation Act" and the terms and interpretation of "The Mines Act" and regulations thereunder.
- Definitions 1.02 In this Plan unless the context otherwise requires:
- "Accounting Procedure" (a) "Accounting Procedure" means the rules, provisions and conditions set forth in Part XXVI hereof;
- "Common Account" (b) "Common Account" means the account set up and maintained by Unit Operator on behalf of the Working Interest Owners as provided in Part VIII hereof;
- "Conservation Board" (c) "Conservation Board" or "Board" means the Oil and Natural Gas Conservation Board;
- "Effective Date" (d) "Effective Date" means the hour of seven o'clock in the forenoon, Central Standard Time, on the first day of _____, A.D., 1972;
- "Gas" (e) "Gas" means natural gas both before and after it has been subjected to any processing and includes all fluid hydrocarbons not defined as Oil;
- "Leases" (f) "Leases" means severally and collectively the petroleum and natural gas leases, petroleum leases, natural gas leases, subleases, agreements to grant a lease and any other agreements whether similar or dissimilar to the foregoing covering the lands described in Part XXII hereof;

"Oil"	(g)	"Oil" means crude oil and all other hydrocarbons regardless of gravity, that are or can be recovered in liquid form from a pool through a well by ordinary production methods;
"Operating Committee"	(h)	"Operating Committee" means the committee created pursuant to Part V hereof;
"Outside Substances"	(i)	"Outside Substances" means all substances obtained from any sources other than the Unitized Strata for injection into the Unitized Strata;
"Participating Interest"	(j)	"Participating Interest" means with respect to each Working Interest Owner the sum of the products obtained by multiplying its respective working interest in each Tract by the respective Tract Participation of each such Tract;
"Working Interest Owner"	(k)	"Working Interest Owner" shall mean any owner of an interest in Unit Production by virtue of a lease, operating agreement, fee title, or otherwise, which interest is chargeable with and obligated to pay or bear, all or a portion of the cost of drilling, developing, producing and operating the Unitized Formation. The owner of an unleased interest in Unit Production shall be considered as a Working Interest Owner with respect to 7/8 of such interest and as a Royalty Owner with respect to 1/8 of such interest.
"Royalty Owner"	(l)	"Royalty Owner" shall mean a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest Owner.
"Salt Water Disposal Well"	(m)	"Salt Water Disposal Well" means those wells drilled for the purpose of, or converted to, salt water disposal;
"Spacing Unit"	(n)	"Spacing Unit" means the area allocated by any governmental body having jurisdiction with respect thereto for each well drilled for the purpose of producing Oil and Gas from the Unitized Strata;
"Stock Tank Barrel"	(o)	A "Stock Tank Barrel" means 34.9723 Canadian gallons at Sixty degrees (60°) Fahrenheit.
"Tract"	(p)	"Tract" means each parcel of land described as such and given a Tract number in Part XXII hereof;
"Tract Participation"	(q)	"Tract Participation" means the percentage set forth for each Tract in Part XXIV hereof and described in Part III hereof.
"Unit Area"	(r)	"Unit Area" means and comprises the lands set forth

and describe in Part XXII hereof and included within the boundaries of the solid black outline on the map shown in Part XXIII hereof, insofar as these lands relate to the Unitized Strata.

- "Unit Facilities" (s) "Unit Facilities" means all tangible property of every kind, nature and description (excepting Unitized Substances, Unit Operated Wells, rental equipment and Unit Operator's exclusively owned equipment) in the possession of Unit Operator hereunder acquired from a Working Interest Owner pursuant to the provisions of Part X hereof, together with all facilities and equipment purchased, constructed or acquired by Unit Operator pursuant hereto;
- "Unit Operated Wells" (t) "Unit Operated Wells" means all wells (including wells drilled for the production of Unitized Substances, wells drilled for the purpose of producing water only, wells drilled for the purpose of water disposal and wells drilled for the purpose of pressure maintenance operations or secondary recovery operations) in the possession of Unit Operator hereunder, whether acquired from a Working Interest Owner or drilled by Unit Operator pursuant to the terms hereof, but excluding Unit Facilities in and on the said wells;
- "Unit Operator" (u) "Unit Operator" means the person appointed to manage and conduct the operations hereunder who shall be a Working Interest Owner unless the Operating Committee unanimously otherwise agrees;
- "Unitized Strata" (v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Cherty Zone and which is the same formation encountered between the depths of 2083 feet and 2113 feet as indicated on the electric log in Samadan's West Routledge Prov. 7-11-9-25 located at LSD 7 in Section 11, Township 9 North, Range 25, West of the First Meridian, in the Province of Manitoba.
- "Unitized Substances" (w) "Unitized Substances" means the Oil and Gas that are within or are produced from the Unitized Strata;
- "Well" (x) "Well" means any well within the Unit Area which has been drilled either prior to or after the effective date of the Unit which is deemed necessary by the Operators Committee to effectively perform secondary recovery.

PART II

UNIT OPERATION

- | | | |
|--------------------------|------|---|
| Unit Name | 2.01 | The name of the Unit shall be "East Routledge Unit No. 1" (hereinafter sometimes called the "Unit"). |
| Operation as a Unit | 2.02 | On and after the Effective Date, the respective interest of the Working Interest Owners and Royalty Owners, in and to the Unit Area, the Unitized Strata and the Unitized Substances, shall be unitized for the purposes of carrying out in the Unit Area and the Unitized Strata any and all operations which may at any time and from time to time be deemed necessary or advisable by the Operating Committee for the purpose of preventing waste, obtaining ultimately the greatest possible recovery of the Unitized Substances and accomplishing the more efficient and more economical development and production of the Unitized Substances under prudent and proper operations and practices to the end that all operations for drilling and producing and all other operations in the Unitized Strata may be conducted without regard to the separate Leases or boundary lines of separate Tracts within the Unit Area and as though the Unitized Strata were covered by a single Lease subject to all the terms and conditions hereof. |
| Effect of Unit Operation | 2.03 | Without limiting its general effect, the unitization shall have the following specific effects: |
| Amendment of Leases | (a) | On and after the Effective Date, the terms and provisions of the Leases are hereby amended to the extent necessary to make them conform to the terms and provisions hereof and, the Leases as amended, shall continue in full force and effect. |
| Continuation of Leases | (b) | Any operations conducted with respect to the Unitized Strata, or production of Unitized Substances shall, except for the purposes of determining payments to Royalty Owners, be considered as operations upon or production from each Tract and such operations or production shall operate to continue in force and effect each Lease as if such operations had been conducted and a Well had been drilled on and was producing from each Spacing Unit or portion thereof covered by each Lease. |
| Authority for Operations | 2.04 | The Working Interest Owners are hereby collectively authorized to develop and operate the Unitized Strata without regard to the separate Leases or the boundary lines of separate Tracts within the Unit |

Area, and to drill, use and produce such wells as the Operating Committee deems advantageous to operations on or production from the Unitized Strata, to abandon such wells as they are deemed unnecessary and in general to do all other things that the Operating Committee deems advisable for the purpose of accomplishing the most efficient and most economical development and operation of the Unitized Strata. Without limiting the generality of the foregoing, the Working Interest Owners are hereby authorized to inject Oil, Gas, Water or other outside substances, or any combination of them into the Unitized Strata and from time to time to convert and use as injection wells any Well now drilled or hereafter drilled into the Unitized Strata.

Royalty Owners
Not Obligated to
Pay Unitization
Costs, etc.

- 2.05 Nothing contained in this Plan shall be construed as imposing upon any Royalty Owner any obligation to pay for any of the expenses of the Unitization herein provided for or for any of the costs and expenses incurred in operations hereunder unless such Royalty Owner is obligated to pay for the same by the terms of any Lease.

PART III

TRACT PARTICIPATION

Tract
Participation

- 3.01 The Interim Tract Participation and Final Tract Participation of each Tract is shown in Part XXIV hereof.

Duration of
Interim and
Final Tract
Participation

- 3.02 The Interim Tract Participation of each Tract shall be effective from the Effective Date for a two (2) year period. Following the Interim Tract Participation period the Final Tract Participation shall be in effect thereafter until the termination of this plan.

Determination
of Interim Tract
Participation

- 3.03 The Interim Tract Participation of each Tract is based on 100% of the Current Production Parameter.
- (a) The Current Production Parameter is calculated by dividing the oil production from each Tract for the period of May 1, 1970 to May 1, 1971 by the total oil production from all Tracts during the same period of time.

Determination
of Final Tract
Participation

- 3.04 The Final Tract Participation in the sum of 50% of the Current Production Parameter plus 50% of the Adjusted Cumulative Parameter.
- (a) The Current Production Parameter is defined in Paragraph 3.03(a).
- (b) The Adjusted Cumulative Parameter is composed of three (3) factors; namely Cumulative Oil Production, Cumulative Months Produced, and Water Cut. These are defined as follows:
- (i) Cumulative Oil Production is the total of all oil production up to May 1, 1971.
- (ii) Cumulative Months Produced is the number of months that each well has produced from its inception to May 1, 1971.
- (iii) Water Cut is the total water produced from May 1, 1970 to May 1, 1971 divided by the total oil plus the total water produced for the same period.
- (c) The method of calculating the Adjusted Cumulative Parameter is described as follows:
- (i) The Cumulative Oil Production as defined in 3.04 (b) (i) for each tract is divided by the Cumulative Months Produced as defined in 3.04 (b) (ii) which yields a Cumulative Per Month average.
- (ii) This Cumulative Per Month average is then taken times the quantity of one minus the Water Cut as defined in 3.04 (b) (iii), which yields an Adjusted Cumulative Factor for each Tract. The sum of all the Tract Adjusted Cumulative Factors when divided into the Factor for each Tract yields the Adjusted Cumulative Parameter for each Tract. The sum of all the Adjusted Cumulative Parameters equals One Hundred Percent (100%).

Tract Participations
Equal 100%

- 3.05 The total of the Tract Participation for all Tracts shall at all times equal One Hundred Percent (100%).

Part III
Explanatory

- 3.06 This Part III is explanatory and the Tract Participations shown in Part XXIV shall be deemed to be correctly made in accordance with this Part III.

PART IV

ALLOCATION OF PRODUCTION

Allocation
to Tracts

- 4.01 All Unitized Substances produced and saved shall be apportioned among and allocated to the several Tracts in accordance with their respective Tract Participations. The amount of Unitized Substances so allocated to each Tract, and only that amount regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the Well or Wells, if any, on such Tract, shall for all intents, uses and purposes, be deemed to have been produced from such Tract.

Delivery of
Unitized
Substances
in Kind

- 4.02 The Working Interest Owners entitled to the Unitized Substances allocated to each Tract shall have the right to take such Unitized Substances in kind. Such Working Interest Owners shall have the right to construct, maintain and operate within the Unit Area all necessary facilities for taking production in kind provided the same are so constructed, maintained and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the Working Interest Owner receiving the same. If a Royalty Owner has the right to take in kind a share of Unit Production and fails to do so the Working Interest Owner of such Royalty Owner shall be entitled to take in kind such share of the Unit Production.

Distribution
Within Tracts

- 4.03 The Unitized Substances allocated to each Tract shall be distributed by the Working Interest Owners of such Tract among, or accounted for, to the persons entitled to share in the production from such Tract in the manner provided for in the Lease covering such Tract. The Royalty Owner shall accept royalty calculated on the allocated production in full settlement, satisfaction and discharge of the obligation of any Working Interest Owner to make royalty payments on Unitized Substances under their respective Leases.

Failure to
Take in Kind

- 4.04 To the extent that any Working Interest Owner entitled to take and receive in kind any portion of the Unitized Substances shall fail to take or otherwise adequately dispose of the same currently as and when produced, then so long as such conditions continue, Unit Operator, as agent and for the account and at the expense of such Working Interest Owner may, and upon the instructions of the Operating Committee shall, in order to avoid curtailing the operation

of the Unitized Strata, dispose of such production and the account of such Working Interest Owner shall be credited therewith as having received the same. The proceeds of the sale of the Unitized Substances so disposed of by the Unit Operator shall be paid to the Working Interest Owner entitled thereto. The authority of the Unit Operator to enter into contracts for the sale of such production shall be limited to contracts that are limited in time to the minimum needs of the industry and in any event not exceeding One (1) year. Any Working Interest Owner not taking in kind may revoke at will Unit Operator's authority hereunder by notice in writing to Unit Operator and by taking in kind all of its share of production not previously contracted for sale.

Responsibility for
Royalty Settlements

- 4.05 Any party receiving in kind or separately disposing of all or part of the Unit Production allocated to any Tract, or receiving proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of, and shall indemnify all other parties, including Unit Operator, against any liability for any and all royalties, overriding royalties, production payments, and any and all other payments chargeable against or payable out of such Unit Production or the proceeds therefrom.

Over-Production

- 4.06
- (a) A proper and timely gauge shall be made of all tanks delivered to Unit Operator to ascertain the amount of Oil in such tanks as of the Effective Date. If any Wells producing into such tanks have made more than their cumulative production allowable as set by the Conservation Board, the amount of such over-production of Oil then in such tanks which has been produced from the Unitized Strata shall be deemed to be Unitized Substances. Except as aforesaid the Oil in such tanks shall remain and be at the risk of and be the property of the Working Interest Owner owning the same prior to the Effective Date, and upon request shall be delivered in kind to such Working Interest Owner, or, in the absence of such request, shall be sold by Unit Operator for the credit of and on behalf of such Working Interest Owner at not less than the prevailing wellhead price, and the proceeds thereof shall be paid by the purchaser directly to such Working Interest Owner.
- (b) If any production in excess of the cumulative production allowable of any Tract as of the Effective Date was sold prior to the Effective Date, the Unit Operator during the month or months next following the Effective Date shall withhold from the Unitized

Substances which, except for the provisions of this sub-paragraph, would have been allocated to a Tract or Tracts from which the Oil sold was produced in excess of the cumulative production allowable, an amount equal to such excess production on the Effective Date, and the amount or amounts so withheld shall be reallocated to all of the Tracts in proportion to their respective Tract Participations. Such withholding and reallocation shall be continued until the full amount of any such excess production in respect to any Tract or Tracts has been withheld and reallocated.

- (c) No allowance shall be made to any interested person for any under-production of Oil from its Wells prior to the Effective Date.

Royalty on Outside Substances

- 4.07 If any Outside Substance is injected into the Unitized Strata, any like substance contained in Unitized Substances subsequently produced and sold or used for other than operations hereunder, shall be deemed to be an Outside Substance until the volume of such Outside Substance injected into the Unitized Strata is recovered. No payments shall be due or payable to Royalty Owners on any substance which is deemed to be an Outside Substance.

Use of Unitized Substances

- 4.08 The Working Interest Owner may use as much of the Unitized Substances (excluding Oil) as they deem necessary for the operation and development of the Unitized Strata, including, but not limited to, their injection into the Unitized Strata and in the operation of any plant or plants handling Unitized Substances. No royalty or other payments shall be payable in respect thereto or in respect to Unitized Substances unavoidably lost. Such Unitized Substances so used, injected or lost shall be excluded in allocating production.

PART V

ORGANIZATION OF THE
OPERATING COMMITTEE

Operating Committee

- 5.01 There is hereby created an Operating Committee which shall be composed of One (1) representative of each Working Interest Owner designated as hereinafter provided.

Representative on
The Operating
Committee

5.02 Each Working Interest Owner shall, at least Thirty (30) days prior to the Effective Date, designate by notice in writing to the Chairman of the Conservation Board the name and address of its representative on the Operating Committee and shall further designate an alternate representative, or alternate representatives on the Operating Committee who, in the absence of the designated representative, shall have the rights and powers of such representative. In the event any Working Interest Owner fails to designate a representative on the Operating Committee as aforesaid the Chairman of the Conservation Board shall designate the Working Interest Owner himself as such representative or in the case of a Working Interest Owner that is not a natural person shall designate any member or officer of such Working Interest Owner as such representative.

Organization Meeting
of the Operating
Committee

- 5.03
- (a) The Chairman of the Conservation Board shall, at least Twenty-One (21) days prior to the Effective Date, select the representative of a Working Interest Owner to act as chairman pro tem of the organization meeting of the Operating Committee and shall forthwith forward the name and address of each Working Interest Owner's representative, or alternate representative, or alternate representatives, to the person so selected.
 - (b) The chairman pro tem of the Operating Committee shall call and hold an organization meeting of the Operating Committee prior to the Effective Date.
 - (c) The Operating Committee, at such organization meeting shall appoint the Unit Operator, and the chairman pro tem of such organization meeting shall promptly notify the Chairman of the Conservation Board of such appointment and thereafter the representative of Unit Operator shall act as Chairman of each meeting of the Operating Committee without in any manner restricting or limiting his rights to represent Unit Operator as a Working Interest Owner.

Change of
Representative

5.04 Each Working Interest Owner may change its designated alternate representative or alternate representatives, by notice in writing to the Chairman of the Operating Committee and the Chairman of the Conservation Board. Nothing herein shall preclude Two (2) or more Working Interest Owners from designating One (1) member on the Operating Committee to represent them and to vote and act for them thereon and such member, shall, if so required by his principals cast his vote for each principal separately.

- Voting Interest
- 5.05 Each member of the Operating Committee, in voting on all matters coming before the Operating Committee, shall have a voting interest equal to the Final Participating Interest based on Tract Participation of the Working Interest Owner represented.
- Meetings
- 5.06 The Operating Committee shall meet on the call of Unit Operator, or at the request of a representative of any Working Interest Owner. Unit Operator shall notify all members of the Operating Committee in writing at least Ten (10) days in advance of any meeting of the time and place of the proposed meeting, and of the specific matters affecting unit operations which will be presented, discussed and voted upon at such meeting and no other matters shall be voted upon at such meeting unless each Working Interest Owner is represented thereat and agrees that such further matters may be voted upon.
- Voting by
Telegram, etc.
- 5.07 Any member of the Operating Committee not represented at any particular meeting may vote, by letter or telegram addressed to and received by the Unit Operator prior to the hour fixed for the meeting, on any question presented thereat of which it has been notified. Members so voting shall be considered present as regards such matters on which they so vote, but not for other purposes.
- Polls
- 5.08 Any question within the province of the Operating Committee to decide may be determined in the absence of a formal meeting by a poll of all of the individual representatives. If such poll is taken it shall be conducted by the Unit Operator, either by letter or telegram, and he shall keep a written record of the results and report the results thereof to the Working Interest Owners within a reasonable time, either by notice in writing to each of them, or by report to them at the next meeting. The voting interests necessary to act upon and determine matters or questions submitted by letter or telegram shall be the same as otherwise herein provided for. Such vote shall be made within not more than Fifteen (15) days of the giving of such notice; PROVIDED, THAT, any failure to vote within the stipulated time, shall be considered as an affirmative vote.
- Minutes of
Proceedings
- 5.09 Unit Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each member thereof. Such minutes need not be a verbatim record of all the proceedings, but shall show the names of the representatives present at the meeting, all motions and resolutions offered or acted upon, together with

the results of such action and such other formal action as may be taken by the Operating Committee, and shall include a record of all matters voted on by letter or telegram ballot since the date of the last meeting.

PART VI

POWERS AND DUTIES OF THE OPERATING COMMITTEE

Voting

- 6.01 The Working Interest Owners acting through the Operating Committee and Unit Operator shall carry out the purposes of this Plan and shall determine and decide all matters by concurring vote of members of the Operating Committee representing at least Two (2) Working Interest Owners owning at least Seventy-Five Percent (75%) of the Final Participating Interests based on Tract Participation and such vote shall be binding on all Working Interest Owners; PROVIDED, HOWEVER, if any one Working Interest Owner owns a voting interest of Twenty-Five Percent (25%) or more, and such Working Interest Owner votes against any matter, then the affirmative vote of Working Interest Owners owning at least Ninety Percent (90%) of the remaining voting interest shall decide the matter.* Any abstention or other failure to vote shall be considered as an affirmative vote.

Quorum

- 6.02 At any meeting of the Operating Committee a quorum shall consist of the representatives personally present of not less than Two (2) of the Working Interest Owners having, in the aggregate, Seventy-Five Percent (75%) or more of the Final Participating Interest based on Tract Participation.

Rights Granted the Operating Committee

- 6.03 All rights, powers, privileges and duties hereunder not specifically delegated to Unit Operator or reserved to the individual Working Interest Owners are hereby granted collectively to the Operating Committee. Without limiting the generality of the foregoing, the following rights and powers are granted to the Operating Committee.
- (a) To instruct Unit Operator concerning all Unit Operations for the production of Unitized Substances;
 - (b) To approve or disapprove the drilling of additional wells to the Unitized Strata either for the production of water, Unitized Substances or for injection purposes.
 - (c) Subject to the rights of Unit Operator pursuant to Section 7.04 hereof, to approve or disapprove in

whole or in part each and every estimate and item of expenditure submitted by Unit Operator.

- (d) To appoint an Audit Committee to represent all Working Interest Owners to arrange properly required audits of the accounts of Unit Operator with respect to the operation and development of the Unit Area, approve or disapprove the same and make available to the Working Interest Owners the results of such audit;
- (e) To fill any vacancy occurring in the position of Unit Operator; PROVIDED, THAT, no Unit Operator shall vote to succeed itself in the position of Unit Operator;
- (f) To represent, or determine who shall represent, the Working Interest Owners before any governmental body having jurisdiction with respect to matters pertaining to Unit Operations; PROVIDED, HOWEVER, that this shall never be construed as authorization to speak on behalf of any Working Interest Owner dissenting from the views to be expressed or to prevent any Working Interest Owner from presenting its own view on such matters;
- (g) To appoint and grant powers to such committees as they may deem proper and requisite;
- (h) To approve an annual budget as in Section 8.04 hereof provided;
- (i) To approve the method of disposal of surplus Major Material;
- (j) To amend Part XXVI hereof from time to time whether in whole or in part.

PART VII

POWERS AND DUTIES OF UNIT OPERATOR AND CHANGE OF UNIT OPERATOR

Powers and Duties

- 7.01 Unit Operator shall, subject to the provisions hereof and orders given or imposed by the Operating Committee as herein provided;
- (a) Have exclusive charge, management and control of the development, operation and production of the Unitized Strata, and shall have the right and duty to conduct all operations in connection therewith including, but

not limited to the following: the drilling, operating, maintaining, repairing, suspension and abandonment of all Unit Operated Wells whether for production, injection or water supply, including all wells drilled after the date hereof and wells taken over under the provision hereof; and the installation, construction and operation of Unit Facilities of whatsoever character necessary or convenient for the conduct of operations hereunder;

- (b) Conduct operations in a good and workmanlike manner and in the absence of specific instructions from the Operating Committee shall have the right and duty to act in accordance with what a prudent operator would do under the same or similar circumstances;
- (c) Keep true and correct books, accounts and records of its operations hereunder, and shall furnish to each Working Interest Owner, on or before the Fifteenth (15th) day of each month, a statement of the amount of production from the Unitized Strata, sales and inventory during the preceding calendar month;
- (d) Keep the lands and leases used in connection with Unit Operations free from liens and encumbrances occasioned by its operations, excepting the lien of Unit Operator granted hereunder and excepting liens in connection with which there is a bona fide dispute;
- (e) Freely consult with the Operating Committee and keep it advised of all matters arising in connection with Unit Operations, which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall furnish to the members of the Operating Committee such reports in connection with Unit Operations as the Operating Committee may direct.

Hiring of
Employees

- 7.02 Unit Operator shall fix the number of, hire and dismiss and pay and supervise all employees required for the operations hereunder and shall determine the hours of labor and compensation to be paid to such employees. Such employees shall be the employees solely of Unit Operator.

Letting of
Contracts

- 7.03 Unit Operator shall let all contracts for the drilling, reworking, deepening, plugging back of, or other operations in connection with any Unit Operated Well on a competitive basis at the usual rates and terms prevailing in the area; PROVIDED, HOWEVER, that Unit Operator shall have the right to use its own equipment in carrying out such drilling, reworking, deepening, plugging back of, or other operations in

connection with any Unit Operated Well.

**Unit Operator's
Authority for
Expenditures**

- 7.04 In addition to any expenditures which Unit Operator is specifically authorized to make, Unit Operator is authorized to make an expenditure not in excess of Five Thousand Dollars (\$5,000.00) in respect of any single undertaking without the approval of the Operating Committee. Unit Operator may, without approval of the Operating Committee, take such action and make such expenditures for the Common Account as it may deem necessary in order to protect life or property. Within Ten (10) days after taking any such action or making such expenditures, Unit Operator shall advise the Operating Committee of such action and expenditures.

**Unit Operator
to Have Rights
of Working Interest
Owner**

- 7.05 Unit Operator shall continue to have all the rights, duties and liabilities of a Working Interest Owner in addition to its rights, duties and liabilities as Unit Operator as long as it continues to own a working interest in the Unit Area.

**Change of
Operator**

- 7.06 Unit Operator:
- (a) Shall forthwith cease to act as Unit Operator in the event it should become bankrupt or insolvent, or make any general assignment for the benefit of creditors;
 - (b) May be removed as Unit Operator by an affirmative vote of members of the Operating Committee representing Working Interest Owners, other than Unit Operator, who own at least Eighty-Five Percent (85%) of the remaining Participating Interest;
 - (c) May resign at any time upon Ninety (90) days written notice to the Operating Committee and to the Board.

**Release from
Duties**

- 7.07 In the event of a removal or resignation of Unit Operator pursuant to Paragraphs (b) or (c) of Section 7.06, Unit Operator shall be released from its duties and obligations hereunder at the hour of Seven O'Clock in the forenoon, Central Standard Time on the first day of the calendar month following the expiration of Ninety (90) days from the date of delivery of notice of such removal or resignation, or such earlier date as a successor Unit Operator shall have been designated by the Operating Committee, and shall have assumed the duties of Unit Operator.

Surrender of
Operating
Rights

- 7.08 At the effective time of the release from its duties of any Unit Operator, or upon the selection of a successor Unit Operator, the preceding Unit Operator shall surrender possession of, and deliver to, the successor Unit Operator the exclusive charge, management and control of the development, operation and production of the Unitized Strata and all Unit Operated Wells, Unit Facilities, common funds in the possession of Unit Operator and all production, if any, which has not theretofore been delivered in kind, or sold, copies of all pertinent books of account and records of the Unit Operations and all documents, agreements and other papers relating thereto. Upon the transfer and delivery thereof, the preceding Unit Operator shall be released and discharged from and the successor Unit Operator shall assume all duties and obligations of Unit Operator hereunder except the unsatisfied duties and obligations of the preceding Unit Operator accrued prior to the effective time of the change of Unit Operator and for which the preceding Unit Operator shall, notwithstanding its release or discharge, continue to remain liable.

Selection of
Successor Unit
Operator

- 7.09 Forthwith upon the removal or resignation of Unit Operator, or at any time when there is no Unit Operator, the Operating Committee shall select a successor Unit Operator to take office contemporaneously with the effective time of the release from its duties of Unit Operator.

Audit

- 7.10 The Operating Committee shall cause an audit of the accounts of the preceding Unit Operator with respect to the operation and development of the Unit Area to be made forthwith to the effective time of the appointment of a successor Unit Operator.

PART VIII

EXPENDITURES AND LIABILITIES

Common Account

- 8.01 Unit Operator shall set up a Common Account on behalf of the Working Interest Owners for all costs and expenses incurred by it and all monies received by it in connection with the development and operation of the Unit and all of the said costs and expenses shall be charged, and all of the said monies shall be credited to the Working Interest Owners in accordance with the provisions hereof.

Charges to
Common Account

8.02 Subject to the other provisions hereof, all costs, expenses and liabilities, whether contractual or tortious, incurred by Unit Operator on account of the operations hereunder shall be for the Common Account and shall be borne by the Working Interest Owners in proportion to their respective Participating Interests based on Interim Tract Participations or Final Tract Participations, whichever are in effect at the time such costs, expenses and liabilities are paid, except that in the case of capital expenditures such expenditures shall be borne by the Working Interest Owners in proportion to their respective Participating Interests based on Final Tract Participations.

Unit Operator
to Make Initial
Payment

8.03 Unit Operator shall initially pay and discharge all costs and expenses incurred in the operations hereunder. Unit Operator shall bill each Working Interest Owner for its share of all costs and expenses and each Working Interest Owner shall reimburse Unit Operator for its share of such costs and expenses in accordance with the provisions of Part XXVI hereof. Each Working Interest Owner shall pay all such bills within Thirty (30) days after receipt thereof, and should any Working Interest Owner fail to pay its proportionate share of such costs and expenses within the said Thirty (30) day period, the same shall, at Unit Operator's discretion bear interest at the current prime rate of interest quoted by the Chartered Bank in Canada used by the Unit Operator plus One Percent (1%) per annum from the end of the said period until paid, which interest shall be for Unit Operator's sole account, and Unit Operator shall have the right at its option at any time thereafter, such default continuing, to enforce the lien hereinafter provided for upon the respective interest of such Working Interest Owner.

Annual Budget,
etc.

8.04 As soon as practicable after the Effective Date hereof, Unit Operator shall prepare a budget of estimated costs and expenses for the remainder of that calendar year plus the ensuing calendar year, and on or before the first day of each September thereafter shall prepare a budget of estimated costs and expenses for each ensuing calendar year. Such budget shall set forth the estimated costs and expenses by quarterly periods.

Advances to
Unit Operator
- Capital Fund

8.05 Unit Operator, in lieu of advancing monies for the capital expenditures of Unit Operations may, at its election, require the Working Interest Owners to advance their respective proportionate share of such capital expenditures by submitting to each Working Interest Owner on or before the last day

of any calendar month an estimate of such capital expenditures for the succeeding calendar month based on an approved budget of estimated costs and expenses or authority for expenditure together with a request for payment of such proportionate share. Within Fifteen (15) days from the receipt of such request each Working Interest Owner shall pay its proportionate share to Unit Operator. If any Working Interest Owner defaults in respect to such requests for payment, the same shall, at Unit Operator's discretion, bear interest at the current prime rate of interest quoted by the Chartered Bank in Canada used by the Unit Operator plus One Percent (1%) per annum from the end of the said Fifteen (15) day period until paid, which interest shall be for the Unit Operator's sole account. The accounts between the Working Interest Owners shall be adjusted to actual costs by Unit Operator in the monthly statement following the month covered by the estimate.

