



April 5, 1993

FILE.

S. PIERSON

UNIT No. 1

UNIT AGREEMENT

Mr. G.C.K. Johnson  
Home Oil Company Limited  
324 - 8th Avenue S.W.  
Calgary AB T2P 2Z5

Dear Garry:

**Re: Waskada Units - Tract Participation Factor**

The following summarizes tract participation factors used for the 14 Lower Amaranth units in the Waskada Field.

**INTERIM TRACT FACTORS**

- used in 3 units to address; (1) a wide variation in production rates and (2) to preserve existing cash flow
- interim tract factors based on current oil rates (last 4 months production)
- interim tract factors in place for 1 year from effective date of unit agreement

**FINAL TRACT FACTORS**

- all final tract factors incorporate a combination of reserves and production

**EXAMPLES**

7 Units

2/3 remaining recoverable reserves under waterflood\* +  
1/9 daily oil rate\*\* 1st (4) months production +  
2/9 oil cut 1st (4)\*\*\* months production

3 Units

40%  $\phi$ h + 30% average daily oil rate\*\* 1st (5) months production +  
30% cumulative oil production 1st (5) months on production

1 Unit

50% remaining recoverable reserves under waterflood\* +  
25% current daily oil rate\*\* last (4) months production +  
25% current oil cut last (4) months production

3 Units\*\*\*\*

40%	20%	30%	remaining recoverable reserves under waterflood
20%	30%	22.5%	current daily oil rate** last (4) months production
10%	10%	7.5%	current oil cut last (4) months production
20%	30%	30%	initial daily oil rate** 1st (4) months production
10%	10%	10%	initial oil cut 1st (4) months production

\* remaining recoverable reserves =  $(\phi h S_{w_{constant}} \times R_{F_{waterflood}})$  constant

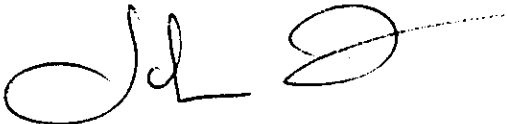
\*\* per operating day

\*\*\* ranges 4-7 months

\*\*\*\* all 3 units had interim tract factors for 1st year

If you have any questions, please call me at (204) 945-6574.

Yours truly,



John N. Fox  
Chief Petroleum Engineer

JNF/hw

WASKADA UNIT NO. 4 (UNITIZATION ORDER No 31) - ONEGA

- see Waskada Unit No. 2

WASKADA UNIT NO. 5 - ONEGA

- see Waskada Unit No. 2

WASKADA UNIT NO. 6 (UNITIZATION ORDER No. 32) <sup>TUNDRA</sup> (ORIGINAL UNIT OPERATOR - CHEVRON)

INTERIM TRACT PARTICIPATION - in place for 1 year

current oil rate 30 consecutive days of consecutive production  
between May 1/85 to Aug 31/85 - 1.0

FINAL TRACT PARTICIPATION

3/10 - current oil rate 30 consecutive days of production between Sep 1/84 & Nov 30/84

1/10 - current oil cut (1- water cut) between Sep 1/84 & Nov 30/84

2/10 - Øh

3/10 - initial oil rate 1st (4) months the production

1/10 - initial oil cut during 1st (4) months of production

WASKADA UNIT NO. 16 - ENRON ✓

40% OIL-IN-PLACE ( $\phi H$ )

30% AVERAGE DAILY OIL RATE/OPERATING DAY 1ST (5) MONTHS

30% TOTAL VOLUME OF OIL PRODUCED DURING  
THE 1ST (5) MONTHS

WASKADA UNIT NO. 17 - ENRON ✓

40% -  $\phi H$

30% - AVERAGE DAILY OIL RATE/OPERATING DAY - 1ST 5 MON

30% - CUMULATIVE OIL PRODUCTION 1ST 5 MONTHS

WASKADA UNIT NO. 18 - ENRON ✓

40% -  $\phi H$

30% - AVER. DAILY OIL RATE 1ST 4 MONS

30% - CUMULATIVE OIL PRODUCTION 1ST 4 MONS.

Waskada Unit No. 14 - Omega

50% REMAINING RECOVERABLE RESERVES	{	LAST 4 MONTHS PRODUCTIVE -
25% CURRENT OIL RATE		
25% CURRENT OIL CUT		

WASKADA UNIT NO. 15 - OMEGA

INTERIM TRACT PARTICIPATION - 1 YEAR  
(TO MAINTAIN PRE-UNIT CASH FLOW)

CURRENT OIL RATE LAST 4 MONTHS

FINAL TRACT

30% REMAINING RECOVERABLE RESERVES UNDER WATERFLOODING

22.5%	CURRENT PRODUCTIVITY	LAST 4 MONTHS
7.5%	CURRENT OIL CUT	" " "
30%	INITIAL PRODUCTIVITY	1ST (4) MONTHS
10%	INITIAL OIL CUT	" " "

## WASKADA UNIT No. 7 - OMEGA

INTERIM TRACT FACTOR (due wide variation in current producing rates)

3/4 - OIL RATE LAST 4 MONTHS

1/4 (1 - WATER CUT) LAST 4 MONTHS

## FINAL TRACT FACTORS

40% - <sup>REMAINING</sup> RECOVERABLE RESERVES

20% - CURRENT OIL RATE (PRE-UNITIZATION - LAST 4 MONTHS)

10% - CURRENT OIL CUT ( " " - LAST 4 MONTHS)

20% - INITIAL OIL RATE (first (4) months in production)

10% - INITIAL OIL CUT " " " " "

## WASKADA UNIT No. 8 - OMEGA

- see Waskada Unit No. 2

## WASKADA UNIT No. 13 - OMEGA

- see Waskada Unit No. 2

- use first (7) months of production to calculate initial oil rate & (1 - water cut)

# WASKADA UNIT PARTICIPATION FACTORS

93-04 -01

## WASKADA UNIT No. 1 - OMEGA

- remaining recoverable reserves under waterflood calculated using volumetric GOR times constant recovery factor minus cumulative production

## WASKADA UNIT No. 2 - OMEGA

- remaining recoverable reserves as in Waskada Unit No. 1 (water saturation & recovery factor - constant) -  $\frac{2}{3}$
- first (4) months production -  $\frac{1}{3}$  ( $\frac{2}{3}$  (1-water cut) +  $\frac{1}{3}$  oil rate) note: production rates daily oil and water cut were compared against "average" well in proposed unit

## WASKADA UNIT No. 3 - OMEGA

- see Unit No. 2

REMAINING RECOVERABLE RESERVES -  $\frac{2}{3}$   
OIL RATE 1ST (4) MONTHS -  $\frac{1}{9}$   
(1-WATER CUT) 1ST (4) MONTHS -  $\frac{2}{9}$

