



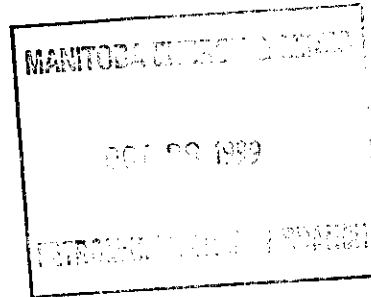
1111 One Lombard Place, Winnipeg, Manitoba R3B 0X4

TEL: (204) 934-5850

FAX: (204) 934-5820

October 29, 1999

Manitoba Energy and Mines  
Petroleum Branch  
360 - 1395 Ellice Avenue  
Winnipeg, MB R3G 3P2



**Attention: John Fox**  
**Chief Petroleum Engineer**

Dear John:

**Re: Souris Hartney Unit No. 1**

Please find enclosed one original signed copy of the above-noted Unit Agreement for registration in accordance with The Oil and Gas Act. If possible, we would appreciate the registration being done today to allow for an effective date of November 1, 1999.

Thanks for your help with this.

Sincerely,

TUNDRA OIL AND GAS LTD.

A handwritten signature in cursive script, reading "Brad Thiessen".

Brad Thiessen  
Land Manager

BT/ps

Enclosure



FILE COPY

1111 One Lombard Place, Winnipeg, Manitoba R3B 0X4 TEL: (204) 934-5850 FAX: (204) 834-5820

September 17, 1999

→ 504N

Marie K. Mills  
P.O. Box 176  
Hartney, MB, R0M 0X0

Dear Madame:

RE: Proposed Souris Hartney Unit No. 1

Tundra Oil and Gas Ltd. has put forward a proposal to create a Unit Operation in the Souris Hartney Field. A Unit Operation involves a grouping or pooling of interests to allow for the implementation of an enhanced oil recovery program. As a Royalty Owner your approval will be required before we can proceed.

In order to assist you in your decision making, I am providing you with a copy of the technical package that was prepared for the Pressure Maintenance Application that Tundra Oil and Gas Ltd. made to Manitoba Energy and Mines, along with a proposed Unit Agreement for Souris Hartney Unit No. 1.

I realize that this package may be a bit overwhelming, but I think that the more information I can provide you with, the better off you are. I would recommend that if you wish to speak to an independent source, that you contact Manitoba Energy and Mines. John Fox, the Acting Director of the Petroleum and Energy Branch is very familiar with these kinds of applications. He can be reached at (204) 945-6574.

I will be contacting you in the next few days to discuss the proposal and answer any questions you might have.

Sincerely,

TUNDRA OIL AND GAS LTD.

A handwritten signature in cursive script that reads "Brad Thiessen".

Brad Thiessen  
Land Manager

BT/ps

Enclosure

FIELD OFFICES: (Manitoba & Saskatchewan) P.O. Box 1960, Virden, MB R0M 2C0 TEL: (204) 748-3095 FAX: (204) 748-1007  
(Alberta) 301, 12120 - 106 Avenue, Edmonton, AB T5N 0Z2 TEL: (403) 453-2311 FAX: (403) 451-0900

TOTAL P.002

09/20/99 MON 14:38 [TX/RX NO 7585]

<b>PETROLEUM DOCUMENT REGISTRY</b>	
Document No.	<u>99-437</u>
Registered:	<u>October 29, 1999</u>
	<u>C.D. Martin</u>
	Petroleum Registrar

SOURIS HARTNEY UNIT NO. 1  
**UNIT AGREEMENT**

UNIT AGREEMENT  
SOURIS HARTNEY UNIT NO. 1

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**UNIT AGREEMENT**  
**SOURIS HARTNEY UNIT NO. 1**

WHEREAS the Parties own Royalty Interests and Working Interests, or either of them, in the Unitized Zone;  
AND WHEREAS the Parties desire that the Unitized Zone be developed, produced and operated as a Unit, as hereinafter provided;

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

**ARTICLE I: DEFINITIONS**

**101. Definitions**

In this agreement:

- (a) "Effective Date" means the time and date referred to in Article XIV;
- (b) "Lease" means an instrument granting a Working Interest in any lands in the Unit Area;
- (c) "Outside Substances" means any substances initially obtained from any source other than the Unitized Zone or any Unitized Substances with respect to which royalty has been paid;
- (d) "Party" means a person who is bound by this Agreement;
- (e) "Petroleum Branch" means the Department of Energy and Mines, Petroleum Branch established under The Oil and Gas Act;
- (f) "Petroleum Substances" means petroleum, natural gas and related hydrocarbons (except coal) and all substances whether gaseous, liquid or solid, which are produced in association therewith, or any of them;
- (g) "Royalty Interest" means
  - i) an ownership, fee simple, or similar estate in Petroleum Substances in the Unitized Zone, or
  - ii) a right to a share of Petroleum Substances produced from the Unitized Zone, to a share of the proceeds from the sale of such Petroleum Substances, or to a payment based on the quantity or value of such Petroleum Substances, but does not include a Working interest, the interest of a purchaser or such Petroleum Substances after production, or a mortgage, charge or like interest granted as security in a financial transaction;
- (a) "Royalty Owner" means a Party owning a Royalty Interest in or in respect of Unitized Substances;
- (b) "Spacing Unit" means the area allocated to a well by the Petroleum Branch with respect to the Unitized Zone for the purpose of drilling for or producing Petroleum Substances;
- (c) "Tract" means a parcel of land described and given a Tract number in Exhibit "A" and shown outlined on Exhibit "B";
- (d) "Tract Participation" means the Participation percentage allocated to a Tract pursuant to Article VI and set forth in Exhibit "A";
- (e) "Unit Area" means the lands described in Exhibit "A" and shown outlined on Exhibit "B";
- (f) "Unit Operations" means any operations or activities undertaken in connection with the Unitized Zone, the production or handling of Unitized Substances or the installation, operation, maintenance or removal of equipment or facilities, insofar as such operations or activities have been authorized or provided for under this agreement or the Unit Operating Agreement
- (g) "Unit Operator" means the person who is so designated under the Unit Operating Agreement;
- (h) "Unit Operating Agreement" means the agreement entitled "Unit Operating Agreement - Souris Hartney Unit No. 1" entered into by the Working Interest Owners;
- (i) "Unitized Zone" means the Upper Virden zone of the Lodgepole Formation of the Mississippian Age underlying the lands within the Unit Area as same is shown on the gamma ray sonic log of the Texaco Souris 8-17-6-22 WPM well in 8-17-6-22 WPM, in the Province of Manitoba between the intervals of 2132 feet and 2152 feet as measured from the kelly bushing at 8-17-6-22 WPM and shown on Exhibit "C";

- (j) "Unitized Substances" means Petroleum Substances in or obtained from the Unitized Zone;
- (k) "Working Interest" means any interest which entitles the owner thereof to produce and dispose of, or to participate in the production and disposition of, Petroleum Substances from the Unitized Zone, and with which is associated a responsibility to bear all or a portion of the costs of recovering such Petroleum Substances;
- (l) "Working Interest Owner" means a party owning a Working Interest in or in respect of Unitized Substances;
- (m) "Minister" means the member of the Executive Council charged by the Lieutenant Governor in Council with the administration of The Oil and Gas Act of Manitoba.

