

UNIT AGREEMENT
SOUTH PIERSON UNIT NO. 1
June 1, 1993

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EXHIBIT "B"

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UNIT AGREEMENT
SOUTH PIERSON 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, all as hereinafter provided;

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

ARTICLE 1 - INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) "Affiliate"** means, with respect to any person, any other person who 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 he 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;

- (b) **"Conservation Board"** means The Oil and Natural Gas Conservation Board of the Province of Manitoba;
- (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 Article 14;
- (e) **"Formations"** means those formations which are identified as the top of the Lower Amaranth to the base of the Mission Canyon in the well 16-08-002-29 W1M located in Legal Subdivision 16 of Section 08 in Township 002, Range 29 West of the 1 Meridian, between the depths of nine hundred and ninety-eight decimal two metres (998.2 m) and one thousand and fifty-five metres (1,055 m) below the kelly bushing as shown on a reproduction of a portion of the Gamma Ray Densilog for the said well attached hereto as Exhibit "C".
- (f) **"Lease"** means an instrument granting a Working Interest in the Unitized Zone;
- (g) **"Minister"** means the member of the Executive Council charged by the Lieutenant Governor in Council with administration of the *Mines Act*;
- (h) **"Outside Substances"** means:
 - (i) any substances initially obtained from any source other than the Unitized Zone, or
 - (ii) any Unitized Substances,

with respect to which there is no royalty liability outstanding;

- (i) **"Party"** means a person who is bound by this Agreement;
- (j) **"Petroleum Substances"** means petroleum, natural gas and other hydrocarbons (except coal) or any of them, and all substances associated therewith;
- (k) **"Royalty Interest"** means:
 - (i) an absolute ownership interest, or a fee simple or similar ownership estate, in the Petroleum Substances in the Formations, or
 - (ii) a right to a share of the Petroleum Substances produced from the Formations or to a share of the proceeds from the sale of such Petroleum Substances,but does not include a Working Interest, the interest of a purchaser of such Petroleum Substances after production, or a mortgage, charge or other security interest;
- (l) **"Royalty Owner"** means a Party owning a Royalty Interest in or in respect of Unitized Substances;
- (m) **"Spacing Unit"** means the area allocated to a well by the Conservation Board with respect to the Formations for the purpose of drilling for or producing Petroleum Substances;
- (n) **"Tract"** means a parcel of land described and given a Tract number in Exhibit "A" and shown outlined on Exhibit "B";

- (o) **"Tract Participation"** means the percentage allotted to a Tract and set forth in Exhibit "A";
- (p) **"Unit Area"** means the lands described in Exhibit "A" and shown outlined on Exhibit "B";
- (q) **"Unit Operating Agreement"** means the agreement entitled "Unit Operating Agreement - South Pierson Unit No. 1" entered into by the Working Interest Owners;
- (r) **"Unit Operations"** means any operation or activity undertaken in connection with the development or exploitation of the Unitized Zone, the production of Unitized Substances or the installation, operation, maintenance or removal of unit facilities, insofar as such operation or activity has been authorized or provided for under this Agreement or the Unit Operating Agreement;
- (s) **"Unit Operator"** means the Party who is so designated under the Unit Operating Agreement;
- (t) **"Unitized Substances"** means the Petroleum Substances in or obtained from the Unitized Zone;
- (u) **"Unitized Zone"** means the Formations within the Unit Area;
- (v) **"Working Interest"** means any right to produce and dispose of the Petroleum Substances from the Formations including an interest chargeable with any costs of drilling for, recovery of and disposal of the Petroleum Substances therefrom;
- (w) **"Working Interest Owner"** means a Party owning a Working Interest in or in respect of Unitized Substances;

1.2 **Headings**

The clause headings in this Agreement shall not be considered in interpreting the text.

1.3 **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.

1.4 **Time**

In this Agreement all times are Central Standard Time.

1.5 **Legislative References**

In this Agreement, a reference to the *Mines Act* or to any other Act of the Legislature of Manitoba shall be construed as a reference to:

- (a) that Act, as amended from time to time;
- (b) any replacement of all or part of that Act enacted by the Legislature of Manitoba, as amended from time to time; and
- (c) any regulations, orders, directives, by-laws or other subordinate legislation made under any enactment referred to in subclause (a) or (b) above, as amended from time to time.

ARTICLE 2 - EXHIBITS

2.1 Exhibits

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

(a) Exhibit "A", Part I which numbers and describes each Tract, and, with respect to each Tract:

 (i) sets forth its Tract Participation;

 (ii) sets forth the names of the owners of the Working Interests therein, their respective percentage Working Interests therein, and their respective shares of the Tract Participation therefor;

 (iii) sets forth the names of the owners of the Royalty Interests therein; and

 (iv) identifies the Lease relating thereto, if any;

Exhibit "A", Part II which lists all of the Working Interest Owners and sets forth, with respect to each Working Interest Owner, the sum of all its Tract Participation shares;

(b) Exhibit "B", which is a plan of the Unit Area;

(c) Exhibit "C", which is a reproduction of a portion of the Gamma Ray Densilog referred to in Clause 1.1(g) hereof; and

(d) Exhibit "D" which is a listing of wells located within the Unit Area.