## TRACT - TYPE 3

## TRACT - TYPE 4

## TRACT - TYPE 5

## TRACT - TYPE 5A

## TRACT - TYPE 5B

WELL LOCATION	Tract Factor				Tract Factor 40% Rem				Tract Factor 20% Rem				Tract Factor 30% Rem				
	2/3 Remaining		40% Initial		2/3 Remaining		40% Initial		2/3 Remaining		40% Initial		2/3 Remaining		40% Initial		
	MONTHS	DELTA	PROD (M3/D)	ASSIGNED	PROD (M3/D)	DELTA	LAST 3 MONTHS OIL CUT	PROD (M3/D)	ASSIGNED	PROD (M3/D)	DELTA	PROD (M3/D)	ASSIGNED	PROD (M3/D)	DELTA	PROD (M3/D)	
10-04-002-29 W1M	62.95%	0.02682	3.38	(2.12)	838.25	0.02727	85.35%	3.44	3.44	(2.06)	85.35%	3.83	3.83	(1.67)	0.031678912	3.85	(1.65)
12-04-002-29 W1M	62.95%	0.02991	3.77	(2.23)	858.25	0.03007	85.35%	3.79	3.79	(2.21)	85.35%	4.21	4.21	(1.79)	0.034421292	4.21	(1.79)
14-04-002-29 W1M	62.95%	0.02748	3.47	0.77	920.10	0.02974	84.80%	3.75	3.75	1.05	84.80%	3.45	3.45	0.75	0.027182743	3.49	0.79
16-04-002-29 W1M	63.75%	0.02525	3.19	2.19	796.40	0.02566	85.90%	3.24	3.24	2.24	85.90%	2.80	2.80	1.80	0.022163021	2.72	1.72
16-05-002-29 W1M	52.62%	0.02181	2.75	(3.35)	1450.70	0.03101	40.50%	3.91	3.91	0.91	40.50%	2.97	2.97	(0.03)	0.025695009	3.23	0.23
02-08-002-29 W1M	51.62%	0.03645	4.65	(3.35)	1155.85	0.03981	51.87%	5.02	5.02	(2.98)	51.87%	5.16	5.16	(2.84)	0.042489289	5.25	(2.75)
06-08-002-29 W1M	74.18%	0.05932	4.96	0.26	1230.30	0.04192	81.83%	5.29	5.29	0.59	81.83%	4.73	4.73	0.03	0.035739033	4.63	(0.07)
08-08-002-29 W1M	29.05%	0.02700	3.41	(0.09)	1081.40	0.03573	21.90%	4.51	4.51	1.01	21.90%	3.25	3.25	(0.25)	0.024725931	3.24	(0.26)
10-08-002-29 W1M	95.95%	0.03640	4.59	(0.71)	992.40	0.03497	95.80%	4.41	4.41	(0.89)	95.80%	4.59	4.59	(0.71)	0.036404675	4.54	(0.76)
12-08-002-29 W1M	74.38%	0.03194	4.03	1.73	731.70	0.03090	90.57%	3.90	3.90	1.60	90.57%	3.55	3.55	1.25	0.025338491	3.37	1.07
14-08-002-29 W1M	87.73%	0.03473	4.38	1.58	580.90	0.03083	89.20%	3.89	3.89	1.09	89.20%	3.80	3.80	1.00	0.02691174	3.57	0.77
16-08-002-29 W1M	69.30%	0.02782	3.51	1.21	1041.90	0.03134	98.37%	3.95	3.95	1.65	98.37%	3.78	3.78	1.19	0.027386503	3.55	1.25
02-09-002-29 W1M	86.58%	0.02783	3.51	(1.19)	767.10	0.02526	90.60%	3.19	3.19	(1.51)	90.60%	3.78	3.78	(0.92)	0.031237433	3.83	(0.87)
04-09-002-29 W1M	28.88%	0.02353	2.97	0.67	559.30	0.02619	30.37%	3.30	3.30	1.00	30.37%	2.66	2.66	0.36	0.019175061	2.57	0.27
06-09-002-29 W1M	68.38%	0.03741	4.72	(3.98)	1315.60	0.04143	68.20%	5.23	5.23	(3.47)	68.20%	5.62	5.62	(3.08)	0.044560205	5.92	(2.78)
08-09-002-29 W1M	80.50%	0.02507	3.16	1.66	454.20	0.02226	86.17%	2.81	2.81	1.31	86.17%	2.71	2.71	1.21	0.019281542	2.55	1.05
10-09-002-29 W1M	88.63%	0.03329	4.20	(1.20)	868.00	0.03113	88.10%	3.93	3.93	(1.47)	88.10%	4.37	4.37	(1.03)	0.034666491	4.46	(0.94)
12-09-002-29 W1M	82.30%	0.03282	4.14	(0.46)	1131.40	0.03630	83.87%	4.58	4.58	(0.02)	83.87%	4.27	4.27	(0.33)	0.034721381	4.36	(0.24)
14-09-002-29 W1M	14.70%	0.02180	2.75	0.45	803.70	0.02756	5.40%	3.48	3.48	1.18	5.40%	2.62	2.62	0.32	0.020756805	2.58	0.43
16-09-002-29 W1M	86.13%	0.03189	4.02	(1.78)	1130.90	0.03636	89.63%	4.59	4.59	(1.21)	89.63%	4.46	4.46	(1.34)	0.033757616	4.74	(1.06)
04-15-002-29 W1M	95.98%	0.02761	3.48	0.38	1145.50	0.03133	98.30%	3.95	3.95	1.05	98.30%	3.52	3.52	0.62	0.02897061	3.65	0.75
02-16-002-29 W1M	92.83%	0.02773	3.50	0.30	867.40	0.02629	99.43%	3.32	3.32	0.12	99.43%	3.57	3.57	0.37	0.029119883	3.64	0.44
04-16-002-29 W1M	94.68%	0.02880	3.63	(0.37)	1233.40	0.03014	99.57%	3.80	3.80	(0.20)	99.57%	3.99	3.99	(0.01)	0.031622665	4.22	0.22
06-16-002-29 W1M	92.90%	0.03080	3.89	0.79	1092.20	0.03093	97.37%	3.90	3.90	0.80	97.37%	3.91	3.91	0.81	0.031825896	4.03	0.93
08-16-002-29 W1M	88.18%	0.02534	3.20	2.00	338.60	0.02104	99.40%	2.66	2.66	1.46	99.40%	2.61	2.61	1.41	0.017508915	2.34	1.14
10-16-002-29 W1M	91.20%	0.02274	3.25	(3.55)	1009.50	0.02478	92.47%	3.13	3.13	(3.67)	92.47%	4.12	4.12	(2.68)	0.036911148	4.33	(2.47)
12-16-002-29 W1M	98.48%	0.02084	2.63	1.03	428.10	0.01587	99.20%	2.00	2.00	0.40	99.20%	2.43	2.43	0.83	0.018677485	2.34	0.74
14-16-002-29 W1M	95.04%	0.02362	2.98	(1.02)	718.80	0.02088	95.84%	2.63	2.63	(1.37)	95.84%	3.17	3.17	(0.83)	0.026019712	3.14	(0.86)
02-17-002-29 W1M	98.23%	0.02474	3.12	0.32	874.10	0.02301	99.43%	2.90	2.90	0.30	99.43%	3.20	3.20	0.60	0.026509591	3.30	0.70
04-17-002-29 W1M	68.45%	0.02192	2.77	1.17	375.40	0.01889	97.23%	2.38	2.38	0.78	97.23%	2.52	2.52	0.92	0.018211654	2.35	0.75
06-17-002-29 W1M	18.40%	0.01938	2.45	1.85	480.50	0.02160	8.93%	2.73	2.73	2.13	8.93%	1.82	1.82	1.22	0.011341728	1.69	1.09
08-17-002-29 W1M	91.93%	0.02352	2.97	1.77	395.00	0.01873	98.97%	2.36	2.36	1.16	98.97%	2.55	2.55	1.35	0.018273105	2.38	1.18
10-17-002-29 W1M	81.68%	0.01809	2.28	1.18	346.30	0.01369	99.30%	1.73	1.73	0.63	99.30%	2.11	2.11	1.01	0.015955643	2.01	0.91
12-17-002-29 W1M	75.25%	0.01385	1.75	0.35	291.10	0.00987	97.30%	1.25	1.25	(0.15)	97.30%	1.79	1.79	0.39	0.014207337	1.71	0.31
14-17-002-29 W1M	28.81%	0.01314	1.66	0.36	320.90	0.01259	30.27%	1.59	1.59	0.49	30.27%	1.50	1.50	0.40	0.011130987	1.47	0.37
16-17-002-29 W1M	52.03%	0.02016	2.54	(0.46)	366.00	0.01728	63.79%	2.18	2.18	(0.82)	63.79%	2.56	2.56	(0.44)	0.019737367	2.47	(0.53)
08-18-002-29 W1M	83.75%	0.02374	3.00	1.40	611.50	0.02094	89.67%	2.64	2.64	1.04	89.67%	2.77	2.77	1.17	0.021930468	2.74	1.14
16-18-002-29 W1M	50.70%	0.01200	1.51	(1.29)	9.00	0.00643	30.23%	0.81	0.81	(1.99)	30.23%	1.74	1.74	(1.06)	0.01340979	1.82	(0.98)