## ARTICLE II: EXHIBITS

### 201. Exhibits

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

- (a) Exhibit "A" which numbers and describes each Tract and sets forth its Tract Participation, the names of the Working Interest Owners and their respective shares of the Working Interest, together with the names of the Royalty Owners and their respective shares of the Royalty Interest;
- (b) Exhibit "B" which is a plan of the Unit Area identifying the Tracts;
- (c) Exhibit "C" which is a reproduction of a portion of the gamma ray sonic log referred to in Subclause 101(p) hereof.

### 202. Exhibits Correct

Each exhibit shall be deemed conclusively to be correct to the effective time of a revision or correction thereof as herein provided.

### 203. Correction of Exhibits

If any mistake or mechanical error occurs in an exhibit, Unit Operator may, or upon request of the Working Interest Owners shall, prepare a corrected exhibit but the data used in establishing Tract Participation shall not be re-evaluated.

### 204. Effective Time

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

### 205. Supplying of Exhibits

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

### 206. Form of Revised or Corrected Exhibits

Exhibits that are revised or corrected shall show the effective time of the revision or correction and shall be numbered consecutively.

#### **ARTICLE IV: AUTHORITY TO WORKING INTEREST OWNERS**

401. Operations

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

402. Delegation

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

403. Vote of Working Interest Owners

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

#### **ARTICLE V: INCLUSION AND QUALIFICATION OF TRACTS**

501. Tracts Included on Effective Date

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

- (a) before the Effective Date; or
- (b) on or within ninety (90) days after the Effective Date.

502. Qualification of Tracts

A Tract is qualified for inclusion in the Unit Area when its title has been approved by the Working Interest Owners under Clause 1102 and when:

- (a) owners of one hundred percent (100%) of the Working Interests therein have become Parties and parties to the Unit Operating Agreement and owners of one hundred percent (100%) of the Royalty Interest therein have become Parties; or
- (b) owners of one hundred percent (100%) of the Working Interests therein have become Parties and parties to the Unit Operating Agreement and owners of less than one hundred percent (100%) of the Royalty Interest therein have become Parties, and such owners of Working Interests agree, if required by the other Working Interest Owners, to indemnify the other Working Interest Owners in a form and manner satisfactory to them for any loss or damages that may be suffered by such other Working Interest Owners in respect of claims and demands that, because of the inclusion of the Tract in the Unit Area, may be made by those owners of Royalty Interests in the Tract who have not become Parties; or
- (c) owners of the Working Interests therein have agreed with the owners of Working Interests then Parties and parties to the Operating Agreement as to the basis on which the Tract shall become qualified, where the Tract cannot be qualified pursuant to Subclause (a) or (b) of this Clause.

503. Revision of Exhibits

Within one hundred twenty (120) days after the Effective Date the exhibits shall be revised, if necessary, to set out only those Tracts included in the Unit Area under this Article. The revised Exhibit "A" shall set forth the Tract Participation of the Tracts recalculated on the same basis and using the same data as that used in the calculation of Tract Participation in the original Exhibit "A" and so that their summation is one hundred percent (100%). The exhibits as so revised shall be effective as of the Effective Date.

## ARTICLE VI: TRACT PARTICIPATION

### 601. Tract Participation

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

## ARTICLE VII: ALLOCATION OF UNITIZED SUBSTANCES PRODUCED

### 701. Allocation to Tracts

Subject to Clauses 801 and 802 the Unitized Substances when produced shall be allocated to the Tracts in accordance with their Tract Participation. The amount of Unitized Substances allocated to each Tract, and only that amount, regardless of whether it be more or less than the amount of actual production of Unitized Substances from the well or wells, if any, on the Tract, shall be deemed conclusively to have been produced from the Tract.

### 702. Allocation Among Parties

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

### 703. Calculation of Royalty

The Working Interest Owners of each Tract shall calculate royalty on the Unitized Substances allocated to the Tract at the applicable rate under the Lease, other agreement or instrument relating to the Tract. The Royalty Owners of each Tract agree to accept payment of royalty so calculated in satisfaction of the obligation of a Working Interest Owner to make royalty payments on Unitized Substances under the Lease, agreement or other instrument covering such Tract; but a lessee under a Lease shall not be relieved from making payment of royalty to its lessor if payment is not made by the Working Interest Owner as aforesaid. In calculating royalty on residue gas, sulphur and fluid hydrocarbons, or any of them, obtained by processing Unitized Substances, other than crude oil, by compression, absorption or other plant extraction or stabilization, proper allowances shall be made for costs, expenses and charges, including a reasonable return on investment, incurred in or attributable to gathering and processing the Unitized Substances.

### 704. Taking Unitized Substances in Kind

The Unitized Substances allocated to a Tract shall be delivered in kind at the time and place of production to the Working Interest Owners entitled thereto who may, if there is no interference with Unit Operations by them, construct, maintain and operate in the Unit Area all necessary facilities for taking delivery in kind.

### 705. Failure to Take in Kind

To the extent that a Party entitled to take in kind any of the Unitized Substances fails to take or otherwise dispose of them at the time and place of production, then so long as such failure continues, Unit Operator, as agent and for the account and at the expense of such Party may sell, store, inject or otherwise dispose of them. Where there is a sale the "net proceeds" remaining from the sale shall be paid to the Party. Unit Operator may contract for the sale thereof only for the minimum term obtainable which in no event shall exceed one (1) year. When Unit Operator has so contracted, the Party may take its share of the Unitized Substances in kind upon the expiration of the current sales contract. The "net proceeds" for the purpose of this Clause shall mean the proceeds from the sale of the non-taking Party's share of production, less all direct costs of the sale, including processing and shipping costs.

### 706. Royalty on Outside Substances

If an Outside Substance is injected into the Unitized Zone, the first like substance contained in the Unitized Substances subsequently produced and sold or used other than for operations hereunder shall be deemed conclusively to be that Outside Substance until a quantity equal to the quantity of the Outside Substance injected into the Unitized Zone is recovered. No royalty shall be payable on any substance which is deemed conclusively to be an Outside Substance.



707. Several Royalty Liability

Without limiting the generality of the provisions of Clauses 702 and 1304, nothing in this Agreement shall be construed as giving rise to any right entitling the Royalty Owners of a Tract 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; provided, however, that in the event that the 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 707 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.

**ARTICLE VIII: USE, LOSS AND RE-INJECTION OF UNITIZED SUBSTANCES**

801. Use or Loss

The Working Interest Owners may use as much of the Unitized Substances, other than crude oil, as they deem necessary for Unit Operations. Unitized Substances so used or injected and Unitized Substances lost shall be excluded in allocating Unitized Substances to Tracts, and no royalty or other payment shall be payable in respect thereof.

802. Re-Injection

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

**ARTICLE IX: ENLARGEMENT OF UNIT AREA**

901. Enlargement

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

902. Adjustment of Tract Participation

The Tract Participation of each Tract added pursuant to Clause 901 shall be determined by the Working Interest Owners. The Tract Participation shall then be adjusted in order that:

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

903. Exhibits

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

904. Effective Time of Enlargement

An enlargement pursuant to Clause 901 and an adjustment of Tract Participation under this Article shall become effective at 8:00 a.m. on the first day of the first calendar month following approval of admission under Clause 901, Tract qualification under Clause 502 and the date the Unit Agreement is registered by the Petroleum Branch.