Advance to Unit Operator - Operating Fund

8.06 Unit Operator, in lieu of advancing monies for the costs and expenses incurred in the maintenance and operation of the Unit Area may, at its election require the Working Interest Owners to advance their respective proportionate share of such costs and expenses by submitting to each Working Interest Owner on or before the last day of any calendar month a request for an operating fund equal to One-Twelfth (1/12th) of the expense as approved in the annual budget of estimated expenditures for the Unit Operation. Within Thirty (30) days from the receipt of such request, each Working Interest Owner shall pay its proportionate share to Unit Operator. If any Working Interest Owner defaults in respect of such request for an operating fund, the same shall, at Unit Operator's discretion, bear interest at the current prime rate of interest quoted by the Chartered Bank in Canada used by the Unit Operator plus One Percent (1%) per annum from the end of the said Thirty (30) day period until paid, which interest shall be for the Unit Operator's sole account. After the establishment of this operating fund, which will be separate from that required in Section 8.05 hereof, and which shall at no time exceed One (1) months estimated expenditures, each Working Interest Owner shall remit to the Unit Operator its proportionate share of each months actual billing within Thirty (30) days of receipt, thus maintaining the operating fund intact. The adequacy of the fund in relation to current expenses will be reviewed annually or more often upon request by a Working

Interest Owner and adjustments made as required.

Unit Operator's
Lien

- 8.07 Unit Operator shall, subject to sub-section 4 (k) (i) (A) and (B) of Section 76 of "The Mines Act", have lien upon the interest of each Working Interest Owner in any unsold Unitized Substances, upon the proceeds of the sale of any Unitized Substances, and upon the interest of each Working Interest Owner in the Unit Facilities and upon the title of each Working Interest Owner to and in the Unit Area and the Unitized Strata. Such lien shall have priority over any lien by any Working Interest Owner.

In the event of the failure of any Working Interest Owner to pay its share of the costs and expenses incurred hereunder when due, as provided herein, Unit Operator shall be entitled at any time, and from time to time, to collect and receive the proceeds of the sale of all or any part of such Working Interest Owner's share of the Unitized Substances, including the proceeds from previously executed sale contracts made by or for such defaulting Working Interest Owner. Unit Operator shall apply all such sums so collected against the defaulting Working Interest Owner's unpaid bills, the excess of such proceeds over the unpaid bills, if any, to be paid to the Working Interest Owner entitled thereto and all sums so applied shall be considered as received from such defaulting Working Interest Owner within the meaning of the provisions contained in Section 8.08 hereof relating to contributions by the other Working Interest Owners to Unit Operator in the case of default in payment when due. Unit Operator may likewise take any other credit due any such defaulting Working Interest Owner pursuant hereto and apply the same against amounts due from such Working Interest Owner. The rights granted to Unit Operator in this Section shall not be construed as exclusive remedies but shall be in addition to all rights, privileges, and remedies afforded Unit Operator by other provisions hereof and by law. Service of a true copy of this Plan shall constitute written authorization on the part of such defaulting Working Interest Owner for such purchaser to pay the proceeds from such sale to Unit Operator during such default, but such purchaser shall not be considered as having been notified of such authorization prior to the time of such service. Books and records kept by Unit Operator with respect to operations hereunder shall constitute conclusive proof of the existence or non-existence of any such default insofar as the right of Unit Operator to collect proceeds from the sale of all or any part of the defaulting Working Interest Owner's share of the Unitized Substances is concerned, subject, however, to all rights of inspection, verification and audit provided herein.

Contributions to
Unit Operator Upon
Failure to Collect
Certain Debts

- 8.08 If Unit Operator shall not have received full reimbursement for any indebtedness that may become due and payable by any Working Interest Owner to Unit Operator after reasonable efforts by Unit Operator to obtain such reimbursement, each of the Working Interest Owners, upon the request of Unit Operator, shall, unless contrary to any then existing law, contribute to the reimbursement of Unit Operator the portion of any such unsatisfied amount equal to the portion that such Working Interest Owner's Participating Interest bears to the total Participating Interests of all of the Working Interest Owners exclusive of the Participating Interest of the defaulting Working Interest Owner; and thereupon, each Working Interest Owner so contributing shall be proportionately subrogated to Unit Operator's rights and lien under Section 8.07 hereof.

Pre-Unit
Expense

- 8.09 Each Working Interest Owner shall pay a part of the reasonable cost, as approved by the Operating Committee, of unitizing the Unit Area in proportion to its Participating Interest.

Commingleing
of Funds

- 8.10 No funds received by Unit Operator hereunder need be segregated by Unit Operator or maintained by it as a joint fund but may be commingled with its own funds.

PART IX

RESPONSIBILITY FOR PAYMENTS

Responsibility
for Payments

- 9.01 Each Working Interest Owner shall pay or be responsible for the payment of and shall indemnify all other Working Interest Owners, including Unit Operator, against any liability for any Lease rentals, taxes, (excepting any taxes assessed on Unit Facilities which shall be paid by Unit Operator and charged to the Common Account), royalties, overriding royalties, oil payments, net profit contracts and all payments out of, or burdens on, the Lease or Leases and Tracts contributed by it and received into the Unit Area.

PART X

DELIVERY OF WELL AND EQUIPMENT

Delivery of Wells

- 10.01 Each Working Interest Owner shall, as of the Effective Date, deliver to the Unit Operator all Wells shown on Part XXIII hereof, together with all information, or true copies

thereof, that it has obtained in connection with the drilling, testing, completing and operating of said contributed Wells, records of the amount of production obtained, and all other information pertinent to the said Wells and Leases of the Working Interest Owners. Each Working Interest Owner shall also deliver to the Unit Operator without compensation, the non-exclusive use of roads, dikes, ditches, fire walls, pits, and fences it holds in connection with its operations in the Unit Area.

Controllable Material 10.02 As of the Effective Date all well and lease equipment used in the normal operation of the Unit as required by the Operating Committee shall be delivered to the Unit Operator.

For the purposes of this Part X "Controllable Material" shall be all material classified as such by the Operating Committee.

"Controllable Material" as herein defined shall not include warehouses, warehouse stocks, lease houses, camps and office buildings, automobiles and other service equipment which shall remain the separate property of the several owners thereof. Also excluded is all casing in the wells as described in Section 10.01.

Appointment of
Inventory Committee 10.03 The Operating Committee shall appoint an Inventory Committee for the purpose of making an inventory of the Controllable Material taken over by the Unit Operator. The Inventory Committee shall proceed to inventory such Controllable Material and shall supply each Working Interest Owner with a copy thereof which shall be binding upon such Working Interest Owner unless it protests or questions such inventory within Fifteen (15) days of the receipt thereof. Such inventories shall then be priced in accordance to the procedures as outlined by the Operators Committee. Copies of these priced inventories will then be furnished to all Working Interest Owners for their approval.

Investment Adjustment 10.04 Upon approval of such inventory and evaluation each Working Interest Owner shall be credited with the value of its interest in all controllable material so taken over by the Unit Operator under Section 10.02 and charged with an amount equal to that obtained by multiplying the total value of all controllable material taken over by Unit Operator under Section 10.02 by such Working Interest Owners Final Unit Participation. If the

charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner the resulting net charge shall be paid and in all respects be treated as any other item of unit expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

- Proceeds from Disposal of Unit Facilities 10.05 The proceeds from disposal of Unit Facilities whether controllable material or otherwise shall be credited to each Working Interest Owner in accordance with its respective participating interest.

PART XI

SURFACE RIGHTS

- List of Easements, etc. 11.01 As soon as reasonably possible after the Effective Date, each Working Interest Owner shall submit to Unit Operator a list of all easements, rights-of-way, surface leases, rights-of-entry and other surface rights with which it holds and which are required in connection with Unit Operations together with particulars thereof, including rentals payable, if any.
- Unit Operator to Advise Surface Rights Required 11.02 Unit Operator shall, as soon as reasonably possible after the receipt of the aforesaid lists, advise each Working Interest Owner in writing which, if any, of its said surface rights will be required for the operations hereunder. Each Working Interest Owner shall upon request in writing by the Unit Operator, assign such rights to Unit Operator. Any such assignment shall, unless contrary to any then existing law, contain a provision permitting the assignor of the same the use thereof for exploration and production operations for strata other than the Unitized Strata without interfering with the Unit Operations.
- Surrender of Surface Rights 11.03 Unit Operator may also from time to time surrender said surface rights, or any of them, that are no longer required for the operations hereunder, provided that Unit Operator shall have cleaned up the surface to the satisfaction of any governmental body having jurisdiction with respect thereto, and; PROVIDED, FURTHER, that Unit Operator shall give the

Working Interest Owner who assigned the same Sixty (60) days notice of surrendering such surface rights and such Working Interest Owner may elect to receive from Unit Operator an assignment of such surface rights. Any surface rights not required for the operations hereunder may be held or disposed of by the Working Interest Owner holding the same in such manner as it may deem fit.

Surface Charges to
Common Account

11.04 After the Effective Date hereof all costs of surface rights required for the operations hereunder and all liabilities accruing in connection therewith shall be for the Common Account.

Fee Simple

11.05 Where a Working Interest Owner holds in fee simple surface rights used in connection with the Unit or where a Working Interest Owner has made arrangements with the owner of any such surface rights for the use of them without cost to such Working Interest Owner, Unit Operator may use the same, provided that such Working Interest Owner shall be entitled to receive as rental therefor an amount commensurate with rentals paid for other surface rights of a like nature in the Unit Area.

Unit Operator May
Acquire Additional
Surface Rights

11.06 Unit Operator shall also have the right to acquire such additional surface rights as are necessary for the operations hereunder, and the expense thereof, including rentals, shall be charged to the Common Account.

Unit Operator may also, with approval of the Operating Committee, enter into an agreement with any Working Interest Owner for the right to share in the use of such Working Interest Owner's surface rights on a basis to be mutually agreed upon between them, and the cost thereof as so agreed shall be charged to the Common Account. Unit Operator may also, with the approval of the Operating Committee enter into agreements with any of the Working Interest Owners or other persons for the non-exclusive use and partial maintenance of any roadways, access road, or similar surface right and the cost or proceeds thereof shall be charged or credited to the Common Account.

PART XII

WARRANTY AND INDEMNITY

Liability for Loss of Title

12.01 Each party who may claim to own a Working Interest or Royalty Interest in and to any Tract or the Unitized Substances allocated thereto, shall be deemed to have warranted its title to such interest, and, upon receipt of the Unitized Substances or the proceeds thereof to the credit of such interest, shall indemnify and hold harmless all other persons in interest from any loss due to failure in whole or in part, of its title to any such interest, except failure of title arising out of Unit Operations; provided that, such indemnity shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Plan of Unitization is concerned, as of the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom as a result of title failure.

Maintenance of Leases

12.02 Each Working Interest Owner shall do all necessary acts and things and make all payments required in order to maintain the Lease or Leases covering the Tracts contributed hereto by it in full force and effect during the term hereof, excepting only obligations arising out of or accruing with respect to the Unitized Strata and not required to be performed by such Working Interest Owner; PROVIDED, HOWEVER, in the event any Working Interest Owner shall fail or refuse to do any act or thing or make any payment required as aforesaid, Unit Operator, with the approval of the Operating Committee, on behalf of and for the Common Account, shall have the right to perform such act or make any such payment so required as aforesaid, and thereupon any monies expended by Unit Operator in connection therewith shall be charged to the account of such Working Interest Owner, and Unit Operator shall have the same rights and privileges with respect to enforcing the payment of such amounts owed by such Working Interest Owner as are given to Unit Operator with respect to any other amount owed by a Working Interest Owner to Unit Operator hereunder.

Liability for Loss
of Title to Wellsite
and Operating Equipment

12.03 Each Working Interest Owner shall be liable to each other Working Interest Owner, including Unit Operator for any and all liability, loss, cost or damage sustained by them and resulting from any claim or any cause of action arising in consequence of any failure or deficiency in such Working Interest Owner's title to any wellsite and operating equipment, or other facility taken over by Unit Operator, or in consequence of any action of such Working Interest Owner with respect thereto.

PART XIII

APPROVAL OF TITLES

Title Committee

13.01 There shall be a Titles Committee appointed by the Operating Committee which shall examine the titles to all Tracts in the Unit Area. Each Working Interest Owner in the Unit Area shall, upon request, submit to the Titles Committee a current historical search of title, together with original or true copies of all Leases, assignments and other contracts and all other title data and information (including title opinions) as may

be requested by the Titles Committee affecting the title to its Tracts within the Unit Area. The Titles Committee shall in writing, and within a reasonable time, recommend to the Operating Committee the approval or disapproval of title documents submitted to them pursuant to this Section. Upon the acceptance of the recommendation of the Titles Committee by the Operating Committee, the title documents accepted shall be deemed to have been approved by the Operating Committee; PROVIDED, THAT, no approval of title documents by the Operating Committee shall be construed as a warranty or certification of title in and to any portion of the Unit Area or the Unitized Substances.

PART XIV

DISPUTES

Disputes and Non-Approved Titles

- 14.01 If there is now or should hereafter be any dispute involving the working interest in a Tract then the Working Interest Owner concerned shall immediately give written notice thereof to Unit Operator and upon the receipt of such written notice or in the event that the Operating Committee does not approve the title documents to any Tract as in Section 13.01 provided, Unit Operator shall:
- (a) Sell the Unitized Substances allocated to the Tract in respect of which the title documents have not been approved by the Operating Committee, or in respect of which the dispute arises;
 - (b) Payout of the proceeds of the sale
 - (i) The portion of the costs and expenses allocated or apportioned to the Tract, and
 - (ii) The amount of money properly payable to the Royalty Owner of the Tract pursuant to the provisions of this Section and the Lease pertaining to the Tract (unless any such dispute involves the ownership of the royalty interest in the Tract) and such payment shall be deemed conclusively to be a payment by the person who is subsequently declared to be the owner of the working interest in such Tract on a final determination of the dispute;

- (c) Pay the balance of the proceeds to a trust company to be held by it until settlement has been reached by the persons interested therein or until a judge of Her Majesty's Court of Queen's Bench for Manitoba has made an order with respect thereto.

In the event that any such dispute results in a change of ownership in a working interest in a Tract such change shall not retroactively affect any vote taken pursuant to the terms of Part VI hereof.

PART XV

FILING

Filing

- 15.01 Unit Operator shall file this Plan with the Department of Mines and Natural Resources for the Province of Manitoba and with the appropriate Land Titles Office for the Province of Manitoba in accordance with the provisions of "The Mines Act".

PART XVI

TRANSFER OF INTEREST

Plan Binding on Successors

- 16.01 This Plan shall be binding upon every owner of any lands, Leases and interests in minerals covered hereby who acquired the same regardless of the manner in which the same shall have been acquired.

Assignments, etc, Subject to Terms of Plan

- 16.02 Any disposition of any interest owned by any Working Interest Owner in any land or part thereof in the Unit Area shall be made expressly subject to all the terms and provisions hereof. Such disposition of any interest whether expressly so provided or not, shall operate to impose upon the person or persons acquiring such interest its or their proportionate part of all costs and expenses and other obligations, if any, chargeable hereunder to the interest affected by such disposition, and shall likewise operate to give and grant to the person or persons acquiring such interest its or their proportionate part of all Unitized Substances and other benefits which may accrue thereto under the provisions hereof.

When Change of Ownership Binding

- 16.03 No change in ownership of any interest or rights hereunder (by whatever means accomplished) of any Working Interest Owner shall be binding on Unit Operator or the other Working Interest

Owners until Unit Operator has been furnished with notice of such change by the person claiming the benefit thereof, and such change shall become effective at Seven O'Clock in the forenoon, Central Standard Time on the first day of the month following the month in which the person acquiring such interest delivers to Unit Operator the original or certified copies of all instruments, documents and other information necessary in Unit Operator's opinion to establish a complete chain of title. No other kind of notice, whether actual or constructive, shall be binding on Unit Operator or the other Working Interest Owners.

Assignments not to
Relieve from Obligations

16.04 No disposition shall operate to relieve any Working Interest Owner of any obligation hereunder which accrued or was incurred prior to the effective date of such disposition.

Unit Operator Not to
Assign Right

16.05 Unit Operator shall not assign its right to conduct operations hereunder.

No Surrender of
Lease Without Consent

16.06 No Working Interest Owner shall surrender its interest in any Lease covering any portion of the Unitized Strata without the written consent of the Operating Committee, and the approval of the Conservation Board.

What Term
"Disposition"
Includes

16.07 The term "disposition" as used in this Part shall include, but not be limited to, the following: transfer, assignment, conveyance, and sale. The term "disposition" as used in this Part shall not apply to a disposal by way of mortgage, pledge or hypothecation; PROVIDED, THAT, the mortgagee or pledgee shall hold its security subject to all the terms of this Plan and upon any realization or foreclosure of the security, the purchaser, mortgagee or pledgee, as the case may be, shall become bound by all the terms of this Plan.

PART XVII

INDIVIDUAL RIGHTS AND PRIVILEGES OF THE WORKING INTEREST OWNERS

Access to Unit
Area

17.01 Each Working Interest Owner shall be entitled, at its own sole risk and expense, to have access to the Unit Area at all reasonable times upon notice to Unit Operator for the purpose of inspecting and observing Unit Operations, to have access at all reasonable times upon notice

to Unit Operator to any and all information pertaining to the Unit Operated Wells, the records of production and the records of all other Unit Operations, to be present during the drilling, testing and completion of all Unit Operated Wells and to make copies of well logs, drilling progress and casing reports, and reports of production and storage. The presence of a Working Interest Owner or its representative on the Unit Area or on the premises and their activities in connection therewith shall be at the sole risk and expense of such Working Interest Owner.

Plan Affects
Only Unitized
Strata

- 17.02 This Plan affects only the Unitized Strata. Each Working Interest Owner may, to the extent it may otherwise be entitled, conduct, at its own cost, risk, and expense, operations on its Tracts for the discovery and/or production of other than Unitized Substances, PROVIDED, HOWEVER, that such operations shall be conducted in such a manner as to interfere as little as possible with the operations hereunder. Such Working Interest Owner shall take all reasonable precautions customary in the industry and as may be required by the Conservation Board and by Unit Operator to protect from waste, pollution, drainage and damage, to the Unitized Substances and the Unitized Strata.

Abandonment
of Wells

- 17.03 If Unit Operator, with the approval of the Operating Committee, should decide to abandon any Unit Operated Well prior to the termination hereof, Unit Operator shall give to the Working Interest Owner of the Tract on which such well is located written notice of such decision, stating whether or not a drilling rig is in place at such well, and said Working Interest Owner shall have the right and option for a period of Forty-Eight (48) hours if a drilling rig is in place, or a period of Sixty (60) days if no drilling rig is in place, after receipt of such notice to notify Unit Operator of its election to take over said well, and deepen or plug back said well to other than the Unitized Strata. Within Ten (10) days after said Working Interest Owner has so notified Unit Operator, said Working Interest Owner shall pay to Unit Operator the value of the well equipment as determined in accordance with the provisions of Part XXVI hereof less the cost of salvaging the same as estimated and fixed by the Operating Committee, and at the same time shall agree by letter addressed to Unit Operator:
- (a) To case or seal off the Unitized Strata in said well in an efficient and workmanlike manner and in accordance with the applicable laws, rules, regulations, and orders;

- (b) To produce such well, if the same is produced, from other than the Unitized Strata while this Plan is in force;
- (c) On the ultimate abandonment of said well, to plug and abandon it in a workmanlike manner and in accordance with the applicable laws, rules, regulations and orders.

It is understood, however, that such Tract shall continue to have allocated to it a percentage share of the Unitized Substances produced and saved from the Unit Area in accordance with its Tract Participation despite the cessation of the production therefrom and the abandonment of any Unit Operated Well or all wells thereon. In the event that the Working Interest Owner of such Tract does not elect to take over such well, Unit Operator shall proceed properly to plug and abandon the same in accordance with the applicable laws, rules, regulations and orders, and shall salvage such casing and other equipment therefrom as is reasonably practicable, for the Common Account.

Upon the abandonment of any well hereunder, the Working Interest Owner, or Unit Operator, as the case may be, abandoning same shall clean up the surface at the wellsite to the satisfaction of any governmental body having jurisdiction with respect thereto, and to the reasonable satisfaction of the owner and/or occupier thereof.

PART XVIII

INSURANCE

Workmen's Compensation

- 18.01 Unit Operator shall comply with all laws relating to Workmen's Compensation in the Province of Manitoba.

Insurance

- 18.02 Unit Operator shall carry, for the Common Account, such insurance as may be approved by the Operating Committee and shall notify each Working Interest Owner in writing currently as to the kind and amounts of such insurance. Notwithstanding anything herein contained each Working Interest Owner shall have the right to be a self-insurer as to its interest in the Unit Facilities.

**Contractor's
Insurance**

18.03 Unit Operator shall require all contractors employed by it to comply with all laws relating to Workmen's Compensation in the Province of Manitoba and to carry such insurance as may be from time to time approved by the Operating Committee.

**Settlement
of Claims**

18.04 Unit Operator may settle any claim arising out of Unit Operations and not discharged by insurance as herein provided, but no claim shall be settled by Unit Operator in an amount in excess of Two Thousand Dollars (\$2,000.00) unless Unit Operator first obtains the approval of the Operating Committee to such settlement.

**Unit Operator's
Liability**

18.05 Unit Operator, as such, shall not be liable to the Working Interest Owners for any loss or damage except for loss or damage resulting from gross negligence or wilful misconduct of Unit Operator, or any of its employees exercising supervisory functions. Each Working Interest Owner proportionate to its Participating Interest herein, hereby indemnifies and holds harmless Unit Operator, as such, against any claim of, or liability to, any third person resulting from any act or omission of Unit Operator in acting upon instructions from the Operating Committee expressed or implied or otherwise in carrying out the provisions hereof; PROVIDED, HOWEVER, that Unit Operator shall not be indemnified or held harmless for any loss, damage, claim or liability resulting from the gross negligence or wilful misconduct of Unit Operator or any of its employees exercising supervisory functions, but no act or omission of Unit Operator shall, of itself, be deemed gross negligence or wilful misconduct if such act or omission is done or omitted at the instructions of, or with the concurrence of, the Operating Committee.

PART XIX

GENERAL

No Right of Partition

19.01 No Working Interest Owner or Royalty Owner shall claim the benefit of any laws or statutes of the Province of Manitoba relating to partitioning of real or personal property and no person shall resort to any action at law or in equity to partition the aforesaid Unit Facilities and lands affected by this Plan, including the Unitized Strata.

Force Majeure

19.02 All obligations hereunder shall be suspended while, but only so long as, any person is prevented from complying therewith, in whole or in part, by strikes, lockouts or other industrial disturbances, fire, explosion, war, civil disturbances, tempest, floods, acts of God, or the Queen's enemies, unavoidable accidents, uncontrollable delays in transportation, Federal, Provincial or Municipal laws, rules, regulations or orders, inability to obtain necessary materials in open market, inadequate facilities for the transportation of materials or for the disposition of Unitized Substances, or any other cause, whether similar or dissimilar to the foregoing, beyond the reasonable control of such person; PROVIDED, HOWEVER, that performance shall be begun or resumed within a reasonable time after such cause has been removed; and PROVIDED, FURTHER, that no person shall be required against its will to adjust or settle any labour dispute; and also PROVIDED, FURTHER, that lack of funds shall not be construed as a cause beyond the reasonable control of any person. This Plan shall not terminate while operations hereunder are prevented by reason of any of the aforesaid causes.

No Co-Operative
Marketing

19.03 Nothing herein shall be construed as providing directly or indirectly for any co-operative or joint sale or marketing of Unitized Substances.

Titles Unaffected
by Unitization

19.04 Nothing herein shall be construed as a transfer of title to, or interest in, the Leases, Tracts or Unitized Strata or in the Unitized Substances before the production thereof.

Duties Separate Not
Joint or Collective

19.05 The duties and obligations hereunder shall be separate and not joint or collective, and nothing contained herein shall ever be construed to create a partnership of any kind, or an association, or as imposing any partnership duties, obligations or liabilities.

Individual
Obligation

19.06 Except as otherwise expressly provided herein, each Working Interest Owner shall be individually responsible only for its own obligations as set out herein, and shall be liable only for its proportionate share of the cost and expenses and liabilities.

PART XX

TERM OF PLAN

Term of Plan

20.01 This Plan shall remain in full force and effect so long as Unitized Substances are produced or are capable of being produced from the Unitized Strata in paying quantities and as long as operations are conducted on the Unit Area, and thereafter until all Unit Operated Wells have been abandoned and plugged, or otherwise disposed of, and all personal property has been salvaged and all real estate has been disposed of by Unit Operator. Notwithstanding anything herein contained, this Plan shall, subject to the approval of the Conservation Board, terminate and be at an end upon the concurring vote of a majority of the Working Interest Owners owning at least Seventy-Five Percent (75%) of the Participating Interests based on Final Tract Participation and such vote shall be binding upon all the working Interest Owners and Royalty Owners.

Rights on Termination of Plan

20.02 Upon the termination of this Plan, all rights in and to the Tracts shall revert to the owners and Working Interest Owners thereof, and Unit Operator shall arrange for the salvaging, liquidation and other distribution of the Unit Facilities. The owner of the working interest in any such Tract desiring to take over and continue to operate a Unit Operated Well located thereon may do so by notifying Unit Operator in writing of its election to take over said well and by paying Unit Operator, for the benefit of all Working Interest Owners, the fair net salvage value of the equipment used in the operation of such well and by agreeing to plug the well in accordance with the applicable laws, rules, regulations and orders at his expense at such time as it is abandoned.

With respect to all wells not taken over by individual Working Interest Owners, Unit Operator shall salvage as much of the equipment in or on such wells as can economically and reasonably be salvaged and shall cause such wells to be properly plugged and abandoned in accordance with the applicable laws, rules, regulations and orders.

Salvage Costs

20.03 The Working Interest Owners shall share the cost of salvaging, liquidation, or other distribution of assets and properties used in the development and operation of the Unitized Strata in proportion to their respective participating interest in the Unit.

On Termination of
Plan - Operation
Shall Cease

Working Interest
Owners to Advise
Royalty Owners
of Termination

Rehearing,
Amendments, etc.

20.04 Upon termination of this Plan the further development and operation of the Unit Area as a Unit shall be abandoned, Unit Operations shall cease, and thereafter the Working Interest Owners and the Royalty Owners shall be governed by the terms and provisions of the Leases affecting the separate Tracts.

20.05 The Working Interest Owners shall advise their respective Royalty Owners of the termination of this Plan within Thirty (30) days of such termination.

20.06 No application for a rehearing of the matters herein provided for, or for any amendments to this Plan in any respect, shall be heard by the Conservation Board within Three (3) years of the Effective Date unless:

- (a) A majority of the Working Interest Owners, owning at least Seventy-Five Percent (75%) of the Participating Interest based on Final Participation have agreed in writing to such application for a rehearing of the matters herein provided for, or for amendments to this Plan, or
- (b) The Conservation Board, after full consideration of the application of any Working Interest Owner, decides that such application should be heard.