2.2 Exhibits Correct

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

2.3 Correction of Exhibits

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

2.4 Effective Time of Corrected Exhibits

Any corrected exhibit prepared on or before the Effective Date shall be effective on the Effective Date. Any corrected exhibit prepared after the Effective Date shall be effective at 0800 hours 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.

2.5 Supplying of Exhibits

Each time that an exhibit is revised or corrected pursuant to this Agreement, the Unit Operator shall supply the Conservation Board and the Department of Energy and Mines of the Province of Manitoba with two (2) copies each and shall supply each Working Interest Owner with a copy thereof. Each Working Interest Owner shall supply each of its Royalty Owners, excepting the Crown, with a copy thereof.

2.6 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 3 - UNITIZATION AND EFFECT

3.1 Unitization

On and after the Effective Date the interests of each Royalty Owner and of each Working Interest Owner in or in respect of the Unitized Substances and the Unitized Zone are hereby unitized in accordance with the provisions of this Agreement as if the Unitized Zone had been included in a single lease executed by the Royalty Owners, as lessors, in favour of the Working Interest Owners, as lessees, and as if the lease had been subject to this Agreement.

3.2 Personal Property Excepted

All lease and well equipment heretofore or hereafter placed by any of the Working Interest Owners on lands comprised in the Unit Area shall be deemed conclusively to be and shall remain personal property belonging to and may be removed by such Working Interest Owners. The Working Interest Owners' rights and interests therein are set forth in the Unit Operating Agreement.

3.3 Continuation of Leases

All operations conducted with respect to the Unitized Zone or production of Unitized Substances shall, except for the purpose of calculating payments to Royalty Owners, be deemed conclusively to be operations upon or production from the Unitized Zone in each Tract, and such operations or production shall continue in full force and effect each Lease and any other agreement or instrument relating to the Unitized Zone or Unitized Substances as if such operations had been conducted on and a well was producing from each Tract or Spacing Unit, or portion thereof, in the Unit Area. The interruption of operations conducted with respect to the Unitized Zone, or of the production of Unitized Substances, shall not affect the continuation of the Leases and any other agreements or

instruments relating to the Unitized Zone or Unitized Substances and such Leases or other agreements or instruments shall continue in force during such interruption.

3.4 Leases Amended

Each Lease and any other agreement or instrument relating to the Unitized Zone or Unitized Substances is hereby amended only to the extent necessary to make it conform to this Agreement.

3.5 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 3.5 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.

3.6 Effect of Unitization on Titles

Nothing herein shall be construed as a transfer or exchange of any interest in the Leases, Tracts or Unitized Zone, or in the Unitized Substances before production thereof.

3.7 Name

The name of the unit hereby constituted is "South Pierson Unit No. 1".

ARTICLE 4 - AUTHORITY TO WORKING INTEREST OWNERS

4.1 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 Tracts in such manner and by such means and methods as the Working Interest Owners consider necessary and proper and, without limiting the generality of the foregoing, the right to inject any substance or combination of substances into the Unitized Zone and convert and use as injection wells any wells now existing or hereafter drilled into the Unitized Zone.

4.2 Delegation

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

4.3 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 5 - INCLUSION AND QUALIFICATION OF TRACTS

5.1 Tracts Included on Effective Date

The Tracts included in the Unit Area as of the Effective Date are those Tracts which qualify for such inclusion pursuant to clause 5.2 before the Effective Date.

5.2 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 11.2 and when:

- (a) owners of one hundred per cent (100%) of the Working Interest therein have become Parties and parties to the Unit Operating Agreement and owners of one hundred per cent (100%) of the Royalty Interest therein have become Parties; or
- (b) owners of one hundred per cent (100%) of the Working Interest therein have become Parties and parties to the Unit Operating Agreement and owners of less than one hundred per cent (100%) of the Royalty Interest therein have become Parties, and the owners of such 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 Interest therein have agreed with the owners of Working Interests then Parties and parties to the Unit 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.

ARTICLE 6 - TRACT PARTICIPATION

6.1 Tract Participation

Each Tract has a Tract Participation as shown on Exhibit "A".

ARTICLE 7 - ALLOCATION OF UNITIZED SUBSTANCES PRODUCED

7.1 Allocation Among Tracts

Subject to clauses 7.6, 8.1 and 8.2, the Unitized Substances when produced shall be allocated among the Tracts in accordance with their Tract Participations. 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 Unitized Zone in the Tract.

7.2 Distribution Within Tracts

The Unitized Substances allocated to a Tract shall be distributed by the Working Interest Owners thereof among, or accounted for to, the Parties entitled to share in production from the Tract in the same manner, the same proportions, and upon the same conditions as they would have participated and shared in the production from the Tract, or in the proceeds from the sale thereof, had the Unitized Substances allocated to the Tract been actually produced therefrom by the Working Interest Owners.