905. No Retroactive Adjustment

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

906. No Enlargement Without Royalty Owner Consent

No enlargement of the Unit Area may be implemented without the written consent of all Royalty Owners.

## ARTICLE X: DISPUTES

1001. Disputes

If the title or right of a Party to receive in kind all or any portion of the Unitized Substances allocated to a Tract, or any share of the proceeds from the sale thereof, is in dispute, the Party concerned shall forthwith give notice thereof to Unit Operator. If Unit Operator is so notified or if Unit Operator is directed to do so by the Working Interest Owners in the event that it is otherwise informed of the dispute, Unit Operator shall withhold and sell the portion of the Unitized Substances the title or right to which is in dispute, and hold in trust the proceeds from the sale thereof until:

- (a) the Party concerned furnishes security in a form and manner satisfactory to the Working Interest Owners for the proper accounting thereof to the rightful owner or owners if the title or right of the Party shall fail in whole or in part, whereupon the proceeds shall be paid to the party; or
- (b) the title or right thereto is established by a final judgment of a Court or otherwise to the satisfaction of the Working Interest Owners, whereupon such proceeds shall be paid to the person rightfully entitled.

If Unit Operator does not comply with this Clause because it is not notified of a dispute by a Party concerned, that Party hereby agrees to indemnify and save harmless Unit Operator from any loss or damage suffered because of anything done or omitted to be done by Unit Operator because it was not notified.

## ARTICLE XI: APPROVAL OF TITLES

1101. Titles Committee

The Working Interest Owners shall appoint a Titles Committee which shall investigate the ownership of all Tracts. Each Working Interest Owner shall submit to the Title Committee such title data and information as the titles Committee may reasonably require from time to time. The Titles Committee shall report the result of its investigation to the Working Interest Owners specifying the titles to Tracts which it unanimously recommends for approval.

1102. Approval of Titles by Working Interest Owners

The Working Interest Owners may approve:

- (a) the titles of Working Interest Owners to Tracts which have been unanimously recommended for approval by the Titles Committee; and
- (b) the titles of Working Interest Owners to Tracts which have not been unanimously recommended for approval by the Titles Committee but with respect to which such Working Interest Owners have agreed to indemnify the other Working Interest Owners, in a form and manner satisfactory to them, from loss or damage that may be suffered by them in respect of claims and demands made because of subsequent failure of the Working Interest Owners' title.

Notwithstanding the foregoing, the Working Interest Owners may approve any title that has not been unanimously recommended for approval by the Titles Committee.

1103. Subsequent Failure of Title

If the title of a Working Interest Owner to a Tract fails, the Tract shall be excluded from this agreement and the Unit Operating Agreement as of 8:00 a.m. on the first day of the calendar month in which the failure of title is finally determined unless:

- (a) any other Party is held or declared to own the title in which event that Party shall be bound by this agreement and the Unit Operating Agreement in respect of the Tract; or
- (b) by the last day of the next following calendar month the Tract qualifies for inclusion in the Unit Area pursuant to Clause 502.

1104. Revision of Exhibits

Unit Operator shall revise the exhibits to reflect any change in ownership in or exclusion from this agreement of a Tract pursuant to Clause 1103. Where a Tract is excluded, the Tract Participation of the other Tracts shall each be increased, without changing their ratios to each other, so that their summation is one hundred percent (100%). The revised exhibits shall be effective as of 8:00 a.m. on the first day of the calendar month in which the failure of title referred to in Clause 1103 is finally determined.

## ARTICLE XII: TRANSFER OF INTEREST

1201. Disposition

In this Clause "disposition" means a sale, assignment, transfer, lease, sublease, conveyance, parting with possession, or any transaction of a similar nature, whether by trust or otherwise. A disposition of an interest owned by a Party in a Tract shall cover the whole or an undivided interest in the Party's interest in such Tract. A disposition shall not be binding on Unit Operator until the acquiring parties who are not Parties have executed and delivered to Unit Operator counterparts of this agreement, and at least one of the parties thereto has given notice thereof to the Unit Operator. Unit Operator shall revise the exhibits to reflect each disposition of an interest in a Tract and the revised exhibits shall be effective as of 8:00 a.m. on the first day of the calendar month next following the calendar month in which the notice is received by Unit Operator.

1202. Multiple Disposition Not to Increase Costs

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

## ARTICLE XIII: IN GENERAL

1301. Execution in Counterpart

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

1302. Dual Capacity

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

1303. Subsequent Execution

An owner of an interest in a Tract who has not become a Party as of the date the Tract was included in the Unit Area under Article V or IX, may become a Party with respect to that interest only on such terms and conditions as may be prescribed by the Working Interest Owners.

1304. No Partnership

The duties and obligations of the Parties shall be separate and not joint or collective. Nothing contained in this agreement shall be construed to create a partnership or association.

1305. Force Majeure

Neither Unit Operator nor any Party shall be deemed to be in default with respect to non-performance including delay or failure to partially perform any or all of its obligations hereunder, other than financial, if and so long as its non-performance is due, in whole or in part, to any cause beyond its reasonable control, but lack of funds shall not be a cause beyond a Party's reasonable control. The performance of such obligations shall begin or be resumed within a reasonable time after such cause has been removed. Neither this agreement nor any Lease or any other agreement or instrument relating to the Unitized Zone or Unitized Substances shall terminate by reason of suspension of Unit Operations for the cause set forth in this Clause.

1306. Taxes

Each Party shall be separately liable to the extent of its ownership for all taxes on Unitized Substances and with respect to the production or sale of Unitized Substances. A Working Interest Owner may, at any time and from time to time, pay said taxes on behalf of its Royalty Owner and deduct the amount of the payment from the Royalty Owner's royalty. Those taxes with respect to the production or sale of Unitized Substances shall be adjusted so that they are borne as if the basis of taxation was the allocation of Unitized Substances hereunder.

1307. Right of Redemption

A Working Interest Owner may, at any time and from time to time, with full rights of subrogation, redeem for its Royalty Owner any agreement for sale, mortgage, or other lien or encumbrance of any kind or nature affecting any interest in the Unit Area in the event of default of payment by the Royalty Owner and deduct the amount of any payment made hereunder from the Royalty Owner's royalty.

1308. Interpretation

The Clause Headings in this agreement shall not be considered in interpreting the text.

1309. Number and Gender

In this agreement words importing the singular include the plural and vice versa; words importing the masculine gender include the feminine and vice versa; and words importing persons include firms or corporations and vice versa.

1310. Time

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

1311. Compliance with Legislation

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

1312. Governing Law

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

#### ARTICLE XIV: EFFECTIVE DATE

1401. Effective Date

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

- (a) the date of the qualification under Clause 502 of Tracts having a combined Tract Participation of one hundred percent (100%) as originally set out in Exhibit "A"; and
- (b) the date the Unit Agreement is registered by the Petroleum Branch.

1402. Notice of Effective Date

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

1403. Release of Parties

This agreement shall cease to bind the Parties if the unitization provided for herein has not become effective on or before the first day of February, 2000.

#### ARTICLE XV: TERM

1501. Effect of Execution and Delivery

Subject to Clause 1403 this agreement is binding upon a person who executes and delivers a counterpart thereof to Unit Operator, and that person is bound by this agreement as of the time of such delivery. This agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the Parties.

