



Mineral Resources

Petroleum Branch

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March 27, 2014

Jennifer Perry, P. Eng.
Legacy Oil + Gas Inc.
4400, 525 8th Avenue SW
Calgary, Alberta
T2P 1G1

Dear Jennifer,

RE: North Pierson Unit No. 2 Project Approval

The Petroleum Branch is pleased to grant approval of North Pierson Unit No. 2 covering the South half-section of 8-2-28WPM in the Pierson field. The effective date for North Pierson Unit No. 2 will be April 01, 2014.

Legacy is reminded that there is no approval yet to start water injection and separate conversion applications are required for any existing horizontals to be converted into injectors within this new Unit. Please inform the Branch 1(one) month in advance of when Legacy wants to start injection so a Waterflood Order can be created and TTEF calculated, etc.

If you have any questions in respect of the applications required please contact Leo Leonen at (204) 945-6570.

Yours truly,

Keith Lowdon
Director

Cc: Engineering, Virden

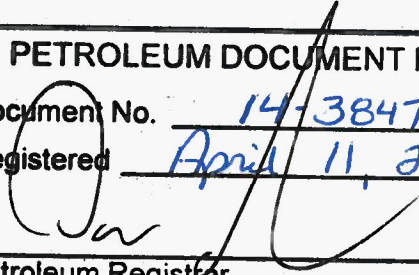
Manitoba
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UNIT AGREEMENT

North Pierson Unit No. 2

PJVA MODEL FORM
VERSION NO. 4

OCTOBER, 1, 2013

PETROLEUM DOCUMENT REGISTRY	
Document No.	14-3847
Registered	April 11, 2014.
	
Petroleum Registrar	

UNIT AGREEMENT

North Pierson Unit No. 2

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UNIT AGREEMENT

North Pierson Unit No. 2

WHEREAS the Parties own Royalty Interests and Working Interests, or either of them, in the Unitized Substances;

AND WHEREAS the Parties desire that the Unitized Zone be developed, produced and operated as a unit;

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

ARTICLE I

INTERPRETATION

101. Definitions

In this Agreement, including the premises and the exhibits hereto:

- (a) "Address for Service" means the address for service of all notice hereunder as further specified in Exhibit A Part II and Exhibit A Part III;
- (b) "Affiliate" means, with respect to any person, any other person which is affiliated with such person, and for the purposes hereof:
 - i. two persons will be considered to be affiliated with one another if one of them controls the other, or if both of them are controlled by a common third person, and
 - ii. one person will be considered to control another person if it has the power to direct or cause the direction of the management and policies of the other person, whether directly or indirectly, through one or more intermediaries or otherwise, and whether by virtue of the ownership of shares or other equity interests, the holding of voting rights or contractual rights, or otherwise;
- (c) "Crown" means Her Majesty the Queen in right of the Province of Manitoba;
- (d) "Effective Date" means the time and date referred to in clause 1301;
- (e) "Lease" means an instrument granting a Working Interest of the kind described in paragraph 101(u)(i) in respect of any portion of the Unitized Zone;
- (f) "Leased Substances" means any substances which were initially obtained:
 - i. from any zone other than the Unitized Zone, and
 - ii. under the terms of a Lease granted by a Lessor other than the Crown,

- iii. and with respect to which there is no royalty payable as Unitized Substances;
- (g) "Lower Amaranth/Spearfish Formation" means the interval occurring between the depths of 967 metres and 1,007 metres TVD on the Gamma Neutron Log of the well COBRA SHELL LYLETON 14-5-2-28; 100/14-05-002-28W1 situated in legal subdivision fourteen (14) of section five (5), township two (2), range twenty-eight (28), west of the first (1) meridian, as identified in Exhibit "C".
- (h) "Outside Substances" means:
 - i. any substances which were initially obtained from any source other than the Unitized Zone, with respect to which there is no royalty liability outstanding, or
 - ii. any Unitized Substances which have been produced with respect to which there is no royalty liability outstanding, or
 - iii. Leased Substances;
- (i) "Party" means a person who is bound by this Agreement;
- (j) "Petroleum Branch" means the Department of Mineral Resources, Petroleum Branch established under The Oil and Gas Act in the Province of Manitoba;
- (k) "Petroleum Substances" means petroleum, natural gas and related hydrocarbons (other than coal) and any other substances, whether hydrocarbons or not, which are produced in association therewith, or any of them;
- (l) "Royalty Interest" means:
 - i. a Crown or other sovereign ownership interest, or a fee simple or similar freehold ownership estate, in respect of Petroleum Substances in or producible from the Lower Amaranth/Spearfish Formation, or
 - ii. a right to a share of Petroleum Substances produced from the Lower Amaranth/Spearfish Formation, to a share of the proceeds from the sale of such Petroleum Substances, or to a payment based on the quantity or value of such Petroleum Substances,
 - iii. but does not include a Working Interest, the interest of a purchaser of such Petroleum Substances after production, a mortgage, charge or other security interest, or any right of a government or governmental agency to a payment in respect of taxes or similar assessments;
- (m) "Royalty Owner" means a Party owning a Royalty Interest in or in respect of Unitized Substances;
- (n) "Tract" means a parcel of land described and given a Tract number in Exhibit "A" and shown in Exhibit "B";
- (o) "Tract Participation" means the participation percentage assigned to a Tract pursuant to Article VI;
- (p) "Unit Area" means the lands described in Exhibit "A" and shown outlined on Exhibit "B";
- (q) "Unit Operations" means any operations or activities undertaken on behalf of the Working Interest Owners in connection with the development or exploitation of the Unitized Zone, the production or other handling of Unitized Substances or the installation, operation, maintenance or removal of equipment or facilities, insofar as such operations or activities have been authorized or provided for under this Agreement or the Unit Operating Agreement;
- (r) "Unit Operator" means Legacy Oil + Gas Inc.;

- (s) "Unit Participation" means, with respect to each Working Interest Owner, the sum of all of its Tract Participation shares as set forth in Part I of Exhibit "A";
- (t) "Unitized Substances" means Petroleum Substances in or obtained from the Unitized Zone;
- (u) "Unitized Zone" means the Lower Amaranth/Spearfish Formation within the Unit Area;
- (v) "Working Interest" means an interest in:
 - i. a profit à prendre or similar interest entitling the owner thereof to produce and dispose of Petroleum Substances from the Lower Amaranth/Spearfish Formation, or
 - ii. the production and disposition rights associated with a Crown or other sovereign ownership interest, or a fee simple or similar freehold ownership estate, in respect of Petroleum Substances in or producible from the Lower Amaranth/Spearfish Formation, to the extent such rights are not subject to an interest of the kind described in paragraph (i) of this subclause,
 - iii. but does not include a mortgage, charge or other security interest;
- (w) "Working Interest Owner" means a Party owning a Working Interest in or in respect of Unitized Substances; and

102. Reference to Year, Month and Day

In this Agreement:

- (a) all references to "Annual", "Annual basis" or "Year" shall be references to a period of time commencing at 08:00 on January 1 in a year and ending at 08:00 on January 1 of the following year;
- (b) all references to "Day" shall be to a period of time consisting of twenty-four (24) consecutive hours commencing at 08:00 on any day and ending at 08:00 on the following day;
- (c) all references to "Month" or "Monthly" shall be to a period of time commencing at 08:00 on the first day of a calendar month and ending at 08:00 on the first day of the following calendar month; and
- (d) all references to "Business Day" means any day excluding Saturdays, Sundays and statutory holidays.

103. Headings

The headings of the Articles and clauses of this Agreement have been inserted for convenience of reference only and shall not affect the construction or interpretation hereof.

104. Number and Gender

In this Agreement words importing the singular include the plural and vice versa, words importing gender include the masculine, feminine and neuter genders, and references to persons include individuals, firms, corporations, partnerships, bodies politic and other entities, all as the context may require.

105. Time

In this Agreement all times are Mountain Standard Time or Daylight Saving Time, whichever is then being used and observed in accordance with the *Daylight Saving Time Act* (Alberta).

106. Statutory References

In this Agreement references to the *Oil and Gas Act* and other statutes of Manitoba shall be construed as references to the relevant statute as amended from time to time, and shall include any statutory replacements of the whole or any part thereof, and all regulations and other subordinate legislation issued from time to time thereunder.

ARTICLE II

EXHIBITS

201. Exhibits

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

(a) Exhibit "A":

Part I: describes for each Tract, the Tract No, the Legal Description, Title Document No, Current Lessor, Current Lessor Share, Current Lessee, Current Lessee WI Share, and the Tract Participation;

Part II: sets forth the names of the owners of the Working Interests therein, their Address for Service, and their respective shares of the Unit Participation therefor,

Part III: sets forth the names of the owners of the Royalty Owners therein and their Address for Service;

Part IV: identifies the Leases relating hereto, and

Part V: identifies the Unit Wells as at the Effective Date.

(b) Exhibit "B", which is a plat showing the Unit Area and identifying the Tracts;

(c) Exhibit "C", which is a reproduction of a portion of the log referred to in subclause 101(g); and

(d) Exhibit "D", which sets forth the procedure for dealing with failure to make adequate arrangements for the disposition of Unitized Substances upon production.