2724.66%

29791.65

2950.47%

Tract Types 1 and 2 Based on 60% Production, 40% Reserves

PAGE 3 - Revised: 4/30/93



WELL LOCATION	STATUS	NEW O.O.L.P.** (10 <sup>3</sup> M3)	OLD O.O.L.P. (10 <sup>3</sup> M3)	RATE/CUM		NEW RESERVES (LA)				NEW RESERVES (MISS)				TOTAL RESERVES (M3)	ACTUAL RECOVERY (M3)	REMAINING RESERVES PRIMARY (M3)	SECONDARY RESERVES (M3) *	CURRENT PROD. (M3)	ASSUMED LATEST/ CURRENT PROD. (M3)
				ESTIMATE DEC. 1992	R.O.L.P. (M3)	RECOVERY %	PROVEN UNDEVELOPED	PROBABLE UNDEVELOPED	POSSIBLE	PROVEN DEVELOPED	PROBABLE UNDEVELOPED	PROVEN DEVELOPED	PROBABLE UNDEVELOPED						
10-04-002-29 W1M	UNDRILLED	104.2	88	10,422	-10,422					10,422					0	10,422	20,833	5.5	
12-04-002-29 W1M	UNDRILLED	98.9	112	9,888	-9,888					9,888					0	16,188	19,766	6.0	
14-04-002-29 W1M	PROD	106.6	88	10,663	5,188	14.87	10,663	0			0			5,188	6,187	9,664	21,315	2.7	
16-04-002-29 W1M	PROD	101.9	77	10,195	-6,895	3.24	3,300	6,895			6,895			0	2,139	8,056	20,379	1.0	
16-05-002-29 W1M	PROD	81.9	112	8,188	7,412	19.05	8,188	0			0			7,412	9,791	5,809	16,367	3.0	
02-08-002-29 W1M	UNDRILLED	149.4	92	14,939	-14,939					14,939					0	17,409	29,862	8.0	
06-08-002-29 W1M	PROD	166.8	126	16,680	-2,227	8.66	14,453	2,227			2,227			0	1,045	15,636	33,344	4.7	
08-08-002-29 W1M	PROD	136.2	92	13,619	5,631	14.13	13,619	0			0			5,631	10,549	8,701	27,225	3.5	
10-08-002-29 W1M	PROD	132.7	98	13,266	2,201	11.66	13,266	0			0			2,201	15,467	15,279	26,519	5.3	
12-08-002-29 W1M	PROD	134.1	96	13,415	-9,722	2.75	3,693	9,722			9,722			0	1,635	11,779	26,816	2.3	
14-08-002-29 W1M	PROD	140.0	63	14,003	-6,104	5.64	7,899	6,104			6,104			0	172	13,831	27,993	2.8	
16-08-002-29 W1M	PROD	129.9	102	12,992	-4,220	6.75	8,772	4,220			4,220			0	8,772	4,220	25,972	2.3	
02-09-002-29 W1M	PROD	98.6	38	9,858	-1,588	8.39	8,270	1,588			1,588			0	305	9,858	19,706	4.7	
04-09-002-29 W1M	PROD	123.2	69	12,321	-3,721	6.98	8,600	3,721			3,721			0	5,417	6,904	24,630	2.3	
06-09-002-29 W1M	PROD	105.2	48	10,516	12,162	21.57	10,516	0			0			12,162	302	22,376	21,021	8.7	
08-09-002-29 W1M	PROD	97.5	69	9,751	-7,737	2.07	2,014	7,737			7,737			0	3,502	8,269	19,491	1.5	
10-09-002-29 W1M	PROD	124.5	90	12,450	343	10.28	12,450	0			0			343	12,793	12,553	24,888	5.4	
12-09-002-29 W1M	PROD	121.6	119	12,155	9,845	18.10	12,155	0			0			9,845	22,000	12,082	24,299	4.6	
14-09-002-29 W1M	PROD	115.8	76	11,581	1,289	11.11	11,581	0			0			1,289	7,382	5,488	23,150	2.3	
16-09-002-29 W1M	PROD	119.3	95	11,926	12,459	20.45	11,926	0			0			12,459	24,385	10,480	23,840	5.8	
04-15-002-29 W1M	PROD	101.7	115	10,166	8,334	18.20	10,166	0			0			8,334	18,500	6,164	20,321	2.9	
02-16-002-29 W1M	PROD	103.1	73	10,309	191	10.19	10,309	0			0			191	3,630	6,871	20,607	3.2	
04-16-002-29 W1M	PROD	102.0	68	10,199	1,401	11.37	10,199	0			0			1,401	11,600	6,622	20,387	4.0	
06-16-002-29 W1M	PROD	118.0	104	11,801	-1,474	8.75	10,327	1,474			1,474			0	4,282	7,519	23,590	3.1	
08-16-002-29 W1M	PROD	96.8	83	9,682	-6,782	3.00	2,900	6,782			6,782			0	2,278	8,981	19,355	1.2	
10-16-002-29 W1M	PROD	64.7	96	6,467	4,088	15.95	6,467	0			0			4,088	358	10,597	13,727	6.8	
12-16-002-29 W1M	PROD	67.3	107	6,733	-2,313	6.56	4,420	2,313			2,313			0	1,768	4,965	13,459	1.6	
14-16-002-29 W1M	UNDRILLED	76.3	83	7,632	-7,632					7,632				0	0	7,632	15,256	4.0	
02-17-002-29 W1M	PROD	84.6	120	8,460	-1,000	8.82	7,460	1,000			1,000			0	3,374	5,086	16,912	2.6	
04-17-002-29 W1M	PROD	86.6	69	8,663	-5,293	3.89	3,370	5,293			5,293			0	1,396	7,268	17,318	1.6	
06-17-002-29 W1M	PROD	96.2	95	9,623	-7,323	2.59	2,300	7,323			7,323			0	1,628	7,996	19,237	0.6	
08-17-002-29 W1M	PROD	84.9	61	8,485	-5,046	4.05	3,439	5,046			5,046			0	1,525	6,960	16,982	1.2	
10-17-002-29 W1M	PROD	58.7	86	5,872	-3,672	3.75	2,200	3,672			3,672			0	1,075	4,797	11,738	1.1	
12-17-002-29 W1M	PROD	40.4	35	4,038	-1,548	6.17	2,490	1,548			1,548			0	1,041	2,997	8,072	1.4	
14-17-002-29 W1M	PROD	52.4	36	5,237	-1,037		4,200	1,037			1,037			0	0	5,237	10,469	1.1	
16-17-002-29 W1M	UNDRILLED	59.6	83	5,959	-5,959					5,959				0	0	11,917	17,109	3.0	
08-18-002-29 W1M	PROD	85.6	84	8,559	-4,115	5.19	4,444	4,115			4,115			0	1,911	6,648	17,109	1.6	
16-18-002-29 W1M	SUSP	35.5	45	3,547	-3,538	0.03	9	3,538			3,538			0	9	3,538	7,090	2.8	