PART XXI

WELLS DELIVERED TO UNIT OPERATOR PURSUANT TO PART X

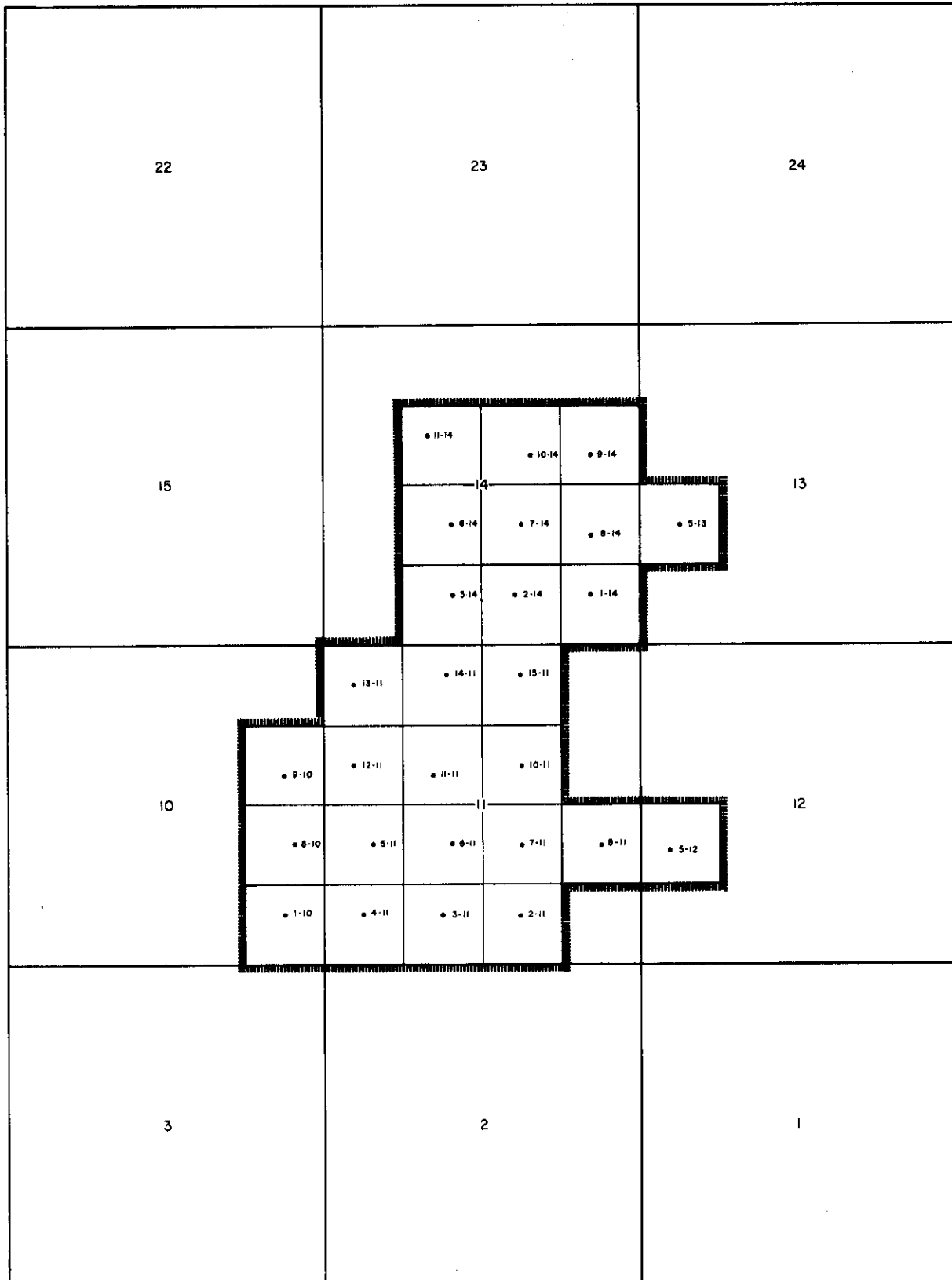
Samedan Routledge	1-10-9-25	Samedan Routledge Prov.	14-11-9-25
Samedan Routledge	8-10-9-25	Samedan Routledge Prov.	15-11-9-25
Samedan Routledge	9-10-9-25	Samedan Routledge	5-12-9-25
Samedan Routledge Prov.	2-11-9-25	Samedan Routledge	5-13-9-25
Samedan Routledge Prov.	3-11-9-25	Samedan Routledge	1-14-9-25
Samedan Routledge Prov.	4-11-9-25	Samedan Routledge	2-14-9-25
Samedan Routledge Prov.	5-11-9-25	Samedan Routledge Prov.	3-14-9-25
Samedan Routledge Prov.	6-11-9-25	Samedan Routledge Prov.	6-14-9-25
Samedan Routledge Prov.	7-11-9-25	Samedan Routledge	7-14-9-25
Samedan Routledge Prov.	8-11-9-25	Samedan Routledge	8-14-9-25
Samedan Routledge Prov.	10-11-9-25	Samedan Routledge	9-14-9-25
Samedan Routledge Prov.	11-11-9-25	Samedan Routledge	10-14-9-25
Samedan Routledge Prov.	12-11-9-25	Samedan Routledge	11-14-9-25
Samedan Routledge Prov.	13-11-9-25		

PART XXII

THE LANDS IN THE PROVINCE OF MANITOBA WHICH COMPRISE
THE EAST ROUTLEDGE UNIT NO. 1 ARE AS FOLLOWS:

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>
	<u>TOWNSHIP 9 RANGE 25 WPM</u>		<u>TOWNSHIP 9 RANGE 25 WPM</u>
1-10	LSD. 1, Section 10	14-11	LSD. 14, Section 11
8-10	LSD. 8, Section 10	15-11	LSD. 15, Section 11
9-10	LSD. 9, Section 10	5-12	LSD. 5, Section 12
2-11	LSD. 2, Section 11	5-13	LSD. 5, Section 13
3-11	LSD. 3, Section 11	1-14	LSD. 1, Section 14
4-11	LSD. 4, Section 11	2-14	LSD. 2, Section 14
5-11	LSD. 5, Section 11	3-14	LSD. 3, Section 14
6-11	LSD. 6, Section 11	6-14	LSD. 6, Section 14
7-11	LSD. 7, Section 11	7-14	LSD. 7, Section 14
8-11	LSD. 8, Section 11	8-14	LSD. 8, Section 14
10-11	LSD. 10, Section 11	9-14	LSD. 9, Section 14
11-11	LSD. 11, Section 11	10-14	LSD. 10, Section 14
12-11	LSD. 12, Section 11	11-14	LSD. 11, Section 14
13-11	LSD. 13, Section 11		

PART XXIII
MAP OF UNIT AREA



T
9
N

R · 25 · W

• PRODUCING WELL
--- UNIT BOUNDARY
• 2-11 NUMBERED TRACT

EAST ROUTLEDGE UNIT NO. 1
MANITOBA PROVINCE, CANADA

0 1000 2000 3000
scale

PART XXIV

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>		<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	
	<u>INTERIM</u>	<u>FINAL</u>		<u>INTERIM</u>	<u>FINAL</u>
1-10	4.74458	4.22753	14-11	1.02484	0.60393
8-10	2.87217	3.57419	15-11	7.30149	9.42445
9-10	3.49776	2.19813	5-12	2.19585	1.83004
2-11	0.74068	0.50345	5-13	3.13178	2.37288
3-11	2.91362	2.07245	1-14	2.67472	2.13603
4-11	3.95482	3.40836	2-14	4.81221	4.26967
5-11	4.44951	3.69730	3-14	3.41431	4.13644
6-11	5.17710	4.51867	6-14	3.82719	3.85203
7-11	4.65950	4.53441	7-14	4.37642	5.02515
8-11	3.92591	4.25913	8-14	8.48123	10.31383
10-11	0.53833	0.60194	9-14	6.05140	6.18710
11-11	1.74588	1.65497	10-14	6.89570	7.90708
12-11	1.60080	1.59075	11-14	<u>4.80294</u>	<u>4.93059</u>
13-11	0.18926	0.16950		100.00000	100.00000

PART XXV

PARTICIPATING INTERESTS

Provision for Schedule
of Working Interest
Owners and
Participating
Interests

25.01 The Unit Operator shall as soon after approval of title by the Operating Committee under Part XIII is deemed to have been made, prepare and submit to the Working Interest Owners, Schedules setting out the Working Interest Owners of the Tracts and the Participating Interest in the Unit. Upon the approval of the Operating Committee the Unit Operator shall cause such Schedules to be published in one issue of The Manitoba Gazette.

The Unit Operator shall from time to time at the discretion of the Operating Committee prepare and submit to the Working Interest Owners, revised Schedules setting out any change of ownership in the Tracts or Participating Interests in the Unit, and shall cause such Schedules to be published in one issue of The Manitoba Gazette.

PART XXVI

ACCOUNTING PROCEDURE

Definitions

26.01 In this Part:

"Joint Property"

(a) "Joint Property" shall mean the respective Tracts and interest of the Working Interest Owners and where the context so requires shall include all wells, wellsite and lease equipment taken over by Unit Operator pursuant to Part X hereto, and all material purchased or furnished by the Unit Operator for use in the development, maintenance and operation of the Unit.

"Major Material"

(b) "Major Material" means any material the current appraised value of which exceed Three Thousand Dollars (\$3,000.00)

"Material"

(c) Shall mean equipment and supplies.
With respect to classification of material:

"Condition 'A'"

(i) New Material (Condition 'A') being new material purchased for the Joint Property but never used thereon, at One Hundred Percent (100%) of Current New Price.

"Condition 'B'"

- (ii) Good used material (Condition 'B') being good secondhand material which is further usable without reconditioning:
 - (a) At Seventy-Five Percent (75%) of Current New Price if material was charged to Common Account as new; or
 - (b) At Seventy-Five Percent (75%) of Current New Price less depreciation consistent with its usage on and service to the Joint Property, if material was originally charged to the Common Account at Seventy-Five Percent (75%) of Current New Price.

"Condition 'C'"

- (iii) Other used material (Condition 'C'), being material which:
 - (a) After reconditioning will be further serviceable for original function as good secondhand material (Condition 'B'), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning,

shall be at Fifty Percent (50%) of Current New Price.

"Condition 'D'"

- (iv) Used material (Condition 'D') being material which cannot be classified as Condition 'B' or Condition 'C' shall be priced at a value commensurate with its use.

"Condition 'E'"

- (v) Junk (Condition 'E'), being obsolete and un-serviceable material, at prevailing junk prices in the district.

"Temporarily Used Equipment"

- (vi) When the use of material is only temporary, and when the time of actual use does not justify the reduction in price as provided above such material shall be priced on a basis that will leave a net charge to the Common Account consistent with the value of the services rendered and adequate for the time the material was in use.

"Current New Price"

- (d) "Current New Price" shall mean where possible the current cost of material as set forth in the then most recent issue of the "Controllable Equipment Price Catalogue" published by Petroleum Accountants Society of Western Canada.

Statements and
Billings

26.02 Unit Operator shall bill each of the other Working Interest Owners on or before the last day of each month for their proportionate share of charges and credits in respect of Unit Operations during the preceding month. Such bills shall be accompanied by the following statements:

- (a) Detailed statement of Controllable Material.
- (b) Statement of all ordinary charges and credits to the Common Account summarized by appropriate classification indicative of the nature thereof.
- (c) Detailed statement of all other charges and credits.

Payments by Working
Interest Owners

26.03 See Part VIII.

Adjustments

26.04 Payments of any such bills shall not prejudice the right of any Working Interest Owner to protest or question the correctness thereof. Subject to the exception noted in Section 26.05 below, all bills rendered to the Working Interest Owners by Unit Operator during any calendar year shall conclusively be presumed to be true and correct after Twenty-Four (24) months following the end of any such calendar year, unless within the said Twenty-Four (24) month period any Working Interest Owner takes written exception thereto and makes a written claim on Unit Operator for adjustment. Failure on the part of the Working Interest Owner to make such a claim on Unit Operator within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon.

Audits

26.05 Any audit committee appointed by the Operating Committee, upon notice in writing to the Unit Operator, shall have the right to audit Unit Operator's accounts and records relating to the accounting hereunder for any calendar year within the Eighteen (18) month period following the end of such calendar year. The Working Interest Owners shall have Six (6) months next following the examination of the Unit Operator's records within which to take written exception to and make any and all claims on the Unit Operator. Such audit committee shall make every reasonable effort to conduct such auditing in a manner which will result in a minimum of inconvenience to the Unit Operator. The cost of such an audit shall be charged to the Common Account excluding the Working Interest Owner who has been designated Unit Operator. In addition to the foregoing right any Working Interest Owner shall have the right to

make an individual audit at its own cost and expense.

Charges to
Common Account

- 26.06 Subject to the limitations hereinafter prescribed, Unit Operator shall charge the Common Account with the following costs of development and operation of the Joint Property:
- (a) Salaries, wages and related expenses of Unit Operator's personnel up to and including the first level of supervision, directly employed on the Joint Property in the development, maintenance and operation thereof, including salaries and wages paid to landmen acquiring rights-of-way, settling damage claims, etc., and to technical employees such as geologists, engineers and other employees who are temporarily assigned to and located at and directly engaged on the Joint Property.
 - (b) Unit Operator's cost of vacation and expenditures or contributions imposed or assessed by a governmental body having jurisdiction with respect to such salaries and wages referred to in Paragraph (a) of Section 26.06.
 - (c) Unit Operator's current cost of established plans for employees' group life insurance, sickness and disability benefits, hospitalization, pension, retirement, stock purchases, thrift, bonus and other benefit plans of like nature, applicable to such salaries and wages provided for in Paragraph (a) Section 26.06. Provided that such charges shall not exceed Fifteen Percent (15%) of the total of the salaries and wages charged under Paragraph (a) of Section 26.06. It is agreed, however, that if this limitation of Fifteen Percent (15%) shall be found to be insufficient, the same may be increased from time to time when authorized by a vote of the Operating Committee.
 - (d) Material purchased or furnished by Unit Operator for use in connection with the operation of the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the Joint Property as is required for immediate use, and the accumulation of surplus stocks shall be avoided whenever possible.
 - (e) (i) Moving material to the Joint Property from vendor's or from Unit Operator's warehouse in the district or from the other properties of the Unit Operator, but in either of the last Two (2) events no charge shall be made to the Common Account for a distance greater than the

distance from the nearest reliable supply store or railway receiving point where such material is available except by specific approval of the Operating Committee.

- (ii) Moving surplus material from the Joint Property to outside vendees, if sold f. o. b. destination, or minor returns to Unit Operator's warehouse or other storage point. No charge shall be made to the Common Account for moving surplus material to Unit Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by specific approval of the Operating Committee, and no charge shall be made to the Common Account for moving material to other properties belonging to Unit Operator, except by specific approval of the Operating Committee.
- (f) (i) Contract services and utilities procured from outside sources. Services of outside professional consultants shall not be charged unless approved by the Operating Committee.
- (ii) Use of and service by Unit Operator's exclusively owned equipment and facilities as provided in Section 26.08.
- (g) Costs or expenses necessary to replace or repair Joint Property damaged or lost through fire, flood, storm or any other cause not controllable by Unit Operator through the exercise of reasonable diligence. Unit Operator shall furnish the Working Interest Owners with written notice of damage or losses incurred as soon as practical but not later than Fifteen (15) days after report of same has been received by Unit Operator.
- (h) All costs and expenses of litigation or legal services necessary or expedient for the protection of the Joint Property, including legal fees and expenses as hereinafter provided, together with all judgments obtained against or chargeable to the Common Account or the Joint Property.
- (i) If the Operating Committee agrees, actions or claims affecting the Common Account or the Joint Property hereunder may be handled by the legal staff of one or more of the Working Interest Owners. A charge commensurate with the services rendered and approved by the Operating Committee may be made against the Common Account.

- (ii) Fees and expenses of outside Counsel shall not be chargeable to the Common Account except where the employment of such outside Counsel is authorized by the Operating Committee.
- (i) All taxes of every kind and nature (other than income taxes) assessed upon or in connection with the Joint Property, the operation thereof or the products derived therefrom, and which taxes have been paid by the Unit Operator for the benefit of the Working Interest Owners.
- (j) Premiums paid for insurance required to be carried under Section 18.02 together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses including legal services, not recovered from the Insurer.
- (k) Area, Division and Administrative Overhead:

The rates set forth below shall be charged to the Common Account in lieu of a proportionate share of the costs incurred by the Unit Operator. These costs include, but are not limited to the following:

- (i) Salaries and expenses of the Unit Operator's area superintendent and other general area or field employees, managing officers and employees of the division and/or principal office other than those who are directly engaged on the Joint Property and whose salaries are chargeable to the Common Account under the provisions of Paragraph (a) Section 26.06.
- (ii) Cost of maintaining and operating an area office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on investment.
- (iii) The rates, which are subject to review annually as provided in Section 6.03 (j) are as follows:
 - (a) One Thousand Eight Hundred Ninety Dollars (\$1,890.00) per month.
 - (b) Forty-Five Dollars (\$45.00) per day for each drilling well, wells being plugged back, drilled deeper, reworked, or converted to source or input wells; charges to commence on the date the well is spudded and terminated

when the drilling rig or service rig as the case may be is released, except that no charge should be made during the suspension of drilling operations for Fifteen (15) or more consecutive days.

- (c) The charge in respect to construction of Unit Facilities, including, but not limited to, water injection plant, battery consolidation, injection pipeline systems and water supply systems shall be calculated on direct expenditures on the following basis:

Five Percent (5%) of expenditures up to \$50,000.00 plus Three Percent (3%) of expenditures over \$50,000.00 and up to \$100,000.00, plus One Percent (1%) of all expenditures over \$100,000.00.

- (d) A charge to cover the cost of handling material into and in Unit Operator's warehouse shall be assessed on new and used materials furnished from the warehouse on the basis of Two and One-Half Percent (2-1/2%) of the cost of tubular goods and Major Material and Five Percent (5%) of the cost of all other material which shall in each case be deemed to be the actual cost thereof to Unit Operator.
- (e) Rentals, payments in lieu of actual production and royalties, when paid by Unit Operator for the Common Account.
- (f) Any other expenditures incurred by Unit Operator except that no charge shall be made for any interest or financing charges incurred by Unit Operator except where incurred with the approval of the Operating Committee.

Basis of Charges

26.07 (i) Outside Purchases

Material purchases shall be charged to the Common Account at their invoice cost to Unit Operator after deduction of all discounts actually received.

(ii) Material Furnished by Unit Operator

Material shall be purchased for direct charge to the Common Account whenever practicable. Material from Unit Operator's stock shall be priced as follows:

(a) New Material - Condition 'A'

- (1) New Material transferred from Unit Operator's warehouse or other properties shall be priced at One Hundred Percent (100%) of Current New Price.

(b) Used Materials - Condition 'B' and 'C'

- (1) Material which is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classed as Condition 'B' and priced at Seventy-Five Percent (75%) of Current New Price.
- (2) Material which cannot be classified as Condition 'B' but which
 - (i) After reconditioning will be further serviceable for original function as good secondhand material (Condition 'B'), or
 - (ii) Is serviceable for original function but substantially not suitable for reconditioning,shall be classed as Condition 'C' and priced at Fifty Percent (50%) of Current New Price.
- (3) Material which cannot be classified as Condition 'B' or Condition 'C' shall be priced at a value commensurate with its use.
- (4) Any equipment involving erection costs will be charged on a basis not to exceed Seventy-Five Percent (75%) of Current New Price for similar materials in a dismantled state.

Unit Operator's
Exclusively Owned
Facilities

- 26.08 The Unit Operator shall charge the Common Account for services rendered by facilities and equipment owned exclusively by Unit Operator. The rates charged shall be commensurate with the cost of ownership and operation and shall not be in excess of current prevailing rates of like services and equipment available in the area.

When requested, Unit Operator shall inform the Working Interest Owners in advance of rates it proposes to charge. Rates shall be revised from time to time when found to be either excessive or insufficient.

Disposal of Lease
Equipment

26.09

- (a) The term "minor equipment" shall mean any material or items of Unit Facilities not Described as Major Material. Unit Operator may dispose of any item of minor equipment, which it deems to be unnecessary for the Unit Operation hereunder, to such person and for such price as it sees fit without reference to the Operating Committee.
- (b) Unit Operator may dispose of any item of Major Material which it deems to be surplus to the unit operations at current market demand prices prevailing in the area without obtaining prior approval of the Working Interest Owners. The Unit Operator will supply to each Working Interest Owner every Six (6) months details of Major Material deemed to be surplus or anticipated to become surplus during the ensuing Six (6) months. Further, any authority granted to the Unit Operator to dispose of a Non-Operator's share of material shall be revocable at the will of the Non-Operator.
- (c) Proceeds from the sale of Surplus Material shall be credited to the Common Account.

Inventories

26.10

- (a) Periodic inventories of Controllable Material shall be taken by an Inventory Committee appointed by the Operating Committee; PROVIDED, HOWEVER, that construction projects as outlined in the budget shall be inventoried by the Inventory Committee within One (1) year of completion and copies of any such inventory shall be furnished to all Working Interest Owners.
- (b) Reconciliation of inventory with the Controllable Material shall be made by the Inventory Committee, and a list of overages and shortages shall be submitted to the Working Interest Owners for their approval within Sixty (60) days from the taking of such inventory.
- (c) Inventory adjustments shall be made by Unit Operator with the Controllable Material for overages and shortages but Unit Operator shall only be held accountable to the Working Interest Owners hereto for shortages resulting from lack of reasonable diligence.

- (d) The expense of the Inventory Committee shall be charged to the Common Account.
- (e) Any Working Interest Owner shall have the right at any time to request in writing the taking of a special inventory. The taking of such special inventory shall be commenced within Thirty (30) days after the receipt of notice thereof. The expense of Unit Operator's representative in conducting any special inventory so requested shall be charged to the separate account of the requesting Working Interest Owner.

**Fixed Asset
Records**

- 26.11 Fixed Asset Records shall be maintained for all Controllable Material as defined in Section 10.02.

November 17, 1994

Mr. Lachlan J. McLeod
Vice-President
Geolock Resources Ltd.
Suite 480, McFarland Tower
200 - 4th Avenue SW
Calgary AB T2P 3J4

Dear Mr. McLeod:

Re: Unit Order No. 33 - East Routledge Unit No. 1

Attached is a copy of Unit Order No. 33 amending the definition of "Unitized Strata" in the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1. Effective December 1, 1994 all production from the well 5-11-9-25 will be considered unit production. The Branch no longer requires an application under Section 47 of the regulation to recomplate any well in the Unit, uphole in the Lodgepole Formation.

If you have any questions in respect of this matter please contact the undersigned at (403) 945-6574.

Yours truly,

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a horizontal line and a loop.

John N. Fox
Chief Petroleum Engineer

cc. Administration
Virden Eng.

MINISTERIAL ORDER

UNIT ORDER NO. 33

**Pertaining to the Unit Operation of
East Routledge Unit No. 1**

1. Effective December 1, 1994, the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1 ("the Unit Plan") dated July 21, 1971 and amended October 5, 1971 is further amended by revising the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02(v) of the Unit Plan to read:
 - (v) "Unitized Strata" shall mean the subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log for the well, E. Routledge Unit No. 1 Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.
2. This order provides for the continued operation of East Routledge Unit No. 1 in accordance with the amended Unit Plan.
3. Unitization Order No. 13 dated March 30, 1972 is hereby rescinded.

November 9, 1994

Date



Donald W. Orchard
Minister of Energy and Mines



On Matters of State

To The Honourable the Lieutenant Governor in Council

The undersigned, the Minister ofEnergy..and..Mines.....
submits for approval of Council a report setting forth that:

WHEREAS Subsections 138(1) and (2) of The Oil and Gas Act (C.C.S.M. c.034),
provide as follows:

"138(1) A working interest owner or unit operator may, in accordance with the regulations, make application to the minister to make an order to amend a unit order
(a) to remedy a deficiency in the order;
(b) to meet changing conditions;
(c) to add a spacing unit to the unit area; or
(d) to join two or more unit areas into one unit area."

"138(2) Subject to the approval of the Lieutenant Governor in Council and to subsections (3) and (4), the minister may make an order to amend a unit order."

AND WHEREAS Unitization Order No. 13 of The Oil and Natural Conservation Board (March 30, 1972) established East Routledge Unit No. 1 ("the Unit") and provided for the Unit to be operated in accordance with the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan").

AND WHEREAS Geolock Resources Ltd., as Unit Operator of East Routledge Unit No. 1, has made application to amend the definition of "Unitized Strata" in the Unit Plan to include the entire Lodgepole Formation;

AND WHEREAS the proposed amendment to the definition of "Unitized Strata" in the Unit Plan will result in costs savings to the Unit owners and a potential increase in oil recovery from the Unit.

THEREFORE, he, the Minister, recommends:

THAT by order under Subsection 138(2) of the Oil and Gas Act, Unitization Order No. 13 be amended by revising the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02 (v) of the Unit Plan to read

(v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log for the well, E. Routledge Unit No. 1 Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.

Initiating Department/Agency	
Department/Agency	Authorized Officer
ENERGY AND MINES	<i>[Signature]</i>
Approved by C.S.C.	Finance
Approved as to form by:	
Name	<i>D. B. HEVINS</i>
	<i>OCT 14/94</i>
Civil Legal Services: or Legislative Counsel:	<i>[Signature]</i>

Signature

IN THE EXECUTIVE COUNCIL CHAMBER, WINNIPEG

Upon consideration of the foregoing report and recommendation Council advises that it be done as recommended.

November 9, 1994

Date

[Signature]
President or Presiding Member

AT GOVERNMENT HOUSE IN THE CITY OF WINNIPEG

Approved and Ordered this 9th day of November A.D. 1994

[Signature]
Lieutenant Governor

DEPARTMENT OF ENERGY AND MINES

APPROVAL MEMORANDUM

X

ORDER IN COUNCIL

X

CABINET SUBMISSION

TREASURY BOARD SUBMISSION

TREASURY BOARD PRE-CLEARANCE

OTHER (SPECIFY) _____

SUBJECT: Application under the Oil and Gas Act for amendment of
Unitization Order No. 13 for East Routledge Unit No. 1

ORIGINATOR: John N. Fox

PREPARED BY: John N. Fox

POSITION

APPROVAL

DATE

BRANCH DIRECTOR:

R. Debreun

October 27, 1994

DIRECTOR,
ADMINISTRATION:

DEPUTY MINISTER:

MINISTER OF ENERGY AND MINES



Date: October 19, 1994

Memorandum

To: Garry Barnes
Acting Deputy Minister
Petroleum Branch

From: Bob Dubreuil
Director
Petroleum Branch

Subject: **East Routledge Unit No. 1**
Amendment to Unitization No. 13

Telephone

Geolock Resources Ltd., the Unit Operator of East Routledge Unit No. 1 ("the Unit"), has applied under Section 138 of the Oil and Gas Act ("the Act") to amend the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan"). The company has also applied under Section 214 of the Act for an order authorizing continued production on behalf of an unidentified royalty owner in the Unit.

Recommendation

It is recommended that the Minister issue an order under Subsection 138 (2) of the Act amending Unitization Order No. 13 to revise the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02 (v) of the Unit Plan to read

- (v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log for the well E. Routledge Unit No. 1 Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.

Attached is a copy of the proposed Cabinet submission, Order in Council and Minister's Order.

Discussion

Unitization Order No. 13 (March 30/72) established the Unit and provided for operation of the Unit in accordance with the Unit Plan. Geolock has applied to amend the definition of "Unitized Strata" in the Unit Plan to include all members of the Lodgepole Formation. The Unitized Strata is currently defined as the Cherty Zone (Scallion Member) which is the lowest of four geological members in the Lodgepole Formation (see Table 1). Unitized strata for other units in the Virden Field include the entire Lodgepole Formation. Geological and production data in numerous areas of the Virden Field indicates the various members of the Lodgepole are in communication as a result of natural and induced fractures.

First | Fold

Geolock recently recompleted a unit well, 5-11-9-25 (WPM), and established production in the unit area from the Virden Member of the Lodgepole Formation. Geolock sees potential to recomplete as many as four additional wells in this zone. Recompletions have the potential to increase unit production from 12 m³/d to 20 m³/d.

Section 138 of the Act provides for the Minister, with the approval of the LG in C, to make an order amending a unit order to meet changing conditions. Geolock has received approval for the proposed change in the definition of Unitized Strata from all working interest owners and royalty owners in the Unit, with the exception of an unidentified royalty owner.

The unidentified royalty owner, who has a royalty interest in 1.22 ha under a railway right-of-way in 5-12-9-25, is the subject of an application from Geolock under Section 214 of the Act for a Minister's order authorizing continued production on behalf of the unidentified royalty owner. The application regarding the unidentified royalty owner is incomplete. Additional information regarding the funds currently held in trust by Geolock and Samedan (the previous unit operator) and a title search and opinion on rightful ownership are required. Public notice is also required under Subsection 214(2) of the Act before the Minister can make an order.

The approval of Geolock's application to amend the Unit Plan will have no effect on the outcome of the unidentified royalty owner application and vice versa. Therefore it is recommended that the two applications be dealt with separately.

The proposed amendment to the definition of Unitized Strata to include all members of the Lodgepole Formation satisfies the following criteria for unit operation as listed in Section 135(1) of the Act; (a) the amendment will result in more efficient production and cost savings to Unit owners; (b) the amendment will result in a potential increase in ultimate recovery; and (c) the amendment will ensure there are no equity concerns among unit owners. The proposed Cabinet submission and OIC are attached. It would be desirable to have the approval of the LG in C in time to permit the Minister's order amending the unit order to be effective November 1, 1994.


L.R. Dubreuil, Director

AGE Millions of years before present	ERA	PERIOD	EPOCH	FORMATION	MEMBER	MAX. THICK (m)	BASIC LITHOLOGY		
50	CENOZOIC	QUATERNARY	RECENT				TOP SOIL, DUNE SANDS		
			PLEISTOCENE	GLACIAL DRIFT		140	CLAY, SAND, GRAVEL, BOULDERS, PEAT		
		TERTIARY	PLIOCENE						
			MIOCENE						
			OLIGOCENE						
65			Eocene						
100	MESOZOIC	CRETACEOUS	PALEOCENE	TURTLE MTN.	PEACE GARDEN GOODLANDS	120	SHALE, CLAY AND SAND LIGNITE BEDS LOCATED ONLY IN TURTLE MOUNTAIN		
				BOISSEvain		30	SAND AND SANDSTONE, GREENISH GREY, LOCATED ONLY IN TURTLE MOUNTAIN		
			UPPER	RIDING MTN.	COLLIER DUNDAS MELWOOD	310	GREY SHALES—NON-CALC. LOCAL IRONSTONE BENTONITE NEAR BASE, GAS FOUND		
				VERMILION RIVER	PEMBINA	155	SHALE DARK GREY CARBONACEOUS NON-CALC. BENTONITE BANDS		
					BOYNE		SHALE GREY SPECKLED CALC. BENTONITIC SLIGHTLY PETROLIFEROUS		
					MORDEN		SHALE DARK GREY NON-CALC. CONCRETIONS, LOCAL AND SILT		
			FAVEL		40	GREY SHALE WITH HEAVY CALCAREOUS SPECKS BANDS LIMESTONE AND BENTONITE			
			ASHVILLE	ASHVILLE SAND	115	SHALE, DARK GREY, NON-CALC. SILTY "SAND ZONE" 27m F.G. DTZ. S. OR SS			
						SWAN RIVER	75	SANDSTONE AND SAND, DTZ. PYRITIC SHALE—GREY, NON-CALC	
			LOWER						
				CRETACEOUS					
		150	JURASSIC	UPPER JURASSIC	WASKADA		200	BANDED-GREEN SHALE AND CALC. SANDSTONE BANDS OF LIMESTONE, VARI-COLORED SHALE	
					MELITA				
MIDDLE JURASSIC				RESTON		45	LIMESTONE, BUFF. AND SHALES, GREY		
				* AMARANTH	UPPER: EVAPORITE	45	WHITE ANHYDRITE AND/OR GYPSUM AND BANDED COLOMITE AND SHALE		
LOWER: RED BEDS		40			RED SHALE TO SILTSTONE-DOLOMITIC	OIL PRODUCING			
250		TRIASSIC		(?)	ST. MARTIN COMPLEX		300	CARBONATE BRECCIA, TRACHYANDESITE (CRYPTO-EXPLOSION STRUCTURE)	
		PENNSYLVANIAN							
300		PALEOZOIC		MISSISSIPPIAN	MADISON GROUP	* CHARLES		20	MASSIVE ANHYDRITE AND DOLOMITE
						* MISSION CANYON	MC-5	120	LIMESTONE—LIGHT BUFF. OOLITIC, FOSS. FRAG., CHERTY, BANDS SHALE AND ANHYDRITE
							MC-4		
			MC-3						
			MC-2						
	MC-1								
	* LODGEPOLE		FLOSSIE LAKE			185	LIMESTONE & ARG. LIMESTONE LIGHT BROWN AND REDDISH MOTTLED ZONES OF SHALEY, OOLITIC, CRINOIDAL & CHERTY		
			WHITEWATER LAKE						
			VIRIDEN						
	LOCALION ROUTLEDGE								
* BAKKEN	UPPER		20			2 BLACK SHALE ZONES: SEPARATED BY SILTSTONE			
	MIDDLE								
350			LOWER				OIL PRODUCING		
	DEVONIAN	LYLETON		35	RED SILTSTONE AND SHALE DOLOMITIC				
* NISKU			40	LIMESTONE & DOLOMITE, YELLOW-GREY FOSS. POROUS, SOME ANHYD.					
* DUPEROW			170	LIMESTONE & DOLOMITE, ARG. & ANHYDRITIC IN PLACES					
SOURIS RIVER			120	CYCICAL SHALE, LIMESTONE & DOLOMITE ANHYDRITE					
1ST RED			65	LIMESTONE & DOLOMITE, POROUS, ANHYDRITE—LOCAL SHALE RED & GREEN					
DAWSON BAY			120	SALT POTASH & ANHYDRITE, DOLOMITE INTER—BEDDED					
2ND RED									
3RD RED									
4TH RED									
5TH RED									
400	ELK POINT G.	* WINNIPEGOSIS		75	DOLOMITE, LIGHT YELLOWISH BROWN REEFY				
		ELM POINT			LIMESTONE—FOSS. HIGH CALCIUM				
		ASHERN		12	DOLOMITE AND SHALE—BRICK RED				
		SILURIAN	* INTERLAKE GROUP		135	DOLOMITE YELLOWISH—ORANGE TO GREYISH—YELLOW FOSS. SILTY ZONES			
* STONEWALL			15	DOLOSTONE, GREYISH YELLOW, BEDDED					
	* STONY MOUNTAIN		WILLIAMS	30	DOLOMITE—YELLOWISH—GREY SHALEY				
			GUNTON		DOLOMITE—DUSKY—YELLOW FOSS.				
			PENITENTIARY		SHALE RED—GREEN FOSS. LIMESTONE BANDS				
	* RED RIVER		FOUR HARRY	170	DOLOMITIC LIMESTONE, MOTTLED AND DOLOMITE				
BECKING									
* WINNIPEG	CATHEAD		60	SHALE, GREEN, WAXY, SANDSTONE INTERBEDDED					
	DOOL HEAD								
450	UPPER UNIT		SANDSTONE	60	SAND, SANDSTONE, QUARTZOSE				
500	CAMBRIAN	* DEADWOOD		60	SAND, BLACK TO GREEN—GREY WAXY, GLAUCONITIC SILTSTONE & SHALE, GREEN—GREY TO BLACK, VERY EDGE OF S.W. MANITOBA ONLY				
550									
	PRECAMBRIAN						ACID & BASIC CRYSTALLINES & METAMORPHICS		

* formations productive in Williston basin outside of Manitoba

● documented oil shows in Manitoba

Table 1: Manitoba geologic column, showing the productive formations in Manitoba, as well as other areas in the Williston basin.