202. Correction of Exhibits

If an error of a clerical nature occurs in an exhibit, the Unit Operator shall, forthwith upon discovering or being notified of the same, effect appropriate corrections to the exhibit. The provisions of this clause do not extend to any error occurring in the course of the compilation and evaluation of technical data for purposes of establishing the respective Tract Participations, it being agreed that the results of such evaluation process are conclusive and shall not be subject to challenge or dispute.

203. Effective Time of Exhibits

Except as otherwise expressly provided in this Agreement:

(a) the exhibits attached to the original execution version of this Agreement shall, unless subsequently revised pursuant to the provisions of clause 503, be effective as of the Effective Date;

(b) subject to subclause 203(c), any exhibit which is revised pursuant to the provisions of this Agreement shall be effective in its revised form as of the time specified by the provision requiring or authorizing such revision; and

- (c) any exhibit which is corrected pursuant to clause 202 shall be effective in its corrected form as of 08:00 on the first Day of the calendar Month next following the date on which the Unit Operator first discovers or is notified of the error requiring correction; provided, however, that if the Unit Operator discovers or is notified of a clerical error in an exhibit within thirty (30) Days of the date of issuance by the Unit Operator of the version of the exhibit containing the error, the corrected version of the exhibit shall be effective as of the date on which the version of the exhibit containing the error would otherwise have been effective, and the version of the exhibit containing the error shall be deemed conclusively never to have been effective.

204. Exhibits Deemed Correct

Subject to the proviso set forth in subclause 203(c), each exhibit, and each revised or corrected version thereof, shall for purposes of this Agreement be deemed conclusively to be correct and binding on the Parties from the time at which it becomes effective until the time at which a revised or corrected version thereof becomes effective.

205. Identification of Exhibits

Revised and corrected versions of exhibits shall be numbered consecutively, shall indicate the date on which they become effective, and shall indicate whether they are revised or corrected versions of an exhibit, or both.

206. Preparation and Distribution of Exhibits

Each time that an exhibit is to be revised or corrected pursuant to this Agreement the Unit Operator shall effect the required revisions or corrections in a timely and diligent manner and shall forthwith:

- (a) provide the Crown and the Petroleum Branch with two copies each of the revised or corrected version of the exhibit; and
- (b) provide each of the Working Interest Owners with one copy of the revised or corrected version of the exhibit.

The Working Interest Owners shall provide their Royalty Owners, other than the Crown, with a copy of the revised or corrected version of the exhibit forthwith upon receipt of the same from the Unit Operator.

207. Conflicts

In the event of any conflict between the provisions of the principal text of this Agreement and the provisions of Exhibit "D" hereto, the provisions of the principal text hereof shall take precedence.

ARTICLE III

UNITIZATION AND EFFECT

301. Unitization

The interests of each Royalty Owner and each Working Interest Owner in and in respect of the Unitized Substances and the Unitized Zone are hereby unitized in accordance with the provisions of this Agreement.

302. Continuation of Leases

Until such time as the unitization provided for herein terminates pursuant to the provisions of clause 1401, such unitization shall continue in force and effect each Lease and other agreement or instrument relating to the Unitized Zone or Unitized Substances to the same extent as if a well had been drilled to, and was throughout the term of such unitization producing Petroleum Substances from, all of the Unitized Zone in each Tract and each spacing unit or other parcel forming part thereof; provided, however, that if under the terms of any Lease or other agreement or instrument relating to the Unitized Zone or Unitized Substances any Party would at any time be required to make any shut-in royalty or similar payment in the absence of actual production of Unitized Substances from the Unit Area, whether as an unconditional

obligation or as a condition to continuing such Lease or other agreement or instrument in effect, such payment requirement shall continue to apply notwithstanding the deemed production provisions of this clause 302.

303. Extraneous Defaults

If any Lease should at any time during the term of the unitization provided for herein become terminable in whole or in part, whether automatically in accordance with its terms or at the option of the lessor thereunder, as a result of any default in obligations relating to any lands or zones other than the Unitized Zone, such Lease or terminable part thereof shall nonetheless continue in effect insofar as it relates to the Unitized Zone, as though it had been granted only in respect of the Unitized Zone in the Tract or Tracts to which it relates. The provisions of this clause 303 shall not apply with respect to any default in obligations relating in whole or in part to the Unitized Zone.

304. Amendment of Leases

Subject to the provisions of clause 1512, in the event of any conflict between the provisions of this Agreement and the provisions of any Lease or other agreement or instrument relating to the Unitized Zone or Unitized Substances, the provisions of this Agreement shall take precedence, and each Lease and other agreement or instrument relating to the Unitized Zone or Unitized Substances is accordingly hereby amended to the extent necessary to make it conform with the provisions of this Agreement; provided, however, that except as specifically required to give effect to the provisions of this Agreement, the respective rights and obligations of the Parties under the various Leases and other agreements and instruments relating to the Unitized Zone or Unitized Substances shall not be either diminished or increased hereby.

305. Ratification of Leases

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

306. Effect of Unitization on Titles

Nothing in this Agreement or the Unit Operating Agreement shall be construed as effecting any transfer or exchange of any interest in the Leases, the Tracts or the Unitized Zone, or in the Unitized Substances before production thereof.

307. Equipment and Facilities

All equipment and facilities used in connection with Unit Operations and heretofore or hereafter installed, affixed or constructed by any of the Working Interest Owners on or in any lands within the Unit Area are and shall remain the personal property of the Working Interest Owners, or such of them as may from time to time have an interest therein, and, except as otherwise provided in clause 1404, no interest in any such equipment and facilities shall vest in the Royalty Owners by virtue of the provisions of this Agreement.

308. Name

The name of the unit hereby constituted is "North Pierson Unit No. 2".

ARTICLE IV

AUTHORITY TO WORKING INTEREST OWNERS

401. Operations

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

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

The Working Interest Owners are also hereby granted the right, subject to Petroleum Branch approval, to drill horizontal or vertical injection wells within 50 meters of the boundary of North Pierson Unit no. 2 and the Working Interest Owners consent to such wells being produced prior to their conversion to injection wells.

402. Delegation

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

403. Vote of Working Interest Owners

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

ARTICLE V

INCLUSION AND QUALIFICATION OF TRACTS

501. Tracts Included as of Effective Date

The Tracts to be included in the Unit Area as of the Effective Date are those Tracts which qualify for such inclusion pursuant to clause 502 before the Effective Date.

502. Qualification of Tracts

A Tract qualifies for inclusion in the Unit Area when its title has been approved by the Working Interest Owners pursuant to clause 902 and:

- (a) the owners of one hundred percent (100%) of the Working Interests therein have become Parties and parties to the Unit Operating Agreement and the owners of one hundred (100%) percent of the Royalty Interests therein have become Parties; or
- (b) the owners of one hundred percent (100%) of the Working Interests therein have become Parties and parties to the Unit Operating Agreement and the owners of less than one hundred percent (100%) of the Royalty Interests therein have become Parties, and the owners of the Working Interests therein provide the other Working Interest Owners with an indemnification in form and substance satisfactory to them,

protecting them against any loss or damages that may be suffered by them in respect of claims and demands that, because of the inclusion of the Tract in the Unit Area, may be made by those owners of Royalty Interests in the Tract who have not become Parties; or

- (c) the owners of Working Interests therein have satisfied such other requirements as the other Working Interest Owners may consider appropriate as a basis for qualifying such Tract, where the Tract cannot be qualified pursuant to either subclause (a) or (b) of this clause 502.

ARTICLE VI

TRACT PARTICIPATION

601. Tract Participation

Each Tract has the Tract Participation assigned to it in Exhibit "A".

ARTICLE VII

ALLOCATION OF UNITIZED SUBSTANCES PRODUCED

701. Allocation among Tracts

Subject to the provisions of clauses 706, 801 and 802, Unitized Substances shall when produced be allocated among the Tracts in accordance with their respective Tract Participations, and 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 actual production of Unitized Substances from the well or wells, if any, on the Tract, shall be deemed conclusively to have been produced from the Unitized Zone in the Tract.

702. Allocation among Parties

The Unitized Substances allocated to a Tract shall be further allocated among the Working Interest Owners thereof in accordance with their respective percentage Working Interests in the Tract as set forth in Exhibit "A", and in the event that any portion of any Unitized Substances so allocated to a Working Interest Owner is deliverable in kind to, or is otherwise subject to proprietary rights in favour of, an owner of a Royalty Interest in respect of such Unitized Substances, such Working Interest Owner shall ensure that such royalty delivery or other proprietary rights are given effect to, subject to the provisions of Article XI.

703. Calculation of Royalty

The amount of any royalty payable or deliverable to a Royalty Owner in respect of Unitized Substances under any Lease or other agreement or instrument applicable to a Tract shall be calculated (at the applicable rate under such Lease or other agreement or instrument, and having regard to any minimum royalty obligations thereunder) on the basis only of the amount of Unitized Substances deemed to have been produced from such Tract pursuant to the provisions of clause 701, as if such amount of Unitized Substances had been produced from a single well located on such Tract, and the payment or delivery, as the case may be, of royalty so calculated shall satisfy the obligation to pay or deliver royalty in respect of Unitized Substances under any such Lease or other agreement or instrument. Without limiting the generality of the provisions of clause 1512, in the event of any conflict between the provisions of this clause 703 and the manner in which Crown royalty rates are determined, the latter shall take precedence.