\*\* New O.O.L.P. Based on J.S.Murray's mapping and Bo = 1.219

† R.O.L.P. - Based on 10 % of new O.O.L.P.

\* Secondary reserves based on 19.99% incremental of new O.O.L.P.

Based on  
Jan-Mar, 1993  
Prod. Data

Tract Types 1 and 2 Based on 60% Production, 40% Reserves



TRACT - TYPE 3			TRACT - TYPE 4			TRACT - TYPE 5			TRACT - TYPE 5A			TRACT - TYPE 5B		
WELL LOCATION	FIRST 4 MONTHS OIL CUT	Tract Factor		CUM OIL PROD (M3) AFTER 2928 HRS PROD	DELTA PROD (M3)	ASSIGNED PROD (M3/D)	DELTA PROD (M3)	LAST 3 MONTHS OIL CUT	Tract Factor		ASSIGNED PROD (M3/D)	DELTA PROD (M3)	ASSIGNED PROD (M3/D)	DELTA PROD (M3)
		2/3 Remaining	40% Initial						2/3 Remaining	40% Initial				
		Rem, 1/9 dry oil prod (1st 4 months), 2/9 oil cut (1st 4 months)	Rem, 30% dry oil prod (1st 4 months), 30% Cum Oil 2928 hrs prod						Rem, 30% dry oil prod (1st 4 months), 30% Cum Oil 2928 hrs prod	40% Initial				
10-04-002-29 W1M	62.95%	0.02682	0.02727	858.25	(2.12)	3.36	(2.06)	85.33%	0.030379795	0.033339587	3.83	(1.67)	4.00	(1.50)
12-04-002-29 W1M	62.95%	0.02991	0.03007	858.25	(2.23)	3.77	(2.21)	85.33%	0.033339587	0.034421292	4.21	(1.79)	4.34	(1.66)
14-04-002-29 W1M	62.95%	0.02748	0.02974	920.10	0.77	3.47	1.05	84.80%	0.027182743	0.027182743	3.43	0.73	3.43	0.73
16-04-002-29 W1M	63.57%	0.02325	0.02566	796.40	2.19	3.19	2.24	85.90%	0.022163021	0.020311631	2.80	1.80	2.56	1.56
16-05-002-29 W1M	52.63%	0.02131	0.03101	1450.70	(0.25)	2.75	0.91	90.40%	0.023571375	0.020311631	2.97	(0.03)	3.24	0.24
02-08-002-29 W1M	51.62%	0.03683	0.03981	1155.85	(3.35)	4.65	(2.98)	51.87%	0.040924525	0.040924525	5.16	(2.84)	5.36	(2.64)
06-08-002-29 W1M	74.18%	0.03932	0.04192	1230.50	0.26	4.96	0.99	81.83%	0.037452124	0.035739033	4.73	0.03	4.51	(0.19)
08-08-002-29 W1M	29.65%	0.02700	0.0373	1081.40	(0.09)	3.43	1.01	21.90%	0.025737579	0.024725931	3.25	(0.25)	3.12	(0.38)
10-08-002-29 W1M	93.95%	0.03640	0.03497	992.40	(0.71)	4.59	(0.89)	95.80%	0.036040675	0.036040675	4.59	(0.71)	4.56	(0.74)
12-08-002-29 W1M	74.58%	0.03194	0.03090	731.70	1.73	4.03	1.09	90.57%	0.02812161	0.025338491	3.55	1.25	3.20	0.90
14-08-002-29 W1M	87.73%	0.03473	0.03083	580.90	1.58	4.38	1.09	89.20%	0.030093309	0.030093309	3.80	1.00	3.40	0.60
16-08-002-29 W1M	69.30%	0.02782	0.03134	1041.90	1.21	3.51	1.63	98.37%	0.02762059	0.027386503	3.49	1.19	3.48	1.18
02-09-002-29 W1M	86.38%	0.02783	0.02783	767.10	(1.19)	3.51	(1.51)	90.60%	0.029953066	0.031237433	3.78	(0.92)	3.94	(0.76)
04-09-002-29 W1M	28.88%	0.02335	0.02619	559.30	0.67	2.97	1.00	30.37%	0.021073121	0.019175061	2.66	0.36	2.42	0.12
06-09-002-29 W1M	88.38%	0.03741	0.04143	1335.60	(3.96)	4.72	(3.47)	68.20%	0.044560205	0.044754749	5.62	(3.08)	6.15	(2.55)
08-09-002-29 W1M	80.50%	0.02507	0.02226	454.20	1.66	3.16	1.31	88.10%	0.021503875	0.019291542	2.71	1.21	2.43	0.93
10-09-002-29 W1M	88.63%	0.03329	0.03113	848.00	(1.20)	3.93	(0.02)	83.87%	0.033862293	0.034721381	4.27	(1.03)	4.46	(0.94)
12-09-002-29 W1M	82.30%	0.03282	0.03036	1131.40	(0.46)	4.58	(0.47)	88.10%	0.034664691	0.028430186	4.37	0.32	4.74	0.28
14-09-002-29 W1M	14.70%	0.02180	0.02756	803.70	0.45	3.48	1.18	54.00%	0.020756805	0.037357616	2.62	(1.34)	2.58	0.28
16-09-002-29 W1M	95.98%	0.02761	0.03133	1130.90	(1.78)	4.02	(1.21)	89.63%	0.033555483	0.037357616	4.46	(1.34)	4.74	(1.06)
02-10-002-29 W1M	92.83%	0.02773	0.03014	1233.40	0.30	3.95	(0.20)	98.30%	0.027927051	0.031622663	3.52	0.62	3.63	0.75