**DEPARTMENT OF ENERGY AND MINES
CABINET SUBMISSION**

SUBJECT:

Application under the Oil and Gas Act for amendment of Unitization Order No. 13 for East Routledge Unit No. 1.

BACKGROUND:

The Oil and Natural Gas Conservation Board Unitization Order No. 13 (March 30/72) established East Routledge Unit No. 1 ("the Unit") and provided for operation of the Unit in accordance with the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan"). Geolock Resources Ltd., the Unit Operator, has applied under Section 138 of the Oil and Gas Act for an order of the Minister amending the Unitization Order by revising the definition of "Unitized Strata" in the Unit Plan.

DISCUSSION:

The current definition of Unitized Strata under the Unit Plan restricts oil production to the Cherty Zone (Scallion Member), the lowest of four geological members in the Lodgepole Formation. Geolock has applied to amend the definition of Unitized Strata to include all members of the Lodgepole Formation.

Geolock has recently recompleted a well in the unit area in the Virden Member of the Lodgepole Formation. The well is producing 2.2 cubic metres per day and Geolock sees the potential to recomplete as many as four additional wells. Recompletions have the potential to increase unit production by up to 70%.

Section 138 of the Act provides for the Minister, with the approval of the Lieutenant Governor in Council, to make an order amending a unit order to meet changing conditions. Geolock has received approval for the proposed change in the definition of Unitized Strata from all working interest owners and royalty owners in the Unit, with the exception of an unidentified royalty owner. Geolock has applied to the Minister under Section 214 of the Oil and Gas Act for resolution of the matter of the unidentified royalty owner, who has a 0.3% royalty interest in the Unit. If the identity of the owner is not determined within 5 years, title to the oil and gas rights revert to the Crown.

The proposed amendment to the definition of Unitized Strata to include all members of the Lodgepole Formation will result in cost savings to the Unit owners and a potential increase in oil recovery.

FINANCIAL IMPLICATIONS:

If the proposed recompletions are successful, additional Crown royalty and freehold production tax revenue is estimated at \$10 000 to \$50 000 per year.

COMMUNICATION STRATEGY:

Letter to Geolock as Unit Operator accompanied by the Minister's order amending the Unitization Order.

RECOMMENDATIONS:

The Minister issue an order under Section 138 of the Oil and Gas Act amending the Unit^o Order by revising definition of Unitized Strata under the Unit Plan to include all of the Lodgepole Formation.

Donald W. Orchard
Minister of Energy and Mines

Contact Person:

L. R. Dubreuil - 945-6573

Date: October 19, 1994



On Matters of State

To The Honourable the Lieutenant Governor in Council

The undersigned, the Minister ofEnergy and Mines.....
submits for approval of Council a report setting forth that:

WHEREAS Subsections 138(1) and (2) of The Oil and Gas Act (C.C.S.M. c.034),
provide as follows:

"138(1) A working interest owner or unit operator may, in accordance with the
regulations, make application to the minister to make an order to amend a
unit order
(a) to remedy a deficiency in the order;
(b) to meet changing conditions;
(c) to add a spacing unit to the unit area; or
(d) to join two or more unit areas into one unit area."

"138(2) Subject to the approval of the Lieutenant Governor in Council and to
subsections (3) and (4), the minister may make an order to amend a unit
order."

AND WHEREAS Unitization Order No. 13 of The Oil and Natural Conservation Board (March
30, 1972) established East Routledge Unit No. 1 ("the Unit") and provided
for the Unit to be operated in accordance with the Plan for Unit Operation
Governing the Unitized Management and Further Development of East
Routledge Unit No. 1 ("the Unit Plan").

AND WHEREAS Geolock Resources Ltd., as Unit Operator of East Routledge Unit No. 1, has
made application to amend the definition of "Unitized Strata" in the Unit
Plan to include the entire Lodgepole Formation;

AND WHEREAS the proposed amendment to the definition of "Unitized Strata" in the Unit
Plan will result in costs savings to the Unit owners and a potential
increase in oil recovery from the Unit.

THEREFORE, he, the Minister, recommends:

THAT by order under Subsection 138(2) of the Oil and Gas Act, Unitization
Order No. 13 be amended by revising the definition of "Unitized Strata" in
Part I - Interpretation, Definitions 1.02 (v) of the Unit Plan to read

(v) "Unitized Strata" shall mean that subsurface portion
of the Unit Area commonly known as the Lodgepole
Formation and which is the same Formation encountered
between the depths of 1960' and 2113' as indicated on
the electric log for the well, E. Routledge Unit No. 1
Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section
11, Township 9 North, Range 25, West of the First
Meridian in the Province of Manitoba.

Initiating Department/Agency	
Department/Agency	Authorized Officer
ENERGY AND MINES	<i>[Signature]</i>
Approved by C.S.C.	Finance
Approved as to form by:	
Name	<i>D. B. E. V. I. V. S.</i>
<i>OCT 14/94</i>	Initials
Civil Legal Services: or Legislative Counsel:	<i>[Signature]</i>

Signature

IN THE EXECUTIVE COUNCIL CHAMBER, WINNIPEG

Upon consideration of the foregoing report and recommendation Council advises that it be done as recommended.

.....
Date

.....
President or Presiding Member

AT GOVERNMENT HOUSE IN THE CITY OF WINNIPEG

Approved and Ordered this day of A.D.

.....
Lieutenant Governor

MINISTERIAL ORDER

UNIT ORDER NO. 33

**Pertaining to the Unit Operation of
East Routledge Unit No. 1**

1. Effective December 1, 1994, the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1 ("the Unit Plan") dated July 21, 1971 and amended October 5, 1971 is further amended by revising the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02(v) of the Unit Plan to read:
 - (v) "Unitized Strata" shall mean the subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log for the well, E. Routledge Unit No. 1 Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.
2. This order provides for the continued operation of East Routledge Unit No. 1 in accordance with the amended Unit Plan.
3. Unitization Order No. 13 dated March 30, 1972 is hereby rescinded.

Date

Donald W. Orchard
Minister of Energy and Mines



Date October 19, 1994

Memorandum

To Garry Barnes
Acting Deputy Minister
Petroleum Branch

From Bob Dubreuil
Director
Petroleum Branch

Subject East Routledge Unit No. 1
Amendment to Unitization No. 13

Telephone

Geolock Resources Ltd., the Unit Operator of East Routledge Unit No. 1 ("the Unit"), has applied under Section 138 of the Oil and Gas Act ("the Act") to amend the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan"). The company has also applied under Section 214 of the Act for an order authorizing continued production on behalf of an unidentified royalty owner in the Unit.

Recommendation

It is recommended that the Minister issue an order under Subsection 138 (2) of the Act amending Unitization Order No. 13 to revise the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02 (v) of the Unit Plan to read

- (v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log for the well E. Routledge Unit No. 1 Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.

Attached is the a copy of the proposed Cabinet submission and OIC.

Discussion

Unitization Order No. 13 (March 30/72) established the Unit and provided for operation of the Unit in accordance with the Unit Plan. Geolock has applied to amend the definition of "Unitized Strata" in the Unit Plan to include all members of the Lodgepole Formation. The Unitized Strata is currently defined as the Cherty Zone (Scallion Member) which is the lowest of four geological members in the Lodgepole Formation (see Table 1). Unitized strata for other units in the Virden Field include the entire Lodgepole Formation. Geological and production data in numerous areas of the Virden Field indicates the various members of the Lodgepole are in communication as a result of natural and induced fractures.

First | Fold

Geolock recently recompleted a unit well, 5-11-9-25 (WPM), and established production in the unit area from the Virden Member of the Lodgepole Formation. Geolock sees potential to recomplete as many as four additional wells in this zone. Recompletions have the potential to increase unit production from 12 m³/d to 20 m³/d.

Section 138 of the Act provides for the Minister, with the approval of the LG in C, to make an order amending a unit order to meet changing conditions. Geolock has received approval for the proposed change in the definition of Unitized Strata from all working interest owners and royalty owners in the Unit, with the exception of an unidentified royalty owner.

The unidentified royalty owner, who has a royalty interest in 1.22 ha under a railway right-of-way in 5-12-9-25, is the subject of an application from Geolock under Section 214 of the Act for a Minister's order authorizing continued production on behalf of the unidentified royalty owner. The application regarding the unidentified royalty owner is incomplete. Additional information regarding the funds currently held in trust by Geolock and Samedan (the previous unit operator) and a title search and opinion on rightful ownership are required. Public notice is also required under Subsection 214(2) of the Act before the Minister can make an order.

The approval of Geolock's application to amend the Unit Plan will have no effect on the outcome of the unidentified royalty owner application and vice versa. Therefore it is recommended that the two applications be dealt with separately.

The proposed amendment to the definition of Unitized Strata to include all members of the Lodgepole Formation satisfies the following criteria for unit operation as listed in Section 135(1) of the Act; (a) the amendment will result in more efficient production and cost savings to Unit owners; (b) the amendment will result in a potential increase in ultimate recovery; and (c) the amendment will ensure there are no equity concerns among unit owners. The proposed Cabinet submission and OIC are attached. It would be desirable to have the approval of the LG in C in time to permit the Minister's order amending the unit order to be effective November 1, 1994.

L.R. Dubreuil, Director

AGE Millions of years before present	ERA	PERIOD	EPOCH	FORMATION	MEMBER	MAX. THICK. (m)	BASIC LITHOLOGY			
50	CENOZOIC	QUATERNARY	RECENT				TOP SOIL, DUNE SANDS			
			PLEISTOCENE	GLACIAL DRIFT		140	CLAY, SAND, GRAVEL, BOULDERS, PEAT			
		TERTIARY	PLIOCENE							
			MIOCENE							
			OLIGOCENE							
65			Eocene							
			PALEOCENE	TURTLE MTN.	PEACE GARDEN GOODLANDS	120	SHALE, CLAY AND SAND. LIGNITE BEDS LOCATED ONLY IN TURTLE MOUNTAIN			
100	MESOZOIC	CRETACEOUS	UPPER	BOISSEVAIN		30	SAND AND SANDSTONE, GREENISH GREY, LOCATED ONLY IN TURTLE MOUNTAIN			
				RIDING MTN.	COUNTRY DOUGLAS MELTOWN	310	GREY SHALES—NON-CALC. LOCAL IRONSTONE BENTONITE NEAR BASE, GAS FOUND			
				VERMILION	PEMBINA		SHALE DARK GREY CARBONACEOUS NON-CALC. BENTONITE BANDS			
				RIVER	BOYNE	155	SHALE GREY SPECKLED CALC. BENTONITIC SLIGHTLY PETROLIFEROUS			
					MORDEN		SHALE DARK GREY NON-CALC. CONCRETIONS, LOCAL AND SILT			
			CRETACEOUS	FAVEL		40	GREY SHALE WITH HEAVY CALCAREOUS SPECKS BANDS LIMESTONE AND BENTONITE			
				ASHVILLE		115	SHALE, DARK GREY, NON-CALC. SILTY "SAND ZONE" 27m F.G. QTZ. S. OR SS.			
				ASHVILLE SAND						
				SWAN RIVER		75	SANDSTONE AND SAND, QTZ. PYRITIC SHALE—GREY, NON-CALC.			
150		JURASSIC	UPPER JURASSIC	WASKADA		200	● BANDED-GREEN SHALE AND CALC. SANDSTONE BANDS OF LIMESTONE, VARI-COLORED SHALE			
200				MELITA						
MIDDLE JURASSIC			RESTON		45	LIMESTONE, BUFF, AND SHALES, GREY				
			* AMARANTH	UPPER: EVAPORITE LOWER: RED BEDS	45 40	WHITE ANHYDRITE AND/OR GYPSUM AND BANDED COLOMITE AND SHALE RED SHALE TO SILTSTONE-DOLOMITIC				
							OIL PRODUCING			
250	PALEOZOIC	TRIASSIC								
		PERMIAN								
		PENNSYLVANIAN	(?)	ST. MARTIN COMPLEX		300	CARBONATE BRECCIA, TRACHYANDESITE (CRYPTO-EXPLOSION STRUCTURE)			
300		MISSISSIPPIAN		* CHARLES		20	MASSIVE ANHYDRITE AND DOLOMITE			
350				* MISSION CANYON	MC-5 MC-4 MC-3 MC-2 MC-1	120	LIMESTONE—LIGHT BUFF, OOLITIC, FOSS. FRAG. CHERTY, BANDS SHALE AND ANHYDRITE			
							OIL PRODUCING			
				* LODGEPOLE	FLOSSIE LAKE WHITEWATER LAKE VIRIDEN SCALLION MOUNTAINS	185	LIMESTONE & ARG. LIMESTONE LIGHT BROWN AND REDDISH MOTTLED. ZONES OF SHALEY, OOLITIC, CRINOIDAL & CHERTY.			
							OIL PRODUCING			
				* BAKKEN	UPPER MIDDLE LOWER	20	2 BLACK SHALE ZONES - SEPARATED BY SILTSTONE			
							OIL PRODUCING			
400		DEVONIAN		OUTCROPPED GROUP	LYLETON	35	RED SILTSTONE AND SHALE DOLOMITIC			
				SASK. GROUP	* NISKU	40	● LIMESTONE & DOLOMITE, YELLOW-GREY FOSS. POROUS, SOME ANHYD.			
					* DUPELOU	170	● LIMESTONE & DOLOMITE, ARG. & ANHYDRITIC IN PLACES			
				MAN. GROUP	* SOURIS RIVER 1-ST RED	120	● CYCLICAL SHALE, LIMESTONE & DOLOMITE ANHYDRITE			
					* DAWSON BAY 2ND RED	65	● LIMESTONE & DOLOMITE, POROUS, ANHYDRITE—LOCAL SHALE RED & GREEN			
450				ELK POINT G.	* WINNIPEGOSIS	120	SALT POTASH & ANHYDRITE, DOLOMITE INTER-BEDED			
					* ELK POINT	75	● DOLOMITE, LIGHT YELLOWISH BROWN REEPLY			
					ASHERN	12	LIMESTONE—FOSS. HIGH CALCIUM			
							DOLOMITE AND SHALE—BRICK RED			
500		SILURIAN		* INTERLAKE GROUP		135	● DOLOMITE YELLOWISH—ORANGE TO GREYISH—YELLOW FOSS. SILTY ZONES			
550		ORDOVICIAN		* STONEWALL		15	● DOLOMITE, GREYISH YELLOW, BEDED.			
* STONY MOUNTAIN				WILLIAMS GUNTON PENITENTIARY GUNN	30 20	DOLOMITE—YELLOWISH—GREY SHALEY ● DOLOMITE—DUSKY—YELLOW FOSS.				
* RED RIVER				FOOT LARRY BELKIN CATHEAD DOG HEAD	170	● SHALE RED—GREEN FOSS. LIMESTONE BANDS				
* WINNIPEG				UPPER UNIT SANDSTONE	60	● DOLOMITIC LIMESTONE, MOTTLED AND DOLOMITE				
						SHALE, GREEN, WAXY, SANDSTONE INTERBEDDED				
		CAMBRIAN		* DEADWOOD		60	● SAND, SANDSTONE, QUARTZOSE SAND, BLACK TO GREEN—GREY WAXY, GLAUCONITIC SILTSTONE & SHALE, GREEN—GREY TO BLACK, VERY EDGE OF S.W. MANITOBA ONLY.			
	PRECAMBRIAN						ACID & BASIC CRYSTALLINES & METAMORPHICS			

* formations productive in Williston basin outside of Manitoba

● documented oil shows in Manitoba

Table 1: Manitoba geologic column, showing the productive formations in Manitoba, as well as other areas in the Williston basin.

**DEPARTMENT OF ENERGY AND MINES
CABINET SUBMISSION**

SUBJECT:

Application under the Oil and Gas Act for amendment of Unitization Order No. 13 for East Routledge Unit No. 1.

BACKGROUND:

The Oil and Natural Gas Conservation Board Unitization Order No. 13 (March 30/72) established East Routledge Unit No. 1 ("the Unit") and provided for operation of the Unit in accordance with the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan"). Geolock Resources Ltd., the Unit Operator, has applied under Section 138 of the Oil and Gas Act for an order of the Minister amending the Unitization Order by revising the definition of "Unitized Strata" in the Unit Plan.

DISCUSSION:

The current definition of Unitized Strata under the Unit Plan restricts oil production to the Cherty Zone (Scallion Member), the lowest of four geological members in the Lodgepole Formation. Geolock has applied to amend the definition of Unitized Strata to include all members of the Lodgepole Formation.

Geolock has recently recompleted a well in the unit area in the Virden Member of the Lodgepole Formation. The well is producing 2.2 cubic metres per day and Geolock sees the potential to recomplete as many as four additional wells. Recompletions have the potential to increase unit production by up to 70%.

Section 138 of the Act provides for the Minister, with the approval of the Lieutenant Governor in Council, to make an order amending a unit order to meet changing conditions. Geolock has received approval for the proposed change in the definition of Unitized Strata from all working interest owners and royalty owners in the Unit, with the exception of an unidentified royalty owner. Geolock has applied to the Minister under Section 214 of the Oil and Gas Act for resolution of the matter of the unidentified royalty owner, who has a 0.3% royalty interest in the Unit. If the identity of the owner is not determined within 5 years, title to the oil and gas rights revert to the Crown.

The proposed amendment to the definition of Unitized Strata to include all members of the Lodgepole Formation will result in cost savings to the Unit owners and a potential increase in oil recovery.

FINANCIAL IMPLICATIONS:

If the proposed recompletions are successful, additional Crown royalty and freehold production tax revenue is estimated at \$10 000 to \$50 000 per year.

COMMUNICATION STRATEGY:

Letter to Geolock as Unit Operator accompanied by the Minister's order amending the Unitization Order.

RECOMMENDATIONS:

The Minister issue an order under Section 138 of the Oil and Gas Act amending the Unit Order by revising definition of Unitized Strata under the Unit Plan to include all of the Lodgepole Formation.

Donald W. Orchard
Minister of Energy and Mines

Contact Person:

L. R. Dubreuil - 945-6573

Date: October 19, 1994



On Matters of State

To The Honourable the Lieutenant Governor in Council

The undersigned, the Minister ofEnergy..and..Mines.....
submits for approval of Council a report setting forth that:

WHEREAS Subsections 138(1) and (2) of The Oil and Gas Act (C.C.S.M. c.034),
provide as follows:

"138(1) A working interest owner or unit operator may, in accordance with the
regulations, make application to the minister to make an order to amend a
unit order
(a) to remedy a deficiency in the order;
(b) to meet changing conditions;
(c) to add a spacing unit to the unit area; or
(d) to join two or more unit areas into one unit area."

"138(2) Subject to the approval of the Lieutenant Governor in Council and to
subsections (3) and (4), the minister may make an order to amend a unit
order."

AND WHEREAS Unitization Order No. 13 of The Oil and Natural Conservation Board (March
30, 1972) established East Routledge Unit No. 1 ("the Unit") and provided
for the Unit to be operated in accordance with the Plan for Unit Operation
Governing the Unitized Management and Further Development of East
Routledge Unit No. 1 ("the Unit Plan").

AND WHEREAS Geolock Resources Ltd., as Unit Operator of East Routledge Unit No. 1, has
made application to amend the definition of "Unitized Strata" in the Unit
Plan to include the entire Lodgepole Formation;

AND WHEREAS the proposed amendment to the definition of "Unitized Strata" in the Unit
Plan will result in costs savings to the Unit owners and a potential
increase in oil recovery from the Unit.

THEREFORE, he, the Minister, recommends:

THAT by order under Subsection 138(2) of the Oil and Gas Act, Unitization
Order No. 13 be amended by revising the definition of "Unitized Strata" in
Part I - Interpretation, Definitions 1.02 (v) of the Unit Plan to read

(v) "Unitized Strata" shall mean that subsurface portion
of the Unit Area commonly known as the Lodgepole
Formation and which is the same Formation encountered
between the depths of 1960' and 2113' as indicated on
the electric log for the well, E. Routledge Unit No. 1
Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section
11, Township 9 North, Range 25, West of the First
Meridian in the Province of Manitoba.

Initiating Department/Agency	
Department/Agency	Authorized Officer
ENERGY AND MINES	<i>[Signature]</i>
Approved by	
C.S.C.	Finance
Approved as to form by:	
Name	<i>P. B. LEVIN</i>
OCT 14/94	
Civil Legal Services: or Legislative Counsel:	<i>[Initials]</i>

Signature

IN THE EXECUTIVE COUNCIL CHAMBER, WINNIPEG

Upon consideration of the foregoing report and recommendation Council advises that it be done as recommended.

.....
Date

.....
President or Presiding Member

AT GOVERNMENT HOUSE IN THE CITY OF WINNIPEG

Approved and Ordered this day of A.D.

.....
Lieutenant Governor

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Branch/Dept.: Energy & Mines
Phone No.:
Fax No.: 945-0586

FROM: Dirk Blevins, Crown Counsel
Phone: 945-2834

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THE OPERATOR LISTED BELOW AS SOON AS POSSIBLE.

PATTI SIMKO - (204) 945-0307



Order in Council

No.

On Matters of State

To The Honourable the Lieutenant Governor in Council

The undersigned, the Minister of Energy and Mines
 submits for approval of Council a report setting forth that:

WHEREAS Subsections 138(1) and (2) of The Oil and Gas Act (C.C.S.M. c.034),
 provide as follows:

"138(1) A working interest owner or unit operator may, in accordance with the regulations, make application to the minister to make an order to amend a unit order
 (a) to remedy a deficiency in the order;
 (b) to meet changing conditions;
 (c) to add a spacing unit to the unit area; or
 (d) to join two or more unit areas into one unit area."

"138(2) Subject to the approval of the Lieutenant Governor in Council and to subsections (3) and (4), the Minister may make an order to amend a unit order."

AND WHEREAS Unitization Order No. 13 of The Oil and Natural Conservation Board (March 30, 1972) established East Routledge Unit No. 1 ("the Unit") and provided for the Unit to be operated in accordance with the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan").

AND WHEREAS Geolock Resources Ltd., as Unit Operator of East Routledge Unit No. 1, has made application to amend the definition of "Unitized Strata" in the Unit Plan to include the entire Lodgepole Formation;

AND WHEREAS the proposed amendment to the definition of "Unitized Strata" in the Unit Plan will result in costs savings to the Unit owners and a potential increase in oil recovery from the Unit.

THEREFORE, he, the Minister, recommends:

UNIT. ORDER # 13 IS AMENDED BY REVISION
 THAT by order under Subsection 138(2) of the Oil and Gas Act, the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02 (v) of the Unit Plan ~~be amended~~ to read

(v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log in Samedan's West Routledge Prov. 7-11-9-25 located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.

Initiating Department/Agency	
Department/Agency	Authorized Officer
Approved by C.S.C.	Finance
Reviewed as to form by:	
Initials	
Legal Services: Executive Counsel:	

Signature

EXECUTIVE COUNCIL CHAMBER, WINNIPEG

On consideration of the foregoing report and recommendation Council advises that it be done as recommended.

Date

President or Presiding Member

MENT HOUSE IN THE CITY OF WINNIPEG

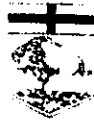
and Ordered this day of A.D.

Statement Circumstances

100-8940100409

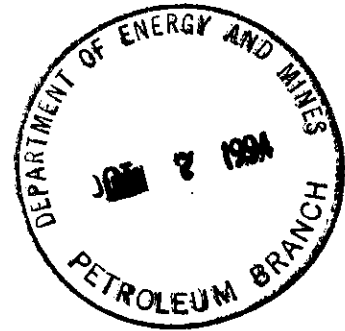
1991

** TOTAL PAGE.002 **



**Minister of
Energy and Mines**
Minister responsible for Manitoba Hydro

Room 314
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8



OCT - 7 1994

Mr. Lachlan J. McLeod
Vice-President
Geolock Resources Ltd.
Suite 480, McFarlane Tower
200 - 4th Avenue SW
Calgary AB T2P 3J4

Dear Mr. McLeod:

East Routledge Unit No. 1
Application to Amend Unitization Order No. 13

The Department is in receipt of your application to amend Unitization Order No. 13. The Petroleum Branch will be reviewing the application and contacting you directly with any questions or comments.

If you have any questions regarding processing of the application please don't hesitate to call L. R. Dubreuil, Director of Petroleum or John N. Fox, Chief Petroleum Engineer at (204) 945-6573 and 945-6574 respectively.

Yours truly,

**ORIGINAL SIGNED BY
DONALD W. ORCHARD**

Donald W. Orchard

bcc: G. Barnes
L. R. Dubreuil
J. N. Fox

JNF/hw

Typed September 28, 1994



Memorandum

Date September 28, 1994

To Garry Barnes
Acting Deputy Minister
Petroleum Branch

From Bob Dubreuil
Director
Petroleum Branch

Telephone

Subject **East Routledge Unit No. 1 - Log #9405911**

Geolock Resources Ltd. the Unit Operator of East Routledge Unit No. 1 has applied under Section 138 of the Oil and Gas Act to amend the definition of "Unitized Strata" as provided for in the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1. Section 138 of the Act provides for the Minister, with the approval of the LG in C, to make an order amending a unit order to remedy a deficiency in the order and to meet changing conditions. Geolock has received approval from all working interest owners and royalty owners in the Unit, with the exception of the unidentified royalty owner, for the proposed amendment.

The company has also applied under Section 214 of the Act for an order of the Minister authorizing continued production on behalf of an unidentified royalty owner in the Unit. This application is incomplete. The company will be contacted by the Branch regarding submission of additional information. Public notice of this application is required under Subsection 214(2) of the Act before the Minister can make an order.

L.R. Dubreuil, Director

First | Fold



**Minister of
Energy and Mines
Minister responsible for Manitoba Hydro**

Room 314
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

Mr. Lachlan J. McLeod
Vice-President
Geolock Resources Ltd.
Suite 480, McFarlane Tower
200 - 4th Avenue SW
Calgary AB T2P 3J4

Dear Mr. McLeod:

East Routledge Unit No. 1
Application to Amend Unitization Order No. 13

The Department is in receipt of your application to amend Unitization Order No. 13. The Petroleum Branch will be reviewing the application and contacting you directly with any questions or comments.

If you have any questions regarding processing of the application please don't hesitate to call L. R. Dubreuil, Director of Petroleum or John N. Fox, Chief Petroleum Engineer at (204) 945-6573 and 945-6574 respectively.

Yours truly,

Donald W. Orchard

bcc: G. Barnes
L. R. Dubreuil
J. N. Fox

JNF/hw

Typed September 28, 1994

OFFICE OF THE DEPUTY MINISTER OF ENERGY AND MINES

ACTION/ROUTE SLIP

DATE: September 21, 1994

LOG NUMBER: 9405911

TO: Bob Dubreuil
Petroleum Branch
Energy & Mines
5th Floor 330 Graham Ave.

FROM: Garry Barnes
Acting Deputy Minister
Energy & Mines
314 Legislative Building

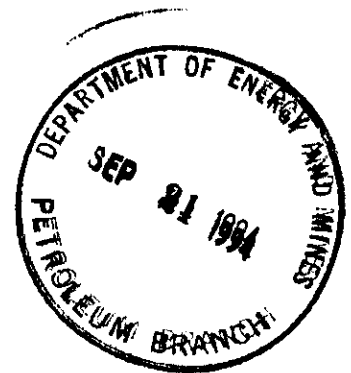
Telephone: 945-4172
Fax: 945-8374

NAME: Lachlan J. McLeod

SUBJECT: E. Routledge Unit 1, Twp. 9, Rge. 25 WPM, Manitoba -
John Fox as operation of the subject Unit for Geolock

ACTION: Please draft a reply for the Minister's signature.

Thank you.



DUE DATE: SEPTEMBER 26, 1994



MANITOBA

On Matters of State

To The Honourable the Lieutenant Governor in Council

The undersigned, the Minister of Energy and Mines submits for approval of Council a report setting forth that:

WHEREAS Subsections 138(1) and (2) of The Oil and Gas Act (C.C.S.M. c.034), provide as follows:

- "138(1) A working interest owner or unit operator may, in accordance with the regulations, make application to the minister to make an order to amend a unit order
- (a) to remedy a deficiency in the order;
 - (b) to meet changing conditions;
 - (c) to add a spacing unit to the unit area; or
 - (d) to join two or more unit areas into one unit area."

- "138(2) Subject to the approval of the Lieutenant Governor in Council and to subsections (3) and (4), the minister may make an order to amend a unit order."

WHEREAS Unitization Order No. 13 of The Oil and Natural Conservation Board (March 30, 1972) established East Routledge Unit No. 1 ("the Unit") and provided for the Unit to be operated in accordance with the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan").