704. Satisfaction of Royalty Obligations

The Working Interest Owners of each Tract shall be responsible for accounting to the owners of Royalty Interests in respect of such Tract for any royalty payable or deliverable to such owners in respect of Unitized Substances, and, except as otherwise expressly provided in subclause 1101(c) and clause 1104, nothing in this Agreement shall be construed as giving rise to any right entitling an owner of a Royalty Interest in respect of a Tract:

- (a) to look to any Working Interest Owners other than the Working Interest Owners of such Tract for the satisfaction of royalty obligations in respect of such Tract; or
- (b) if the Royalty Interest relates to less than 100% of the Working Interests in the Tract, to look to any Working Interest Owners other than the owners of the particular Working Interests encumbered by the Royalty Interest for the satisfaction of obligations in respect thereof;

provided, however, that in the event that the beneficial Working Interest Owners of a Tract are not the same persons as the lessee under a Lease relating to the Tract, the provisions of this clause 704 shall not be construed as relieving such lessee of any obligation to account for royalty payable or deliverable to the lessor under such Lease if the Working Interest Owners fail to comply with their obligations in that respect.

705. Disposition of Unitized Substances

The share of Unitized Substances allocated to each Working Interest Owner pursuant to the provisions of clauses 701 and 702 shall be a several share, and the right to possession of, and the responsibility for, such share shall vest in each Working Interest Owner upon production. Each Working Interest Owner shall, not less than sixty (60) Days prior to the commencement of production of Unitized Substances pursuant hereto, and thereafter not less than sixty (60) Days prior to any change in disposition arrangements, provide the Unit Operator with a written notice setting forth such information with respect to such Working Interest Owner's arrangements for the disposition of its allocated share of Unitized Substances (including any portion thereof which is to be taken in kind by a Royalty Owner) as the Unit Operator may reasonably require in order to facilitate such arrangements. Such notice shall remain in effect and shall bind such Working Interest Owner until the later of the date specified in any written replacement notice in respect thereof and the date sixty (60) Days following the date on which such replacement notice is delivered to the Unit Operator. In the event that a Working Interest Owner fails to provide such a notice, or in the event that any of the disposition arrangements specified in such a notice are inadequately provided for or are otherwise unworkable or impracticable, or at any time cease to be adequately provided for or otherwise become unworkable or impracticable, the Unit Operator shall forthwith so notify such Working Interest Owner, and the provisions of Exhibit "D" shall apply. The Working Interest Owners may from time to time change the time for giving a notice pursuant to this clause 705, or specify the required form or contents of such a notice, in which event the Unit Operator shall notify the Crown, and each Working Interest Owner shall notify its Royalty Owners, other than the Crown, of such change in notice requirements not less than thirty (30) Days prior to the date upon which such change becomes effective.

706. Recovery of Outside Substances

If Outside Substances are injected into the Unitized Zone, the first like Unitized Substances subsequently produced for sale or for use other than for Unit Operations shall be deemed conclusively to be Outside Substances until a quantity equal to the quantity of the Outside Substances injected into the Unitized Zone is recovered. No Unitized Substances so deemed to be Outside Substances shall be allocable to the Tracts for purposes of the calculation of royalty, and accordingly no royalty shall be payable or deliverable in respect thereof as Unitized Substances but nothing herein shall be construed as affecting any royalty obligation in respect of such Outside Substances under any Lease or other instrument or agreement relating thereto.

ARTICLE VIII

USE, LOSS AND RE-INJECTION OF UNITIZED SUBSTANCES

801. Use or Loss

The Working Interest Owners shall be entitled to use as much of the Unitized Substances as may reasonably be required for Unit Operations. No Unitized Substances consumed through such use, and no Unitized Substances lost in the conduct of Unit Operations, shall be allocable to the Tracts, and accordingly no royalty shall be payable or deliverable in respect thereof. The provisions of this clause 801 shall not be construed as relieving the Unit Operator or any other Working Interest Owner from any liability which it would have for any loss of Unitized Substances resulting from its negligence or willful misconduct.

802. Re-Injection

The Working Interest Owners are hereby granted the right to re-inject Unitized Substances into the Unitized Zone for any purpose related to Unit Operations. No Unitized Substances so re-injected shall be allocable to the Tracts until such time as they are ultimately recovered for sale or for use other than for Unit Operations, and accordingly no royalty shall be payable or deliverable in respect thereof until such time.

ARTICLE IX

APPROVAL OF TITLES

901. Titles Committee

The Working Interest Owners shall appoint a titles committee to investigate the ownership of the Working Interests and Royalty Interests in all Tracts, and each Working Interest Owner shall be entitled to be represented thereon. Each Working Interest Owner shall submit to the titles committee such title data and information as the titles committee may reasonably require from time to time for the purposes of such investigation. The titles committee shall report the result of its investigation to the Working Interest Owners and shall make recommendations with respect to approval of titles to Tracts, identifying those Tracts the titles to which it unanimously recommends for approval.

902. Approval of Titles by Working Interest Owners

The Working Interest Owners may approve or decline to approve the titles for each Tract on such basis as they consider appropriate in the circumstances. A decision of the Working Interest Owners to approve a title notwithstanding knowledge of subsisting or prospective deficiencies therein shall not be construed as an acceptance of or acquiescence in any such deficiency, and shall not relieve any Party of any liability which it might have under the provisions of clause 903, or of any obligations assumed by it as a Working Interest Owner under any other provision of this Agreement or the Unit Operating Agreement.

903. Warranty of Title

Each of the Parties having a Working Interest ascribed to it in Exhibit "A":

- (a) represents and warrants that it is the owner of the Working Interests ascribed to it in Exhibit "A", and that it has full right, power and authority to commit the said Working Interests to unitization in accordance with the provisions of this Agreement, and to thereby bind the same; and
- (b) shall be liable to each of the other Parties for, and shall indemnify and save harmless each of the other Parties against and from, any liability, loss, costs, claims or damages of any nature sustained by such Party as a result of:
 - (i) any breach or failure of such representation and warranty, whether in whole or in part, or

- (ii) any failure of, or defect in, the title to any of the Working Interests ascribed to it in Exhibit "A", no matter when occurring or arising.

904. Title Failure Clarification

Without in any manner limiting the generality of the meaning of failure of title, the cancellation, surrender or other termination of a Lease for any reason whatsoever shall for the purposes of this Agreement be regarded as a failure of title.

ARTICLE X

ENLARGEMENT

1001. Lateral Enlargement

If at any time subsequent to the expiration of ninety (90) Days following the Effective Date the Working Interest Owners wish to enlarge the Unit Area to include any lands in the vicinity of the Unit Area appearing to be potentially productive of Petroleum Substances from the Lower Amaranth/ Spearfish Formation, the Working Interest Owners may approve the enlargement of the Unit Area to include such lands on such terms and conditions as the Working Interest Owners may consider appropriate, and, if such lands qualify for inclusion in the Unit Area pursuant to clause 502, the Unit Area shall be enlarged to include such lands. Notwithstanding that any owner of a Working Interest or a Royalty Interest in such lands is already a Party, such owner shall not, for the purposes of the qualification of such lands pursuant to clause 502, be considered to have executed and delivered this Agreement until it executes and delivers to the Unit Operator an additional counterpart of this Agreement incorporating exhibits which reflect the proposed enlargement and which are stated to be effective as of the effective date of such enlargement.

1002. Adjustment of Tract Participations

The Tract Participation to be assigned to each Tract added to the Unit Area in accordance with the provisions of this Article X shall be determined by the Working Interest Owners in conjunction with their approval of the enlargement giving rise to such addition, and upon such enlargement becoming effective the Tract Participations shall be adjusted such that:

- (a) the total of all Tract Participations remains one hundred percent (100%); and
- (b) the Tract Participations of all Tracts other than those being added remain proportionately the same, relative to one another, as they were immediately prior to the enlargement.

1003. Effective Time of Enlargement

Each time that an enlargement is effected pursuant to the provisions of this Article X, the Unit Operator shall revise Exhibits "A" and "B" to reflect such enlargement, and the enlargement and the revised versions of such Exhibits shall become effective as of 08:00 on the first Day of the calendar Month following the date on which the lands to be included in the enlargement have qualified for inclusion pursuant to clause 502.

1004. No Retroactive Adjustment

Without limiting the generality of the provisions of clauses 203 and 204, no enlargement effected pursuant to the provisions of this Article X shall at any time give rise to any retroactive adjustment of the allocation of Unitized Substances.

1005. Title Matters

The provisions of Article IX shall apply, mutatis mutandis, with respect to any lands to be added to the Unit Area pursuant to the provisions of this Article X, and for the purposes thereof the term "Working Interest Owners" shall be construed as including the owners of the Working Interests in the lands proposed to be added to the Unit Area under the relevant enlargement proposal.

1 006. Non-Application of Enlargement Provisions

The provisions of this Article X shall not apply during any period in which all of the Working Interests in all of the Tracts are owned by a single Working Interest Owner, or by a group of Working Interest Owners all of which are Affiliates of one another, unless at least one of the owners of the Working Interest in the lands added to the Unit Area is different from, and is not an Affiliate of, the Working Interest Owners.