04-10-002-29 W1M	94.68%	0.02880	0.02829	867.40	0.30	3.32	0.12	99.43%	0.028289006	0.029119883	3.57	0.37	3.57	0.47
06-10-002-29 W1M	92.90%	0.02880	0.03093	1092.20	(0.37)	3.80	(0.80)	97.37%	0.031622663	0.031622663	3.91	(0.01)	4.32	0.92
08-10-002-29 W1M	88.18%	0.02534	0.02104	338.60	2.00	2.66	1.46	99.40%	0.020697766	0.031825896	2.61	1.41	2.21	1.01
10-10-002-29 W1M	91.20%	0.02574	0.02478	1009.50	(3.55)	3.13	(3.67)	92.47%	0.032623067	0.036911148	4.12	(2.68)	4.66	(2.14)
12-10-002-29 W1M	98.88%	0.02084	0.01587	428.10	1.03	2.00	0.40	99.20%	0.019218678	0.018677485	2.43	0.83	2.36	0.76
14-10-002-29 W1M	95.04%	0.02362	0.02048	718.80	(1.02)	2.63	(1.37)	95.84%	0.025103231	0.026019712	3.17	(0.83)	3.28	(0.72)
02-12-002-29 W1M	98.23%	0.02474	0.02301	874.10	0.52	2.90	0.30	99.43%	0.025321976	0.0265409591	3.20	0.60	3.35	0.75
04-12-002-29 W1M	68.45%	0.02192	0.01889	375.40	1.17	2.38	0.78	87.23%	0.019997138	0.018211654	2.52	0.92	2.30	0.70
06-12-002-29 W1M	18.40%	0.01938	0.02160	480.50	1.85	2.73	2.13	8.93%	0.014444575	0.018211654	1.82	1.22	1.43	0.70
08-12-002-29 W1M	91.93%	0.02352	0.01873	395.00	1.77	2.36	1.16	98.97%	0.020185073	0.018273105	2.35	1.35	2.31	0.83
10-12-002-29 W1M	75.58%	0.01809	0.01369	346.30	1.18	1.73	0.63	99.30%	0.016739825	0.015955643	2.11	1.01	2.01	0.91
12-12-002-29 W1M	28.81%	0.01383	0.00987	291.10	0.35	1.25	(0.15)	97.30%	0.014156838	0.014207337	1.79	0.39	1.79	0.31
14-12-002-29 W1M	52.03%	0.02016	0.01259	330.90	0.56	1.59	0.49	30.27%	0.011897088	0.011130987	1.40	0.40	1.40	0.30
06-18-002-29 W1M	83.75%	0.02374	0.01728	306.00	(0.46)	2.18	(0.82)	63.79%	0.020253337	0.019737367	2.56	(0.44)	2.49	(0.51)
16-18-002-29 W1M	50.70%	0.01200	0.02094	611.50	1.40	2.64	1.04	89.67%	0.021930468	0.02125839	2.77	1.17	2.68	1.08
			0.00643	9.00	(1.29)	0.81	(1.99)	30.23%	0.01379427	0.01540979	1.74	(1.06)	1.94	(0.85)
	274.66%			29791.63				2950.47%						

Tract Types 1 and 2 Based on 60% Production, 40% Reserves

# NOTICE OF AMALGAMATION

## Home Oil Company Limited and Scurry-Rainbow Oil Limited

BRAD  
- FYI

Effective 12:01 a.m., December 1, 1993 Home Oil Company Limited and Scurry-Rainbow Oil Limited ("Scurry-Rainbow") amalgamated and continued under the name of **Home Oil Company Limited** ("Home Oil").

As a result of this amalgamation, please change your records to show **Home Oil Company Limited**, in place of Scurry-Rainbow, as the party with whom you now do business or have a contract. You need not change the address or the personnel that you have dealt with in the past, as personnel at Home Oil represent a similar capacity with Scurry-Rainbow.

Home Oil Company Limited  
1600 Home Oil Tower  
324 - 8 Avenue S.W.  
Calgary, Alberta T2P 2Z5

December 21, 1993

Home Oil Company Limited  
1600 Home Oil Tower  
324 Eighth Avenue SW  
Calgary, Alberta  
T2P 2Z5

Attention: Ms. Linda Scott

Dear Madam:

RE: South Pierson Unit No. 1

On December 21, 1993, under Document Number 2897-0, a copy of the Oil and Natural Gas Conservation Board's letter dated August 26, 1993, approving the South Pierson Unit No. 1 Unit Agreement, along with the Unit Agreement as approved by the Board and the revised Exhibit "A" (Parts I and II) dated September 30, 1993 as submitted by the Unit Operator, all certified as a true copy by the Deputy Chairman of the Oil and Natural Gas Conservation Board for the purpose of Section 90 of The Mines Act, was registered in the Petroleum Branch.