1502. Termination

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

1503. Salvaging Equipment Upon Termination

The Royalty Owners grant the Working Interest Owners the right for a period of six (6) months after termination of this agreement to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

1504. Notice to Royalty Owners

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

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

THE C.R. SOMERVILLE COMPANY LIMITED

October 22nd, 1999  
(DATE)

Margaret A. Cseres  
*president*

ADDRESS FOR SERVICE:

*Mrs. M. Cseres, President*

*P.O. Box 124*

*Hartney, MB R0M 0X0*

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

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

GIBSON OILS LTD.

Sept. 27 / 99  
(DATE)

Irene Gibson

ADDRESS FOR SERVICE:

P.O. Box 245

Hartney, MB R0M 0X0

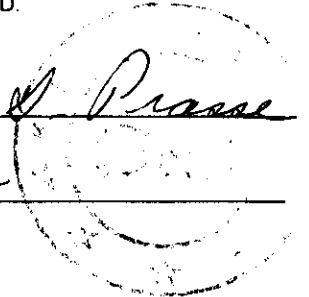
Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

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

K.M. ALLAN HOLDINGS LTD.

October 25, 1999  
(DATE)

Martha D. Prasse  
President



ADDRESS FOR SERVICE:

c/o Martha Prasse  
~~#8-2155 14TH AVE E.~~  
~~305-699-20th Street W.~~  
Prince Albert, SK S6V 8C5

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1



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

MARIE K. MILLS

Oct 25/99  
(DATE)

Marie K Mills

ADDRESS FOR SERVICE:

P.O. Box 176

Hartney, MB R0M 0X0

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

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

OCT 29 1999

\_\_\_\_\_  
(DATE)

TUNDRA OIL AND GAS LTD.

\_\_\_\_\_  
*R. Messier*  
\_\_\_\_\_  
*J. Sarge*

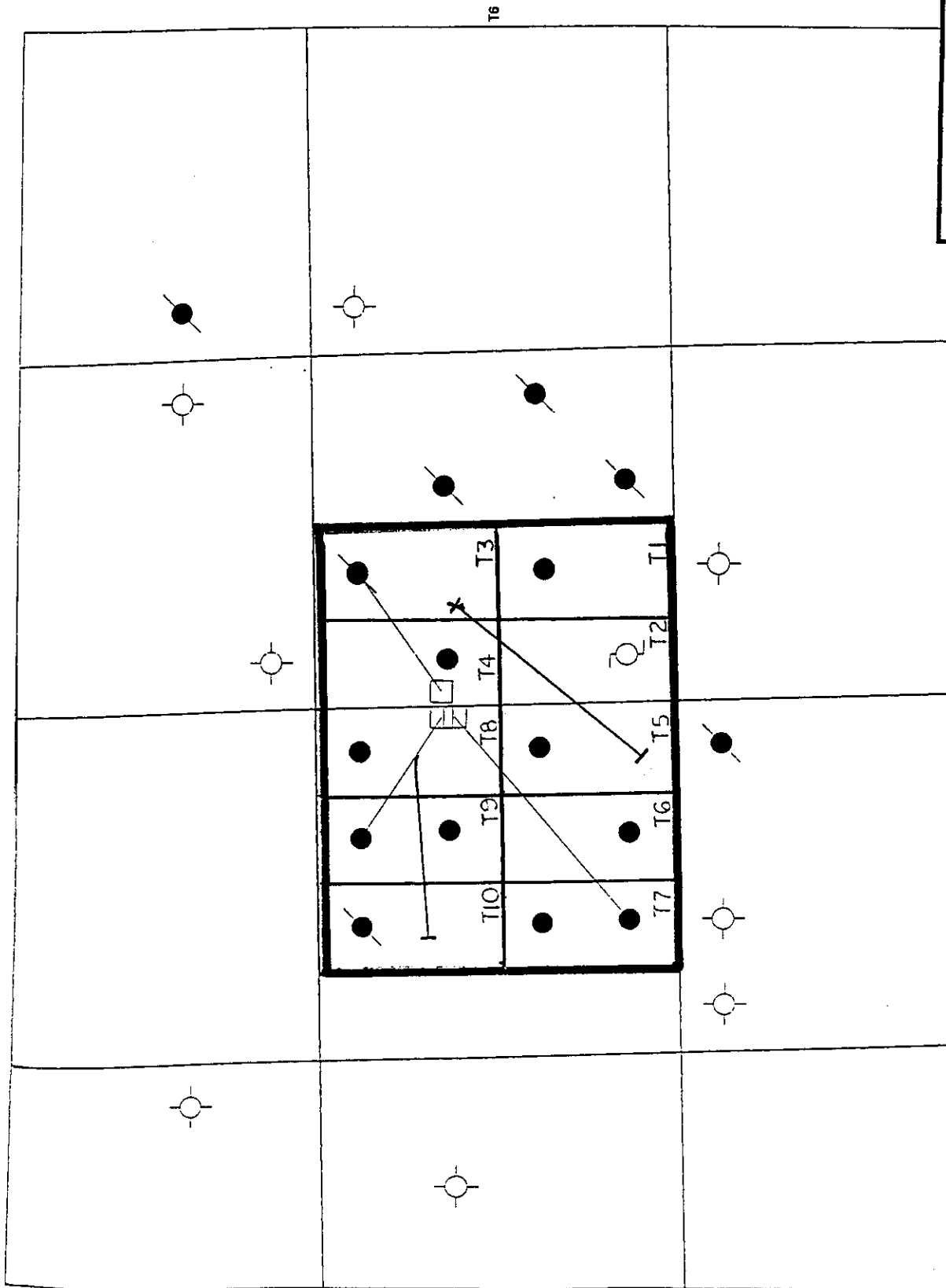
ADDRESS FOR SERVICE:

1111 One Lombard Place

Winnipeg, MB R3B 0X4

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

# EXHIBIT 'B': UNIT OUTLINE



Tundra Oil and Gas	
Souris-Hartney	
Licensed In: Tundra Oil & Gas By: _____ Date: 12/20/78 Scale: 1:2500 Project: 10/10/78	