ARTICLE XI

TITLE DISPUTES

1 101. Working Interest Title Disputes

If the title of a Party to a Working Interest ascribed to it in Exhibit "A" is disputed at any time, both that Party and any other Party which is a party to such dispute shall be obligated to provide the Unit Operator with notice of such dispute forthwith upon initiating or being advised of the same. Upon receipt of any such notice, or upon being directed to do so by the Working Interest Owners in the event that no such notice is given, the Unit Operator shall, and is hereby expressly authorized to, take possession of all Unitized Substances from time to time allocable to the owner of the disputed Working Interest pursuant to the provisions of clauses 701 and 702, sell such Unitized Substances on such reasonable terms as may be available to it in the circumstances, and, after deduction of such amounts as are deductible pursuant to the provisions of clause 1112, deposit the remaining proceeds from the sale thereof in an interest bearing trust account until:

- (a) the Party whose Working Interest title is in dispute furnishes security, in form and substance satisfactory to the Working Interest Owners, for its obligation to account to the rightful owner of the disputed Working Interest should the title of such Party fail in whole or in part, whereupon the Unit Operator shall cease withholding the affected share of Unitized Substances, and shall release any sales proceeds deposited in trust, together with any interest accrued thereon, to such Party; or
- (b) all of the parties to the dispute provide the Unit Operator with a joint written notice directing the Unit Operator to continue to treat the Party whose Working Interest is in dispute as the rightful owner of the disputed Working Interest pending final resolution of the dispute, and agreeing to indemnify and save harmless the Unit Operator and all of the other Working Interest Owners against and from any liability, loss, costs, claims or damages arising out of the Unit Operator's compliance with such direction, whereupon the Unit Operator shall cease withholding the affected share of Unitized Substances, and shall release any sales proceeds deposited in trust, together with any interest accrued thereon, to the Party whose Working Interest is in dispute; or
- (c) the title to the disputed Working Interest is established by a final judgement of a court of competent jurisdiction, or otherwise to the satisfaction of the Working Interest Owners, whereupon the Unit Operator shall cease withholding the affected share of Unitized Substances, and shall release any sales proceeds deposited in trust, together with any interest accrued thereon, to the person rightfully entitled thereto.

In the performance of its obligations under this clause 1101 the Unit Operator shall endeavour where practicable to honour existing marketing arrangements of which it is aware, and shall not be obligated to take any steps which would adversely affect any arrangements for the marketing of its own Petroleum Substances. In the event that the Unit Operator is unable to reasonably effect suitable marketing arrangements for any Unitized Substances withheld by it pursuant to the provisions of this clause 1101, the provisions of Exhibit "D" shall apply.

1102. Failure to Notify

Any Party which is a party to a Working Interest title dispute and fails to give the Unit Operator notice of such dispute forthwith upon initiating or being advised of the same shall be liable for any liability, loss, costs, claims or damages suffered or incurred by the Unit Operator or any other Party as a result of such failure to notify in a timely manner.

1103. Notification of Other Parties

Forthwith upon becoming aware of any situation in which it is required to withhold Unitized Substances pursuant to the provisions of clause 1101, the Unit Operator shall provide notice thereof to all Working Interest Owners, and to all Royalty Owners which it is aware hold Royalty Interests relating to the particular disputed Working Interest.

1104. Interim Royalty Arrangements

The Unit Operator shall not in its capacity as such be obligated to account to any Royalty Owner for any royalty payable or deliverable to such Royalty Owner in respect of any Unitized Substances withheld by the Unit Operator pursuant to the provisions of clause 1101, unless:

- (a) the Unit Operator is provided with a written notice from the applicable Royalty Owner, setting forth in reasonable detail the terms and conditions of such Royalty Owner's royalty rights in respect of the Unitized Substances being withheld, directing the Unit Operator to give effect to such royalty rights, and agreeing to indemnify and save harmless the Unit Operator and all of the other Working Interest Owners against and from any liability, loss, costs, claims or damages arising out of the Unit Operator's compliance with such direction, in which event the Unit Operator shall, if it is satisfied, acting reasonably, with the ability of the Royalty Owner to fulfil its indemnification obligations, comply with the direction of such notice to the extent that it is practicable so to do; or
- (b) the Unit Operator is provided with a joint written notice from all of the parties to the Working Interest dispute, setting forth in reasonable detail the terms and conditions of such Royalty Owner's royalty rights in respect of the Unitized Substances being withheld, directing the Unit Operator to give effect to such royalty rights, and agreeing to indemnify and save harmless the Unit Operator and all of the other Working Interest Owners against and from any liability, loss, costs, claims or damages arising out of the Unit Operator's compliance with such direction, in which event the Unit Operator shall comply with the direction of such notice to the extent that it is practicable so to do; or
- (c) the Unit Operator is served with an order of a court of competent jurisdiction directing the Unit Operator to take any particular steps with respect to any royalty rights in respect of the Unitized Substances being withheld, in which event the Unit Operator shall comply with the direction of such order to the extent required by law.

1105. Clarification of Obligations

In clarification of the obligations of the Unit Operator with respect to notices and orders with which it is required to comply pursuant to the provisions of clause 1104:

- (a) the Unit Operator shall not at any time be obligated to satisfy any royalty payment obligation out of any funds other than the sales proceeds paid or payable into trust in respect of the Unitized Substances withheld;
- (b) if any royalty rights to which the Unit Operator is required to give effect pursuant to the provisions of clause 1104 involve the delivery of any Unitized Substances in kind:
 - (i) the obligation of the Unit Operator to deliver such Unitized Substances in kind in compliance with the relevant notice or order shall take precedence over its obligation to withhold and sell such Unitized Substances pursuant to the provisions of clause 1101, and
 - (ii) the Unit Operator shall be entitled to recover from the relevant Royalty Owner all costs which are properly chargeable to such Royalty Owner in respect of such delivery in kind under the terms of the relevant royalty rights; and
- (c) any amounts required to be paid into or released from trust in accordance with the provisions of clause 1101 shall be net of any payments made by the Unit Operator in compliance with any notice or order with which the Unit Operator is required to comply pursuant to the provisions of clause 1104.

1106. Royalty Owner Recourse

The provisions of clauses 1101 and 1104 shall not be construed as restricting in any manner any rights of recourse which a Royalty Owner may have against the Party whose Working Interest title is in dispute, or any other person having royalty obligations in respect of the disputed Working Interest, for any default in royalty obligations owing to such Royalty Owner, unless such Royalty Owner is itself disputing the Working Interest title in dispute, or unless the Working Interest title has been put in dispute by virtue of a dispute with respect to such Royalty Owner's title to a Royalty Interest ascribed to it in Exhibit "A" hereto. If a Royalty Owner is itself disputing the Working Interest title in dispute, or if the Working Interest title has been put in dispute by virtue of a dispute with respect to a Royalty Owner's title to a Royalty Interest ascribed to in Exhibit "A" hereto, such Royalty Owner shall not be entitled to terminate or seek the termination of any Lease or other agreement or instrument on the basis of the non-payment or non-delivery of any royalty withheld in accordance with the provisions of clauses 1101 and 1104; provided, however, that:

- (a) the provisions of clauses 1101 and 1104 shall not otherwise be construed as restricting in any manner any rights of recourse which such Royalty Owner may have against the Party whose Working Interest title is in dispute, or any other person having royalty obligations in respect of the disputed Working Interest, for any default in royalty obligations owing to such Royalty Owner, including, without limitation, any right which such Royalty Owner may have to sue such Party or other person for restitution or damages, and, subject to the provisions of clause 303, any right which such Royalty Owner may have to terminate or seek the termination of such Lease or other agreement or instrument on the basis of any matter other than the non-payment or non-delivery of royalty withheld in accordance with the provisions of clauses 1101 and 1104; and
- (b) the termination right limitations contemplated by this clause 1106 shall not apply with respect to a failure of the Unit Operator to comply in any material respect with any notice or order with which the Unit Operator is required to comply pursuant to the provisions of clause 1104.

1107. Exclusion of Tract

If the title of a Party to a Working Interest ascribed to it in Exhibit "A" fails, and if no other Party then owns or is otherwise entitled to the benefit of the Working Interest in respect of which title has failed, and if the Tract to which such Working Interest relates does not re-qualify for inclusion in the Unit Area in the time and manner provided for in clause 1110, such Tract shall be deemed conclusively to have been excluded from the Unit Area and to have ceased to have a Tract Participation as of 08:00 on the first Day of the calendar Month in which the failure of title is confirmed.