WHEREAS Geolock Resources Ltd., as Unit Operator of East Routledge Unit No. 1, has made application to amend the definition of "Unitized Strata" in the Unit Plan to include the entire Lodgepole Formation;

WHEREAS the proposed amendment to the definition of "Unitized Strata" in the Unit Plan will result in costs savings to the Unit owners and a potential increase in oil recovery from the Unit.

WHEREFORE, he, the Minister, recommends:

THAT by order under Subsection 138(2) of the Oil and Gas Act, Unitization Order No. 13 be amended by revising the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02 (v) of the Unit Plan to read

- (v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log for the well, E. Routledge Unit No. 1 Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.

Initiating Department/Agency	
Department/Agency	Authorized Officer
ENERGY AND MINES	<i>[Signature]</i>
Approved by	Finance
C.S.C.	
Approved as to form by:	
Name	<i>D. B. E. V. I. N. S.</i>
	<i>OCT 14/94</i>
Civil Legal Services:	Initials
or Legislative Counsel:	<i>[Signature]</i>

Signature *[Signature]*

PC: Bob Dubreuil
accounts -
Nov. 22/94

IN THE EXECUTIVE COUNCIL CHAMBER, WINNIPEG

Upon consideration of the foregoing report and recommendation Council advises that it be done as recommended.

November 9, 1994

Date

[Signature]
President or Presiding Member

AT GOVERNMENT HOUSE IN THE CITY OF WINNIPEG

Approved and Ordered this 9th day of November A.D. 1994

[Signature]
Lieutenant Governor

NOV 16 1994

**DEPARTMENT OF ENERGY AND MINES
CABINET SUBMISSION**

SUBJECT:

Application under the Oil and Gas Act for amendment of Unitization Order No. 13 for East Routledge Unit No. 1.

BACKGROUND:

The Oil and Natural Gas Conservation Board Unitization Order No. 13 (March 30/72) established East Routledge Unit No. 1 ("the Unit") and provided for operation of the Unit in accordance with the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan"). Geolock Resources Ltd., the Unit Operator, has applied under Section 138 of the Oil and Gas Act for an order of the Minister amending the Unitization Order by revising the definition of "Unitized Strata" in the Unit Plan.

DISCUSSION:

The current definition of Unitized Strata under the Unit Plan restricts oil production to the Cherty Zone (Scallion Member), the lowest of four geological members in the Lodgepole Formation. Geolock has applied to amend the definition of Unitized Strata to include all members of the Lodgepole Formation.

Geolock has recently recompleted a well in the unit area in the Virden Member of the Lodgepole Formation. The well is producing 2.2 cubic metres per day and Geolock sees the potential to recomplete as many as four additional wells. Recompletions have the potential to increase unit production by up to 70%.

Section 138 of the Act provides for the Minister, with the approval of the Lieutenant Governor in Council, to make an order amending a unit order to meet changing conditions. Geolock has received approval for the proposed change in the definition of Unitized Strata from all working interest owners and royalty owners in the Unit, with the exception of an unidentified royalty owner. Geolock has applied to the Minister under Section 214 of the Oil and Gas Act for resolution of the matter of the unidentified royalty owner, who has a 0.3% royalty interest in the Unit. If the identity of the owner is not determined within 5 years, title to the oil and gas rights revert to the Crown.

The proposed amendment to the definition of Unitized Strata to include all members of the Lodgepole Formation will result in cost savings to the Unit owners and a potential increase in oil recovery.

FINANCIAL IMPLICATIONS:

If the proposed recompletions are successful, additional Crown royalty and freehold production tax revenue is estimated at \$10 000 to \$50 000 per year.

COMMUNICATION STRATEGY:

Letter to Geolock as Unit Operator accompanied by the Minister's order amending the Unitization Order.

RECOMMENDATIONS:

The Minister issue an order under Section 138 of the Oil and Gas Act amending the Unit Order by revising definition of Unitized Strata under the Unit Plan to include all of the Lodgepole Formation.

ORIGINAL
DONALD W. ORCHARD

Donald W. Orchard
Minister of Energy and Mines

Contact Person:

L. R. Dubreuil - 945-6573

Date: October 19, 1994

MINISTERIAL ORDER

UNIT ORDER NO. 33

**Pertaining to the Unit Operation of
East Routledge Unit No. 1**

1. Effective December 1, 1994, the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1 ("the Unit Plan") dated July 21, 1971 and amended October 5, 1971 is further amended by revising the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02(v) of the Unit Plan to read:
 - (v) "Unitized Strata" shall mean the subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log for the well, E. Routledge Unit No. 1 Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.
2. This order provides for the continued operation of East Routledge Unit No. 1 in accordance with the amended Unit Plan.
3. Unitization Order No. 13 dated March 30, 1972 is hereby rescinded.

November 9, 1994

Date



Donald W. Orchard
Minister of Energy and Mines



Memorandum

Date October 19, 1994

To Garry Barnes
Acting Deputy Minister
Petroleum Branch

From Bob Dubreuil
Director
Petroleum Branch

Subject East Routledge Unit No. 1
Amendment to Unitization No. 13

Telephone

8-346

Geolock Resources Ltd., the Unit Operator of East Routledge Unit No. 1 ("the Unit"), has applied under Section 138 of the Oil and Gas Act ("the Act") to amend the Plan for Unit Operation Governing the Unitized Management and Further Development of East Routledge Unit No. 1 ("the Unit Plan"). The company has also applied under Section 214 of the Act for an order authorizing continued production on behalf of an unidentified royalty owner in the Unit.

Recommendation

It is recommended that the Minister issue an order under Subsection 138 (2) of the Act amending Unitization Order No. 13 to revise the definition of "Unitized Strata" in Part I - Interpretation, Definitions 1.02 (v) of the Unit Plan to read

- (v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log for the well E. Routledge Unit No. 1 Prov. 7-11-9-25 (WPM), located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.

Attached is a copy of the proposed Cabinet submission, Order in Council and Minister's Order.

Discussion

Unitization Order No. 13 (March 30/72) established the Unit and provided for operation of the Unit in accordance with the Unit Plan. Geolock has applied to amend the definition of "Unitized Strata" in the Unit Plan to include all members of the Lodgepole Formation. The Unitized Strata is currently defined as the Cherty Zone (Scallion Member) which is the lowest of four geological members in the Lodgepole Formation (see Table 1). Unitized strata for other units in the Virden Field include the entire Lodgepole Formation. Geological and production data in numerous areas of the Virden Field indicates the various members of the Lodgepole are in communication as a result of natural and induced fractures.

OCT 27 1994

Geolock recently recompleated a unit well, 5-11-9-25 (WPM), and established production in the unit area from the Virden Member of the Lodgepole Formation. Geolock sees potential to recompleate as many as four additional wells in this zone. Recompletions have the potential to increase unit production from 12 m³/d to 20 m³/d.

Section 138 of the Act provides for the Minister, with the approval of the LG in C, to make an order amending a unit order to meet changing conditions. Geolock has received approval for the proposed change in the definition of Unitized Strata from all working interest owners and royalty owners in the Unit, with the exception of an unidentified royalty owner.

The unidentified royalty owner, who has a royalty interest in 1.22 ha under a railway right-of-way in 5-12-9-25, is the subject of an application from Geolock under Section 214 of the Act for a Minister's order authorizing continued production on behalf of the unidentified royalty owner. The application regarding the unidentified royalty owner is incomplete. Additional information regarding the funds currently held in trust by Geolock and Samedan (the previous unit operator) and a title search and opinion on rightful ownership are required. Public notice is also required under Subsection 214(2) of the Act before the Minister can make an order.

The approval of Geolock's application to amend the Unit Plan will have no effect on the outcome of the unidentified royalty owner application and vise versa. Therefore it is recommended that the two applications be dealt with separately.

The proposed amendment to the definition of Unitized Strata to include all members of the Lodgepole Formation satisfies the following criteria for unit operation as listed in Section 135(1) of the Act; (a) the amendment will result in more efficient production and cost savings to Unit owners; (b) the amendment will result in a potential increase in ultimate recovery; and (c) the amendment will ensure there are no equity concerns among unit owners. The proposed Cabinet submission and OIC are attached. It would be desirable to have the approval of the LG in C in time to permit the Minister's order amending the unit order to be effective November 1, 1994.


L.R. Dubreuil, Director

Manitoba Regulation 60/72

Being

THE OIL AND NATURAL GAS CONSERVATION BOARD

UNITIZATION ORDER NO. 13

*Pertaining to the Unitized Management Operation and Further
Development of East Routledge Unit No. 1*

(Filed April 18, 1972)

Made and passed pursuant to "The Mines Act", Cap. M160, R.S.M., 1970, and amendments thereto, by The Oil and Natural Gas Conservation Board of Manitoba.

1. Effective at the hour of seven o'clock in the forenoon, official time, on the fifteenth day of May, 1972, a certain part of the Routledge Field, to be known as the Unit Area, shall be operated as a unit in accordance with the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1, dated July 21, 1971, and amended October 5, 1971, and shall be known as the East Routledge Unit No. 1.
2. Parts XXII, XXIII, and XXIV, being excerpts from the Plan, and attached hereto, shall be published in The Manitoba Gazette.

Oil and Natural Gas Unitization Order No. 13,
made and passed this 30th day of March,
A.D., 1972, at the City of Winnipeg, in
the Province of Manitoba, by The Oil and
Natural Gas Conservation Board.

Approved:

"Leonard S. Evans"

Leonard S. Evans,
Acting Minister of Mines, Resources and
Environmental Management.

"W. Winston Mair"

W. Winston Mair,
Chairman,
The Oil and Natural Gas Conservation Board.

"J.S. Roper"

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

"M.J. Gobert"

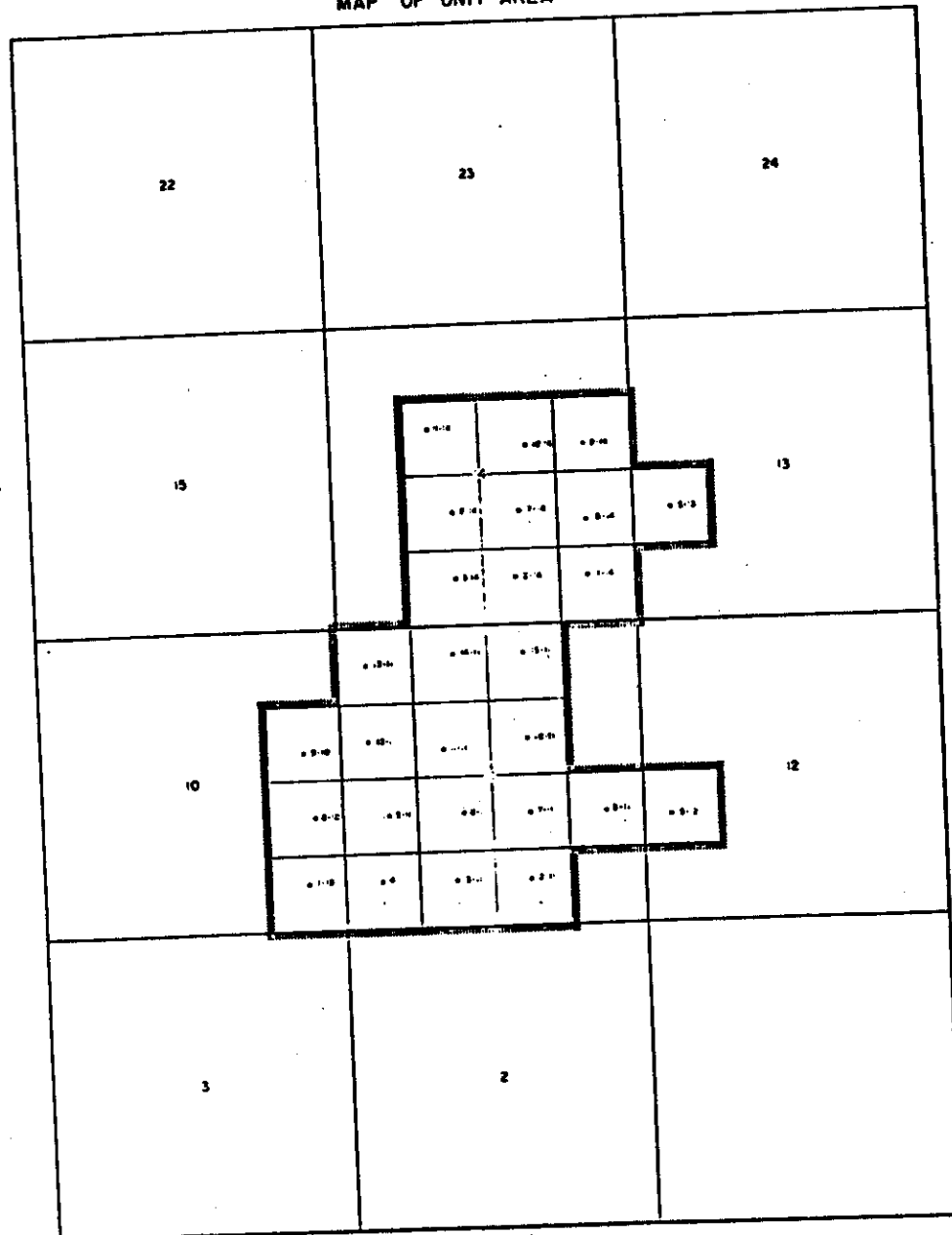
M.J. Gobert,
Member,
The Oil and Natural Gas Conservation Board.

*Publication of the Plan attached to Unitization Order No. 13 is dispensed
With by Order in Council No. 384/72.*

PART XXII
THE LANDS IN THE PROVINCE OF MANITOBA WHICH COMPRISE
THE EAST ROUTLEDGE UNIT NO. 1 ARE AS FOLLOWS:

Tract Number	Legal Description	Tract Number	Legal Description
	Township 9 Range 25 WPM		Township 9 Range 25 WPM
1-10	LSD. 1, Section 10	14-11	LSD. 14, Section 11
8-10	LSD. 8, Section 10	15-11	LSD. 15, Section 11
9-10	LSD. 9, Section 10	5-12	LSD. 5, Section 12
2-11	LSD. 2, Section 11	5-13	LSD. 5, Section 13
3-11	LSD. 3, Section 11	1-14	LSD. 1, Section 14
4-11	LSD. 4, Section 11	2-14	LSD. 2, Section 14
5-11	LSD. 5, Section 11	3-14	LSD. 3, Section 14
6-11	LSD. 6, Section 11	6-14	LSD. 6, Section 14
7-11	LSD. 7, Section 11	7-14	LSD. 7, Section 14
8-11	LSD. 8, Section 11	8-14	LSD. 8, Section 14
10-11	LSD. 10, Section 11	9-14	LSD. 9, Section 14
11-11	LSD. 11, Section 11	10-14	LSD. 10, Section 14
12-11	LSD. 12, Section 11	11-14	LSD. 11, Section 14
13-11	LSD. 13, Section 11		

PART XXIII
MAP OF UNIT AREA



T
9
N

R-25-W

EAST ROUTLEDGE UNIT NO. 1
MANITOBA PROVINCE, CANADA

0 1000 2000 3000
feet
-36-

• PREVIOUS BOUNDARY
• UNIT BOUNDARY
• NUMBERED TRACT

PART XXIV

Tract Number	Tract Participation		Tract Number	Tract Participation	
	Interim	Final		Interim	Final
1-10	4.74458	4.22753	14-11	1.02484	0.60393
8-10	2.87217	3.57419	15-11	7.30149	9.42445
9-10	3.49776	2.19813	5-12	2.19585	1.83004
2-11	0.74068	0.50345	5-13	3.13178	2.37288
3-11	2.91362	2.07245	1-14	2.67472	2.13603
4-11	3.95482	3.40836	2-14	4.81221	4.26967
5-11	4.44951	3.69730	3-14	3.41431	4.13644
6-11	5.17710	4.51867	6-14	3.82719	3.85203
7-11	4.65950	4.53441	7-14	4.37642	5.02515
8-11	3.92591	4.25913	8-14	8.48123	10.31383
10-11	0.53833	0.60194	9-14	6.05140	6.18710
11-11	1.74588	1.65497	10-14	6.89570	7.90708
12-11	1.60080	1.59075	11-14	4.80294	4.93059
13-11	0.18926	0.16950		100.00000	100.00000

PLAN FOR E. ROUTLEDGE UNIT NO. 1 - AMENDMENT TO UNIT ORDER

- all WIO's & RO's except unknown interest have agreed to amend of definition of unitized strata
 - amendment of definition will effectively, ^{vertically} enlarge the unit, allowing for more efficient production and increased ultimate recovery
 - amendment of a unit order must be approved by the LGIC
 - I believe we can prepare the OIC & accompanying support material now
-
- the issue of the missing royalty owner involves approx. \$15 / acre
 - the company has not followed up on the matter
 - Graham is prepared to pay money into trust
 - I don't believe there is a need to combine the issues
 - Sec 214(2) requires ^{public} notice re: missing R.O.

CALCULATION OF COST & BENEFITS OF CHANGE IN DEFINITION
OF UNITIZED STRATA IN E. BOUTLOCHE UNIT NO. 1

JUNE 194

• NON-UNIT S-11 PRODUCED 74 m³ & PAID CROWN ROYALTIES
OF 2983.93

• IF S-11 PRODUCTION WERE INCLUDED IN THE UNIT
PRODUCTION TAX & ROYALTY PAYMENT WOULD INCREASE
\$ 1420.69 FROM \$ 2645.42 TO \$ 4066.1

S-11 NON-UNIT + UNIT PROD ROY + TAX JUN/94 = 5629.35
UNIT PROD (INCLUDING S-11) ROY + TAX JUN/94 = 4066.1

ASSUME 4 PRODUCTIONS CARRIED OUT

AND MONTHLY PRODUCTION INCREASE TO 547 to 669 m³

547 m³/mo UNIT PROD. TAX + ROY = \$ 6522

669 m³/mo " " " " = \$ 10435

INCREASE IN ROY + TAX OF \$ 893 - 4805 per month
\$ 10716 - 57660 per year



September 7, 1994

Mr. Lachlan J. McLeod
Geolock Resources Ltd.
Suite 400, McFarlane Tower
700 - 4th Avenue SW
Calgary AB T2P 3J4

Dear Mr. McLeod:

Re: East Routledge Unit No. 1 - Amendment to Unitization Order

The Branch has reviewed Geolock's plans to vertically enlarge East Routledge Unit No. 1 by revising the definition of "Unitized Strata". The problem of the "Unknown Interest", which has just been brought to our attention, should be resolved as soon as possible. Therefore it is suggested that joint application under Section 138 and 214 of the Oil and Gas Act ("the Act") be made as follows:

- Section 138 to amend Unitization Order No. 13 and the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1.
- Section 214 for an order authorizing on behalf of the unknown royalty interest, the continued operation of the Unit.

An application under Section 138 of the Act to the Minister to amend Unitization Order No. 13 must include the reasons for the proposed amendment and should address the conditions included in Clause 138 (1)(a) or (b) and Clause 135 (1)(a) or (b). A copy of the signed letter of approval or mail ballot from all royalty and working interest owners must be included with the application. Under Subsection 138(2), the amendment to the unitization order must be approved by the Lieutenant Governor in Council. In accordance with Section 132 of the Act, an amendment to the unitization order would come into force on the first day of the month following the month in which the amendment is registered by the Petroleum Registrar.

An application under Section 214 of the Act to the Minister for an order authorizing continued production on behalf of the unidentified or missing royalty owner should address the following questions:

- (1) Did Samedan establish a trust account for the revenues that accrued from January 1, 1986 until Geolock became operator of the Unit in May, 1990? If so did Geolock become the new holder of the trust in 1990?
- (2) How much money is currently in trust? How is this share calculated on a monthly basis?
- (3) What has Geolock done to attempt to resolve the ownership issue and find the true owner?

You are advised that under subsection 214(3) any monies held in trust or accumulating as a result of future production relating to the unknown interest are to be paid to the Minister of Finance to be held in trust.

The Branch will publish notice of the joint application as required by Subsection 214(2) of the Act.

If you have any questions please contact John N. Fox, Chief Petroleum Engineer or the undersigned at (204) 945-6574 or 945-6573, respectively.

Yours truly,



L.R. Dubreuil
Director

cc: Brad Thiessen

- concurrent applⁿ for (1) order to amend unitization order
(2) order authorizing production where royalty owner missing
- amend to unitization order to meet changing conditions
ie. continued decline in unit prod. 1994 Jun $12.5 \frac{m^3}{d}$
vs 1985 Dec $23.2 \frac{m^3}{d}$
- amendment meets test - will result in more efficient production
- need for public notice re: missing royalty owner

BACKGROUND

- original wf feasibility study focused solely on Cherty
- hearing held Oct 5/71
- OIC dated Apr 13/72 approved Unitization Order No. 13 (Mar 30/72)
- Geolock became Unit Operator May/90

MISSING R.O. LSD 5-12-9-25

- 5-12 drilled in 1967 Lic No. 2251
- LSD 5 includes 6.04 ac CN ROW leased to Samedan
in Sep/67 @ 12 1/2% royalty rate
- other lessors John Henry Sawetsky 1/2 interest
Canadian Fina Oil (Prairie Leasehold) 1/2 interest

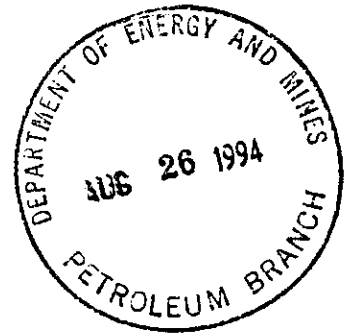
S-12 tract participation In.tial - 2.19585
 fincl - 1.83004

- approximate Royalty share $(6/40)$ @ 12.5% = $1.85004 \div .03431325$

- WIO (initially)
 - Samadan 50%
 - Ranchman's 25%
 - Bueno Oil 25%

Plan of Unit Operations Governing the
Unitized Management Operation & further
Development of E. Rutledge Unit No. 1 -
Parts 12, 13 & 14 provide for warranty & indemnity
against loss of title; title approval by
Titles Committee; Disputes re: titles.

GEOLOCK
RESOURCES LTD.
INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION



August 19, 1994

Manitoba Energy and Mines
Petroleum
555 - 330 Graham Avenue
Winnipeg, Manitoba
R3C 4E3

Attention: Mr. John N. Fox
Chief Petroleum Engineer

Dear Sir:
Re: Unknown royalty interest
East Routledge Unit #1

Enclosed are documents relative to the ownership of what we refer to as the "Unknown Interest".

This interest was originally thought to belong to the CNR and they were paid for it by Samedan from the inception of the Unit. Subsequently, the CNR informed Samedan that they did not own the interest and to cease payments to them. They also indicated that they would not return any funds paid to them over the years.

As explained in the title search, the ownership of this interest is still unresolved. Since Geolock has been operating the Unit, we have kept track of the funds accruing to this Unknown Interest and they are available to the owner if or when they come forward.

We would welcome any suggestions you may have for resolving this situation.

I will forward the signed consent forms and the mail ballot result on the proposed expansion of the Unitized Strata as soon as we receive them.

If you have any questions on this matter or require any further documentation, I can be contacted at 265-7370.

Yours very truly
Lachlan J. McLeod
Lachlan J. McLeod

Encl.



CN Exploration Inc.
1300, 530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3S8
(403) 237-5900

RECEIVED BY

SEP 30 1986

LAND DEPT.

September 26, 1986

Mr. Brian Murray
Samedan Oil of Canada Inc.
1505, 505 - 3rd Street S.W.,
CALGARY, alberta
T2P 3E6

Dear Mr. Murray:

Re: Petroleum and Natural Gas Lease
LSD 5-12-9-25 WPM
East Routledge Unit #1, Manitoba
CN File: 11360

Pursuant to our telephone conversation of today's date, and in response to your Mr. Wayne Hitt's letter of September 18, 1986, this is to advise that after a review of the provisions of the subject lease and unit agreement, we find that our liability for loss of title only extends back to January 1, 1986. We refer you to Clause 19(b) of the lease, and Clauses 12.01 and 13.01 of the unit agreement. As title failure was finally determined in January, 1986, it is deemed to be effective January 1, 1986. Since we returned the only royalty cheque we received subsequent to this date, it is our position that we have satisfied our obligation under the terms of these agreements.

We trust this will meet with your satisfaction, and we apologize again for the inconvenience to you created by this situation.

Yours truly,

CN EXPLORATION INC.

Susan L. Custock
Title Analyst

SLC:ebg



CN Exploration Inc.
1300, 530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3S8

(403) 237-5900

January 7, 1986

RECEIVED BY

JAN - 9 1986

LAND DEPT.

Samedan Oil of Canada, Inc.
1505, 505 - 3rd Street S.W.,
CALGARY, Alberta
T2P 3E6

Dear Sirs:

Re: East Routledge Unit No. 1
Tract 5-12 - Ptn LSD 5-12-9-25 WPM (3.02 acres)
Your File: 55-3-157
CN File: 11360

We have recently had an opportunity to examine the document which transferred the captioned lands to the Railway, and find that we have no valid entitlement to the mines and minerals thereunder. As the Railway was subject at the time of transfer to the Railway Act of Canada, it was precluded by Section 136 of said Act from acquiring mines and minerals without the express conveyance of same. The transfer in question containing no such specific conveyance, it is apparent that the Railway was erroneously registered as owner of mineral rights. According to common precedent, it seems likely that mines and minerals should have remained in the names of the two individuals who transferred the surface rights to the Railway.

As we are not entitled to mineral rights, we have no authority to lease same, or to collect revenue from production. We therefore request that royalty payments to us cease immediately, and that you as unit operator provide us with a cumulative total of payments to date in order that we may reimburse you.

Enclosed, for your information, is a copy of Deed No. 63867.

We regret we can be of no further assistance, and that we can no longer maintain our working relationship in this regard.

Yours truly,

CN EXPLORATION INC.

Susan L. Custock
Title Analyst

Encl.

cc: Wayne Wilson, CN Exploration Inc.

A Corporate Agent of CNRC and CN Transactions Inc. under management agreements.

Atkinson Mc Mahon
Barristers & Solicitors

ES G. ATKINSON, O.C.
HARD D. TINGLE, O.C.*
MICHAEL F. CASEY
JOY D. BOETTGER
ADELLE FRUMAN
ALISON C. TAYLOR
K. DOUGLAS MACLEOD
M. ANN McLEAN
STUART F. BLYTH
R. CHARLES ALLEN
DAVID SEVALRUD
TIMOTHY D. O'BRIEN

TERRENCE F. McMAHON, O.C.
WILLIAM T. CORBETT
JAMES B. McCASHIN
JOHN F. COSTELLO
J. KIMBERLY REID
SCOTT R. MILLER
G. SEAN DUNNIGAN
THOMAS H. OLSON
PETER L. COLLINS
JEAN C. VAN DER LEE
JANICE B. ODEGAARD

*PROFESSIONAL CORPORATION



1900 FIRST CANADIAN CENTRE
350-7TH AVENUE S.W.
CALGARY, ALBERTA
T2P 3N9

DELIVERED

CONSULTANT

Our File: 80-2986/JBM
THE HON. J. V. HAMILVAIN, O.C., J.D.

July 29, 1986

Samedan Oil of Canada, Inc.
1505, 505 - 8th Street S. W.
Calgary, Alberta

ATTENTION: Mr. Brian Murray

Dear Sirs:

Re: SW1/4 Section 12-9-25-WPM

We apologize for the delay of our agents in preparing an opinion regarding the ownership of all mineral rights in the Southwest Quarter of Section 12-9-25-WPM. In this regard, we enclose for your review a copy of the opinion of Messrs. Aikens, MacAulay & Thorvaldson relating to such ownership.

We do not entirely agree with the opinion of our agents as it pertains to ownership of the mineral interest underlying the railway right-of-way. From our review of their opinion, we have, however, ascertained that there does not appear to be any legislation or case law in Manitoba which would make the law in Manitoba any different than the law in Alberta as it pertains to mineral ownership underlying railway rights-of way.

At the present time, the law in Alberta is unclear as to who is who is entitled to such a mineral interest. In Alberta, there are two lines of cases that have considered this issue. One line of cases suggests that the person (or his estate) who sold the right-of-way land to the Railway and then sold the entire mineral interest in the land excepting out the railway right-of-way is the person who is entitled to the mineral interest underlying the right-of-way. The other line of cases holds that the person (or a

.../2

successor in interest) who bought the entire mineral interest is the person entitled to such interest. Recently the Alberta Court of Queen's Bench decided a case regarding this issue in favour of the purchaser of the mineral interest. This case has been appealed to the Court of Appeal where it is hoped that this question of ownership of this mineral interest will be ultimately resolved. Because the law is not conclusive in Alberta and is most likely not conclusive in Manitoba, we are reluctant to have you rely upon the opinion of our agents.

Under the circumstances, we recommend that you set aside a pro-rata share of production revenues based on a working interest ownership basis of 6/160 (right-of-way acreage/quarter-section acreage) and deposit this sum in trust with a chartered bank. This sum should be calculated as of the date Samedan began receiving revenue from these lands. We further recommend that this sum should remain in the bank until such time as a Court of Appeal has ultimately decided the question of railway right-of-way ownership or until such time as the question of ownership of this interest resolves itself.

With respect to any royalty monies mistakenly paid to CN, we recommend that you request repayment of such monies by CN. In addition, you may wish to request interest on those monies.

After you have had an opportunity to review this letter and the opinion of our agents, please contact the writer at your convenience to discuss this complicated issue in more detail.