WELL SYMBOLS

•	Oil	•	SO
+	PTG	+	CHO
×	LCT	×	PTN
•	WET	•	WWS
•	AOZ	•	ALA
•	GOZ	•	WWS
•	EN	•	WWS
•	NR	•	WWS
•	AS	•	WWS

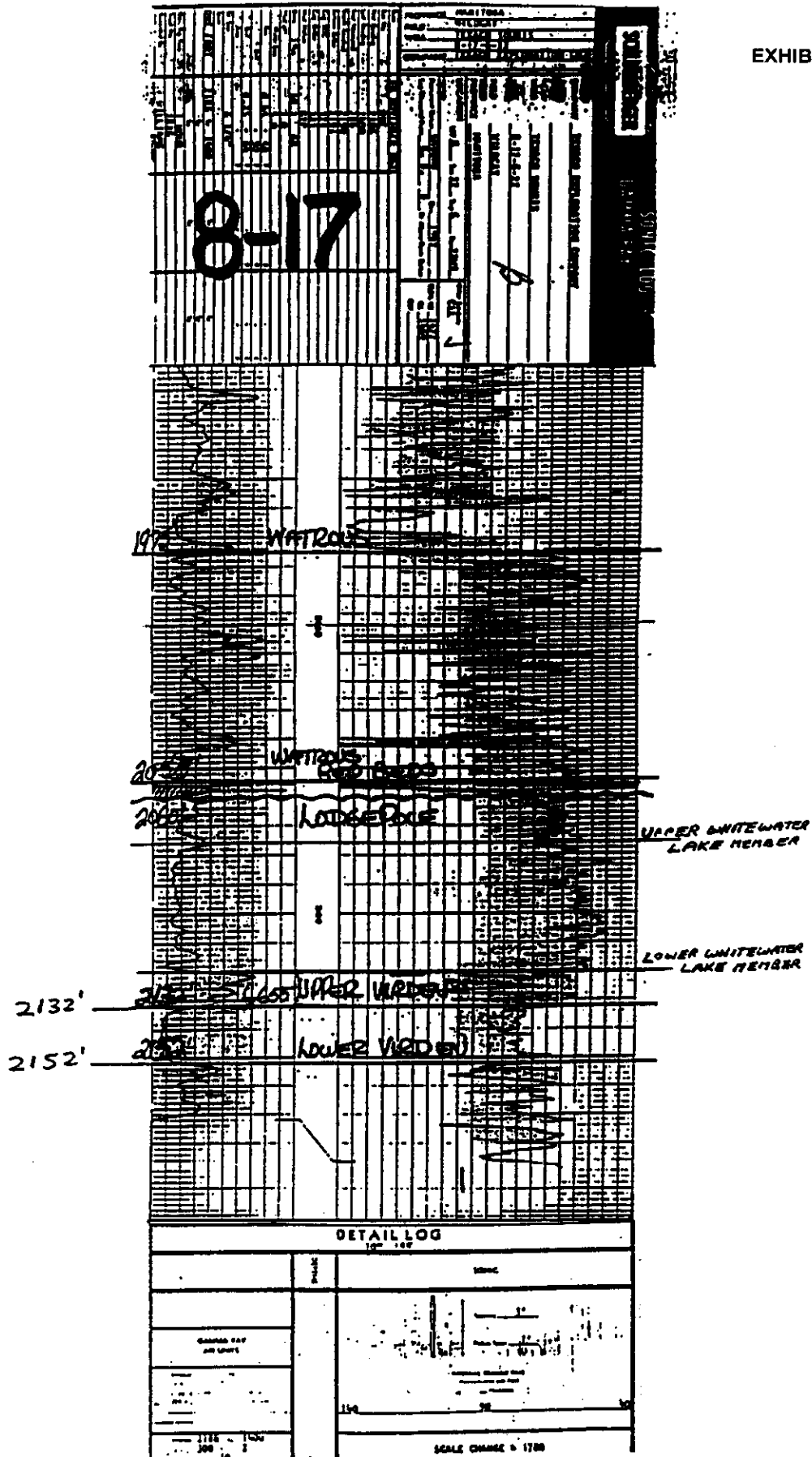
R22W1

UNIT OUTLINE  
T - TRACT NUMBER

# **EXHIBIT 'A': TRACT PARTICIPATION**

Attached to and made part of an Agreement Entitled  
Unit Agreement - Souris Hartney Unit No. 1

Tract No.	Land Description	Working Interest		Royalty Interest		Tract Participation %
		Owner	Share (%)	Owner	Share (%)	
1	Lsd's 3 & 6-16-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	Gibson Oils Ltd.	100	0.64578252
2	Lsd's 4 & 5-16-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	Gibson Oils Ltd.	100	15.1208394
3	Lsd's 11 & 14-16-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	Gibson Oils Ltd.	100	14.6264589
4	Lsd's 12 & 13-16-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	Gibson Oils Ltd.	100	14.6367335
5	Lsd's 1 & 8-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	21.1423295
6	Lsd's 2 & 7-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	9.65690920
7	Lsd's 3 & 6-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	7.47269735
8	Lsd's 9 & 16-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	9.71232932
9	Lsd's 10 & 15-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	5.01001921
10	Lsd's 11 & 14-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	1.97590111



DAN

20-SEP-99

ATTACHED IS THE DRAFT  
UNIT AGREEMENT FOR  
SOOZIS HARTNEY UNIT NO. 1.  
Please review & provide  
comments. Let's verify the  
description of the  
"UNITIZED ZONE" and  
review the tract factors.  
Can we get the  
waterflood application  
advertisement out this  
week. We want to ensure  
the waterflood start-up is  
not delayed after freeze-up.



FAX COVER PAGE

DATE: *Sept 17 /99*  
TO: *Petroleum Branch*  
ATTN: *John Fox*  
FROM: *Brad Thiessen*

PAGE 1 OF 21  
(including cover page)

FAX #

FAX # (204) 934-5820  
TEL # (204) 934-5856

*John*

*In case you get any calls here is the proposed Unit Agreement for S-H. The only changes to this from the Cromer Unit are the necessary descriptions and deletion of the additional enlargement clause. Any questions please call. B.*

If you do not receive all the pages in this transmission, please notify the sender.

**SOURIS HARTNEY UNIT NO. 1**  
**UNIT AGREEMENT**



UNIT AGREEMENT  
SOURIS HARTNEY UNIT NO. 1

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## SOURIS HARTNEY UNIT NO. 1

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

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

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

### ARTICLE I: DEFINITIONS

#### 101. Definitions

In this agreement:

- (a) "Effective Date" means the time and date referred to in Article XIV;
- (b) "Lease" means an instrument granting a Working Interest in any lands in the Unit Area;
- (c) "Outside Substances" means any substances initially obtained from any source other than the Unitized Zone or any Unitized Substances with respect to which royalty has been paid;
- (d) "Party" means a person who is bound by this Agreement;
- (e) "Petroleum Branch" means the Department of Energy and Mines, Petroleum Branch established under The Oil and Gas Act;
- (f) "Petroleum Substances" means petroleum, natural gas and related hydrocarbons (except coal) and all substances whether gaseous, liquid or solid, which are produced in association therewith, or any of them;
- (g) "Royalty Interest" means
  - i) an ownership, fee simple, or similar estate in Petroleum Substances in the Unitized Zone, or
  - ii) a right to a share of Petroleum Substances produced from the Unitized Zone, to a share of the proceeds from the sale of such Petroleum Substances, or to a payment based on the quantity or value of such Petroleum Substances, but does not include a Working interest, the interest of a purchaser or such Petroleum Substances after production, or a mortgage, charge or like interest granted as security in a financial transaction;
- (a) "Royalty Owner" means a Party owning a Royalty Interest in or in respect of Unitized Substances;
- (b) "Spacing Unit" means the area allocated to a well by the Petroleum Branch with respect to the Unitized Zone for the purpose of drilling for or producing Petroleum Substances;
- (c) "Tract" means a parcel of land described and given a Tract number in Exhibit "A" and shown outlined on Exhibit "B";
- (d) "Tract Participation" means the Participation percentage allocated to a Tract pursuant to Article VI and set forth in Exhibit "A";
- (e) "Unit Area" means the lands described in Exhibit "A" and shown outlined on Exhibit "B";
- (f) "Unit Operations" means any operations or activities undertaken in connection with the Unitized Zone, the production or handling of Unitized Substances or the installation, operation, maintenance or removal of equipment or facilities, insofar as such operations or activities have been authorized or provided for under this agreement or the Unit Operating Agreement
- (g) "Unit Operator" means the person who is so designated under the Unit Operating Agreement;
- (h) "Unit Operating Agreement" means the agreement entitled "Unit Operating Agreement - Souris Hartney Unit No. 1" entered into by the Working Interest Owners;
- (i) "Unitized Zone" means the Upper Virden zone of the Lodgepole Formation of the Mississippian Age underlying the lands within the Unit Area as same is shown on the gamma ray sonic log of the Texaco Souris 8-17-6-22 WPM well in 8-17-6-22 WPM, in the Province of Manitoba between the intervals of 2132 feet and 2152 feet as measured from the Kelly bushing at 8-17-6-22 WPM and shown on Exhibit "C";

- (j) "Unitized Substances" means Petroleum Substances in or obtained from the Unitized Zone;
- (k) "Working Interest" means any interest which entitles the owner thereof to produce and dispose of, or to participate in the production and disposition of, Petroleum Substances from the Unitized Zone, and with which is associated a responsibility to bear all or a portion of the costs of recovering such Petroleum Substances;
- (l) "Working Interest Owner" means a party owning a Working Interest in or in respect of Unitized Substances;
- (m) "Minister" means the member of the Executive Council charged by the Lieutenant Governor in Council with the administration of The Oil and Gas Act of Manitoba.