1108. Existing Party Beneficiary

If the title of a Party to a Working Interest ascribed to it in Exhibit "A" fails, and if any other Party then owns or is otherwise entitled to the benefit of the Working Interest in respect of which title has failed, that Party shall, as of 08:00 on the first Day of the calendar Month in which the failure of title is confirmed, be bound by this Agreement and the Unit Operating Agreement as a Working Interest Owner with respect to such Working Interest; provided, however, that:

- (a) if any such failure of title is the result of the cancellation, surrender or other termination of a Crown Lease, or of a portion of a Crown Lease, the Crown shall not be bound as a Working Interest Owner with respect to the Working Interest in respect of which title has failed, but shall be obligated to provide, within thirty (30) Days of the Day on which such failure of title is confirmed, a bona fide written offer to issue to the Unit Operator, on behalf of the Working Interest Owners as a whole, for a consideration not to exceed the amount of any outstanding royalty liability relating to Unitized Substances allocated to the subject Tract prior to 08:00 on the first Day of the calendar Month in which such failure of title is confirmed, a new Lease in respect of the Lower Amaranth/Spearfish Formation in such Tract, covering the same Unitized Substances, and having substantially the same terms (to the extent permitted by the *Oil and Gas Act*) as the Lease, or portion of a Lease, which has terminated; and
- (b) if any such failure of title is the result of the cancellation, surrender or other termination of a freehold Lease, or of a portion of a freehold Lease, the lessor thereunder shall not be bound as a Working Interest Owner with respect to the Working Interest in respect of which title has failed if within thirty (30) Days of

the Day on which such failure of title is confirmed such lessor makes a bona fide written offer to grant to the Unit Operator, on behalf of the Working Interest Owners as a whole, for a consideration not to exceed the amount of any outstanding royalty and freehold mineral tax liability relating to Unitized Substances allocated to the subject Tract prior to 08:00 on the first Day of the calendar Month in which such failure of title is confirmed, a new Lease in respect of the Lower Amaranth/Spearfish Formation in such Tract, covering the same Unitized Substances, and having substantially the same terms (other than as to the primary term thereof, which shall be a nominal primary term of ninety (90) Days), as the Lease, or portion of a Lease, which has terminated.

1109. Response to New Lease Offer

If a new Lease offered pursuant to the provisions of clause 1108 is not accepted by the Working Interest Owners within sixty (60) Days of the date the offer is received by the Unit Operator, the provisions of clause 1107 shall apply as though no other Party owned or was otherwise entitled to the benefit of the Working Interest in respect of which title had failed. If a new Lease offered pursuant to the provisions of clause 1108 is accepted within sixty (60) Days of the date the offer is received by the Unit Operator:

- (a) the new Lease shall be deemed to have been effective as and from the first Day following the Day on which the failure of title was confirmed;
- (b) the ownership of the Working Interest granted by the new Lease shall vest in the Working Interest Owners as tenants-in-common, each as to an undivided interest equal to the ratio of its Unit Participation to the sum of all Tract Participations, with both components of such ratio to be determined:
 - (i) as of 08:00 on the first Day of the calendar Month in which the failure of title was confirmed, and
 - (ii) without taking into account the Tract Participation of the Tract in respect of which the new Lease has been granted; and
- (c) notwithstanding the effective date of the new Lease, and without limiting the generality of the provisions of clause 1114, the revision of Exhibit "A" to reflect the ownership of the Working Interest granted by the new Lease shall be effective as of 08:00 on the first Day of the calendar Month in which the failure of title was confirmed.

1110. Re-Qualification

If the title of a Party to a Working Interest ascribed to it in Exhibit "A" fails, and:

- (a) if no other Party then owns or is otherwise entitled to the benefit of the Working Interest in respect of which title has failed; or
- (b) if a new Lease offered pursuant to the provisions of clause 1108 is not accepted within the sixty (60) Day acceptance period provided therefor;

but by the last Day of the calendar Month next following the calendar Month in which the failure of title is confirmed the Tract to which the subject Working Interest relates re-qualifies for inclusion in the Unit Area on the basis of the criteria set forth in clause 502, then such Tract shall continue to be included in the Unit Area, and the provisions of clause 1114 shall apply with respect to any changes in the ownership of the Working Interests and Royalty Interests in such Tract.

1111. Interim Working Interest Rights

If the title of a Party to a Working Interest ascribed to it in Exhibit "A" fails, then until such time as a conclusive determination has been made with respect to whether the Tract to which such Working Interest relates is to be excluded from the Unit Area pursuant to the provisions of clause 1107:

- (a) the Unit Operator shall, and is hereby expressly authorized to, take possession of all Unitized Substances allocated to such Tract pursuant to clause 701, sell such Unitized Substances on such reasonable terms

as may be available to it in the circumstances, and, after deduction of such amounts as are deductible pursuant to the provisions of clause 1112, deposit the remaining proceeds from the sale of such Unitized Substances in an interest bearing trust account for the benefit of the person or persons rightfully entitled thereto; and

- (b) the provisions of the last two sentences of clause 1101, and the provisions of clauses 1103 through 1106, shall apply, mutatis mutandis, during any period in which the Unit Operator is so withholding such Unitized Substances.

1112. Deductible Costs

At any time at which the Unit Operator is taking possession of and selling any Unitized Substances pursuant to the provisions of either clause 1101 or clause 1111, it shall be entitled to deduct from the proceeds from the sale of such Unitized Substances, or to withdraw from any such proceeds deposited in trust, without duplication:

- (a) the amount of all costs reasonably incurred by it in connection with the post-production handling and sale of such Unitized Substances; and
- (b) the amount of all capital and non-capital Unit Operations costs which are chargeable to the Working Interest the title to which is in dispute;

provided, however, that if the Unit Operator has become obligated to give effect to any Royalty Interest rights pursuant to the provisions of clause 1104, it shall not be entitled to deduct or withdraw from any Royalty Interest share of such proceeds the amount of any such costs which are not properly chargeable to such Royalty Interest.

1113. Royalty Interest Title Failure

If the title of a Party to a Royalty Interest ascribed to it in Exhibit "A" fails, and if any other Party then owns or is otherwise entitled to the benefit of the Royalty Interest in respect of which title has failed, that Party shall, as of 08:00 on the first Day of the calendar Month in which the failure of title is confirmed, be bound by this Agreement as a Royalty Owner with respect to such Royalty Interest.

1114. Revision of Exhibits

Forthwith upon becoming aware of any changes required to be made to Exhibits "A" and "B" as the result of the failure of any Working Interest or Royalty Interest title, the Unit Operator shall revise such Exhibits to reflect such changes, and the revised versions of such Exhibits shall be effective as of 08:00 on the first Day of the calendar Month in which the failure of title is confirmed. In instances in which a Tract is excluded from the Unit Area pursuant to clause 1107, the Tract Participations of the remaining Tracts shall be adjusted such that their summation is one hundred percent (100%) and they remain proportionately the same, relative to one another, as they were prior to such exclusion.

1115. Liability

None of the provisions of this Article XI shall be construed as relieving any Party of any liability which it might have under clause 903.

ARTICLE XII

CHANGES IN INTERESTS

1201. Dispositions

In this Article XII the term "disposition" means any disposition of a Working Interest or a Royalty Interest, or any interest therein, whether legal or equitable, by way of sale, assignment, transfer, lease, sublease, conveyance, gift, change of possession or other transaction, and includes, without limitation, any realization upon any mortgage, charge or other security interest, but shall be deemed conclusively not to include the grant or other creation of any such security interest.

A disposition of an interest in a Tract by a Party shall cover the whole of or an undivided interest in the whole of such Party's interest in the Tract, and no disposition shall be binding on the Unit Operator or the other Parties which are not parties to such disposition until:

- (a) at least one of the parties to such disposition has given the Unit Operator written notice of such disposition, together with a copy of a document evidencing such disposition; and
- (b) any acquiring parties which are not Parties have executed and delivered to the Unit Operator a counterpart of this Agreement and, in the event that the disposition is a disposition of a Working Interest, any acquiring parties which are not parties to the Unit Operating Agreement have executed and delivered to the Unit Operator a counterpart of the Unit Operating Agreement.

Upon being provided with all of such items in respect of a disposition the Unit Operator shall revise Exhibit "A" to reflect such disposition, and the revised version of Exhibit "A" shall be effective as of 08:00 on the first Day of the calendar Month next following the calendar Month in which such items are received by the Unit Operator.

1202. Other Changes

If a Party changes its name or undergoes any other change affecting the information contained in Exhibit "A", other than by way of a disposition, such Party shall provide the Unit Operator with written notice of such change, together with a copy of a document evidencing the same. The Unit Operator shall thereupon revise Exhibit "A" to reflect such change, and the revised version of Exhibit "A" shall be effective as of 08:00 on the first Day of the calendar Month next following the calendar Month in which such items are received by the Unit Operator.

ARTICLE XIII

EFFECTIVE DATE

1301. Effective Date

The unitization provided for herein shall become effective at 08:00 on the first Day of the first calendar Month following the date of the qualification under clause 502 of Tracts having a combined Tract Participation of one hundred percent (100%) of the total Tract Participations as originally set forth in Exhibit "A".

1302. Notice of Effective Date

As soon as practicable after the Effective Date, the Unit Operator shall notify all Working Interest Owners, the Petroleum Branch and the Crown of the Effective Date, [and of the Tracts which were included in the Unit Area as of the Effective Date pursuant to clause 501,] and the Working Interest Owners shall advise their Royalty Owners, other than the Crown, of the Effective Date.

1303. Release Date

This Agreement shall cease to bind the Parties if the unitization provided for herein has not become effective on or before the 1st Day of May, 2014.

ARTICLE XIV

TERMINATION

1401. Termination

The unitization provided for herein shall terminate upon the occurrence of the earliest of:

- (a) its termination by the Working Interest Owners by vote taken under the Unit Operating Agreement;

- (b) the expiration of a period of ninety (90) Days following the time at which all wells used for the production of Unitized Substances have been abandoned, plugged or disposed of; and
- (c) its termination in accordance with the provisions of clause 1402;

and the Parties shall thereupon cease to be bound by the provisions of this Agreement (other than the provisions of clauses 1404 and 1405), and shall thereafter be governed by the terms and provisions of their respective surviving Leases and other agreements and instruments relating to the Unitized Zone or Unitized Substances; provided, however, that the provisions of this clause 1401 shall not be construed as relieving any person from any obligation or liability accruing on its part under this Agreement prior to the termination of the unitization provided for herein.