Yours very truly,

ATKINSON McMAHON

Per:



R. Charles Allen

RCA/vh
Enclosures

Aikins, MacAulay & Thorvaldson

BARRISTERS AND SOLICITORS

A LORNE CAMPBELL CO. OC. LL.D.
MICHAEL J. MERCURY OC.
JAMES E. FORAN OC.
LEON H. MERCURY
CYRIL G. LABMAN
COLIN R. MACARTHUR
JOEL A. WENSTEIN
S. JANE EVANS
DOROTHY F. McDONALD
G. BRUCE TAYLOR
G. TODD CAMPBELL
BETTY A. JOHNSTONE
JONATHAN S. KROFT
STEPHEN F. VINCENT

W. STEWARD MARTIN OC.
A. J. MERCURY OC.
KNOX S. FOSTER OC.
MARSHALL E. ROTHSTEIN OC.
LARRY R. CRANE
ROD S. STEPHENSON
FRANCES M. STATHAM OC.
JUDITH M. BLAIR
SMAEL H. I. WILDER
RICHARD L. YAFFE
J. MILTON CHRISTIANSEN
L. WILLIAM BOWLES
M. BRUCE BOWMAN

JOHN S. LAMONT OC.
MARTIN H. FREEDMAN OC.
ELLIOTT B. McDONALD
RAYMOND H. G. FLETT
ROLAND B. DIAS
DAVID G. UNRUH
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DAVID L. VOECHTING
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LOREN T. SPIVAK
MARTIN R. GUTHRIE
JAKE E. HARRIS

ROGER J. HANSELL OC.
ANDREW C. TOUGH
ROBERT G. SMELLIE OC.
J. TIMOTHY SAMSON
CHARLES L. CHAPPELL
GERALD D. PARKINSON
E. BRUCE PARKER
MARC H. MONNIN
MURRAY H. TRACHTENBERG
FRANK LAVITT
LISA M. COLLINS
BARBARA R. HOCHMAN
J. DOUGLAS SIGURDSON

THIRTIETH FLOOR
COMMODITY EXCHANGE TOWER
360 MAIN STREET
WINNIPEG, MANITOBA
CANADA R3C 4G1

TELEPHONE: (204) 957-0050

TELEX: 07-587612

CABLE ADDRESS: "AIKINS"

TELECOPIER (AUTOMATIC): (204) 957-0840

PLEASE REFER TO

E. B. MacDonald

FILE NO.

860436

COUNSEL THE HONOURABLE SAMUEL FREEDMAN OC. OC. LL.D.

SIR JAMES AIKINS K.B. KC. LL.D. (1879-1929)
G. H. AIKINS DSO OC. LL.D. (1910-1954)

JOHN A. MACAULAY, OC. OC. LL.D. (1919-1978)
HON. G. S. THORVALDSON OC. (1925-1988)

DELIVERED

July 9, 1986

Atkinson, McMahon
Barristers and Solicitors
1900 First Canadian Centre
350 - 7th Avenue S. W.
Calgary, Alberta
T2P 3N9

Attention: R. Charles Allen

Dear Sirs:

Re: Samedan Oil and Gas Canada, Inc.
Historical Search -- SW $\frac{1}{4}$ 12-9-25 WPM
Your File No. 80-2986/JBM

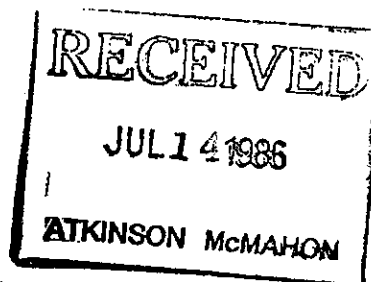
I refer to my letter of July 4, 1986.

I will set forth hereunder my conclusions with respect to the mineral ownership in this SW $\frac{1}{4}$.

I will distinguish between the mineral ownership in the portion of the SW $\frac{1}{4}$ which was transferred to The Canadian Northern Railway Company in 1906 for railway right-of-way and the mineral ownership in the balance of the SW $\frac{1}{4}$.

The Grant from the Crown only reserved "the free use passage and enjoyment of, in, over and upon all navigable waters". The minerals, therefore, insofar as petroleum and natural gas, passed to the homesteader who was Edwin Speck. I am attaching a photocopy of this Grant.

There were no transactions of any significance insofar as mines and minerals are concerned with respect of this quarter section down to deed 63867 registered on November 23rd, 1908 from John R. Scott to The Canadian Northern Railway Company. I believe



Likins, MacAulay & Thorvaldson

Mr. R. Charles Allen

Page Two

July 9, 1986

you have a copy of this deed in your records. I conclude that John R. Scott, the grantor, was the owner of the mines and minerals in the six acres being transferred to The Canadian Northern Railway Company which transfer did not include a specific reference to the mines and minerals. Based upon the 1958 Supreme Court decision, with respect to Section 198 of The Railway Act, since the minerals were not "expressly purchased" they were therefore deemed to be excepted from the conveyance from Scott to The Canadian Northern Railway Company.

You will note in the copy of this deed 63867, in addition to being signed by "John R. Scott" it is also signed by "Harry W. Testar". This is due to the fact that Testar had sold the quarter section to Scott by Agreement for Sale dated the 24th of March, 1906, and the deed in favour of Scott resulting from the sale was not registered until the 10th of March, 1909, while the deed from Scott to the Railway Company was registered on the 23rd of November, 1908. Accordingly, presumably, out of an abundance of caution and in order to show the chain of title the deed to the Railway Company was also signed by Testar.

In any event, my conclusion is that after the 1906 deed from Scott to the Railway Company which was registered in 1908, John R. Scott still remained the owner of the mines and minerals beneath the six acres transferred for railway right-of-way.

By deed dated the 9th of May, 1925, and registered as No. 010121 on July 31, 1925 John R. Scott transferred to George Scott the SW $\frac{1}{4}$ of Section 12 in Township 9 Range 25W of the Principal Meridian. I am attaching a photocopy of this deed. You will note that there is no exception thereout of the portion of the quarter section which had been earlier transferred to The Canadian Northern Railway Company. This was obviously an error. It is interesting to note that on the front of the deed there is a memo with the initials of the Notary Public who drew the deed to the effect that "title not searched". It would appear that the Notary Public merely drew the deed for the complete quarter section without the benefit of a search which, of course, would have revealed that in 1909 six acres of the quarter section had already been transferred out.

The significance of the above failure to except the six acres earlier transferred out to the Railway Company was that the mines and minerals under the six acres of railway right-of-way, which did not pass to the Railway Company, would remain with John Scott and

skins. MacAulay & Thorvaldson

Mr. R. Charles Allen
Page Three
July 9, 1986

would be included in the transfer of 1925 to George Scott.

It seems to me that regardless of whether the rationale of the Moir case of Mr. Justice Maybank in Manitoba, in 1961, or the rationale of Mr. Justice McBains' decision in Alberta, in 1985 is applied the result is the same. If I understand Mr. Justice Maybank's decision correctly he was saying that in a similar situation the minerals remained with the transferor due to the provisions of The Railway Act and he then further concluded that the minerals would not be picked up in a subsequent transfer by the transferor because the transferor excepted in that transfer that portion which was transferred to the Railway Company and, accordingly, they would remain with the balance of the interest of the transferor. In this particular situation of the SW $\frac{1}{4}$ of Section 12 the transfer out by the transferor after he had made an earlier transfer to the Railway Company had no exception so, accordingly, all of the transferor's interest which would include the mineral interest under the railway right-of-way would pass to the transferee, George Scott. If we applied Mr. Justice McBains' conclusion we would come to the same result.

My conclusion, therefore, is that the mines and minerals in this SW $\frac{1}{4}$ including the mines and minerals in the portion of the SW $\frac{1}{4}$ that was transferred to the Railway Company were owned by George Scott in 1925, and it is necessary to trace the mineral conveyance from that time onwards.

On the 11th of March, 1949 by deed 112998, George Scott transferred the S $\frac{1}{4}$ of Section 12 "excepting thereout that portion taken for railway right-of-way by Canadian National Railway" to John Henry Sawatsky. I am enclosing a photocopy of deed 112998.

I conclude from the above 1949 deed that the mineral interest for the S $\frac{1}{4}$ of Section 12 except that portion taken for the railway right-of-way passed to John Henry Sawatsky. I conclude that the exception in this transfer with respect to the railway right-of-way resulted in the minerals under that right-of-way remaining in the name of George Scott.

From this point in 1949 onwards the ownership of minerals in the portion of SW $\frac{1}{4}$ of Section 12 under the railway right-of-way differs from the ownership of these minerals under the balance of this quarter section.

skins. MacAulay & Thorvaldson

Mr. R. Charles Allen
Page Four
July 9, 1986

I can find no evidence of George Scott having transferred the minerals under the railway right-of-way to any other party, and I conclude that the minerals under the railway right-of-way in the SW $\frac{1}{4}$ of Section 12 remained in the name of George Scott. I don't know whether George Scott is alive at the present time and I could find no evidence of any Grant of Probate having issued in this name.

With respect to the minerals under the balance of the SW $\frac{1}{4}$ of Section 12 these I conclude in 1949 were owned by John Henry Sawatsky.

In 1951, Sawatsky leased these minerals to Prospect Exploration. In 1960, Prospect Exploration surrendered this lease which was No. 116732.

In May of 1952, Sawatsky, by deed registered as No. 120322, granted and conveyed to Prairie Leaseholds Ltd. an undivided one-half interest in all mines and minerals within, upon or under the S $\frac{1}{2}$ of Section 12 "excepting thereout that portion taken for the right-of-way of Canadian National Railway". He also gave an undivided one-half interest in the existing petroleum and natural gas lease with respect to these lands. I am attaching a copy of this deed 120322.

In addition, by the same document, Mr. Sawatsky granted an option to Prairie Leaseholds Ltd. to lease the petroleum and natural gas under the balance of the undivided one-half interest.

This option to lease was taken up in 1964 and John Henry Sawatsky granted a petroleum and natural gas lease to Prairie Leaseholds Ltd. with respect to his undivided one-half interest in petroleum and natural gas in these lands except for the railway right-of-way. I am attaching a copy of this lease 137057.

By deed 140053, on August 30th, 1967, Prairie Leaseholds Ltd. transferred its undivided one-half interest in mines and minerals to Canadian Fina Oil Ltd. I am attaching a copy of deed 140053.

On August 30th, 1967 by deed 140055 Prairie Leaseholds Ltd. assigned its undivided one-half interest in petroleum and natural gas which it held under deed 137057 to Canadian Fina Oil Ltd. I am attaching a copy of deed 140055.

ikins. MacAulay & Thorvaldson

Mr. R. Charles Allen
Page Five
July 9, 1986

The mineral interest of John Henry Sawatsky in the S $\frac{1}{2}$ of Section 12 which is above referred to was old system. It was brought under The Real Property Act in 1976 and Certificate of Title 132423 issued in the name of John Henry Sawatsky with respect to an undivided one-half interest in all mines and minerals under this half Section. There was an exception of the right-of-way owned by Canadian National Railways. This mineral title for John Henry Sawatsky indicated lease 137057 of 1964 which is above referred to wherein John Henry Sawatsky leased his undivided one-half interest in petroleum and natural gas to Prairie Leaseholds Ltd. This lease of Prairie Leaseholds was assigned in 1967 to Canadian Fina Oil Ltd. and assignment 140055 is recorded on this title.

There also appears on this title an assignment by Agrola Oil and Land Development Ltd. 140821 of September 17th, 1968. From my searches, I can't see how this party comes into the transaction and I am making further inquiries. There is also filed as Instrument No. 142862 a Plan for unit operation filed by Samedan Oil in 1972. I am attaching a copy of this title 132423.

In summary of the above, my opinion as to the ownership of mines and minerals of the SW $\frac{1}{2}$ of Section 12 is as follows:

1. Mines and minerals under the six acres of this quarter section taken for railway right-of-way are owned by George Scott.
2. Mines and minerals under the balance of this quarter section are owned as follows:
 - a) An undivided one-half interest is owned by John Sawatsky subject to a lease to Prairie Leaseholds Ltd. which has been assigned to Canadian Fina Oil Limited.
 - b) An undivided one-half interest is owned by Canadian Fina Oil Limited.

As indicated above, there is an assignment recorded on title in favour of the Royal Bank of Canada registered the 5th of November, 1968 as 140821 from Agrola Oil and Land Development Ltd.. This is an assignment with respect to security given under Section 82 of The Bank Act. There is nothing on title to show how

Aikins, MacAulay & Thorvaldson

Mr. R. Charles Allen
Page Six
July 9, 1986

Agrola obtained its interest in this quarter section but this assignment 140821 refers therein to an operating agreement of March 15th, 1967 made between Samedan Oil, Gringo Oils Ltd. and Agrola. It also refers to a Letter of Agreement dated September 19th, 1967 between Samedan, Gringo Oils Ltd. and Agrola. It may be under these documents that Agrola obtained its interest.

Also, as indicated above, there is the plan for unit operation registered as 142862 on May 15th, 1972 by Samedan Oil. It refers to Legal Subdivision 5.

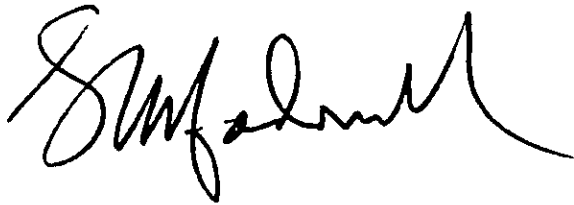
There are also recorded in the abstract two assignments, 145259 registered February 15th, 1977, and 145455 registered July 27th, 1977 by Bueno Oils Ltd. to the Royal Bank of Canada. They both relate to part of Legal Subdivision 5. I have difficulty seeing from the title or the abstract how Bueno Oils Ltd. comes into the picture but I bring this to your attention as it is recorded in the abstract with respect to this SW $\frac{1}{4}$.

I am making further inquiries with respect to these assignments to Bueno Oils Ltd. and also the earlier referred to assignment by Agrola Oil. My opinion as to the ownership is as above subject to further inquiries on these later items.

Yours truly,

AIKINS, MacAULAY & THORVALDSON

Per:



EBM/pb

Encls.

TRANSACTION REPORT
1/ 1/90 Through 9/15/94

Page 1

GEOLOCK-UNKNOWN
9/15/94

Date	Num	Description	Memo	Category	Clr Amount
					0.00
		BALANCE 12/31/89			
				[UNKNOWN]	-131.36
1/ 1/91		OPENING BALANCE			
1/31/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9101	-12.34
3/30/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9102	-8.58
4/29/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9103	-10.13
5/31/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9104	-10.27
6/29/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9105	-10.68
7/30/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9106	-10.20
8/30/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9107	-11.94
10/ 1/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9108	-12.23
10/28/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9109	-11.45
11/30/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9110	-11.72
12/31/91		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9111	-10.95
1/31/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9112	-9.37
2/28/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9201	-7.86
3/ 9/92		RECEIVER GENERAL OF TAX DEDUCTIONS [CHEQUING]/9202			125.93
3/31/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9202	-8.09
4/30/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9203	-8.58
5/30/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9204	-10.22
6/30/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9205	-9.85
7/31/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9206	-10.66
8/26/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9207	-11.25
9/30/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9208	-10.74
10/28/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9209	-11.65
11/30/92		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9210	-10.62
12/28/92	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-10.16
1/26/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9212	-9.54
2/26/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9301	-9.66
3/26/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9302	-8.33
4/27/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9303	-9.63
5/26/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9304	-9.95
6/30/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9305	-10.35
7/29/93	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-9.57
8/26/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9307	-8.82
9/27/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9308	-9.50
10/28/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9309	-8.76
11/26/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9310	-9.54
12/31/93		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9311	-8.00
1/31/94	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-6.39
2/18/94		RECEIVER GENERAL OF TAX DUE RE T-5 [CHEQUING]/9402			115.35
2/28/94	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-6.40
3/30/94	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-5.67
4/26/94	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-6.48
5/28/94	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-7.34
6/29/94		UNKNOWN INTEREST	ROYALTY INTERE	ROYALTY:ERU/9405	-9.06
7/29/94	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-9.68
8/29/94	S	UNKNOWN INTEREST	ROYALTY INTERE	--SPLIT--	-9.48

TOTAL 1/ 1/90 - 9/15/94

-301.77

TOTAL INFLOWS
TOTAL OUTFLOWS

241.28
-543.05

NET TOTAL

-301.77

March 990 →

GEOLOCK
RESOURCES LTD.
INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION

TO: All Working Interest Owners
East Routledge Unit #1

DATE: August 17, 1994

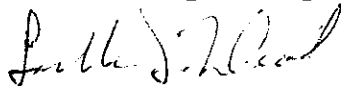
RE: EAST ROUTLEDGE UNIT #1
Mail Ballot 2-94
Approval of proposed inclusion of
Lodgepole Formation with existing
Cherty Zone as "Unitized Strata"

Enclosed is Mail Ballot 2-94 requesting your approval for the expansion of the "Unitized Strata" in E.R.U.#1 to include the Lodgepole Formation. As discussed in earlier correspondence, (copies attached) inclusion of the Lodgepole Formation in the Unit will benefit all working interest owners. Inclusion will reduce royalties on incremental uphole production such as 5-11 (presently non-unit), allow us to easily comingle the Cherty and Lodgepole and should greatly simplify Government reporting.

This mail ballot is required to formalize your previously indicated support of this resolution.

In accordance with clause 6.01 of the Plan of Unit Operation, please complete and return one copy of the Mail Ballot to this office.

Yours very truly


Lachlan J. McLeod

EAST ROUTLEDGE UNIT NO. 1
MAIL BALLOT NO. 2-94

August 17, 1994

SUBJECT: Proposed amending of the definition of "Unitized Strata" to include the Lodgepole as a unitized zone in East Routledge Unit #1.

DISCUSSION: Explained in covering documents.

BALLOT DATE: August 17, 1994

BALLOT DUE DATE: September 2, 1994

AUTHORITY: Clause 5.08 of the Unit Plan of Operation

MOTION: BE IT RESOLVED THAT:

The definition of "Unitized Strata" on page three of the Plan for Unit Operation of East Routledge Unit #1 be modified to include the Lodgepole Formation in addition to the original Cherty Zone.

APPROVED: _____

OPPOSED: _____

ABSTAINED: _____

COMPANY: GEOLOCK RESOURCES LTD.

REPRESENTATIVE: _____

DATE: _____

DATE MAILED TO W.I.O.'s: August 17, 1994

RETURN MAIL BALLOT TO: GEOLOCK RESOURCES LTD.
#480, 700 - 4TH AVE. S.W.
CALGARY, ALBERTA
T2P 3J4

ATTENTION: MR. LACHLAN MCLEOD
FAX No. (403) 269-5278

GEOLOCK

RESOURCES LTD.

INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION

March 21, 1994

TO: WORKING INTEREST AND ROYALTY OWNERS
EAST ROUTLEDGE UNIT #1

As you are all aware, the subject Unit was formed on July 21, 1971, when the Cherty Zone of the Lodgepole Formation (Mississippian in age) was unitized in an attempt to maximize oil recovery by waterflooding the unitized zone. The project has been successful. Oil production to date has totalled 3 million barrels, or 32.9 % of the original estimates of oil in place.

This Unit is now nearing the end of its economic life, with production averaging 92 barrels of oil and 1820 barrels of water per day. The dramatic drop in the price received for each barrel of oil, if not reversed, will undoubtedly hasten the economic demise of the project.

In an attempt to maintain the viability of the Unit through increased production, we have conducted a geologic review of the field to determine whether or not additional zones above the Cherty Zone could be perforated in existing well bores. As a result of this study, the Sandhills and Oolitic Zones were perforated in the 5-11-9-25 WPM Unit well resulting in a production of 15 barrels of oil and 500 barrels of water per day.

It is evident, in view of the large volumes of water produced, that the waterflood has affected the entire Lodgepole Formation through an extensive natural fracture system. It is also evident, as a result of the 5-11 experience, that the drilling of new wells by leasehold working interest owners in an effort to produce oil from non-unitized zones would be completely uneconomic.

Our studies indicate that there are at least two, and possibly four, additional Unit wells that, if perforated in the upper zones and production processed through existing Unit facilities, could add a total of 40 to 60 barrels of oil per day at a total estimated cost of less than \$100,000, thus extending Unit life. It is our intention, as Unit operator, to recommend this work to the Unit working interest owners.

Conversations with the Petroleum branch of Manitoba Energy and Mines indicate that the East Routledge Unit is the only secondary Unit in the Province that restricted the unitized substances to those contained within less than the entire Lodgepole Formation. They have further indicated that they would look with favour on an

application to The Oil and Natural Gas Conservation Board to amend the Unit Plans definition of "Unitized Strata" to include all members of the Lodgepole Formation. Following such an amendment, there would be no need to distinguish between production from these zones. The interests held by Unit working interest and royalty owners would remain the same, the recommended workovers could be undertaken and, if successful, the economic life of the Unit would be extended.

In order for this desired amendment to the Unit Plan to be submitted to the Lieutenant Governor in Council for approval, we require the support of 100% of the working interest and royalty owners in the Unit. To that end, we ask that you read the "Proposed Amendment to the Unit Plan for the East Routledge Unit" detailed below and if you are in agreement with it, please indicate your approval by signing one copy of this letter and returning it in the stamped, addressed envelope attached hereto.

For your information, we have enclosed a copy of page 3 of the Plan for Unit Operation of the East Routledge Unit No. 1 dated July 21, 1971. This is a portion of Part I, Interpretation, Definition, 1:02 (v), "Unitized Strata".

We request your approval to amend this definition of "Unitized Strata" to read as follows:

- (v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Lodgepole Formation and which is the same Formation encountered between the depths of 1960' and 2113' as indicated on the electric log in Samedan's West Routledge Prov. 7-11-9-25 located at Lsd. 7 in Section 11, Township 9 North, Range 25, West of the First Meridian in the Province of Manitoba.

As operator of the Unit we solicit your favourable response and very much appreciate your assistance in this matter. Please call us collect at AC: 403-265-7370 if you require further information or if you have any questions.

Yours very truly

George J. McLeod
George J. McLeod

Agreed To and Approved

this _____ day of _____, 1994.

Working Interest Owner

By _____

Title _____

and describe in Part XXII hereof and included within the boundaries of the solid black outline on the map shown in Part XXIII hereof, insofar as these lands relate to the Unitized Strata.

- "Unit Facilities" (s) "Unit Facilities" means all tangible property of every kind, nature and description (excepting Unitized Substances, Unit Operated Wells, rental equipment and Unit Operator's exclusively owned equipment) in the possession of Unit Operator hereunder acquired from a Working Interest Owner pursuant to the provisions of Part X hereof, together with all facilities and equipment purchased, constructed or acquired by Unit Operator pursuant hereto;
- "Unit Operated Wells" (t) "Unit Operated Wells" means all wells (including wells drilled for the production of Unitized Substances, wells drilled for the purpose of producing water only, wells drilled for the purpose of water disposal and wells drilled for the purpose of pressure maintenance operations or secondary recovery operations) in the possession of Unit Operator hereunder, whether acquired from a Working Interest Owner or drilled by Unit Operator pursuant to the terms hereof, but excluding Unit Facilities in and on the said wells;
- "Unit Operator" (u) "Unit Operator" means the person appointed to manage and conduct the operations hereunder who shall be a Working Interest Owner unless the Operating Committee unanimously otherwise agrees;
- "Unitized Strata" (v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Cherty Zone and which is the same formation encountered between the depths of 2083 feet and 2113 feet as indicated on the electric log in Samedan's West Routledge Prov. 7-11-9-25 located at LSD 7 in Section 11, Township 9 North, Range 25, West of the First Meridian, in the Province of Manitoba.
- "Unitized Substances" (w) "Unitized Substances" means the Oil and Gas that are within or are produced from the Unitized Strata;
- "Well" (x) "Well" means any well within the Unit Area which has been drilled either prior to or after the effective date of the Unit which is deemed necessary by the Operators Committee to effectively perform secondary recovery.

GEOLOCK

RESOURCES LTD.

INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION

March 21, 1994

TO: WORKING INTEREST AND ROYALTY OWNERS
EAST ROUTLEDGE UNIT #1

As you are all aware, the subject Unit was formed on July 21, 1971, when the Cherty Zone of the Lodgepole Formation (Mississippian in age) was unitized in an attempt to maximize oil recovery by waterflooding the unitized zone. The project has been successful. Oil production to date has totalled 3 million barrels, or 32.9 % of the original estimates of oil in place.

This Unit is now nearing the end of its economic life, with production averaging 92 barrels of oil and 1820 barrels of water per day. The dramatic drop in the price received for each barrel of oil, if not reversed, will undoubtedly hasten the economic demise of the project.

In an attempt to maintain the viability of the Unit through increased production, we have conducted a geologic review of the field to determine whether or not additional zones above the Cherty Zone could be perforated in existing well bores. As a result of this study, the Sandhills and Oolitic Zones were perforated in the 5-11-9-25 WPM Unit well resulting in a production of 15 barrels of oil and 500 barrels of water per day.

It is evident, in view of the large volumes of water produced, that the waterflood has affected the entire Lodgepole Formation through an extensive natural fracture system. It is also evident, as a result of the 5-11 experience, that the drilling of new wells by leasehold working interest owners in an effort to produce oil from non-unitized zones would be completely uneconomic.

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and describe in Part XXII hereof and included within the boundaries of the solid black outline on the map shown in Part XXIII hereof, insofar as these lands relate to the Unitized Strata.

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- "Unit Operated Wells" (t) "Unit Operated Wells" means all wells (including wells drilled for the production of Unitized Substances, wells drilled for the purpose of producing water only, wells drilled for the purpose of water disposal and wells drilled for the purpose of pressure maintenance operations or secondary recovery operations) in the possession of Unit Operator hereunder, whether acquired from a Working Interest Owner or drilled by Unit Operator pursuant to the terms hereof, but excluding Unit Facilities in and on the said wells;
- "Unit Operator" (u) "Unit Operator" means the person appointed to manage and conduct the operations hereunder who shall be a Working Interest Owner unless the Operating Committee unanimously otherwise agrees;
- "Unitized Strata" (v) "Unitized Strata" shall mean that subsurface portion of the Unit Area commonly known as the Cherty Zone and which is the same formation encountered between the depths of 2083 feet and 2113 feet as indicated on the electric log in Samedan's West Routledge Prov. 7-11-9-25 located at LSD 7 in Section 11, Township 9 North, Range 25, West of the First Meridian, in the Province of Manitoba. -
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- "Well" (x) "Well" means any well within the Unit Area which has been drilled either prior to or after the effective date of the Unit which is deemed necessary by the Operators Committee to effectively perform secondary recovery.

GEOLOCK

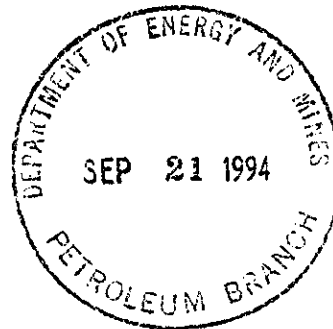
RESOURCES LTD.

INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION

*John
Pls review
& advise of
how we should
proceed
B7*

September 16, 1994

The Honourable Donald W. Orchard
Minister
Manitoba Energy and Mines
Room 314 Legislative Buildings
450 Broadway Avenue
Winnipeg, Manitoba
R3C 0V8



Dear Minister:

Re: E. Routledge Unit No. 1
Twp. 9, Rge. 25 WPM, Manitoba.

Pursuant to conversations and correspondence with Mr. L. Robert Dubreuil, Director, Petroleum Branch, Department of Energy and Mines and Mr. John N. Fox, Chief Petroleum Engineer, Geolock Resources Ltd. as operator of the subject Unit, respectfully makes application under Section 138 of the Oil and Gas Act to amend Unitization Order No. 13 and the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1.

The reasons for the proposed amendments are detailed in the attached letter to Working Interest and Royalty Owners dated March 21, 1994. Under Clause 138(1) (b) of Section 138, which provides for amendment of a Unit order to meet changing conditions, we respectfully request that the definition of "Unitized Strata" be expanded to include the entire Lodgepole Formation as detailed on page 2 of the March 21, 1994 letter. The subject Unit will then conform, in this regard with other Lodgepole Units in the Province. Following approval of the expanded definition, Geolock will be able to perform the workovers referred to in the attached letter which will result in more efficient production of oil, will increase production and will recover additional volumes of oil that would not otherwise be recovered in an economic manner.

We have received approval for these suggested amendments from 99.63364 percent of the Working Interest Owners (copies attached) and from all of the Royalty Interest Owners (copies attached) except for one Unknown Royalty Interest holder, detailed later in this request. In addition, we Mail Balloted the Working Interest Owners asking for formal ratification of the March 24th letter and received unanimous consent, copies attached. Several small interests did not return the Mail Ballot, which are deemed to be "approved" under Clause 6.01 of the Plan of Unit Operation and the Mail Ballot therefore was approved unanimously.

Insofar as the "Unknown Interest" is concerned, approximately \$700.00 accrued to this interest from January 1, 1986 until Geolock assumed operatorship of the Unit in February, 1990. Samedan has continued to hold these monies in trust. As a result of your letter of September 7, 1994, they will be assigning these monies to Geolock and we will remit them to the Minister of Finance. A summary of these funds is as follows:

	<u>Revenue</u>	<u>Taxes paid to Fed.Govt</u>	<u>NET</u>
Samedan Jan.1/86-March 31/90	\$724.52	-0-	\$724.52
Geolock April 1/90-July 31/94	\$543.05	\$241.28	\$301.77

Please note that the Federal Government asked Geolock to file a T5 on this interest and required that 50 percent of the revenue be paid to the Federal Government as tax. As per the enclosed documentation, we have complied with their requirements.

Since assuming operatorship in 1990 Geolock has calculated the Unknown Interest monthly and retained these monies in trust. The revenue is calculated based upon 12.5 percent Royalty for 3.02 acres under the railway right-of-way out of the 40 acres associated with the 5-12 spacing unit. This results in a .009438 percent royalty interest in the tract.

In 1986 Samedan contracted Atkinson McMahon to do a title opinion on the 3.02 acres in question. The conclusion of the title opinion was that the ownership of these minerals was still in question and depended upon the results of ongoing court cases and potential appeals associated with them.

Page 3.

Because the revenue involved is generally less than \$15.00 per month, we have not expended much energy on this matter. For your information, we have compiled the following telephone numbers of Scotts (if indeed they own this interest) that still reside in the Virden area: Mr. Alex Scott (748-1778), Mr. Donald Scott (855-2220), Mr. George G. Scott (855-2786), Mr. Clarence Scott (855-2613) and A. D. Scott (855-2797).

Commencing August, 1994, allocated revenue will be paid to the Minister of Finance, and we hope the rightful owner can be located. Because of the complexity associated with this interest, we respectfully request from the Minister that pursuant to clause 214(1) of the Oil and Gas Act, production from the 5-12 tract and the entire East Routledge Unit No. 1 be continued.

The assistance of Mr. Bob Dubreuil and Mr. John Fox in this matter was most welcome and greatly appreciated.

Yours very truly



Lachlan J. McLeod
Vice President

c: Mr. L. Robert Dubreuil
Manitoba Energy and Mines
555-330 Graham Avenue
Winnipeg, Manitoba R3C 4E3 (w.o.encls.)