7.3 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 pursuant to 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, other agreement or 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.

7.4 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, construct, maintain and operate in the Unit Area all necessary facilities for taking delivery in kind.

7.5 Failure to Take in Kind

To the extent that any 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 the Unit Operator, as agent and for the account and at the expense of such Party, may sell, store, inject or otherwise dispose of them. If such Party's share of Unitized Substances is sold by the Unit Operator, then within sixty (60) days from the date of the sale the Unit Operator shall pay the net proceeds remaining from the sale to such Party after deducting therefrom its reasonable costs for carrying out the sale. The Unit Operator may contract for the sale thereof only for the minimum term obtainable which in no event shall exceed one (1) year. When the 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 if it has given the Unit Operator at least sixty (60) days written notice prior to the expiration of the current contract that it intends to take its share in kind.

Insofar as this clause relates to or affects the Crown, the Unit Operator shall be entitled to deduct only those costs and allowances which the Minister approves as deductible costs in determining the Crown's royalty share of Unitized Substances, pursuant to the *Mines Act*.

Insofar as this clause relates to or affects any other Royalty Owner, the Unit Operator shall be entitled to deduct only those costs and allowances which are provided for in determining such Royalty Owner's share of Unitized Substances under its Lease.

7.6 Royalty on Outside Substances

If an Outside Substance is injected into the Unitized Zone, the first like Unitized Substance subsequently produced for sale or for use other than for Unit Operations 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 Unitized Substance so deemed to be an Outside Substance shall be allocable to the Tracts for the purposes of calculating royalty, and accordingly no royalty shall be payable or deliverable in respect thereof.

ARTICLE 8 - USE, LOSS AND RE-INJECTION OF UNITIZED SUBSTANCES

8.1 Use or Loss

The Working Interest Owners shall be entitled to use as much of the Unitized Substances, other than crude oil, as may reasonably be required for Unit Operations. No Unitized Substances consumed through such use, and no Unitized Substances unavoidably 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 8.1 shall not be construed as relieving the Unit Operator or any other Working Interest Owner from any liability which it would otherwise have for any loss of Unitized Substances.

8.2 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 9 - ENLARGEMENT OF UNIT AREA

9.1 Application for Enlargement

After the Effective Date, if an owner of a Working Interest in lands in the vicinity of the Unit Area indicated to be potentially productive of Petroleum Substances from the Formations makes application therefor, the Working Interest Owners may, upon such terms and conditions as they may determine, approve the admission of such lands into the Unit Area. If the lands qualify under clause 5.2 the Unit Area shall be enlarged to include them herein called "the Enlargement". Even though an owner of a Working Interest or of a Royalty Interest in lands approved hereunder for admission into the Unit Area is a Party, the lands shall not qualify for inclusion in the Unit Area unless the owner again executes and delivers a counterpart of this Agreement to the Unit Operator.

9.2 Adjustment of Tract Participation

The Tract Participation of each Tract added pursuant to clause 9.1 shall be determined by the Working Interest Owners. The Tract Participations shall then be adjusted so that:

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

9.3 Exhibits

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

9.4 **Effective Time of Enlargement**

An Enlargement pursuant to clause 9.1 and an adjustment of Tract Participations pursuant to this Article shall become effective at 0800 hours on the first day of the first calendar month following approval of admission under clause 9.1 and Tract qualification under clause 5.2.

9.5 **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 10 - DISPUTES

10.1 **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 the Unit Operator. If the Unit Operator is so notified or if the Unit Operator is directed to do so by the Working Interest Owners in the event that it is otherwise informed of the dispute, the Unit Operator shall withhold and sell the portion of Unitized Substances the title or right to which is in dispute, and hold in trust in an interest bearing trust account 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 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 thereto.

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

ARTICLE 11 - TITLES

11.1 Titles Committee

The Working Interest Owners shall appoint a titles committee which shall investigate the ownership of the Working Interests and of the Royalty Interests of all the Tracts. 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. 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.

11.2 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.

11.3 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 from the Unit Operating Agreement as of 0800 hours 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 by 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 5.2.

11.4 Revision of Exhibits

The Unit Operator shall revise the exhibits to reflect any change in ownership in or exclusion from this Agreement of a Tract pursuant to clause 11.3. Where a Tract is excluded, the Tract Participations of the other Tracts shall each be increased, without changing their ratios to each other, so that their summation is one hundred per cent (100%). The revised exhibits shall be effective as of 0800 hours on the first day of the calendar month in which the failure of title referred to in clause 11.3 is finally determined.

11.5 **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 Article be regarded as a failure of title. 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.