1402. Notice to Terminate

If Unit Operations are not commenced within ninety (90) of the Effective Date, or if Unit Operations are at any time after their commencement interrupted or suspended for any period in excess of ninety (90) days, any Party may give the Unit Operator written notice of its desire to terminate the unitization provided for herein. If upon the expiration of a period of ninety (90) Days following the giving of any such notice the Working Interest Owners have not commenced, or recommenced, Unit Operations with a view to diligently pursuing the production of Unitized Substances on a sustained basis, the unitization provided for herein shall terminate. For purposes of this clause 1402:

- (a) the term "Unit Operations" shall be construed as including only those Unit Operations involving the production of Unitized Substances on a sustained basis, and those Unit Operations of a substantive physical nature undertaken for purposes of facilitating or enhancing the production of Unitized Substances or the post-production handling of Unitized Substances;
- (b) the ninety (90) Day period contemplated by the second sentence of this clause 1402 shall be exclusive of any period of time during which the postponement, interruption or suspension of Unit Operations is attributable to the occurrence or subsistence of an event of force majeure contemplated by clause 1507, and such ninety (90) Day period shall be extended accordingly by any period of time following the giving of a termination notice during which the postponement, interruption or suspension of Unit Operations is so attributable; and
- (c) the phrase "production of Unitized Substances on a sustained basis" shall be construed as meaning production of Unitized Substances on a substantially continuous basis, subject to normal course interruptions attributable to such factors as governmental regulation, generally accepted production optimization practices, marketing arrangements involving seasonal or other periodic interruptions in take nominations and events of force majeure contemplated by clause 1507.

1403. Delivery of Notice

Notwithstanding the provisions of clause 1510, no notice of a desire to terminate given under clause 1402 shall be effective unless delivered to the Unit Operator by hand or by courier, on a Day on which the Unit Operator's offices at its Address for Service are open for regular business, and any such notice so given shall be deemed conclusively to have been given and received on the date so delivered. Forthwith upon receipt of any such notice the Unit Operator shall provide the Crown and each of the Working Interest Owners with a copy of the same, and the Working Interest Owners shall forthwith thereupon provide their Royalty Owners, other than the Crown, with a copy of the same.

1404. Salvaging Equipment upon Termination

Subject to any provisions to the contrary contained in any Lease or other agreement or instrument relating to the Unitized Zone or Unitized Substances, or in any surface lease agreement, easement agreement or other applicable surface rights agreement or instrument, if the Working Interest Owners fail to salvage any equipment or facilities used in Unit Operations within six (6) Months of the termination of the unitization provided for herein, the Royalty Owners for each Tract upon which any such equipment or facilities are situated shall, unless any such equipment and facilities are then being used, or are expected to be used, for other operations, be entitled, but not obligated, to salvage, use, sell or otherwise dispose of such equipment and facilities for their own benefit. The six (6) Month period contemplated by this

clause 1404 shall be exclusive of any period of time during which the Working Interest Owners are prevented from salvaging any equipment or facilities by reason of the occurrence or subsistence of an event of force majeure contemplated by clause 1507, and such six (6) Month period shall be extended accordingly by any period of time following the termination of the unitization provided herein during which the Working Interest Owners are so prevented from salvaging any equipment or facilities.

1405. Notice to Royalty Owners

Each of the Working Interest Owners shall within thirty (30) Days of the termination of the unitization provided for herein give notice thereof to its Royalty Owners in accordance with the applicable Leases and other agreements and instruments.

ARTICLE XV

MISCELLANEOUS

1501. Execution in Counterpart

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

1502. Effect of Execution and Delivery

Subject to the provisions of clause 1303, this Agreement shall be binding upon a person who executes and delivers a counterpart hereof to the Unit Operator, and such person shall be bound by this Agreement as of the time of such delivery; provided, however, that if a proposed Tract fails to qualify for inclusion in the Unit Area [within the time specified in subclause 501(b), or] within the time specified by the Working Interest Owners for the purposes of a proposed enlargement under clause 1001, the Parties owning interests in such proposed Tract shall upon the expiration of such specified time be completely released from this Agreement with respect to such proposed Tract.

1503. Dual Capacity

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

1504. Subsequent Execution

An owner of an interest in a Tract who has not executed and delivered a counterpart of this Agreement as of the date the Tract was included in the Unit Area under either Article V or Article X may not thereafter become entitled to exercise the rights of a Party with respect to such interest except on such terms and conditions as may be prescribed by the Working Interest Owners.

1505. Enurement

Subject to the provisions of clause 1201, and to the proviso to clause 1502, this Agreement shall enure to the benefit of, and be binding upon, the respective heirs, executors, administrators, successors and assigns of the Parties.

1506. No Partnership

Nothing herein contained shall be read or construed as creating a partnership, or as imposing upon any Party any partnership duty, obligation or liability of any kind, it being the express intention of the Parties that the respective rights, obligations and liabilities of each of the Parties under this Agreement, and in respect of the subject matter hereof generally, shall be several, and not joint or joint and several.

1507. Force Majeure

In this clause 1507 the term "event of force majeure" means any event the occurrence or subsistence of which prevents a Party from conducting Unit Operations or other operations or activities related to the subject matter of this Agreement, or from performing any obligation under this Agreement, and which is not reasonably within the control of such Party, and includes, without limitation, an act of God, a governmental directive or restriction, a labour dispute, and an act of war or other unlawful act against public order or authority, but does not include a lack of financial resources or available funds or similar financial predicament. Any Party which is at any time prevented by an event of force majeure from conducting any operation or activity, or from performing any obligation hereunder (other than an obligation to pay money), shall promptly so notify all other Parties affected thereby, providing reasonable particulars of the event of force majeure and the operation, activity or obligation the conduct or performance of which is prevented thereby, and shall take all such steps as may be reasonable in the circumstances to remedy such event of force majeure; provided, however, that no Party shall be required by the provisions hereof to settle any strike, lockout or other labour dispute on terms which it would not otherwise so settle. If any Party is at any time prevented by an event of force majeure from performing any obligation hereunder (other than an obligation to pay money), such obligation shall, to the extent that its performance is prevented by such event of force majeure, be suspended for so long as the event of force majeure continues to prevent such performance, and the non-performance of such obligation to such extent during such period of suspension shall not constitute a breach or default hereunder.

1508. Taxes

As between the Working Interest Owners and the Royalty Owners for each Tract, all taxes levied in respect of the ownership, production or sale of the Unitized Substances associated with or allocated to such Tract shall be borne in accordance with the provisions of the applicable Lease or other agreement or instrument relating thereto. In the event that a Royalty Owner, other than the Crown, fails to pay when due any such taxes which are payable by it, the Working Interest Owners for such Tract may pay such taxes on such Royalty Owner's behalf and, without limiting any other rights of recovery which they might have, deduct the Royalty Owner's share of any payment so made from any royalty payable or deliverable to it in respect of such Tract.

1509. Delinquent Payment Obligations

In the event that a Royalty Owner, other than the Crown, fails to pay when due any amount owing under or in respect of any mortgage, agreement for sale or other instrument or arrangement by virtue of which a third party claims an interest in a Tract, the Working Interest Owners for such Tract may, with full right of subrogation, pay such amount on such Royalty Owner's behalf and, without limiting any other rights of recovery which they might have, deduct the Royalty Owner's share of any payment so made from any royalty payable or deliverable to it in respect of such Tract.

1510. Notices

Except with respect to notices and communications between a Working Interest Owner and its Royalty Owners, the giving of which shall be governed by the applicable Lease or other agreement or instrument, all notices and other communications to be given in connection with this Agreement shall be in writing and shall be sufficiently given:

- (a) if delivered by hand or by courier to a Party at its address for service, such delivery shall be deemed received by the Party when actually delivered, if such delivery is during the Party's normal business hours, on any Day other than a Saturday, Sunday or statutory holiday. If such notice or other communication is not delivered during the Party's normal business hours, such notice or other communication shall be deemed to have been received by the Party on the Day next following the date of delivery, other than a Saturday, Sunday or statutory holiday;
- (b) except during any period of actual or impending postal disruption, if sent by first class mail, or by airmail if sent from outside Canada or the United States, postage prepaid, to a Party at its address for service shall be deemed received by the Party on the fourth Day following the date of mailing (Saturdays, Sundays and statutory holidays excepted). However, if postal service is interrupted or operating with unusual or imminent delay, such notice or other communication shall not be sent by such means during such interruption or period of delay; and

- (c) to a Party which has provided a direct telecommunication number as part of its address for service, if sent by telecommunication to the Party's designated telecommunication number, such transmission shall be deemed received by the Party when actually received, if such transmission is during the Party's normal business hours on any Day other than a Saturday, Sunday or statutory holiday. If such notice or other communication is not received during the Party's normal business hours, such notice or other communication shall be deemed to have been received by the Party on the Day next following the date of transmission, other than a Saturday, Sunday or statutory holiday.