RETURN OF INVESTMENT INCOME
DECLARATION DES REVENUS DE PLACEMENTS

PLEASE TYPE OR MACHINE PRINT IN CAPITAL LETTERS - VEUILLEZ DACTYLOGRAPHIER OU IMPRIMER À LA MACHINE EN LETTRES MAJUSCULES

See information on reverse. Complete this return using the instructions in the "T5 Guide, Return of Investment Income".
Lisez les renseignements au verso. Remplissez cette déclaration selon les instructions du «Guide T5 - Déclaration des revenus de placements».FOR DEPARTMENTAL USE ONLY
RÉSERVE AU MINISTÈRE

X MAGNETIC MEDIA SUPPORT MAGNÉTIQUE	Return for the Year Ended December 31, Déclaration pour l'année se terminant le 31 décembre	19 93	Filer Identification Number BA0790493
	Numéro d'identification du déclarant		

If this is an AMENDED T5 SUMMARY, enter "X" here.
S'il s'agit d'une T5 SOMMAIRE MODIFIÉE,
inscrivez un «X» ici.**X**If this is an ADDITIONAL T5 SUMMARY, enter "X" here.
S'il s'agit d'une T5 SOMMAIRE ADDITIONNELLE,
inscrivez un «X» ici.**X**

Name of Filer or Nominee and Address of Branch or Office filing this summary.

Nom du déclarant ou du mandataire et adresse de la succursale ou du bureau qui établit la présente Sommaire.

Name - Nom

GEOLOCK RESOURCES LTD

Full Address - Adresse complète

480 700 4TH AVENUE SW

City - Ville

CALGARY

Province

AB

Postal Code - Code postal

T2P 3J4

Employer Account Number (per form PD7A)
Numéro de compte de l'employeur (selon la formule PD7A)Have you filed a T5 return before?
Avez-vous déjà produit
une déclaration T5?**X**
Yes
Oui**X**
No
NonIndicate the language of your choice for correspondence
Indiquez dans quelle langue vous désirez recevoir votre
correspondance**X**
English
Anglais**X**
French
FrançaisCorporation Account Number (per T2 Return)
Numéro de compte de la corporation (selon la déclaration T2)

88391701

Is this form pre-printed with an address that is
incorrect? If so, complete the area that follows.
S'il s'agit d'une formule imprimée à l'avance et que
l'adresse est inexacte, remplissez la section qui suit.

Full Address - Adresse complète

City - Ville

Province

Postal Code - Code postal

T5 SUPPLEMENTARY TOTALS - TOTAUX DES T5 SUPPLÉMENTAIRE

Do not include amounts for which a T5 Supplementary has not been issued.
N'inscrivez pas des montants pour lesquels un T5 Supplémentaire n'a pas été produit.

Actual Amount of Dividends - Montant réel des dividendes

10

Taxable Amount of Dividends - Montant imposable des dividendes

11

Federal Dividend Tax Credit - Crédit d'impôt fédéral pour dividendes

12

Interest from Canadian Sources - Intérêts de source canadienne

13

Other Income from Canadian Sources - Autres revenus de source canadienne

14

Foreign Income - Revenus étrangers

15

Foreign Tax Paid - Impôt étranger payé

16

Royalties from Canadian Sources - Redevances de source canadienne

17

230.70

Capital Gains Dividends - Dividendes sur gains en capital

18

Accrued Income: Annuities - Revenus accumulés: Rentes

19

Amount Eligible for Resource Allowance Deduction

20

Montant donnant droit à la déduction relative aux ressources

Unclaimed Amounts - Dividends and Interest
Revenus de propriétaires inconnus - dividendes
ou intérêts

32

230.70

Tax Deducted from Unclaimed Amounts
Impôt retenu sur revenus de propriétaires inconnus

33

115.35

Total Number of T5 slips Filed
Nombre total de feuillets T5 produits

31

ONE

FOR DEPARTMENTAL USE ONLY
RÉSERVE AU MINISTÈREPerson to contact about this return
Personne avec qui communiquer au
sujet de cette déclaration

Name - Nom

41

Maria Dumba

Telephone Number - N° de téléphone

42

(403) 265-7370

GEOLOCK

RESOURCES LTD.

INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION

February 18, 1994

MONIES DEPOSITED TO GEOLOCK RESOURCES LTD. BANK ACCOUNT
RE UNKNOWN INTERESTS FUND (EAST ROUTLEDGE UNIT)

1992:

JANUARY	<i>Dec/91</i>	\$9.37	
FEBRUARY	<i>Jan/92</i>	7.86	
MARCH	<i>Feb</i>	8.09	
APRIL	<i>March</i>	8.58	
MAY	<i>Apr</i>	10.22	
JUNE	<i>May</i>	9.85	
JULY	<i>June</i>	10.66	
AUGUST	<i>July</i>	11.25	
SEPTEMBER	<i>Aug</i>	10.74	
OCTOBER	<i>Sept</i>	11.65	
NOVEMBER	<i>Oct</i>	10.62	
DECEMBER	<i>Nov</i>	<u>10.16</u>	\$119.05

1993:

JANUARY	<i>Dec/92</i>	\$9.54	
FEBRUARY	<i>Jan/93</i>	9.66	
MARCH	<i>Feb</i>	8.33	
APRIL	<i>March</i>	9.63	
MAY	<i>April</i>	9.95	
JUNE	<i>May</i>	10.35	
JULY	<i>June</i>	9.57	
AUGUST	<i>July</i>	8.82	
SEPTEMBER	<i>Aug</i>	9.50	
OCTOBER	<i>Sept</i>	8.76	
NOVEMBER	<i>Oct</i>	9.54	
DECEMBER	<i>Nov</i>	<u>8.00</u>	<u>\$111.65</u>

TOTAL FOR 1992-1993 INC.

\$230.70

(15)

GEOLOCK
RESOURCES LTD.
INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION

February 18, 1994

Taxation Centre
Winnipeg, Manitoba
R3C 3M2

Gentlemen:

RE: T-5 Summary and T-5 Supplementary Forms
UNKNOWN INTERESTS 1992 - 1993

In 1992 we phoned the Tax Department and inquired about filing T-5 forms for amounts held by Geolock for an unknown interest. We were advised not to forward any forms on this amount, and did not, although we had previously submitted forms and a cheque for 50 percent of amount held in this account for 1990 and 1991.

Chapter 14 (Unclaimed Amounts - Dividends or Interest) in the 1993 T5 Tax Guide under the heading Remittances, requests that these amounts be reported and the required tax submitted.

Amounts received for 1992	-	\$119.05
Amounts received for 1993	-	\$111.65

TOTAL		\$230.70
-------	--	----------

50% x \$230.70 = \$115.35

We are enclosing T-5 forms and Geolock cheque 3328 in the amount of \$115.35. Any advice or information you can provide to us as to whether this is the correct procedure would be much appreciated.

Yours very truly

M. Dumba

Encl. copy of Feb. 11/93 letter
cheque 3328

Maria Dumba

FOR DEPARTMENTAL USE ONLY
RÉSERVÉ AU MINISTÈRE

Employer Account Number (per form PD7A)
Numéro de compte de l'employeur (selon la formule PD7A)

Corporation Account Number (per T2 Return)
Numéro de compte de la corporation (selon la déclaration T2)

8839 1990 1701

FOR DEPARTMENTAL USE ONLY
RÉSERVÉ AU MINISTÈRE

Actual Amount of Dividends – Montant réel des dividendes

Taxable Amount of Dividends – Montant imposable des dividendes

Federal Dividend Tax Credit – Crédit d'impôt fédéral pour dividendes

Interest from Canadian Sources – Intérêts de source canadienne

Other Income from Canadian Sources – Autres revenus de source canadienne

Gross Foreign Income – Revenus étrangers bruts

Foreign Tax Paid – Impôt étranger payé**Royalties from Canadian Sources - Redevances de source canadienne**

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Revenus de propriétaires inconnus - dividendes
ou intérêts

Tax Deducted from Unclaimed Amounts
Impôt retenu sur revenus de propriétaires

51

50

51

50

slips Filed
lets T5 produits

ONE

Person to contact about this return - Personne avec qui communiquer au sujet de cette déclaration

Telephone Number - N° de téléphone

First Name → Prénom

Surname = Nom de famille

41 Maria

DUMBA

42

403) 265 - 7370

CERTIFICATION - ATTESTATION

I HEREBY CERTIFY that the information given in this T5 return; T5 Summary form and related T5 Supplementary forms is true, correct and complete in every respect.

J'ATTESTE PAR LA PRÉSENTE que les renseignements fournis dans la déclaration T5, la formule T5 Sommaire et les formules connexes T5 Supplémentaire, sont vrais, exacts et complets sous tous les rapports.

Signature of authorized person – Signature de la personne autorisée

Position or Office – Titre ou poste

Date _____

Treasurer

March 6, 1992

PLEASE TYPE OR MACHINE PRINT - VEUILLEZ DACTYLOGRAPHIER OU IMPRIMER À LA MACHINE

GEOLOCK

RESOURCES LTD.

INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION

MONIES DEPOSITED TO GEOLOCK RESOURCES LTD. BANK ACCOUNT RE
UNKNOWN INTERESTS FUND (EAST ROUTLEDGE UNIT)

1990:

April	\$9.15
May	10.33
June	8.62
July	9.49
August	15.60
September	21.43
October	22.34
November	19.05
December	15.35

131.36

1991:

January	\$12.34
February	8.58
March	10.13
April	10.27
May	10.68
June	10.20
July	11.94
August	12.23
September	11.45
October	11.72
November	10.95

TOTAL TO DATE

\$251.85

x 5 1/2 = 125.93



Date March 27, 1995

To Michael Fine
Deputy Minister
Energy and Mines

*for
East
Routledge
Unit No. 1
Unit Agreement*

From Bob Dubreuil
Director
Petroleum Branch

Telephone

Subject **MISSING ROYALTY OWNER - MINISTER'S NOTICE**

In its letter dated September 16, 1994, (Attachment No. 1) Geolock Resources Ltd, operator of East Routledge Unit No. 1, requested that the Minister make an order under subsection 214(1) of The Oil and Gas Act in the matter of an "unknown royalty owner" authorizing the continued operation of the unit.

Subsection 214(2) requires the Minister to give public notice of any application received under subsection (1).

Recommendation:

It is recommended that the attached notice be signed by the Minister and returned to the Petroleum Branch to arrange for publication in local newspapers (Virden) and posting in the Department's Virden and Waskada offices and offices of the Town of Virden and the Rural Municipalities of Wallace, Sifton, Pipestone and Woodworth.

Background

Section 214 of The Oil and Gas Act provides a mechanism where oil and gas rights can be developed where the identity or whereabouts of a royalty owner in a spacing unit cannot be ascertained. The Minister may authorize, by order, the production of oil and gas from the spacing unit after public notice. Where the Minister makes an order, the operator is required to pay any royalties relating to the interest to the Minister of Finance to be held in trust for a period of five years.

Attachment No. 2 is a copy of the missing royalty owner provisions of Section 214 of the Act.

The provisions of Section 214 were drafted as a means to allow development of an undeveloped spacing unit where the royalty owner could not be identified. The request by Geolock is somewhat different in that the East Routledge Unit No. 1 has been operated for years with royalty proceeds from the unknown interest being held in trust by Geolock and a previous unit operator.

With proclamation of The Oil and Gas Act, Geolock has now passed the issue on to the Department and has requested an order authorizing continued operation of the unit. While the initial intent of this section does not conform completely with the current situation, there is no other alternative provision that could be used. Without such an order, Geolock does not have the legal right to produce oil and gas from the spacing unit containing the missing royalty owner. Because the spacing unit is included in a unit area, it has production allocated to it in accordance with the unit order (Unitization Order No. 13). Consequently, Geolock's legal right to produce the unit is called into question.

Because it would cause undue economic hardship to shut down the unit until the issue was resolved, no such action has been taken or is proposed. Geolock has transferred funds in its possession respecting the interest to the Minister of Finance to be held in trust. It has also begun to remit royalty payments regarding the interest to the Minister of Finance on a monthly basis. Currently \$1077.20 is being held in trust in this regard.

The interest in question is minor. It relates to oil and gas rights underlying a CNR right of way in Legal Subdivision 5 of Section 12-9-25 (WPM). The area of the right of way has been determined to be 3.02 acres. Assuming a 12.5 percent royalty (traditional royalty rate for the era during which the unit was developed) the royalty owing amounts to .9438 percent of the production allocated to the Legal subdivision. At current unit production levels and oil price, this amounts to less than \$10 per month.

Prior to 1986, it had been determined that the CNR was the owner of the interest in question. In 1986, the CNR advised Samedan Oil Company of Canada Inc. (the predecessor to Geolock as unit operator) that it had determined that it did not own the interest. CNR contended, however that it had no liability to refund past royalty payments (from the well's initial production in September 1967 to January 1, 1987). Relevant letters from CNR to Samedan are attached as Attachment No. 3.

Subsequent to this, Samedan obtained a title opinion which indicated that the law in regards to ownership of oil and gas rights in similar situations is unclear (Attachment No. 4). Because of the small value of the interest, Geolock is reluctant to pursue the matter any farther.

Subsection 214(2) requires that the Minister issue public notice of an application for an order authorizing continued production. It is recommended that the Minister sign the attached notice and that the notice be published in the Virden Empire Advance and the Westman Gazette and posted at offices of the Petroleum Branch in Virden and Waskada and at offices of the Town of Virden and the Rural Municipalities of Wallace, Sifton, Pipestone and Woodworth. The proposed notice has been reviewed and endorsed by Legal Services.

The Act provides for an application to the Court of Queen's Bench by a person claiming to be the missing royalty owner within 5 years after an order has been made by the Minister authorizing production. However, the Act does not provide any guidance if such a claim is made before the Minister's order is made.

Although there are a number of possible alternatives that may be considered in this event I would recommend, subject to consultation with Legal Services, the following action be taken:

- a) Determine with assistance from Legal Services if the claimant has a reasonable legal claim.
- b) Publish a second notice advising of the claim that has been received and inviting any further claims. If further claims were received, it would be recommended that the Minister's order be issued and claiming parties be advised of their recourse to the Court of Queen's Bench under subsection 214(3) of the Act.

- c) In the absence of additional supportable claims, remit the moneys on deposit, less an administrative fee to be paid to the Department of Energy and Mines (to cover legal fees and notice publication), to the claimant.
- d) Advise Geolock to make future payments to the claimant.

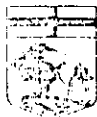
If you have any questions or require a further briefing in this matter, please give me a call at 945-6573.



Bob Dubreuil

/lrd

Attachments.



**Minister of
Energy and Mines
Minister responsible for Manitoba Hydro**

Room 314
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

MISSING ROYALTY OWNER

THE OIL & GAS ACT (Sec. 214)

NOTICE

The identity of the owner of the oil and gas rights under the railway right-of-way in LSD 5 of Section 12-09-25 WPM is in question.

Geolock Resources Ltd. has made application to the Minister of Energy and Mines for an order to allow continued production from this tract.

The Minister may make such an order under Section 214 of The Oil and Gas Act.

Where the Minister makes such an order, all proceeds with respect to the missing interest owner are to be paid to the Minister of Finance and will be held in trust for the royalty owner.

If you believe you are, or know, the royalty owner of this tract, please contact Bob Dubreuil, Manitoba Energy and Mines at (204) 945-6573 or fax (204) 945-0586 prior to May 8, 1995.

Minister of Energy and Mines

Date



ATTACHMENT No.1
GEOLOCK
RESOURCES LTD.
INVESTMENTS IN HYDROCARBON
EXPLORATION AND PRODUCTION

September 16, 1994

The Honourable Donald W. Orchard
Minister
Manitoba Energy and Mines
Room 314 Legislative Buildings
450 Broadway Avenue
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

Re: E. Routledge Unit No. 1
Twp. 9, Rge. 25 WPM, Manitoba.

Pursuant to conversations and correspondence with Mr. L. Robert Dubreuil, Director, Petroleum Branch, Department of Energy and Mines and Mr. John N. Fox, Chief Petroleum Engineer, Geolock Resources Ltd. as operator of the subject Unit, respectfully makes application under Section 138 of the Oil and Gas Act to amend Unitization Order No. 13 and the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1.

The reasons for the proposed amendments are detailed in the attached letter to Working Interest and Royalty Owners dated March 21, 1994. Under Clause 138(1) (b) of Section 138, which provides for amendment of a Unit order to meet changing conditions, we respectfully request that the definition of "Unitized Strata" be expanded to include the entire Lodgepole Formation as detailed on page 2 of the March 21, 1994 letter. The subject Unit will then conform, in this regard with other Lodgepole Units in the Province. Following approval of the expanded definition, Geolock will be able to perform the workovers referred to in the attached letter which will result in more efficient production of oil, will increase production and will recover additional volumes of oil that would not otherwise be recovered in an economic manner.

We have received approval for these suggested amendments from 99.63364 percent of the Working Interest Owners (copies attached) and from all of the Royalty Interest Owners (copies attached) except for one Unknown Royalty Interest holder, detailed later in this request. In addition, we Mail Balloted the Working Interest Owners asking for formal ratification of the March 24th letter and received unanimous consent, copies attached. Several small interests did not return the Mail Ballot, which are deemed to be "approved" under Clause 6.01 of the Plan of Unit Operation and the Mail Ballot therefore was approved unanimously.

MISSING ROYALTY OWNER

Insofar as the "Unknown Interest" is concerned, approximately \$700.00 accrued to this interest from January 1, 1986 until Geolock assumed operatorship of the Unit in February, 1990. Samedan has continued to hold these monies in trust. As a result of your letter of September 7, 1994, they will be assigning these monies to Geolock and we will remit them to the Minister of Finance. A summary of these funds is as follows:

	<u>Revenue</u>	<u>Taxes paid to Fed.Govt</u>	<u>NET</u>
Samedan Jan.1/86-March 31/90	\$724.52	-0-	\$724.52
Geolock April 1/90-July 31/94	\$543.05	\$241.28	\$301.77

Please note that the Federal Government asked Geolock to file a T5 on this interest and required that 50 percent of the revenue be paid to the Federal Government as tax. As per the enclosed documentation, we have complied with their requirements.

Since assuming operatorship in 1990 Geolock has calculated the Unknown Interest monthly and retained these monies in trust. The revenue is calculated based upon 12.5 percent Royalty for 3.02 acres under the railway right-of-way out of the 40 acres associated with the 5-12 spacing unit. This results in a .009438 percent royalty interest in the tract.

In 1986 Samedan contracted Atkinson McMahon to do a title opinion on the 3.02 acres in question. The conclusion of the title opinion was that the ownership of these minerals was still in question and depended upon the results of ongoing court cases and potential appeals associated with them.

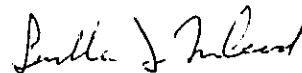
Page 3.

Because the revenue involved is generally less than \$15.00 per month, we have not expended much energy on this matter. For your information, we have compiled the following telephone numbers of Scotts (if indeed they own this interest) that still reside in the Virden area: Mr. Alex Scott (748-1778), Mr. Donald Scott (855-2220), Mr. George G. Scott (855-2786), Mr. Clarence Scott (855-2613) and A. D. Scott (855-2797).

Commencing August, 1994, allocated revenue will be paid to the Minister of Finance, and we hope the rightful owner can be located. Because of the complexity associated with this interest, we respectfully request from the Minister that pursuant to clause 214(1) of the Oil and Gas Act, production from the 5-12 tract and the entire East Routledge Unit No. 1 be continued.

The assistance of Mr. Bob Dubreuil and Mr. John Fox in this matter was most welcome and greatly appreciated.

Yours very truly



Lachlan J. McLeod
Vice President

c: Mr. L. Robert Dubreuil
Manitoba Energy and Mines
555-330 Graham Avenue
Winnipeg, Manitoba R3C 4E3 (w.o.encls.)

ATTACHMENT No. 2

OIL AND GAS

S.M. 1993, c. 4

Minister may authorize for missing royalty owner
214(1) Subject to subsection (2), where the identity or whereabouts of a royalty owner in a tract or spacing unit cannot be ascertained, a person may, in accordance with the regulations, make application to the minister for an order authorizing, on behalf of the royalty owner, exploration for oil and gas in the tract or production of oil and gas from the spacing unit, and the minister may, if he or she is satisfied that the royalty owner cannot be identified or found, make such an order on such terms and conditions as the minister considers necessary or advisable, including the payment of consideration by the operator for the oil and gas rights.

Public notice of application

214(2) Before making an order under subsection (1), the minister shall give such public notice of the application as the minister considers advisable or practicable.

Money payable to Minister of Finance

214(3) Where the minister makes an order under subsection (1), the operator shall, in accordance with the regulations, pay any consideration required under the order and any royalty from the proceeds of the sale of the oil and gas to the Minister of Finance to be held in trust for the royalty owner.

Application to court re royalty

214(4) Not later than five years after an order is made under subsection (1) because the identity of the royalty owner is not known, a person claiming to be the royalty owner of the tract or spacing unit in respect of which the order was made may make application to the Court of Queen's Bench for a declaration respecting the ownership of any consideration or royalty paid or payable in respect of the tract or spacing unit, and shall join the minister as a respondent party to the application.

Court to order money paid out

214(5) Where the court makes a declaration of ownership under subsection (4), the court shall, subject to subsection (6), make an order directing the Minister of Finance to pay the money held in trust to the royalty owner.

Titulaire de redevances absent

214(1) Sous réserve du paragraphe (2), s'il n'est pas possible de rejoindre le titulaire de redevances d'une parcelle ou d'une surface unitaire ni d'en déterminer l'identité, il est possible de demander au ministre, conformément aux règlements, de prendre un arrêté autorisant, au nom du titulaire de redevances, la prospection pour chercher du pétrole et du gaz dans la parcelle ou la production de ces substances à partir de la surface unitaire. Le ministre peut, s'il est convaincu qu'il n'est pas possible d'identifier ou de rejoindre le titulaire, prendre un tel arrêté sous réserve des conditions qu'il juge nécessaires ou souhaitables, notamment exiger que l'exploitant paie une contrepartie pour les droits gaziers et pétroliers.

Avis public

214(2) Avant de prendre l'arrêté visé au paragraphe (1), le ministre avise le public, selon ce qu'il considère nécessaire ou souhaitable, de la réception de la demande.

Sommes à verser au ministre des Finances

214(3) Si un arrêté est pris en vertu du paragraphe (1), l'exploitant verse, conformément aux règlements, la contrepartie exigée ainsi que toute redevance sur le produit de la vente du pétrole et du gaz au ministre des Finances qui les garde en fiducie pour le compte du titulaire de redevances.

Redevance — requête au tribunal

214(4) Au plus tard cinq ans après la prise d'un arrêté en vertu du paragraphe (1), toute personne qui prétend être le titulaire de redevances de la parcelle ou de la surface unitaire visée par l'arrêté peut présenter à la Cour du Banc de la Reine une requête en déclaration à l'égard du titre de propriété de toute contrepartie ou redevance payée ou payable relativement à la parcelle ou à la surface. Le requérant constitue alors le ministre à titre de partie intimée à la requête.

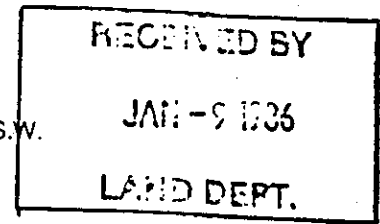
Ordonnance de paiement

214(5) Sous réserve du paragraphe (6), le tribunal, s'il fait une déclaration de propriété en vertu du paragraphe (4), rend une ordonnance enjoignant au ministre des Finances de verser au titulaire de redevances les montants gardés en fiducie.

ATTACHMENT NO. 3A



CN Exploration Inc.
1300, 530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3S8
(403) 237-5900



January 7, 1986

Samedan Oil of Canada, Inc.
1505, 505 - 3rd Street S.W.,
CALGARY, Alberta
T2P 3E6

Dear Sirs:

Re: East Routledge Unit No. 1
Tract 5-12 - Ptn LSD 5-12-9-25 WPM (3.02 acres)
Your File: 55-3-157
CN File: 11360

We have recently had an opportunity to examine the document which transferred the captioned lands to the Railway, and find that we have no valid entitlement to the mines and minerals thereunder. As the Railway was subject at the time of transfer to the Railway Act of Canada, it was precluded by Section 136 of said Act from acquiring mines and minerals without the express conveyance of same. The transfer in question containing no such specific conveyance, it is apparent that the Railway was erroneously registered as owner of mineral rights. According to common precedent, it seems likely that mines and minerals should have remained in the names of the two individuals who transferred the surface rights to the Railway.

As we are not entitled to mineral rights, we have no authority to lease same, or to collect revenue from production. We therefore request that royalty payments to us cease immediately, and that you as unit operator provide us with a cumulative total of payments to date in order that we may reimburse you.

Enclosed, for your information, is a copy of Deed No. 63867.

We regret we can be of no further assistance, and that we can no longer maintain our working relationship in this regard.

Yours truly,

CN EXPLORATION INC.

Susan L. Custock
Title Analyst

Encl.

cc: Wayne Wilson, CN Exploration Inc.

A Corporate Agent of CNRC and CN Transactions Inc. under management agreements.

(ATTACHMENT NO. 3B)



CN Exploration Inc.
1300, 530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3S8
(403) 237-5900

RECEIVED BY

SEP 30 1986

LAND DEPT.

September 26, 1986

Mr. Brian Murray
Samedan Oil of Canada Inc.
1505, 505 - 3rd Street S.W.,
CALGARY, alberta
T2P 3E6

Dear Mr. Murray:

Re: Petroleum and Natural Gas Lease
LSD 5-12-9-25 WPM
East Routledge Unit #1, Manitoba
CN File: 11360

Pursuant to our telephone conversation of today's date, and in response to your Mr. Wayne Hitt's letter of September 18, 1986, this is to advise that after a review of the provisions of the subject lease and unit agreement, we find that our liability for loss of title only extends back to January 1, 1986. We refer you to Clause 19(b) of the lease, and Clauses 12.01 and 13.01 of the unit agreement. As title failure was finally determined in January, 1986, it is deemed to be effective January 1, 1986. Since we returned the only royalty cheque we received subsequent to this date, it is our position that we have satisfied our obligation under the terms of these agreements.

We trust this will meet with your satisfaction, and we apologize again for the inconvenience to you created by this situation.

Yours truly,

CN EXPLORATION INC.

A handwritten signature in cursive script, appearing to read 'S. Custock'.

Susan L. Custock
Title Analyst

SLC:ebg

ATTACHMENT NO. 4
Atkinson Mc Mahon
Barristers & Solicitors

RECEIVED BY
JUL 29 1986
TELEPHONE (403) 269-4351
LAND DEPT.
TELEX 03-827896
TELECOPIER (403) 264-7084

LES G. ATKINSON, O.C.
CHARD D. TINGLE, O.C.*
MICHAEL F. CASEY
JOY D. BOETTGER
ADELLE FRUMAN
ALISON C. TAYLOR
K. DOUGLAS MACLEOD
M. ANN MCLEAN
STUART F. BLYTH
R. CHARLES ALLEN
DAVID SEVALRUD
TIMOTHY D. O'BRIEN

TERRENCE F. McMAHON, O.C.
WILLIAM T. CORBETT
JAMES B. McCASHIN
JOHN F. COSTELLO
J. KIMBERLY REID
SCOTT R. MILLER
G. SEAN DUNNIGAN
THOMAS H. OLSON
PETER L. COLLINS
JEAN C. VAN DER LEE
JANICE B. ODEGAARD

*PROFESSIONAL CORPORATION

1900 FIRST CANADIAN CENTRE
350-7TH AVENUE S.W.
CALGARY, ALBERTA
T2P 3N9

DELIVERED

CONSULTANT

Our File: 80-2986/JBM

July 29, 1986

Samedan Oil of Canada, Inc.
1505, 505 - 8th Street S. W.
Calgary, Alberta

ATTENTION: Mr. Brian Murray

Dear Sirs:

Re: SW1/4 Section 12-9-25-WPM

We apologize for the delay of our agents in preparing an opinion regarding the ownership of all mineral rights in the Southwest Quarter of Section 12-9-25-WPM. In this regard, we enclose for your review a copy of the opinion of Messrs. Aikens, MacAulay & Thorvaldson relating to such ownership.

We do not entirely agree with the opinion of our agents as it pertains to ownership of the mineral interest underlying the railway right-of-way. From our review of their opinion, we have, however, ascertained that there does not appear to be any legislation or case law in Manitoba which would make the law in Manitoba any different than the law in Alberta as it pertains to mineral ownership underlying railway rights-of way.

At the present time, the law in Alberta is unclear as to who is who is entitled to such a mineral interest. In Alberta, there are two lines of cases that have considered this issue. One line of cases suggests that the person (or his estate) who sold the right-of-way land to the Railway and then sold the entire mineral interest in the land excepting out the railway right-of-way is the person who is entitled to the mineral interest underlying the right-of-way. The other line of cases holds that the person (or a

.../2

McMahon

- 2 -

successor in interest) who bought the entire mineral interest is the person entitled to such interest. Recently the Alberta Court of Queen's Bench decided a case regarding this issue in favour of the purchaser of the mineral interest. This case has been appealed to the Court of Appeal where it is hoped that this question of ownership of this mineral interest will be ultimately resolved. Because the law is not conclusive in Alberta and is most likely not conclusive in Manitoba, we are reluctant to have you rely upon the opinion of our agents.

Under the circumstances, we recommend that you set aside a pro-rata share of production revenues based on a working interest ownership basis of 6/160 (right-of-way acreage/quarter-section acreage) and deposit this sum in trust with a chartered bank. This sum should be calculated as of the date Samedan began receiving revenue from these lands. We further recommend that this sum should remain in the bank until such time as a Court of Appeal has ultimately decided the question of railway right-of-way ownership or until such time as the question of ownership of this interest resolves itself.

With respect to any royalty monies mistakenly paid to CN, we recommend that you request repayment of such monies by CN. In addition, you may wish to request interest on those monies.

After you have had an opportunity to review this letter and the opinion of our agents, please contact the writer at your convenience to discuss this complicated issue in more detail.