## ARTICLE II: EXHIBITS

### 201. Exhibits

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

- (a) Exhibit "A" which numbers and describes each Tract and sets forth its Tract Participation, the names of the Working Interest Owners and their respective shares of the Working Interest, together with the names of the Royalty Owners and their respective shares of the Royalty Interest;
- (b) Exhibit "B" which is a plan of the Unit Area identifying the Tracts;
- (c) Exhibit "C" which is a reproduction of a portion of the gamma ray sonic log referred to in Subclause 101(p) hereof.

### 202. Exhibits Correct

Each exhibit shall be deemed conclusively to be correct to the effective time of a revision or correction thereof as herein provided.

### 203. Correction of Exhibits

If any mistake or mechanical error occurs in an exhibit, Unit Operator may, or upon request of the Working Interest Owners shall, prepare a corrected exhibit but the data used in establishing Tract Participation shall not be re-evaluated.

### 204. Effective Time

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

### 205. Supplying of Exhibits

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

### 206. Form of Revised or Corrected Exhibits

Exhibits that are revised or corrected shall show the effective time of the revision or correction and shall be numbered consecutively.

#### ARTICLE IV: AUTHORITY TO WORKING INTEREST OWNERS

##### 401. Operations

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

##### 402. Delegation

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

##### 403. Vote of Working Interest Owners

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

#### ARTICLE V: INCLUSION AND QUALIFICATION OF TRACTS

##### 501. Tracts Included on Effective Date

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

- (a) before the Effective Date; or
- (b) on or within ninety (90) days after the Effective Date.

##### 502. Qualification of Tracts

A Tract is qualified for inclusion in the Unit Area when its title has been approved by the Working Interest Owners under Clause 1102 and when:

- (a) owners of one hundred percent (100%) of the Working Interests therein have become Parties and parties to the Unit Operating Agreement and owners of one hundred percent (100%) of the Royalty Interest therein have become Parties; or
- (b) owners of one hundred percent (100%) of the Working Interests therein have become Parties and parties to the Unit Operating Agreement and owners of less than one hundred percent (100%) of the Royalty Interest therein have become Parties, and such owners of Working Interests agree, if required by the other Working Interest Owners, to indemnify the other Working Interest Owners in a form and manner satisfactory to them for any loss or damages that may be suffered by such other Working Interest Owners in respect of claims and demands that, because of the inclusion of the Tract in the Unit Area, may be made by those owners of Royalty Interests in the Tract who have not become Parties; or
- (c) owners of the Working Interests therein have agreed with the owners of Working Interests then Parties and parties to the Operating Agreement as to the basis on which the Tract shall become qualified, where the Tract cannot be qualified pursuant to Subclause (a) or (b) of this Clause.

##### 503. Revision of Exhibits

Within one hundred twenty (120) days after the Effective Date the exhibits shall be revised, if necessary, to set out only those Tracts included in the Unit Area under this Article. The revised Exhibit "A" shall set forth the Tract Participation of the Tracts recalculated on the same basis and using the same data as that used in the calculation of Tract Participation in the original Exhibit "A" and so that their summation is one hundred percent (100%). The exhibits as so revised shall be effective as of the Effective Date.

## ARTICLE VI: TRACT PARTICIPATION

### 601. Tract Participation

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

## ARTICLE VII: ALLOCATION OF UNITIZED SUBSTANCES PRODUCED

### 701. Allocation to Tracts

Subject to Clauses 801 and 802 the Unitized Substances when produced shall be allocated to the Tracts in accordance with their Tract Participation. The amount of Unitized Substances allocated to each Tract, and only that amount, regardless of whether it be more or less than the amount of actual production of Unitized Substances from the well or wells, if any, on the Tract, shall be deemed conclusively to have been produced from the Tract.

### 702. Allocation Among Parties

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

### 703. Calculation of Royalty

The Working Interest Owners of each Tract shall calculate royalty on the Unitized Substances allocated to the Tract at the applicable rate under the Lease, other agreement or instrument relating to the Tract. The Royalty Owners of each Tract agree to accept payment of royalty so calculated in satisfaction of the obligation of a Working Interest Owner to make royalty payments on Unitized Substances under the Lease, agreement or other instrument covering such Tract; but a lessee under a Lease shall not be relieved from making payment of royalty to its lessor if payment is not made by the Working Interest Owner as aforesaid. In calculating royalty on residue gas, sulphur and fluid hydrocarbons, or any of them, obtained by processing Unitized Substances, other than crude oil, by compression, absorption or other plant extraction or stabilization, proper allowances shall be made for costs, expenses and charges, including a reasonable return on investment, incurred in or attributable to gathering and processing the Unitized Substances.

### 704. Taking Unitized Substances in Kind

The Unitized Substances allocated to a Tract shall be delivered in kind at the time and place of production to the Working Interest Owners entitled thereto who may, if there is no interference with Unit Operations by them, construct, maintain and operate in the Unit Area all necessary facilities for taking delivery in kind.

### 705. Failure to Take in Kind

To the extent that a Party entitled to take in kind any of the Unitized Substances fails to take or otherwise dispose of them at the time and place of production, then so long as such failure continues, Unit Operator, as agent and for the account and at the expense of such Party may sell, store, inject or otherwise dispose of them. Where there is a sale the "net proceeds" remaining from the sale shall be paid to the Party. Unit Operator may contract for the sale thereof only for the minimum term obtainable which in no event shall exceed one (1) year. When Unit Operator has so contracted, the Party may take its share of the Unitized Substances in kind upon the expiration of the current sales contract. The "net proceeds" for the purpose of this Clause shall mean the proceeds from the sale of the non-taking Party's share of production, less all direct costs of the sale, including processing and shipping costs.

### 706. Royalty on Outside Substances

If an Outside Substance is injected into the Unitized Zone, the first like substance contained in the Unitized Substances subsequently produced and sold or used other than for operations hereunder shall be deemed conclusively to be that Outside Substance until a quantity equal to the quantity of the Outside Substance injected into the Unitized Zone is recovered. No royalty shall be payable on any substance which is deemed conclusively to be an Outside Substance.

707. Several Royalty Liability

Without limiting the generality of the provisions of Clauses 702 and 1304, nothing in this Agreement shall be construed as giving rise to any right entitling the Royalty Owners of a Tract 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; provided, however, that in the event that the 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 707 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.