Should Home Oil wish to register this document against the individual Crown Oil and Natural Gas Leases affected by the unit agreement, please submit the lessee's copy and \$25.00 for each lease agreement.

Should you have any questions, please give me a call at (204) 945-6571.

Yours sincerely,



Brad Thiessen, Manager  
Petroleum Administration

# Manitoba

Doma FTL (Land) 

The Oil and Natural Gas  
Conservation Board

555 — 330 Graham Avenue  
Winnipeg MB R3C 4E3  
CANADA

(204) 945-1111  
FAX: (204) 945-0586

August 26, 1993

Mr. G.C.K. Johnson, P.Eng.  
Coordinator, Southern Production  
Home Oil Company Limited  
1600 Home Oil Tower  
324 Eighth Avenue SW  
Calgary AB T2P 2Z5

Dear Mr. Johnson:

Re: South Pierson Unit No.1 Unit Agreement

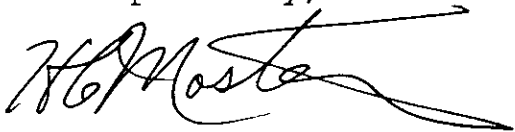
The Oil and Natural Gas Conservation Board is in receipt of your letter dated August 25, 1993 containing copies of the royalty and working interest owners consents to the subject unit and requesting approval of the South Pierson Unit No.1 Unit Agreement.

The South Pierson Unit No.1 Unit Agreement is approved with an effective date (pursuant to Clause 14.1 of the Unit Agreement) of September 1, 1993.

In the Board's approval of the waterflood, spacing within the waterflood project area was to be reduced to 16 ha spacing on the effective date of unitization. Attached is a copy of Board Order No. SU 9 with a revised Schedule A approving reduced 16 ha spacing effective September 1, 1993.

If you have any questions in respect of this matter, please contact John N. Fox, Chief Petroleum Engineer at (204) 945-6574.

Yours respectfully,



H. Clare Moster  
Deputy Chairman

I HEREBY CERTIFY THIS TO BE  
A TRUE COPY.



DEPUTY CHAIRMAN  
THE OIL AND NATURAL GAS  
CONSERVATION BOARD.

Dec. 17/93

I certify that the within instrument is duly entered and registered  
in the office of the Petroleum Branch, Department of Energy and  
Mines, this 21st day of December, 1993 A.D.  
Doc. No. 2897-0

  
DIRECTOR, PETROLEUM BRANCH

UNIT AGREEMENT

SOUTH PIERSON UNIT NO. 1

June 1, 1993

I certify that the within instrument is duly entered and registered  
in the office of the Petroleum Branch, Department of Energy and  
Mines, this 21st day of December 1993 A.D.  
Doc. No. 2897-0

  
\_\_\_\_\_  
DIRECTOR, PETROLEUM BRANCH

I HEREBY CERTIFY THIS TO BE  
A TRUE COPY

  
\_\_\_\_\_  
DEPUTY CHAIRMAN

THE OIL AND NATURAL GAS  
CONSERVATION BOARD.

Dec. 17/93

## TABLE OF CONTENTS

	Page No.
ARTICLE 1 - INTERPRETATION .....	1
1.1 Definitions .....	1
1.2 Headings .....	5
1.3 Number and Gender .....	5
1.4 Time .....	5
1.5 Legislative References .....	5
ARTICLE 2 - EXHIBITS .....	6
2.1 Exhibits .....	6
2.2 Exhibits Correct .....	7
2.3 Correction of Exhibits .....	7
2.4 Effective Time of Corrected Exhibits .....	7
2.5 Supplying of Exhibits .....	7
2.6 Form of Revised or Corrected Exhibits .....	7
ARTICLE 3 - UNITIZATION AND EFFECT .....	8
3.1 Unitization .....	8
3.2 Personal Property Excepted .....	8
3.3 Continuation of Leases .....	8
3.4 Leases Amended .....	9
3.5 Ratification of Leases .....	9
3.6 Effect of Unitization on Titles .....	9
3.7 Name .....	9
ARTICLE 4 - AUTHORITY TO WORKING INTEREST OWNERS .....	10
4.1 Operations .....	10
4.2 Delegation .....	10
4.3 Vote of Working Interest Owners .....	10
ARTICLE 5 - INCLUSION AND QUALIFICATION OF TRACTS .....	10
5.1 Tracts Included on Effective Date .....	10
5.2 Qualification of Tracts .....	11
ARTICLE 6 - TRACT PARTICIPATION .....	11
6.1 Tract Participation .....	11
ARTICLE 7 - ALLOCATION OF UNITIZED SUBSTANCES PRODUCED .....	12
7.1 Allocation Among Tracts .....	12
7.2 Distribution Within Tracts .....	12
7.3 Calculation of Royalty .....	12
7.4 Taking Unitized Substances in Kind .....	13



7.5	Failure to Take in Kind .....	13
7.6	Royalty on Outside Substances .....	14
ARTICLE 8 - USE, LOSS AND RE-INJECTION OF UNITIZED SUBSTANCES .....		14
8.1	Use or Loss .....	14
8.2	Re-Injection .....	14
ARTICLE 9 - ENLARGEMENT OF UNIT AREA .....		15
9.1	Application for Enlargement .....	15
9.2	Adjustment of Tract Participation .....	15
9.3	Exhibits .....	15
9.4	Effective Time of Enlargement .....	16
9.5	No Retroactive Adjustment .....	16
9.6	Cessation of Application .....	16
ARTICLE 10 - DISPUTES .....		16
10.1	Disputes .....	16
ARTICLE 11 - TITLES .....		17
11.1	Titles Committee .....	17
11.2	Approval of Titles by Working Interest Owners .....	17
11.3	Subsequent Failure of Title .....	18
11.4	Revision of Exhibits .....	18
11.5	Title Failure Clarification .....	19
ARTICLE 12 - TRANSFER OF INTEREST .....		19
12.1	Disposition .....	19
ARTICLE 13 - IN GENERAL .....		20
13.1	Execution in Counterpart .....	20
13.2	Dual Capacity .....	20
13.3	Subsequent Execution .....	20
13.4	No Partnership .....	21
13.5	Force Majeure .....	21
13.6	Taxes .....	21
13.7	Right of Redemption .....	22
13.8	Enuring Clause .....	22
13.9	Governing Law .....	22
13.10	Statutory Compliance .....	22
ARTICLE 14 - EFFECTIVE DATE .....		23
14.1	Effective Date .....	23
14.2	Notice of Effective Date .....	23
14.3	Release of Parties .....	23

ARTICLE 15 - TERM .....	23
15.1 Effect of Execution and Delivery .....	23
15.2 Termination .....	24
15.3 Salvaging Equipment Upon Termination .....	24
15.4 Notice to Royalty Owners .....	24
15.5 Notices and Communications .....	24

**EXHIBIT "A"**

**EXHIBIT "B"**

**EXHIBIT "C"**

**EXHIBIT "D"**

## **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.

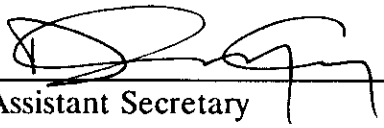
15.5      Notices and Communications

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.