Yours very truly,

ATKINSON McMAHON
Per:



R. Charles Allen

RCA/vh
Enclosures

Aikins, MacAulay & Thorvaldson

BARRISTERS AND SOLICITORS

A LORNE CAMPBELL OC OC LL.D.
MICHAEL J. MERCURY OC
JAMES E. FORAN OC
LEON H. MERCURY
CYRIL G. LABMAN
COLIN R. McARTHUR
JOEL A. WEINSTEIN
S. JANE EVANS
DOROTHY E. McDONALD
G. BRUCE TAYLOR
G. TODD CAMPBELL
BETTY A. JOHNSTONE
JONATHAN S. KROFT
STEPHEN F. VINCENT

W. STEWARD MARTIN OC
A. J. MERCURY OC
KNOX B. FOSTER OC
MARSHALL E. ROTHSTEIN OC
LARRY R. CRANE
ROD E. STEPHENSON
FRANCES M. STATHAM OC
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DANIEL M. WILDER
RICHARD L. YAFFE
J. WILTON CHRISTIANSEN
L. WILLIAM SCHLES
M. BRUCE BOWMAN

JOHN S. LAMONT OC
MARTIN H. FREEDMAN OC
ELLIOTT B. McDONALD
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DAVID L. VOECHTING
DAVID J. ROBIN
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MARTIN R. GUTHRIE
JAKE E. HARRIS

ROGER J. HANSELL OC
ANDREW C. TOUGH
ROBERT G. SMELLIE OC
J. THOMAS SAMSON
CHARLES L. CHAPPELL
GERALD D. PARKINSON
E. BRUCE PARKER
MARC M. MONNAN
MURRAY N. TRACHTENBERG
FRANK LAWITT
LISA M. COLLINS
BARBARA R. HOCHMAN
J. DOUGLAS SHOURDSOHN

THIRTIETH FLOOR
COMMODITY EXCHANGE TOWER
360 MAIN STREET
WINNIPEG, MANITOBA
CANADA R3C 4G1

TELEPHONE: (204) 957-0050

TELEX: 07-587612
CABLE ADDRESS: "AIKINS"
TELECOPIER (AUTOMATIC): (204) 957-0840

PLEASE REFER TO
E. B. MacDonald.

FILE NO.

860436

COUNSEL THE HONOURABLE SAMUEL FREEDMAN OC, OC, LL.D.

SIR JAMES AIKINS K.B. KC. LL.D. (1879-1929)
G. H. AIKINS D.S.O. OC LL.D. (1910-1954)

JOHN A. MACAULAY, OC, OC, LL.D. (1913-1978)
HOW G. S. THORVALDSON, OC (1925-1968)

DELIVERED

July 9, 1986

Atkinson, McMahon
Barristers and Solicitors
1900 First Canadian Centre
350 - 7th Avenue S. W.
Calgary, Alberta
T2P 3N9

Attention: R. Charles Allen

Dear Sirs:

Re: Samedan Oil and Gas Canada, Inc.
Historical Search -- SW $\frac{1}{4}$ 12-9-25 WPM
Your File No. 80-2986/JBM

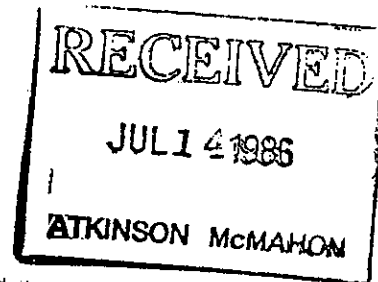
I refer to my letter of July 4, 1986.

I will set forth hereunder my conclusions with respect to the mineral ownership in this SW $\frac{1}{4}$.

I will distinguish between the mineral ownership in the portion of the SW $\frac{1}{4}$ which was transferred to The Canadian Northern Railway Company in 1906 for railway right-of-way and the mineral ownership in the balance of the SW $\frac{1}{4}$.

The Grant from the Crown only reserved "the free use passage and enjoyment of, in, over and upon all navigable waters". The minerals, therefore, insofar as petroleum and natural gas, passed to the homesteader who was Edwin Speck. I am attaching a photocopy of this Grant.

There were no transactions of any significance insofar as mines and minerals are concerned with respect of this quarter section down to deed 63867 registered on November 23rd, 1908 from John R. Scott to The Canadian Northern Railway Company. I believe



Likins, MacAulay & Thornealdson

Mr. R. Charles Allen

Page Two

July 9, 1986

you have a copy of this deed in your records. I conclude that John R. Scott, the grantor, was the owner of the mines and minerals in the six acres being transferred to The Canadian Northern Railway Company which transfer did not include a specific reference to the mines and minerals. Based upon the 1958 Supreme Court decision, with respect to Section 198 of The Railway Act, since the minerals were not "expressly purchased" they were therefore deemed to be excepted from the conveyance from Scott to The Canadian Northern Railway Company.

You will note in the copy of this deed 63867, in addition to being signed by "John R. Scott" it is also signed by "Harry W. Testar". This is due to the fact that Testar had sold the quarter section to Scott by Agreement for Sale dated the 24th of March, 1906, and the deed in favour of Scott resulting from the sale was not registered until the 10th of March, 1909, while the deed from Scott to the Railway Company was registered on the 23rd of November, 1908. Accordingly, presumably, out of an abundance of caution and in order to show the chain of title the deed to the Railway Company was also signed by Testar.

In any event, my conclusion is that after the 1906 deed from Scott to the Railway Company which was registered in 1908, John R. Scott still remained the owner of the mines and minerals beneath the six acres transferred for railway right-of-way.

By deed dated the 9th of May, 1925, and registered as No. 010121 on July 31, 1925 John R. Scott transferred to George Scott the SW $\frac{1}{4}$ of Section 12 in Township 9 Range 25W of the Principal Meridian. I am attaching a photocopy of this deed. You will note that there is no exception thereout of the portion of the quarter section which had been earlier transferred to The Canadian Northern Railway Company. This was obviously an error. It is interesting to note that on the front of the deed there is a memo with the initials of the Notary Public who drew the deed to the effect that "title not searched". It would appear that the Notary Public merely drew the deed for the complete quarter section without the benefit of a search which, of course, would have revealed that in 1909 six acres of the quarter section had already been transferred out.

The significance of the above failure to except the six acres earlier transferred out to the Railway Company was that the mines and minerals under the six acres of railway right-of-way, which did not pass to the Railway Company, would remain with John Scott and

John MacAulay & Thorvaldson

Mr. R. Charles Allen
Page Three
July 9, 1986

would be included in the transfer of 1925 to George Scott.

It seems to me that regardless of whether the rationale of the Moir case of Mr. Justice Maybank in Manitoba, in 1961, or the rationale of Mr. Justice McBains' decision in Alberta, in 1985 is applied the result is the same. If I understand Mr. Justice Maybank's decision correctly he was saying that in a similar situation the minerals remained with the transferor due to the provisions of The Railway Act and he then further concluded that the minerals would not be picked up in a subsequent transfer by the transferor because the transferor excepted in that transfer that portion which was transferred to the Railway Company and, accordingly, they would remain with the balance of the interest of the transferor. In this particular situation of the SW $\frac{1}{4}$ of Section 12 the transfer out by the transferor after he had made an earlier transfer to the Railway Company had no exception so, accordingly, all of the transferor's interest which would include the mineral interest under the railway right-of-way would pass to the transferee, George Scott. If we applied Mr. Justice McBains' conclusion we would come to the same result.

My conclusion, therefore, is that the mines and minerals in this SW $\frac{1}{4}$ including the mines and minerals in the portion of the SW $\frac{1}{4}$ that was transferred to the Railway Company were owned by George Scott in 1925, and it is necessary to trace the mineral conveyance from that time onwards.

On the 11th of March, 1949 by deed 112998, George Scott transferred the S $\frac{1}{4}$ of Section 12 "excepting thereout that portion taken for railway right-of-way by Canadian National Railway" to John Henry Sawatsky. I am enclosing a photocopy of deed 112998.

I conclude from the above 1949 deed that the mineral interest for the S $\frac{1}{4}$ of Section 12 except that portion taken for the railway right-of-way passed to John Henry Sawatsky. I conclude that the exception in this transfer with respect to the railway right-of-way resulted in the minerals under that right-of-way remaining in the name of George Scott.

From this point in 1949 onwards the ownership of minerals in the portion of SW $\frac{1}{4}$ of Section 12 under the railway right-of-way differs from the ownership of these minerals under the balance of this quarter section.

John MacAulay & Thorwaldson

Mr. R. Charles Allen
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July 9, 1986

I can find no evidence of George Scott having transferred the minerals under the railway right-of-way to any other party, and I conclude that the minerals under the railway right-of-way in the SW $\frac{1}{4}$ of Section 12 remained in the name of George Scott. I don't know whether George Scott is alive at the present time and I could find no evidence of any Grant of Probate having issued in this name.

With respect to the minerals under the balance of the SW $\frac{1}{4}$ of Section 12 these I conclude in 1949 were owned by John Henry Sawatsky.

In 1951, Sawatsky leased these minerals to Prospect Exploration. In 1960, Prospect Exploration surrendered this lease which was No. 116732.

In May of 1952, Sawatsky, by deed registered as No. 120322, granted and conveyed to Prairie Leaseholds Ltd. an undivided one-half interest in all mines and minerals within, upon or under the S $\frac{1}{4}$ of Section 12 "excepting thereout that portion taken for the right-of-way of Canadian National Railway". He also gave an undivided one-half interest in the existing petroleum and natural gas lease with respect to these lands. I am attaching a copy of this deed 120322.

In addition, by the same document, Mr. Sawatsky granted an option to Prairie Leaseholds Ltd. to lease the petroleum and natural gas under the balance of the undivided one-half interest.

This option to lease was taken up in 1964 and John Henry Sawatsky granted a petroleum and natural gas lease to Prairie Leaseholds Ltd. with respect to his undivided one-half interest in petroleum and natural gas in these lands except for the railway right-of-way. I am attaching a copy of this lease 137057.

By deed 140053, on August 30th, 1967, Prairie Leaseholds Ltd. transferred its undivided one-half interest in mines and minerals to Canadian Fina Oil Ltd. I am attaching a copy of deed 140053.

On August 30th, 1967 by deed 140055 Prairie Leaseholds Ltd. assigned its undivided one-half interest in petroleum and natural gas which it held under deed 137057 to Canadian Fina Oil Ltd. I am attaching a copy of deed 140055.

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The mineral interest of John Henry Sawatsky in the S $\frac{1}{4}$ of Section 12 which is above referred to was old system. It was brought under The Real Property Act in 1976 and Certificate of Title 132423 issued in the name of John Henry Sawatsky with respect to an undivided one-half interest in all mines and minerals under this half Section. There was an exception of the right-of-way owned by Canadian National Railways. This mineral title for John Henry Sawatsky indicated lease 137057 of 1964 which is above referred to wherein John Henry Sawatsky leased his undivided one-half interest in petroleum and natural gas to Prairie Leaseholds Ltd. This lease of Prairie Leaseholds was assigned in 1967 to Canadian Fina Oil Ltd. and assignment 140055 is recorded on this title.

There also appears on this title an assignment by Agrola Oil and Land Development Ltd. 140821 of September 17th, 1968. From my searches, I can't see how this party comes into the transaction and I am making further inquiries. There is also filed as Instrument No. 142862 a Plan for unit operation filed by Samedan Oil in 1972. I am attaching a copy of this title 132423.

In summary of the above, my opinion as to the ownership of mines and minerals of the SW $\frac{1}{4}$ of Section 12 is as follows:

1. Mines and minerals under the six acres of this quarter section taken for railway right-of-way are owned by George Scott.
2. Mines and minerals under the balance of this quarter section are owned as follows:
 - a) An undivided one-half interest is owned by John Sawatsky subject to a lease to Prairie Leaseholds Ltd. which has been assigned to Canadian Fina Oil Limited.
 - b) An undivided one-half interest is owned by Canadian Fina Oil Limited.

As indicated above, there is an assignment recorded on title in favour of the Royal Bank of Canada registered the 5th of November, 1968 as 140821 from Agrola Oil and Land Development Ltd.. This is an assignment with respect to security given under Section 82 of The Bank Act. There is nothing on title to show how

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Agrola obtained its interest in this quarter section but this assignment 140821 refers therein to an operating agreement of March 15th, 1967 made between Samedan Oil, Gringo Oils Ltd. and Agrola. It also refers to a Letter of Agreement dated September 19th, 1967 between Samedan, Gringo Oils Ltd. and Agrola. It may be under these documents that Agrola obtained its interest.

Also, as indicated above, there is the plan for unit operation registered as 142862 on May 15th, 1972 by Samedan Oil. It refers to Legal Subdivision 5.

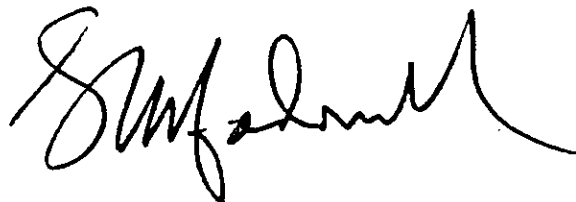
There are also recorded in the abstract two assignments, 145259 registered February 15th, 1977, and 145455 registered July 27th, 1977 by Bueno Oils Ltd. to the Royal Bank of Canada. They both relate to part of Legal Subdivision 5. I have difficulty seeing from the title or the abstract how Bueno Oils Ltd. comes into the picture but I bring this to your attention as it is recorded in the abstract with respect to this SW $\frac{1}{4}$.

I am making further inquiries with respect to these assignments to Bueno Oils Ltd. and also the earlier referred to assignment by Agrola Oil. My opinion as to the ownership is as above subject to further inquiries on these later items.

Yours truly,

AIKINS, MacAULAY & THORVALDSON

Per:



EBM/pb

Encls.

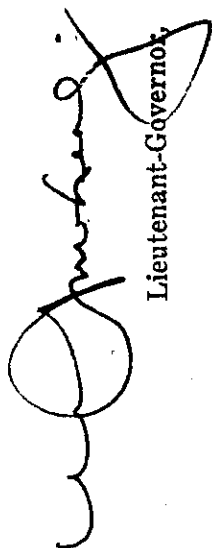
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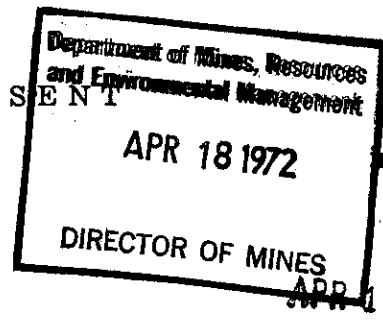
At Government House in the City of Winnipeg
14 day of April
A.D. 1972
APPROVED AND ORDERED this


Lieutenant-Governor

In The Executive Council Chamber, Winnipeg

The 13th day of April A.D. 1972

P R E S E N T



in the Chair.

The Honourable Mr. SCHREYER
Mr. CHERNIACK
Mr. USKIW
Mr. MILLER
Mr. TOUPIN
Mr. EVANS
Mr. BURTNIAK
Mr. PAWLEY
Mr. HANUSCHAK
Mr. DOERN
Mr. DESJARDINS
Mr. MCBRYDE

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ON MATTERS OF STATE

To His Honour the Lieutenant-Governor-in-Council

The undersigned, the Minister of Mines, Resources and Environmental Management, submits for approval of Council a report setting forth that:

WHEREAS, subsections (1), (2), and (3) of Section 76 of "The Mines Act", being Chapter M160 of the Revised Statutes of Manitoba, 1970, provide as follows:

"76(1) The board, upon its own motion, may, or, upon the application of a working interest owner of a tract that exceeds a spacing unit in area, and that is within the pool, field, or part thereof, shall hold a hearing to consider the advisability or necessity for the operation of a pool, field, or part thereof, as a unit.

76(2) A working interest owner applying to the board under subsection (1) shall apply in writing and shall submit to the board a proposed plan of unit operation of the proposed unit area containing the terms and conditions that the applicant desires to be included in the order, together with such number of copies of the plan and such other information as the board may require.

76(3) If the board is of the opinion that the operation of the pool, field, or part thereof, as a unit would prevent waste therein having regard

- (a) to the production and recovery of oil and gas;
- (b) to the gathering and processing of gas;
- (c) to the disposal of salt water produced;
- (d) to the rights of each owner to a reasonable opportunity of recovering or receiving the oil and gas in which he has an interest or the equivalent thereof without being required to drill unnecessary wells or to incur other unnecessary expenses therefor; and
- (e) to any other circumstance pertaining to the drilling for or production of oil and gas;

the board may, with the approval of the Lieutenant Governor in Council, order that the pool, field, or part thereof, be operated as a unit.";

AND WHEREAS, Section 77 of "The Mines Act", as enacted by Chapter M160 of the Revised Statutes of Manitoba, 1970, provides as follows:

"77. The board shall not make an order under subsection (3) of section 76 unless

(a) the working interest owners of over seventy-five per centum of the area of the proposed unit area have agreed in writing to the proposed plan of unit operation, or, if one working interest owner is the working interest owner of seventy-five per centum or more, but less than one hundred per centum, of the area of the proposed unit area, that working interest owner and at least one other working interest owner of a tract in the proposed unit area, have agreed in writing to the proposed plan of unit operation; and

(b) the royalty owners having seventy-five per centum of the royalty interests of the head lessors in the oil and gas produced from the unit area have agreed in writing to the proposed plan of unit operation, or, if one royalty owner has seventy-five per centum or more of the royalty interests of the head lessors in the oil and gas produced from the unit area but does not have all such royalty interests, that royalty owner and at least one other royalty owner having such royalty interests, have agreed in writing to the proposed plan of unit operation.";

AND WHEREAS, The Oil and Natural Gas Conservation Board received an application from Samedan Oil of Canada, Inc., on behalf of itself and other working interest owners in the Routledge Field in Manitoba, requesting the Board to hold a Hearing to consider the advisability or necessity for the operation of a certain part of the Routledge Field in Manitoba as a unit, and to consider a proposed plan of unit operation of the proposed unit area;

AND WHEREAS, the Board, pursuant to Section 76 of "The Mines Act", held public Hearings on October 5, 1971, and February 16, 1972, for the purpose of considering a Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1;

AND WHEREAS, upon due consideration of the submissions and testimony at the Hearings, the Board has found:

- (a) That the operation of a certain part of the Routledge Field in Manitoba, as more particularly delineated in the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1, dated July 21, 1971, and as amended October 5, 1971, is reasonably necessary to prevent waste, and to increase substantially the recovery of oil;

- (b) That the value of the estimated additional recovery of oil and gas resulting from such operation will exceed the estimated additional cost incidental to the conduct of such operation;
- (c) That such operation will result in general advantage to the owners of oil and gas rights within the proposed unit area;
- (d) That the provisions of Section 77 of "The Mines Act" have been complied with;

AND WHEREAS, subsections (1) and (3) of Section 4 of "The Regulations Act", being Chapter R60 of the Revised Statutes of Manitoba, 1970, provide as follows:

"4(1) Subject to subsections (2) and (3), the registrar shall, within one month of the filing thereof, publish every regulation in The Manitoba Gazette,

4(3) Where a regulation, in the opinion of the Lieutenant Governor in Council,

(a) is of such length as to render publication thereof in The Manitoba Gazette unnecessary or undesirable; and

(b) is or will be available to all persons who are likely to be interested therein;

the Lieutenant Governor in Council, by order in council, may dispense with the publication thereof; and the regulation, upon registration thereof, is as valid against all persons as if it had been published.";

AND WHEREAS, on the 30th day of March, 1972, The Oil and Natural Gas Conservation Board made Unitization Order No. 13, as set out in the Schedule attached hereto;

AND WHEREAS, it is deemed necessary and expedient that the said Order be approved, and that the publication of the Plan, referred to in the said Unitization Order, in The Manitoba Gazette be dispensed with.

ACTING

THEREFORE he, the Minister, recommends:

1. THAT Unitization Order No. 13, and Plan attached thereto, made by The Oil and Natural Gas Conservation Board on the 30th day of March, 1972, be approved.
2. THAT publication of the Plan, attached to the said Unitization Order No. 13, in The Manitoba Gazette be dispensed with.

Submitted and Recommended

Acting Minister of Mines, Resources and Environmental Management.

Upon consideration of the foregoing report and recommendation Council advises that it be done as recommended by the Honourable the Minister of Mines, Resources and Environmental Management; and His Honour the Lieutenant-Governor-in-Council is pleased to approve the said report and recommendation and doth order accordingly.

President of the Council

or

Presiding Member of the Executive Council.

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CABINET MEMO

DEPARTMENT OF MINES, RESOURCES AND ENVIRONMENTAL MANAGEMENT

SUBJECT:

The Oil and Natural Gas Conservation Board Unitization Order No. 13.

EXPLANATION:

The Oil and Natural Gas Conservation Board held a public hearing in Virden, Manitoba, October 5, 1971, in respect of an application by Samedan Oil of Canada, Inc., for approval of a "Plan for Unit Operation Governing the Unitized Management Operation and Further Development of the East Routledge Unit No. 1", being a part of the Routledge Field.

The evidence submitted at this hearing satisfied the Board that the proposed Plan would prevent waste and increase the ultimate recovery of oil.

There were no objections to the proposal, and the Plan has been approved, in writing, by more than seventy-five percent (75%) of the working interest owners and the royalty owners in the proposed Unit Area.

PROPOSAL:

The Board is prepared to order, subject to the approval of the Lieutenant-Governor-in-Council, that part of the Routledge Field, to be known as the "East Routledge Unit No. 1", be operated as a Unit.

RECOMMENDATION:

That approval be given to the Order of The Oil and Natural Gas Conservation Board, providing that, on and after May 15, 1972, a certain part of the Routledge Field be operated as a Unit in accordance with the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of the East Routledge Unit No. 1.

A/MINISTER OF MINES, RESOURCES
AND ENVIRONMENTAL MANAGEMENT.

Date Typed: April 5, 1972.

APR - 3 1972

DIRECTOR OF MINES

THE OIL AND NATURAL GAS CONSERVATION BOARD

UNITIZATION ORDER NO. 13

Pertaining to the Unitized Management Operation and Further Development of East Routledge Unit No. 1.

Made and passed pursuant to "The Mines Act", Cap. M160, R. S. M., 1970, and amendments thereto, by The Oil and Natural Gas Conservation Board of Manitoba.

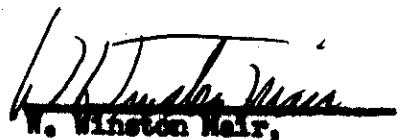
1. Effective at the hour of seven o'clock in the forenoon, official time, on the fifteenth day of May, 1972, a certain part of the Routledge Field, to be known as the Unit Area, shall be operated as a unit in accordance with the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of East Routledge Unit No. 1, dated July 21, 1971, and amended October 5, 1971, and shall be known as the East Routledge Unit No. 1.
2. Parts XXII, XXIII, and XXIV, being excerpts from the Plan, and attached hereto, shall be published in The Manitoba Gazette.

Oil and Natural Gas Unitization Order No. 13,
made and passed this 30th day of March,
A. D., 1972, at the City of Winnipeg, in
the Province of Manitoba, by The Oil and
Natural Gas Conservation Board.

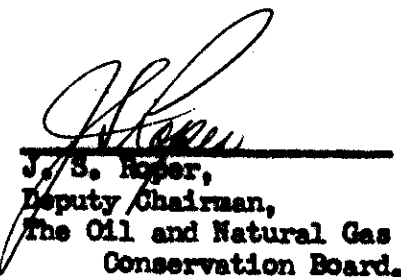
Approved:



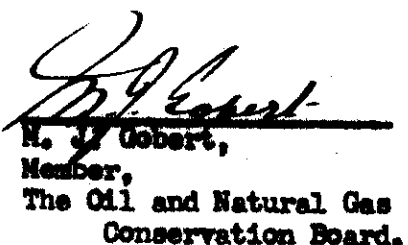
Leonard S. Evans,
Acting Minister of Mines,
Resources and Environmental
Management.



W. Winston Mair,
Chairman,
The Oil and Natural Gas
Conservation Board.



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



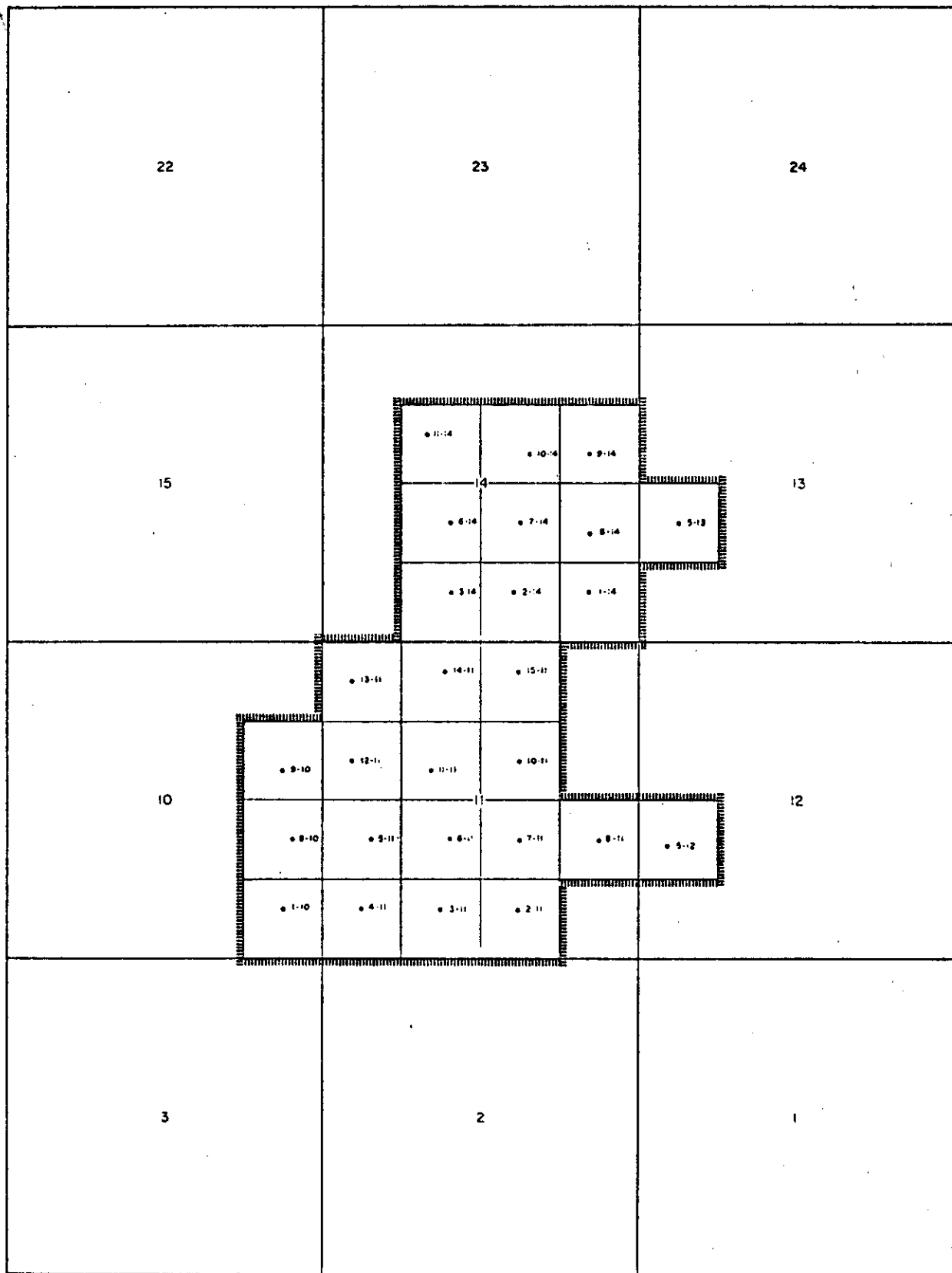
M. J. Gobert,
Member,
The Oil and Natural Gas
Conservation Board.

PART XXII

THE LANDS IN THE PROVINCE OF MANITOBA WHICH COMPRISE
THE EAST ROUTLEDGE UNIT NO. 1 ARE AS FOLLOWS:

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>
	<u>TOWNSHIP 9 RANGE 25 WPM</u>		<u>TOWNSHIP 9 RANGE 25 WPM</u>
1-10	LSD. 1, Section 10	14-11	LSD. 14, Section 11
8-10	LSD. 8, Section 10	15-11	LSD. 15, Section 11
9-10	LSD. 9, Section 10	5-12	LSD. 5, Section 12
2-11	LSD. 2, Section 11	5-13	LSD. 5, Section 13
3-11	LSD. 3, Section 11	1-14	LSD. 1, Section 14
4-11	LSD. 4, Section 11	2-14	LSD. 2, Section 14
5-11	LSD. 5, Section 11	3-14	LSD. 3, Section 14
6-11	LSD. 6, Section 11	6-14	LSD. 6, Section 14
7-11	LSD. 7, Section 11	7-14	LSD. 7, Section 14
8-11	LSD. 8, Section 11	8-14	LSD. 8, Section 14
10-11	LSD. 10, Section 11	9-14	LSD. 9, Section 14
11-11	LSD. 11, Section 11	10-14	LSD. 10, Section 14
12-11	LSD. 12, Section 11	11-14	LSD. 11, Section 14
13-11	LSD. 13, Section 11		

PART XXIII
MAP OF UNIT AREA



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N

• PRODUCING WELL
--- UNIT BOUNDARY
• NUMBERED TRACT

R-25-W
EAST ROUTLEDGE UNIT NO.1
MANITOBA PROVINCE, CANADA

0 1000 2000 3000
scale
-36-

PART XXIV

<u>TRACT</u> <u>NUMBER</u>	<u>TRACT PARTICIPATION</u>		<u>TRACT</u> <u>NUMBER</u>	<u>TRACT PARTICIPATION</u>	
	<u>INTERIM</u>	<u>FINAL</u>		<u>INTERIM</u>	<u>FINAL</u>
1-10	4.74458	4.22753	14-11	1.02484	0.60393
8-10	2.87217	3.57419	15-11	7.30149	9.42445
9-10	3.49776	2.19813	5-12	2.19585	1.83004
2-11	0.74068	0.50345	5-13	3.13178	2.37288
3-11	2.91362	2.07245	1-14	2.67472	2.13603
4-11	3.95482	3.40836	2-14	4.81221	4.26967
5-11	4.44951	3.69730	3-14	3.41431	4.13644
6-11	5.17710	4.51867	6-14	3.82719	3.85203
7-11	4.65950	4.53441	7-14	4.37642	5.02515
8-11	3.92591	4.25913	8-14	8.48123	10.31383
10-11	0.53833	0.60194	9-14	6.05140	6.18710
11-11	1.74588	1.65497	10-14	6.89570	7.90708
12-11	1.60080	1.59075	11-14	<u>4.80294</u>	<u>4.93059</u>
13-11	0.18926	0.16950		<u>100.00000</u>	<u>100.00000</u>