ARTICLE 12 - TRANSFER OF INTEREST

12.1 **Disposition**

In this clause, "disposition" means a sale, assignment, transfer, lease, sublease, conveyance, gift, 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 of or an undivided interest in the Party's interest in such Tract. A disposition shall not be binding on the Unit Operator:

- (a) where the acquiring parties are not Parties, until each party has executed and delivered to the Unit Operator a counterpart of this Agreement and, in the case of parties acquiring a Working Interest, a counterpart of the Unit Operating Agreement, and all parties to such disposition have each given notice thereof to the Unit Operator and have provided to the Unit Operator a copy of the conveyance document evidencing the disposition;
- (b) where the acquiring parties are Parties, until all parties to such disposition have each given notice thereof to the Unit Operator.

The 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 0800 hours on the first day of the month next following the calendar month in which the notice is received by the Unit Operator.

ARTICLE 13 - IN GENERAL

13.1 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.

13.2 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.

13.3 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 5 or Article 9 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.

13.4 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.

13.5 Force Majeure

Neither the Unit Operator nor any other Party shall be deemed to be in default with respect to non-performance of its obligations hereunder, other than financial, if and for 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. Such Party shall use reasonable efforts to remove such cause, and the performance of such obligations shall begin or be resumed within a reasonable time after such cause has been removed. Nothing herein contained shall be construed to require any Party to settle a strike, lockout or other labour difficulty by acceding against its judgment to the demands of opposing persons in any labour dispute. Where the performance of any Party is prevented or materially affected as aforesaid, such Party shall give notice and full particulars to the other Parties within a reasonable time after the occurrence of the cause relied upon and shall give notice to the other Parties immediately when such cause ceases to operate. Neither this Agreement or 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 any cause set forth in this clause.

13.6 Taxes

As between the owners of the Working Interest and the owners of the Royalty Interest in 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 Owner for such Tract may pay such taxes on such Royalty Owner's behalf and deduct the Royalty Owner's share of any payment so made from any royalty payable or deliverable to it in respect of such Tract.

13.7 Right of Redemption

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 deduct the Royalty Owner's share of any payment so made from any royalty payable or deliverable to it in respect of such Tract.

13.8 Enuring Clause

Subject to the provisions of clause 12.1 and clause 15.1 this Agreement shall enure to the benefit of, and be binding upon, the respective heirs, executors, administrators, successors and assigns of the Parties.

13.9 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.

13.10 Statutory Compliance

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.

ARTICLE 14 - EFFECTIVE DATE

14.1 Effective Date

The unitization provided for herein shall become effective as of 0800 hours on the first day of the first calendar month following

- (a) the date of the qualification under clause 5.2 of Tracts having a combined Tract Participation of one hundred per cent (100%) of the total Tract Participation as originally set out in Exhibit "A"; and
- (b) the date the Unit Operator receives written approval of this Agreement from the Conservation Board.

14.2 Notice of Effective Date

As soon as possible after the Effective Date the Unit Operator shall notify all Working Interest Owners, the Conservation Board and the Department of Energy and Mines of the Province of Manitoba of the Effective Date. Each Working Interest Owner shall advise each of its Royalty Owners, excepting the Crown, of the Effective Date.

14.3 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 1st day of October, 1993.

ARTICLE 15 - TERM

15.1 Effect of Execution and Delivery

Subject to clause 14.3, this Agreement is binding upon a person who executes and delivers a counterpart thereof to the Unit Operator, and that person is bound by this Agreement as of the time of such delivery.

15.2 Termination

Subject to clause 15.3 this Agreement terminates ninety (90) 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, whichever is the first to occur. 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.

15.3 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. This provision shall survive the termination of this Agreement for such six (6) month period.

15.4 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) days thereafter.

15.5 Notices and Communications

Except with respect to notices and communications between a Working Interest Owner and its Royalty Owner, the giving of which shall be governed by the applicable Lease or other agreement or instrument, any notice may be served by delivery by hand, by mailing the same by prepaid post in a properly addressed envelope addressed to the other Parties hereto at such Parties' address for service hereunder or by telecopy. Any notice delivered by hand shall be deemed given and received on the date of service. Provided there is no disruption of postal service, any notice so served by mail shall be deemed to be given to and received by the addressee on the fourth day, except Saturdays, Sundays and holidays, after the mailing thereof. In the case of a telecopy, any notices so sent shall be deemed to be given to and received by the addressee on the day when it was sent, if sent during normal business hours of the recipient (8:00 a.m. to 4:00 p.m.) otherwise on the next following business day, after the sending thereof. The Parties hereto may from time to time change their address for service hereby by giving written notice to the other Parties hereto.