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

HOME OIL COMPANY LIMITED

Per:   
Vice President, Exploration

Per:   
Assistant Secretary

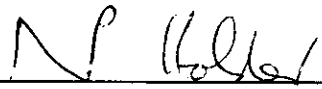
ADDRESS FOR SERVICE

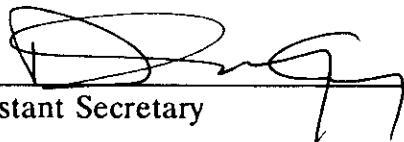
1600 Home Oil Tower  
324 Eighth Avenue S.W.  
CALGARY, Alberta  
T2P 2Z5

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

SCURRY-RAINBOW OIL LIMITED

Per:   
Vice President, Exploration

Per:   
Assistant Secretary

Init.   
Law. 

ADDRESS FOR SERVICE


1600 Home Oil Tower  
324 Eighth Avenue S.W.  
CALGARY, Alberta  
T2P 2Z5

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**IN WITNESS WHEREOF** the Parties have executed this Agreement dated as of the date first above written.

**HER MAJESTY THE QUEEN IN  
RIGHT OF THE PROVINCE OF  
MANITOBA**

Seal

Per: \_\_\_\_\_

Per: For Minister of Energy

**ADDRESS FOR SERVICE**

Manitoba Energy and Mines  
555, 330 Graham Avenue  
WINNIPEG, Manitoba  
R3C 4E3

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

ROBVEST MINERALS LTD.

Per: 

Per: 

Seal



ADDRESS FOR SERVICE

~~c/o Terence Daniels~~  
~~87 Elk Bay~~  
~~THOMPSON, Manitoba~~  
~~R8N 1R7~~

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

CROSSMAN PETROLEUMS LTD

Per: Glen Crossman Pres.

Per: Frank Crossman Vice-Pres.



ADDRESS FOR SERVICE

P.O. Box 212  
PIERSON, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement



IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

CAMPBELL OIL PROPERTIES

Per: John Campbell Seal

Per: Helma Campbell

ADDRESS FOR SERVICE

P.O. Box 84  
PIERSON, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**IN WITNESS WHEREOF** the Parties have executed this Agreement dated as of the date first above written.

**EIKANGER MINERALS LTD.**

Per: Ray Eikanger  
PRESIDENT

Seal

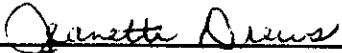
Per: Marie Eikanger  
SECRETARY

**ADDRESS FOR SERVICE**

P.O. Box 252  
PIERSON, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**IN WITNESS WHEREOF** the Parties have executed this Agreement dated as of the date first above written.

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
JOHN GRAHAM KIELHORN

**ADDRESS FOR SERVICE**

13619 Klamath Falls Drive  
HOUSTON, Texas  
77041 U.S.A.

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

AFFIDAVIT OF EXECUTION

TO WIT: ) I, JEANETTE DREWS  
) of the City/Town of HOUSTON  
) In the ~~Province~~/State of TEXAS  
) OFFICE COORDINATOR (Occupation)  
MAKE OATH AND SAY: )

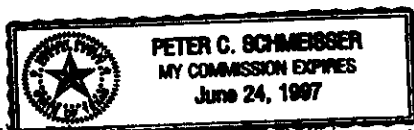
1. That I was personally present and did see JOHN GRAHAM KIELHORN named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the ~~Town~~/City of HOUSTON, in the ~~Province~~/State of TEXAS and that I am the subscribing witness thereto.
3. That I know the said JOHN GRAHAM KIELHORN and he/~~she~~ is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/~~Town~~ of HOUSTON in the )  
~~Province~~/State of TEXAS )  
the 7 day of JULY, 1993. )

Peter C. Schmeisser

Jeanette Drews  
JEANETTE DREWS  
(Name of Witness)

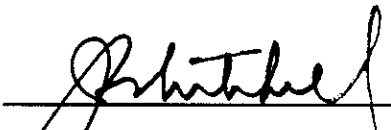

A Notary Public for Oaths in and  
for the ~~Province~~/State of  
TEXAS



c:\data\p\p\newhome\production\affidcon.mst

**IN WITNESS WHEREOF** the Parties have executed this Agreement dated as of the date first above written.

**CORVAIR OILS LTD.**

Per:   
Per:  J.B. MITCHELL  
PRESIDENT

**ADDRESS FOR SERVICE**

**Delivery**

11030 - 127 Street  
EDMONTON, Alberta  
T5M 3K7

**Mailing**


P.O. Box 3827  
EDMONTON, Alberta  
T5L 4J8

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**IN WITNESS WHEREOF** the Parties have executed this Agreement dated as of the date first above written.

**ROYAL TRUST CORPORATION OF  
CANADA, as executors of the Estate of  
LOVELL GOUGH STEVENS**

Per:   
H. Gurd, Managing Partner

Per:   
S. Hamilton, Trust Officer

**ADDRESS FOR SERVICE**

P.O. Box 748  
WINNIPEG, Manitoba  
R3C 2M2

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

Dennis W. Currie  
Witness

Robert Henry Kielhorn  
HENRY KIELHORN, also known as  
ROBERT HENRY KIELHORN

ADDRESS FOR SERVICE

15495 Madrona Drive  
SURREY, B.C.  
V4A 5N2

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, Denise McCluskie  
) of the City/Town of White Rock  
) in the Province/State of British Columbia  
) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see Henry Kielhorn named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the Town/City of White Rock, in the Province/State of B.C. and that I am the subscribing witness thereto.
3. That I know the said Henry Kielhorn and he/she is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/Town of White Rock in the )  
Province/State of British Columbia )  
the 30<sup>th</sup> day of June, 1993. )

Jerry Hunt )

Denise McCluskie

(Name of Witness)

A Notary Public for Oaths in and  
for the Province/State of  
British Columbia

**JERRY P.J. HUOT**  
NOTARY PUBLIC

#31 - 1480 Foster Street  
White Rock, B.C. V4B 3X7

c:\data\wp\en\1004535\production\affidcon.mst



IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

Conni M. Mue  
Witness

Carolyn Beth Allison  
CAROLYN BETH ALLISON

ADDRESS FOR SERVICE

P.O. Box 96  
ELKHORN, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, CONSTANCE MARIE ISAAC  
) ^ of the ~~City~~/Town of Virden  
) in the Province/~~State~~ of Manitoba, Secretary  
) ^ (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see CAROLYN BETH ALLISON  
named in the within instrument, who is personally known to me to be the person  
named therein, duly sign and execute the same for the purposes named therein.