## ARTICLE VIII: USE, LOSS AND RE-INJECTION OF UNITIZED SUBSTANCES

801. Use or Loss

The Working Interest Owners may use as much of the Unitized Substances, other than crude oil, as they deem necessary for Unit Operations. Unitized Substances so used or injected and Unitized Substances lost shall be excluded in allocating Unitized Substances to Tracts, and no royalty or other payment shall be payable in respect thereof.

802. Re-Injection

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

## ARTICLE IX: ENLARGEMENT OF UNIT AREA

901. Enlargement

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

902. Adjustment of Tract Participation

The Tract Participation of each Tract added pursuant to Clause 901 shall be determined by the Working Interest Owners. The Tract Participation shall then be adjusted in order that:

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

903. Exhibits

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

904. Effective Time of Enlargement

An enlargement pursuant to Clause 901 and an adjustment of Tract Participation under this Article shall become effective at 8:00 a.m. on the first day of the first calendar month following approval of admission under Clause 901, Tract qualification under Clause 502 and the date the Unit Agreement is registered by the Petroleum Branch.

905. No Retroactive Adjustment

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

**ARTICLE X: DISPUTES**

1001. Disputes

If the title or right of a Party to receive in kind all or any portion of the Unitized Substances allocated to a Tract, or any share of the proceeds from the sale thereof, is in dispute, the Party concerned shall forthwith give notice thereof to Unit Operator. If Unit Operator is so notified or if Unit Operator is directed to do so by the Working Interest Owners in the event that it is otherwise informed of the dispute, Unit Operator shall withhold and sell the portion of the Unitized Substances the title or right to which is in dispute, and hold in trust the proceeds from the sale thereof until:

- (a) the Party concerned furnishes security in a form and manner satisfactory to the Working Interest Owners for the proper accounting thereof to the rightful owner or owners if the title or right of the Party shall fail in whole or in part, whereupon the proceeds shall be paid to the party; or
- (b) the title or right thereto is established by a final judgment of a Court or otherwise to the satisfaction of the Working Interest Owners, whereupon such proceeds shall be paid to the person rightfully entitled.

If Unit Operator does not comply with this Clause because it is not notified of a dispute by a Party concerned, that Party hereby agrees to indemnify and save harmless Unit Operator from any loss or damage suffered because of anything done or omitted to be done by Unit Operator because it was not notified.

**ARTICLE XI: APPROVAL OF TITLES**

1101. Titles Committee

The Working Interest Owners shall appoint a Titles Committee which shall investigate the ownership of all Tracts. Each Working Interest Owner shall submit to the Title Committee such title data and information as the titles Committee may reasonably require from time to time. The Titles Committee shall report the result of its investigation to the Working Interest Owners specifying the titles to Tracts which it unanimously recommends for approval.

1102. Approval of Titles by Working Interest Owners

The Working Interest Owners may approve:

- (a) the titles of Working Interest Owners to Tracts which have been unanimously recommended for approval by the Titles Committee; and
- (b) the titles of Working Interest Owners to Tracts which have not been unanimously recommended for approval by the Titles Committee but with respect to which such Working Interest Owners have agreed to indemnify the other Working Interest Owners, in a form and manner satisfactory to them, from loss or damage that may be suffered by them in respect of claims and demands made because of subsequent failure of the Working Interest Owners' title.

Notwithstanding the foregoing, the Working Interest Owners may approve any title that has not been unanimously recommended for approval by the Titles Committee.

1103. Subsequent Failure of Title

If the title of a Working Interest Owner to a Tract fails, the Tract shall be excluded from this agreement and the Unit Operating Agreement as of 8:00 a.m. on the first day of the calendar month in which the failure of title is finally determined unless:

- (a) any other Party is held or declared to own the title in which event that Party shall be bound by this agreement and the Unit Operating Agreement in respect of the Tract; or
- (b) by the last day of the next following calendar month the Tract qualifies for inclusion in the Unit Area pursuant to Clause 502.

1104. Revision of Exhibits

Unit Operator shall revise the exhibits to reflect any change in ownership in or exclusion from this agreement of a Tract pursuant to Clause 1103. Where a Tract is excluded, the Tract Participation of the other Tracts shall each be increased, without changing their ratios to each other, so that their summation is one hundred percent (100%). The revised exhibits shall be effective as of 8:00 a.m. on the first day of the calendar month in which the failure of title referred to in Clause 1103 is finally determined.

## ARTICLE XII: TRANSFER OF INTEREST

1201. Disposition

In this Clause "disposition" means a sale, assignment, transfer, lease, sublease, conveyance, parting with possession, or any transaction of a similar nature, whether by trust or otherwise. A disposition of an interest owned by a Party in a Tract shall cover the whole or an undivided interest in the Party's interest in such Tract. A disposition shall not be binding on Unit Operator until the acquiring parties who are not Parties have executed and delivered to Unit Operator counterparts of this agreement, and at least one of the parties thereto has given notice thereof to the Unit Operator. Unit Operator shall revise the exhibits to reflect each disposition of an interest in a Tract and the revised exhibits shall be effective as of 8:00 a.m. on the first day of the calendar month next following the calendar month in which the notice is received by Unit Operator.

1202. Multiple Disposition Not to Increase Costs

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

## ARTICLE XIII: IN GENERAL

1301. Execution in Counterpart

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

1302. Dual Capacity

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

1303. Subsequent Execution

An owner of an interest in a Tract who has not become a Party as of the date the Tract was included in the Unit Area under Article V or IX, may become a Party with respect to that interest only on such terms and conditions as may be prescribed by the Working Interest Owners.



1304. No Partnership

The duties and obligations of the Parties shall be separate and not joint or collective. Nothing contained in this agreement shall be construed to create a partnership or association.

1305. Force Majeure

Neither Unit Operator nor any Party shall be deemed to be in default with respect to non-performance including delay or failure to partially perform any or all of its obligations hereunder, other than financial, if and so long as its non-performance is due, in whole or in part, to any cause beyond its reasonable control, but lack of funds shall not be a cause beyond a Party's reasonable control. The performance of such obligations shall begin or be resumed within a reasonable time after such cause has been removed. Neither this agreement nor any Lease or any other agreement or instrument relating to the Unitized Zone or Unitized Substances shall terminate by reason of suspension of Unit Operations for the cause set forth in this Clause.

1306. Taxes

Each Party shall be separately liable to the extent of its ownership for all taxes on Unitized Substances and with respect to the production or sale of Unitized Substances. A Working Interest Owner may, at any time and from time to time, pay said taxes on behalf of its Royalty Owner and deduct the amount of the payment from the Royalty Owner's royalty. Those taxes with respect to the production or sale of Unitized Substances shall be adjusted so that they are borne as if the basis of taxation was the allocation of Unitized Substances hereunder.

1307. Right of Redemption

A Working Interest Owner may, at any time and from time to time, with full rights of subrogation, redeem for its Royalty Owner any agreement for sale, mortgage, or other lien or encumbrance of any kind or nature affecting any interest in the Unit Area in the event of default of payment by the Royalty Owner and deduct the amount of any payment made hereunder from the Royalty Owner's royalty.

1308. Interpretation

The Clause Headings in this agreement shall not be considered in interpreting the text.

1309. Number and Gender

In this agreement words importing the singular include the plural and vice versa; words importing the masculine gender include the feminine and vice versa; and words importing persons include firms or corporations and vice versa.