South Pierson Unit No.1
Working Interest Owners

Corvair Oils Ltd.
Attention: Mr. R. Delbaere
P.O. Box 3827
Edmonton, Alberta
T5L 4J8

Home Oil Company Limited
Attention: G.C.K. (Gary) Johnson
1600, 324 Eighth Avenue S.W.
Calgary, Alberta
T2P 2Z5

Scurry Rainbow Oil Limited
Attention: G.C.K. (Gary) Johnson
1600, 324 Eighth Avenue S.W.
Calgary, Alberta
T2P 2Z5

EXHIBIT "A"
PART I
Attached to and Made Part of an Agreement Entitled
UNIT AGREEMENT
South Pierson Unit No.1

In this Exhibit, the following abbreviations mean respectively:

Corvair	Corvair Oils Ltd.
Home	Home Oil Company Limited
Murphy	Murphy Oil Company Ltd.
Scurry	Scurry Rainbow Oil Limited

EXHIBIT "A"
PART I
Attached to and Made Part of an Agreement Entitled
UNIT AGREEMENT
SOUTH PIERSON UNIT NO.1

Tract No.	Land Description	Tract Participation ††	Royalty Interest Owner	P&NG Lease No./ Freehold Name	Working Interest Owner	Share of Working Interest	Share of Tract Participation
1	LSD's 10 & 15 of Section 04-002-29 W1M	3.6859%	Crown	L861-693	Home Scurry	66.6670% 33.3330%	2.4573% 1.2286%
2	LSD's 12 & 13 of Section 04-002-29 W1M	4.0814%	Crown	L861-693	Home Scurry	66.6670% 33.3330%	2.7209% 1.3605%
3	LSD's 11 & 14 of Section 04-002-29 W1M	2.5189%	Crown	L861-693	Home Scurry	66.6670% 33.3330%	1.6793% 0.8396%
4	LSD's 09 & 16 of Section 04-002-29 W1M	1.4793%	Crown	L861-693	Home Scurry	66.6670% 33.3330%	0.9862% 0.4931%
5	LSD's 09 & 16 of Section 05-002-29 W1M	2.4955%	Freehold	Smith/Murphy	Home Scurry	66.6670% 33.3330%	1.6637% 0.8318%
6	LSD's 02 & 07 of Section 08-002-29 W1M	5.4202%	Crown	L861-696	Home Scurry	66.6670% 33.3330%	3.6135% 1.8067%
7	LSD's 03 & 06 of Section 08-002-29 W1M	3.9077%	Crown	L861-696	Home Scurry	66.6670% 33.3330%	2.6051% 1.3026%
8	LSD's 01 & 08 of Section 08-002-29 W1M	3.2098%	Crown	L861-696	Home Scurry	66.6670% 33.3330%	2.1399% 1.0699%
9	LSD's 10 & 15 of Section 08-002-29 W1M	3.9377%	Freehold	Boyd/Murphy/ Montreal Trust	Home Scurry	66.6670% 33.3330%	2.6251% 1.3126%
10	LSD's 12 & 13 of Section 08-002-29 W1M	2.4243%	Freehold	Boyd/Allison/ Murphy	Home Scurry	66.6670% 33.3330%	1.6162% 0.8081%
11	LSD's 11 & 14 of Section 08-002-29 W1M	2.7244%	Freehold	Boyd/Allison/ Murphy	Home Scurry	66.6670% 33.3330%	1.8163% 0.9081%
12	LSD's 09 & 16 of Section 08-002-29 W1M	2.3832%	Freehold	Boyd/Murphy/ Montreal Trust	Home Scurry	66.6670% 33.3330%	1.5888% 0.7944%
13	LSD's 02 & 07 of Section 09-002-29 W1M	3.2426%	Freehold	Corvair/Kielhorn/ Murphy	Home Scurry Corvair	58.3336% 29.1664% 12.5000%	1.8915% 0.9457% 0.4053%
14	LSD's 04 & 05 of Section 09-002-29 W1M	2.3177%	Freehold	Corvair/Kielhorn/ Murphy	Home Scurry Corvair †	58.3336% 29.1664% 12.5000%	1.3520% 0.6760% 0.2897%
15	LSD's 03 & 06 of Section 09-002-29 W1M	5.6439%	Freehold	Corvair/Kielhorn/ Murphy	Home Scurry Corvair	58.3336% 29.1664% 12.5000%	3.2923% 1.6461% 0.7055%

† Corvair's Working Interest Becomes 12.5% upon Payout of Tracts 14 and 16, Home's Working Interest becomes 58.3336% and Scurry's Interest Becomes 29.1664%