For the purposes of this clause 1510, the address for service for each Party shall be the address set forth below its signature on the execution page hereof. Unit Operator may change its address for service by giving written notice thereof to each of the other Parties, and any other Party may change its address for service by giving written notice thereof to the Unit Operator

1511. Time of the Essence

Time is of the essence in this Agreement.

1512. Compliance with Laws and Regulations

In exercising their respective rights, and discharging their respective obligations, under this Agreement, the Parties shall comply in all material respects with all statutes, regulations and other lawful governmental directives from time to time in force in the Province of Manitoba. In the event of any conflict between the provisions of this Agreement and the provisions of any such statute, regulation or other lawful governmental directive, the provisions of such statute, regulation or directive shall take precedence.

1513. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Manitoba and the laws of Canada applicable therein, and each of the Parties submits to the jurisdiction of the courts of the Province of Manitoba for the interpretation and enforcement hereof.

1514. Compliance with Legislation

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

1515. Statute of Limitations

The two (2) year period for seeking a remedial order under section 2(1)(a) of the Limitation of Actions Act, CCSMc L150, including any amendments thereto or replacements thereof, for any claim (as defined in that Act) arising in connection with this agreement is extended to:

- (a) for claims disclosed by an audit, two (2) years after the time this agreement permitted that audit to be performed; or
- (b) for all other claims, four (4) years.

EXHIBIT "A" - PART I
ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"UNIT AGREEMENT - NORTH PIERSON UNIT NO. 2

Tract Participation

Tract No.	Land Description (LSD-Sec-Twp-RgeW1M)	Title Document No.	Current Lessor	Current Lessor Share (%)	Current Lessee	Current Lessee WI Share (%)	Tract Participation (%)
1	01-08-002-28W1; PNG In the Lower Amaranth/SPearfish Formation	M04752	5626715 Manitoba Ltd.	100%	Legacy Oil + Gas Inc. ("LEG")	LEG 100%	11.589701176
2	02-08-002-28W1; PNG In the Lower Amaranth/SPearfish Formation	M04752	5626715 Manitoba Ltd.	100%	Legacy Oil + Gas Inc. ("LEG")	LEG 100%	13.006705225
3	03-08-002-28W1; PNG In the Lower Amaranth/SPearfish Formation	M04753	5626715 Manitoba Ltd.	100%	Legacy Oil + Gas Inc. ("LEG")	LEG 100%	13.816421824
4	04-08-002-28W1; PNG In the Lower Amaranth/SPearfish Formation	M04753	5626715 Manitoba Ltd.	100%	Legacy Oil + Gas Inc. ("LEG")	LEG 100%	15.435855022
5	05-08-002-28W1; PNG In the Lower Amaranth/SPearfish Formation	M04753	5626715 Manitoba Ltd.	100%	Legacy Oil + Gas Inc. ("LEG")	LEG 100%	13.460906111
6	06-08-002-28W1; PNG In the Lower Amaranth/SPearfish Formation	M04753	5626715 Manitoba Ltd.	100%	Legacy Oil + Gas Inc. ("LEG")	LEG 100%	12.448760362
7	07-08-002-28W1; PNG In the Lower Amaranth/SPearfish Formation	M04752	5626715 Manitoba Ltd.	100%	Legacy Oil + Gas Inc. ("LEG")	LEG 100%	10.829327164
8	08-08-002-28W1; PNG In the Lower Amaranth/SPearfish Formation	M04752	5626715 Manitoba Ltd.	100%	Legacy Oil + Gas Inc. ("LEG")	LEG 100%	9.412323115
TOTAL							100.0000000%

EXHIBIT "A" - PART V
ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"UNIT AGREEMENT - -- NORTH PIERSON UNIT NO. 2

List of Unit Wells

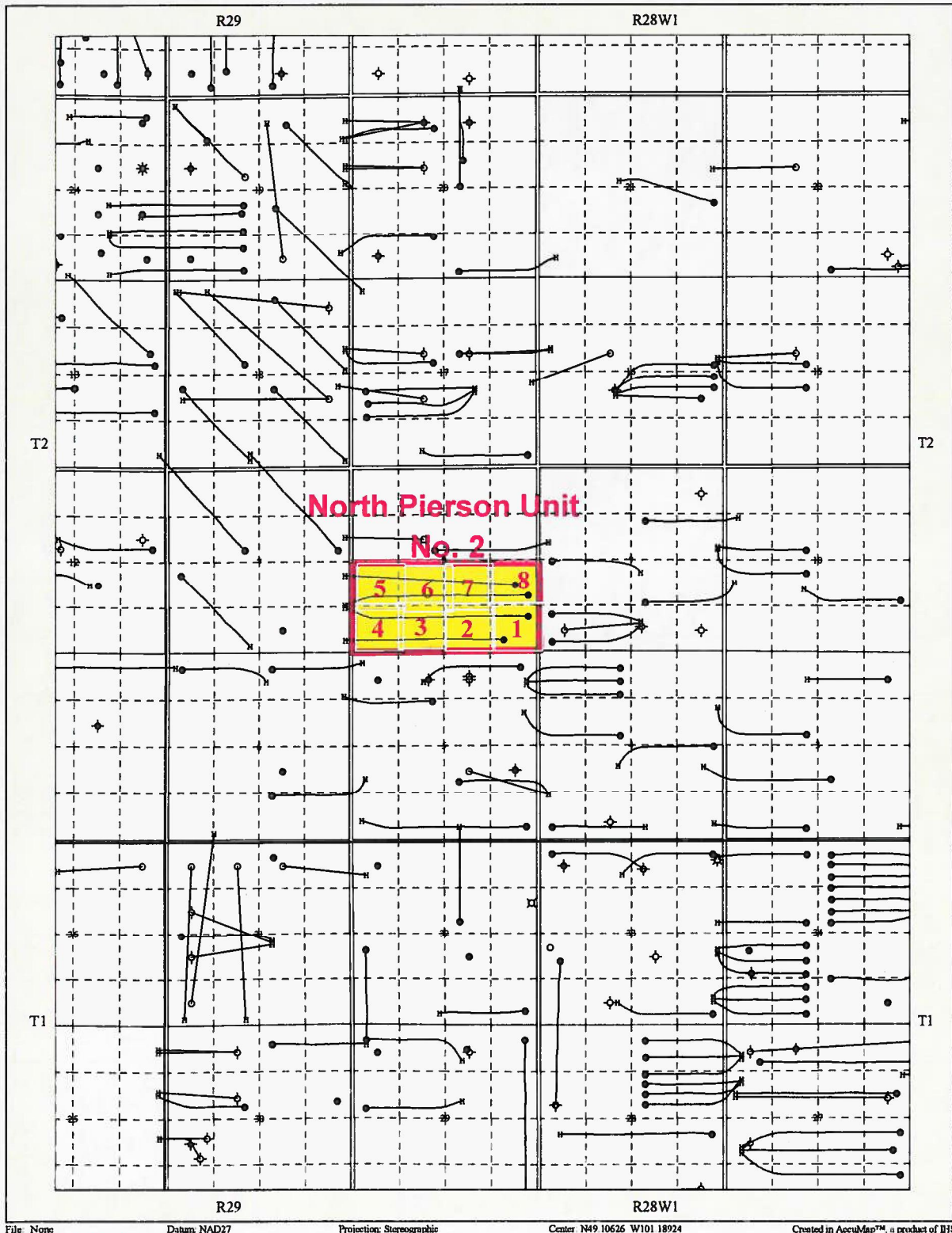
<u>Well Name</u>	<u>Unique Well Identifier</u>
Legacy Pierson Hzntl 1-8-2-28 (WPM)	100/01-08-002-28W1/0
Legacy Pierson Hzntl A1-8-2-28 (WPM)	102/01-08-002-28W1/0
Legacy Pierson Hzntl 8-8-2-28 (WPM)	100/08-08-002-28W1/0
Legacy Pierson Hzntl A8-8-2-28 (WPM)	102/08-08-002-28W1/0

EXHIBIT "B"

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED
"UNIT AGREEMENT – NORTH PIERSON UNIT NO. 2"

"

PLAT OF UNIT AREA AND TRACTS



(Tracts labeled numerically)

EXHIBIT "C"

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED "UNIT AGREEMENT – NORTH PIERSON UNIT NO. 2"

"

A portion of the Gamma Neutron Log recorded at the well COBRA SHELL LYLETON 14-5-2-28; 100/14-05-002-28W1 situated in legal subdivision fourteen (14) of section five (5), township two (2), range twenty-eight (28), west of the first (1) meridian.