1310. Time

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

1311. Compliance with Legislation

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

1312. Governing Law

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

#### ARTICLE XIV: EFFECTIVE DATE

1401. Effective Date

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

- (a) the date of the qualification under Clause 502 of Tracts having a combined Tract Participation of one hundred percent (100%) as originally set out in Exhibit "A"; and
- (b) the date the Unit Agreement is registered by the Petroleum Branch.

1402. Notice of Effective Date

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

1403. Release of Parties

This agreement shall cease to bind the Parties if the unitization provided for herein has not become effective on or before the first day of February, 2000.

#### ARTICLE XV: TERM

1501. Effect of Execution and Delivery

Subject to Clause 1403 this agreement is binding upon a person who executes and delivers a counterpart thereof to Unit Operator, and that person is bound by this agreement as of the time of such delivery. This agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the Parties.

1502. Termination

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

1503. Salvaging Equipment Upon Termination

The Royalty Owners grant the Working Interest Owners the right for a period of six (6) months after termination of this agreement to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

1504. Notice to Royalty Owners

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

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

THE C.R. SOMERVILLE COMPANY LIMITED

\_\_\_\_\_  
(DATE)

ADDRESS FOR SERVICE:

*Mrs. M. Coeres, President*

*P.O. Box 124*

*Hartney, MB R0M 0X0*

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

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

GIBSON OILS LTD.

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
ADDRESS FOR SERVICE:

P.O. Box 245

Hartney, MB R0M 0X0

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

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

K.M. ALLAN HOLDINGS LTD.

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
ADDRESS FOR SERVICE:

*c/o Martha Prasse*

*305 - 699 28th Street W.*

*Prince Albert, SK S6V 6K5*

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

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

MARIE K. MILLS

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
ADDRESS FOR SERVICE:

*P.O. Box 176*

*Hartney, MB R0M 0X0*

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

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

TUNDRA OIL AND GAS LTD.

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
ADDRESS FOR SERVICE:

*1111 One Lombard Place*

*Winnipeg, MB R3B 0X4*

Execution Page forming part of the Unit Agreement - Souris Hartney Unit No. 1

## EXHIBIT 'A': TRACT PARTICIPATION

Attached to and made part of an Agreement Entitled  
Unit Agreement - Souris Hartney Unit No. 1

Tract No.	Land Description	Working Interest		Royalty Interest		Tract Participation %
		Owner	Share (%)	Owner	Share (%)	
1	Lsd's 3 & 5-16-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	Gibson Oils Ltd.	100	0.64576252
2	Lsd's 4 & 5-16-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	Gibson Oils Ltd.	100	15.1208394
3	Lsd's 11 & 14-16-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	Gibson Oils Ltd.	100	14.6264589
4	Lsd's 12 & 13-16-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	Gibson Oils Ltd.	100	14.6367335
5	Lsd's 1 & 8-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	21.1423295
6	Lsd's 2 & 7-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	9.65690920
7	Lsd's 3 & 6-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	7.47269735
8	Lsd's 9 & 16-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	9.71232932
9	Lsd's 10 & 15-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	5.01001921
10	Lsd's 11 & 14-17-6-22 WPM	Tundra Oil and Gas Ltd.	100.000	K.M. Allan Holdings Ltd. The C.R. Somerville Company Limited Marie K. Mills	33 1/3 33 1/3 33 1/3	1.97590111

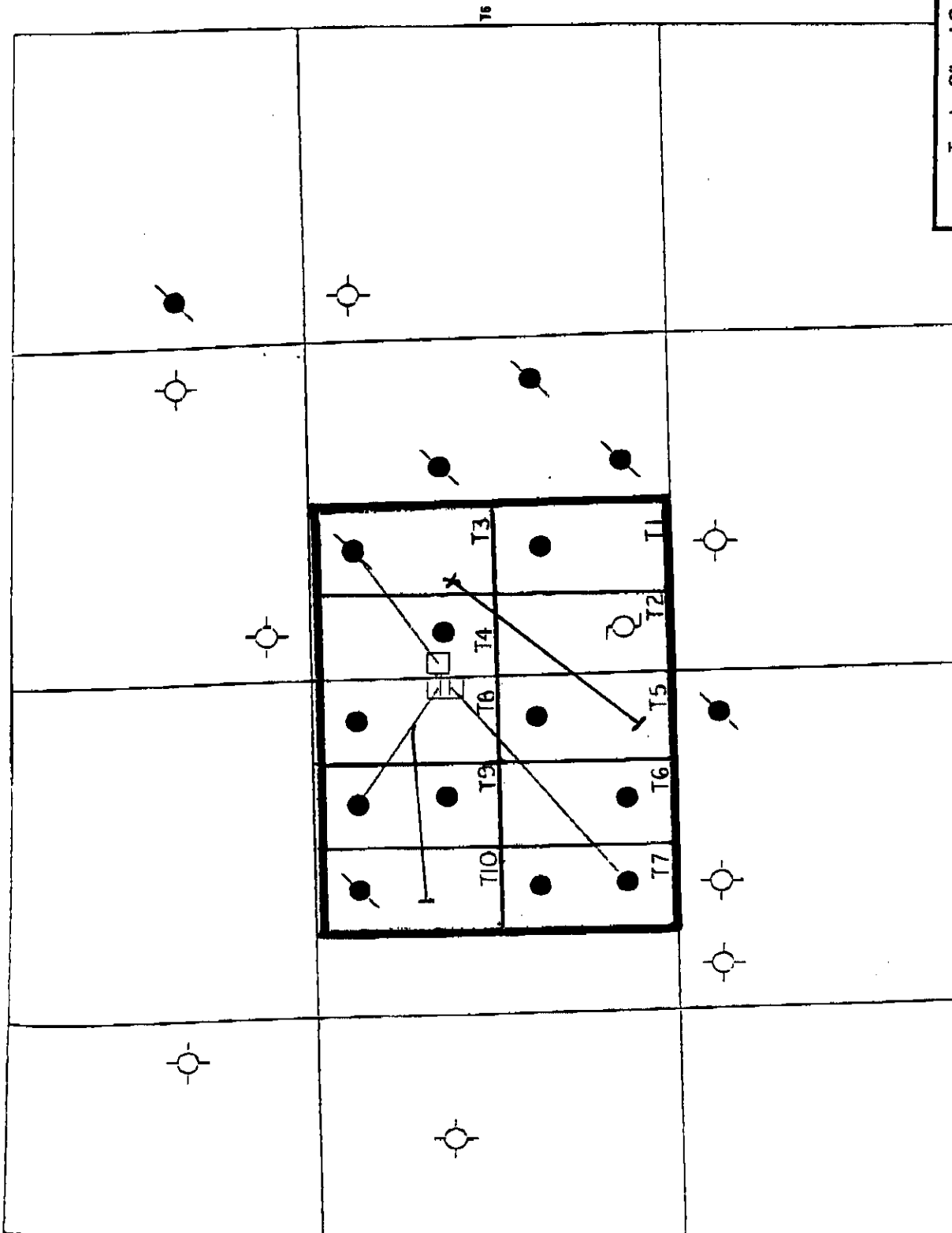


**Souris-Hartney**

[illegible]

UNIT OUTLINE

T - TRACT NUMBER



TOTAL P.020

EXHIBIT 'C': TYPE LOG