Tract No.	Land Description	Tract Participation ††	Royalty Interest Owner	P&NG Lease No./ Freehold Name	Working Interest Owner	Share of Working Interest	Share of Tract Participation
16	LSD's 01 & 08 of Section 09-002-29 W1M	1.7444%	Freehold	Corvair/Kielhorn/ Murphy	Home Scurry Corvair †	58.3336% 29.1664% 12.5000%	1.0176% 0.5088% 0.2181%
17	LSD's 10 & 15 of Section 09-002-29 W1M	3.8463%	Freehold	Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	2.5642% 1.2821%
18	LSD's 12 & 13 of Section 09-002-29 W1M	3.7381%	Freehold	Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	2.4921% 1.2460%
19	LSD's 11 & 14 of Section 09-002-29 W1M	2.2874%	Freehold	Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	1.5249% 0.7625%
20	LSD's 09 & 16 of Section 09-002-29 W1M	4.3832%	Freehold	Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	2.9221% 1.4611%
21	LSD's 04 & 05 of Section 15-002-29 W1M	2.6698%	Freehold	Robvest/Stevens/ Hamilton/Murphy	Home Scurry	66.6670% 33.3330%	1.7799% 0.8899%
22	LSD's 02 & 07 of Section 16-002-29 W1M	2.5646%	Crown	L851-529	Home Scurry	66.6670% 33.3330%	1.7097% 0.8549%
23	LSD's 04 & 05 of Section 16-002-29 W1M	2.9816%	Crown	L851-529	Home Scurry	66.6670% 33.3330%	1.9877% 0.9939%
24	LSD's 03 & 06 of Section 16-002-29 W1M	2.6554%	Crown	L851-529	Home Scurry	66.6670% 33.3330%	1.7703% 0.8851%
25	LSD's 01 & 08 of Section 16-002-29 W1M	1.5777%	Crown	L851-529	Home Scurry	66.6670% 33.3330%	1.0518% 0.5259%
26	LSD's 10 & 15 of Section 16-002-29 W1M	4.1034%	Crown	L851-529	Home Scurry	66.6670% 33.3330%	2.7356% 1.3678%
27	LSD's 12 & 13 of Section 16-002-29 W1M	1.4331%	Crown	L851-529	Home Scurry	66.6670% 33.3330%	0.9554% 0.4777%
28	LSD's 11 & 14 of Section 16-002-29 W1M	2.6858%	Crown	L851-529	Home Scurry	66.6670% 33.3330%	1.7905% 0.8953%
29	LSD's 02 & 07 of Section 17-002-29 W1M	2.0870%	Freehold	Home/Southam	Home Scurry	66.6670% 33.3330%	1.3913% 0.6957%
30	LSD's 04 & 05 of Section 17-002-29 W1M	1.6213%	Freehold	Home/Southam	Home Scurry	66.6670% 33.3330%	1.0809% 0.5404%
31	LSD's 03 & 06 of Section 17-002-29 W1M	1.2294%	Freehold	Home/Southam	Home Scurry	66.6670% 33.3330%	0.8196% 0.4098%
32	LSD's 01 & 08 of Section 17-002-29 W1M	1.4097%	Freehold	Home/Southam	Home Scurry	66.6670% 33.3330%	0.9398% 0.4699%

† Corvair's Working Interest Becomes 12.5% upon Payout of Tracts 14 and 16, Home's Working Interest becomes 58.3336% and Scurry's Interest Becomes 29.1664%

Tract No.	Land Description	Tract Participation ††	Royalty Interest Owner	P&NG Lease No./ Freehold Name	Working Interest Owner	Share of Working Interest	Share of Tract Participation
33	LSD's 10 & 15 of Section 17-002-29 W1M	1.1065%	Freehold	Campbell	Home Scurry Corvair	50.0003% 24.9998% 25.0000%	0.5533% 0.2766% 0.2766%
34	LSD's 12 & 13 of Section 17-002-29 W1M	1.0733%	Freehold	Campbell	Home Scurry	66.6670% 33.3330%	0.7155% 0.3578%
35	LSD's 11 & 14 of Section 17-002-29 W1M	1.0446%	Freehold	Campbell	Home Scurry	66.6670% 33.3330%	0.6964% 0.3482%
36	LSD's 09 & 16 of Section 17-002-29 W1M	2.2309%	Freehold	Campbell	Home Scurry Corvair	50.0003% 24.9998% 25.0000%	1.1155% 0.5577% 0.5577%
37	LSD's 01 & 08 of Section 18-002-29 W1M	1.6111%	Crown	L861-697	Home Scurry	66.6670% 33.3330%	1.0741% 0.5370%
38	LSD's 09 & 16 of Section 18-002-29 W1M	0.4429%	Freehold	Eikanger	Home Scurry	66.6670% 33.3330%	0.2953% 0.1476%

†† Production shall be allocated to each 16 hectare spacing unit within a tract on an areal basis for purposes of determining crown royalty share or oil and gas production tax liabilities.

Revision No.1
Revision Date: 1993-07-05

† Corvair's Working Interest Becomes 12.5% upon Payout of Tracts 14 and 16, Home's Working Interest becomes 58.3336% and Scurry's Interest Becomes 29.1664%