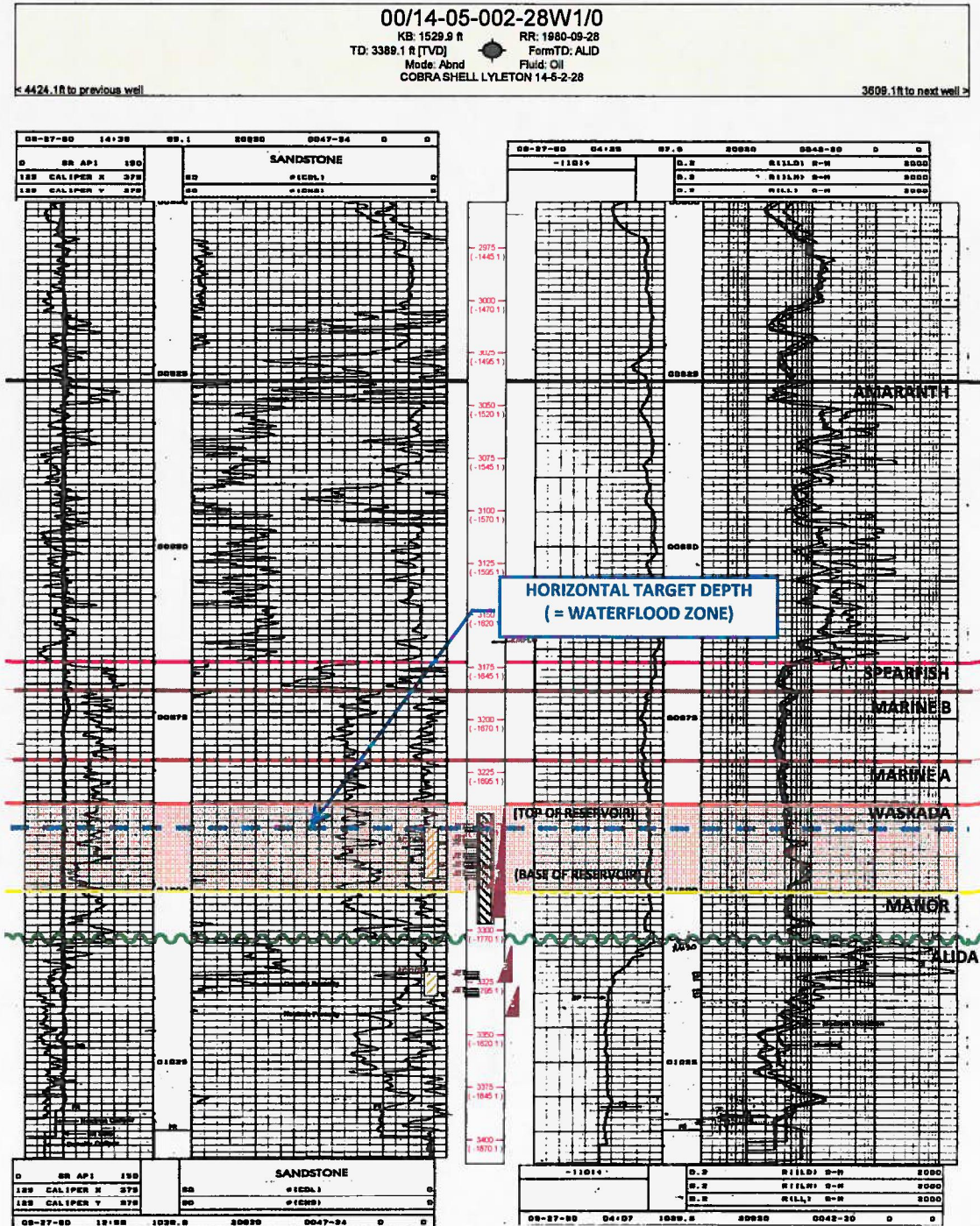


EXHIBIT "D"

ATTACHED TO AND MADE PART OF AN AGREEMENT ENTITLED "UNIT AGREEMENT – NORTH PIERSON UNIT NO. 2"

FAILURE TO MAKE ADEQUATE DISPOSITION ARRANGEMENTS

1. Definitions

In addition to the definitions set forth in clause 101 of the Agreement of which this Exhibit forms a part, for the purposes of this Exhibit:

- (a) "Affected Substances" has the meaning ascribed to it in paragraph 2 of this Exhibit "D";
- (b) "Market Price" means the price at which Affected Substances are to be sold pursuant to this Exhibit "D" on behalf of a Non-Taking Party, which price is not unreasonable, having regard to market conditions applicable to similar production in arm's length transactions at the time of such disposition, including, without restricting the generality of the foregoing, such factors as the volumes available, the kind and quality of Affected Substances to be sold, the effective date of the sale, the term of the sale agreement, the point of sale of the Affected Substances, and the type of transportation service available for the delivery of the Affected Substances to be sold; and
- (c) "Non-Taking Party" has the meaning ascribed to it in paragraph 2 of this Exhibit "D".

2. Disposition by Unit Operator

To the extent that a Working Interest Owner (the "Non-Taking Party") fails to provide timely notice of its production disposition arrangements as required by clause 705 of this Agreement, or in the event that the disposition arrangements specified in any such notice are or at any time become inadequate or otherwise unworkable or impracticable, then so long as such failure continues, Unit Operator in its sole discretion, as agent for and for the account and at the expense and risk of the Non-Taking Party, may sell or purchase at a Market Price all or any portion of the affected Unitized Substances (the "Affected Substances") in any reasonable manner Unit Operator sees fit, subject to the provisions of this paragraph.

3. Term of Arrangement and Restoration

The authority of Unit Operator to enter into contracts for the sale of Affected Substances shall be restricted to contracts that are only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, provided that in no event shall the term exceed one (1) Month, unless such contract may be terminated without penalty on no more than one (1) Month's notice, or unless the Non-Taking Party has otherwise agreed in writing. Such authority shall be revocable, subject to the terms of any existing contracts for the sale of Affected Substances and the terms hereof, at the will of the Non-Taking Party. When Unit Operator has so contracted, the Non-Taking Party may take its share of Affected Substances in kind upon the expiration of the current sales contract, if the Non-Taking Party provides written notice to the Unit Operator of its intention to resume taking in kind at least thirty (30) Days in advance of the expiration of that arrangement. However, any such revocation shall only be effective so long as such Working Interest Owner continues to take in kind and separately dispose of its share of Unitized Substances.

Insofar as Unit Operator disposes of all or a portion of Affected Substances pursuant to this Exhibit "D", Unit Operator shall advise the Non-Taking Party of the manner pursuant to which it has disposed of such Affected Substances and other relevant information pertaining to the disposition within one (1) Month of the commencement of that disposition.

4. Audit by Non-Taking Party

To the extent only that Unit Operator sells Affected Substances, the audit provisions of the Unit Operating Agreement accounting procedure shall, with the necessary changes, apply with respect to such sale between Unit Operator and the Non-Taking Party on whose behalf such Affected Substances were sold, provided that Unit Operator shall not be required to provide the auditors with access to any of Unit Operator's own sales contracts and that the Non-Taking Party shall bear all costs of such audit.

5. Satisfaction of Royalty Obligations

The Non-Taking Party shall be responsible for accounting to the owners of Royalty Interests in respect of any Tract for any royalty payable or deliverable to such owners in respect of the Affected Substances and, except as otherwise expressly provided in subclause 1101(c) and clause 1104 of this Agreement, nothing in this clause shall be construed as giving rise to any right entitling an owner of a Royalty Interest in respect of a Tract to look to any Working Interest Owners other than the Non-Taking Party of such Tract for the satisfaction of royalty obligations in respect of such Affected Substances.

6. Satisfaction of Other Payments

The Non-Taking Party shall pay or be responsible for payment of and shall indemnify the Unit Operator against liability for any and all production payments, taxes and any and all other payments chargeable against the Affected Substances.

7. Indemnification

The Non-Taking Party represents and warrants that it is the owner of the Affected Substances and shall be liable to the Unit Operator for, and shall indemnify and save harmless the Unit Operator from and against, any liability, loss, costs, claims or damages of any nature sustained by the Unit Operator as a result of any failure of, or defect in, the title to the Affected Substances no matter when occurring or arising.

8. Disposition by Other Working Interest Owners

To the extent that the Unit Operator either is the Non-Taking Party or does not intend to dispose of another Working Interest Owner's Affected Substances, the Unit Operator shall advise the other Working Interest Owners, in a timely manner, of the information required by them to exercise their rights pursuant to this paragraph 9. In such event, the Working Interest Owners, or any one or more of them shall have the same rights and obligations, mutatis mutandis, with respect to such Affected Substances as the Unit Operator has with respect to Affected Substances pursuant to this Exhibit "D". Insofar as the provisions of this paragraph are applicable and the Unit Operator requires instructions respecting production and marketing to give effect to this paragraph and, if applicable, paragraph 2 hereof, the Unit Operator shall follow the instructions which are given by the Working Interest Owners marketing the Affected Substances on behalf of the Unit Operator and, if applicable, any other Non-Taking Party. Two or more Working Interest Owners exercising their rights under this paragraph 9 shall do so in proportion to their Unit Participations, and the Working Interest Owner exercising its rights and holding the highest Unit Participation, excluding that of the Unit Operator, shall coordinate their plans for the disposition of such Affected Substances in such a manner that the instructions to be provided to the Unit Operator with respect to such Affected Substances shall be consistent. For as long as the Unit Operator continues to be a Non-Taking Party, it shall advise the other Working Interest Owners periodically when and how it proposes to take in kind and separately dispose of its Affected Substances pursuant to clause 705 of this Agreement. If the Unit Operator commences to take its Affected Substances in kind and separately dispose of the same, the Unit Operator thereupon shall have the right to sell a Non-Taking Party's Affected Substances following the termination of any contract entered into on behalf of such Non-Taking Party pursuant to paragraphs 2 and 3 of this Exhibit "D".