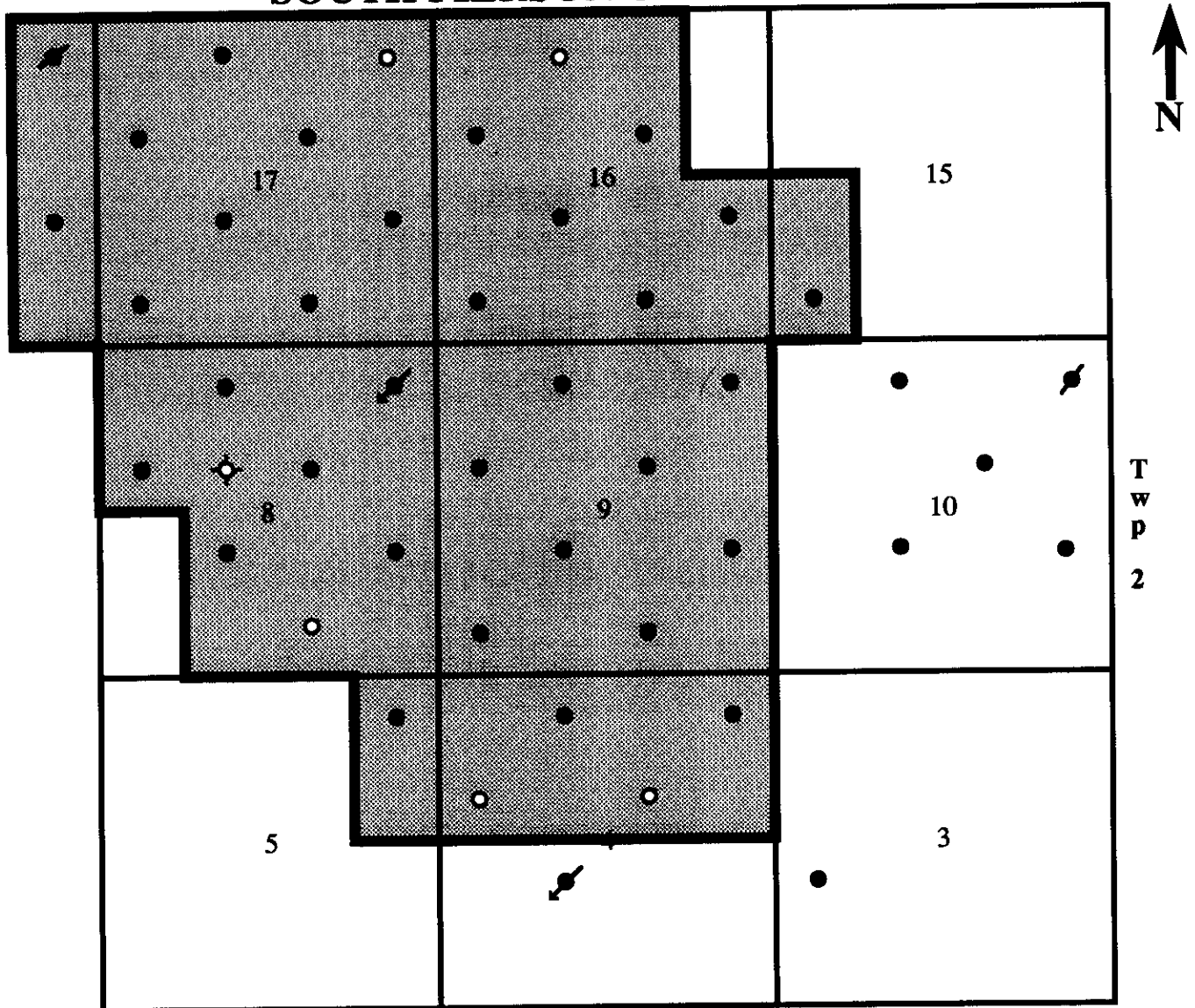
EXHIBIT "A"
PART II
Attached to and Made Part of an Agreement Entitled
UNIT AGREEMENT
SOUTH PIERSON UNIT NO.1

<u>Working Interest Owner</u>	<u>Unit Participation</u>
Home Oil Company Limited	65.3702%
Scurry Rainbow Oil Limited	32.6846%
Corvair Oils Ltd. †	1.9452%

† Corvair's Working Interest Becomes 2.4529% upon Payout of Tracts 14 and 16, Home's Working Interest Becomes 65.0317% and Scurry's Interest Becomes 32.5154%

EXHIBIT "B"

Attached to and Made Part of an Agreement Entitled
UNIT AGREEMENT
SOUTH PIERSON UNIT NO.1



 **Defined Unit Area**

● **Current Producing Wells**

 **Injection Well**

 **Suspended Well**

 **Abandoned Well**

○ **Remaining 32 Hectare Spacing Well**

EXHIBIT C

16-08-002-29-W1M

KB 477.6m

PROPOSED WATER DISPOSAL WELL
a. b.

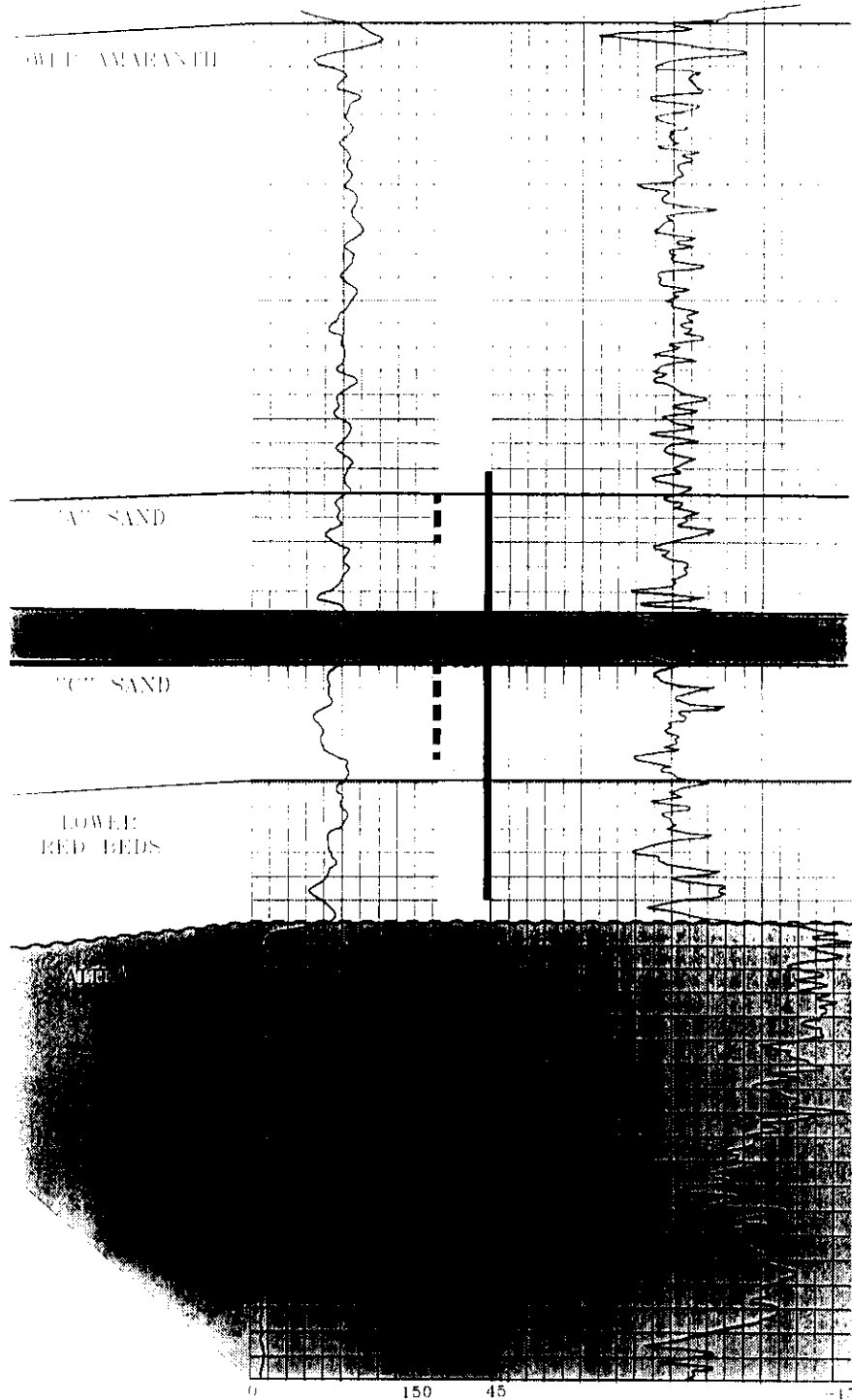


EXHIBIT "D"
Attached to and Made Part of an Agreement Entitled
UNIT AGREEMENT
SOUTH PIERSON UNIT NO.1

<u>Location</u>	<u>Well Name</u>
10-04-002-29 W1M	Home Scurry Pierson Prov
12-04-002-29 W1M	Home Scurry Pierson Prov
14-04-002-29 W1M	Home Scurry S. Pierson Prov
16-04-002-29 W1M	Home SRO S Pierson Prov
16-05-002-29 W1M	Home SRO S Pierson
02-08-002-29 W1M	Home Scurry Pierson Prov
06-08-002-29 W1M	Home Scurry Pierson Prov
08-08-002-29 W1M	Home Scurry S. Pierson Prov
10-08-002-29 W1M	Home Scurry Pierson
12-08-002-29 W1M	Home Scurry Pierson
14-08-002-29 W1M	Home Scurry Pierson
16-08-002-29 W1M	Home et al Pierson SWD
02-09-002-29 W1M	Home et al Pierson
04-09-002-29 W1M	Home et al S. Pierson
06-09-002-29 W1M	Home et al Pierson
08-09-002-29 W1M	Home Scurry S. Pierson
10-09-002-29 W1M	Home et al Pierson
12-09-002-29 W1M	Home Scurry S. Pierson
14-09-002-29 W1M	Home Scurry S. Pierson
16-09-002-29 W1M	Home Scurry S. Pierson
04-15-002-29 W1M	Home SRO S Pierson
02-16-002-29 W1M	Home Scurry S Pierson Prov
04-16-002-29 W1M	Home SRO S Pierson Prov
06-16-002-29 W1M	Home SRO S Pierson Prov
08-16-002-29 W1M	Home Scurry S. Pierson prov.