2. That the same was executed at the Town/~~City~~ of Virden, in the  
Province/~~State~~ of Manitoba and that I am the subscribing witness thereto.


3. That I know the said party and ~~he~~/she is in my belief  
of the full age of eighteen years.

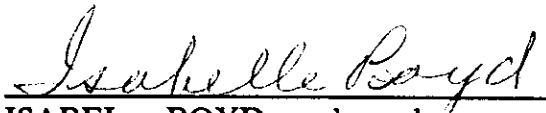
SWORN BEFORE ME at the )  
^ ~~City~~/Town of Virden in the )  
^ Province/~~State~~ of Manitoba )  
the 12 day of July, 1993. )

Donna M. Isaac )  
(Signature of Witness)

^ A Notary Public for Oaths in and  
for the Province/~~State~~ of Manitoba.  
\_\_\_\_\_

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
ISABEL BOYD, also known as  
ISABELLE BOYD

ADDRESS FOR SERVICE

P.O. Box 248  
PIERSON, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, Paul Klash  
) of the City/Town of Estevan  
) in the Province/State of Sask, Solicitor  
) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see Isabel Boyd  
named in the within instrument, who is personally known to me to be the person  
named therein, duly sign and execute the same for the purposes named therein.

2. That the same was executed at the <sup>Village</sup> ~~Town/City~~ of Gainsborough, in the  
Province/~~State~~ of Sask and that I am the subscribing witness thereto.

3. That I know the said Isabel Boyd and ~~he~~/she is in my belief  
of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/~~Town~~ of Estevan in the )  
Province/~~State~~ of Sask. )  
the 23<sup>rd</sup> day of July, 1993. )

Shawn Harbome )

Pat Bee  
(Name of Witness)

A Notary Public for Oaths in and  
for the Province/~~State~~ of Sask.  
My app. expires Nov 30/95

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

MURPHY OIL COMPANY LIMITED

Per: 

G.C. THOMPSON

V.P. PRODUCTION

Seal

Per: 

W. Gill Colvin Controller


ADDRESS FOR SERVICE


2100, 555 Fourth Avenue S.W.  
CALGARY, Alberta  
T2P 3E7

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

THE ESTATE OF DORIS AMANDA  
SMITH

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
Emily Joan Monteith, as executrix of the  
Estate of Doris Amanda Smith

ADDRESS FOR SERVICE

Box 122  
PIERSON, Manitoba  
ROM 8S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, Paul Klash  
) of the City/Town of Estevan  
) in the Province/State of Sask. Solicitor  
) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see Emily Joan Monteith named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the Town/City of Estevan, in the Province/State of Sask and that I am the subscribing witness thereto.
3. That I know the said Emily Joan Monteith and he/she is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/Town of Estevan in the )  
Province/State of Sask )  
the 30<sup>th</sup> day of July, 1993. )

Shawn Haulman )

Paul Klash  
(Name of Witness)

A Notary Public for Oaths in and  
for the Province/State of Sask.

My app. expires Nov 30/95

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

THE ESTATE OF DORIS AMANDA  
SMITH

Paul Elson  
Witness

Everett Lyle Smith  
Everett Lyle Smith, as executor of the  
Estate of Doris Amanda Smith

ADDRESS FOR SERVICE

Box 122  
PIERSON, Manitoba  
ROM 8S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement



AFFIDAVIT OF EXECUTION

TO WIT: ) I, Paul Elash  
) of the City/Town of Estevan  
) in the Province/State of Sask. Solicitor  
) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see Everett Lyle Smith named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the Town/City of Estevan, in the Province/State of Sask. and that I am the subscribing witness thereto.
3. That I know the said Everett Lyle Smith and ~~he~~/she is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/Town of Estevan in the )  
Province/State of Sask )  
the 30<sup>th</sup> day of July, 1993. )

Shawn Bulmer )

Paul Elash  
(Name of Witness)

A Notary Public for Oaths in and  
for the Province/State of Sask.

My appo expires Nov 30/95

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

  
Witness

  
PATRICIA ANN BOYD

ADDRESS FOR SERVICE

46 Wells Hill Avenue  
TORONTO, Ontario  
M5R 3A6

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, ARLEEN GESS  
) of the City/Town of TORONTO  
) in the Province/State of ONTARIO  
) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see PATRICIA ANN BOYD named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.

2. That the same was executed at the Town/City of TORONTO, in the Province/State of ONTARIO and that I am the subscribing witness thereto.

3. That I know the said PATRICIA ANN BOYD and ~~he~~/she is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/Town of TORONTO in the )  
Province/State of ONTARIO )  
the 9<sup>th</sup> day of JULY, 1993. )

[Signature] )  
)  
)  
)  
)

A Notary Public for Oaths in and  
for the Province/State of  
ONTARIO

[Signature]  
(Name of Witness)

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

WanBe  
Witness

WanBe  
Witness

Doug Southam  
DOUGLAS DAVID SOUTHAM

Isabelle Southam  
ISABELLE SOUTHAM

ADDRESS FOR SERVICE

P.O. Box 243  
MELITA, Manitoba  
R0M 1L0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

CANADA )  
 )  
PROVINCE OF MANITOBA )  
 )  
TO WIT: )

I, WARREN GEORGE BARBER, of the City of Brandon, in the Province of Manitoba, Barrister-at-Law,

**MAKE OATH AND SAY:**

1. THAT I was personally present and did see the within Agreement duly signed, sealed and executed by DOUGLAS DAVID SOUTHAM and ISABELLE SOUTHAM.
2. THAT I know the said DOUGLAS DAVID SOUTHAM and ISABELLE SOUTHAM and am satisfied that they are each of the full age of eighteen years.
3. THAT the said Agreement was executed at the Town of Deloraine, in the Province of Manitoba.
4. THAT I am a subscribing witness to the within Agreement.

SWORN before me at the City )  
of Brandon, in the Province )  
of Manitoba, this 9th day )  
of August, A.D. 1993. )



A Notary Public in and for  
the Province of Manitoba.



IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.



✓  
MONTREAL TRUST COMPANY, <sup>OF CANADA</sup> as  
agent of SHANNON OILS LTD.

Per: \_\_\_\_\_

Per: \_\_\_\_\_

Seal

ADDRESS FOR SERVICE

411 Eighth Avenue S.W.  
CALGARY, Alberta  
T2P 1E7

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**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

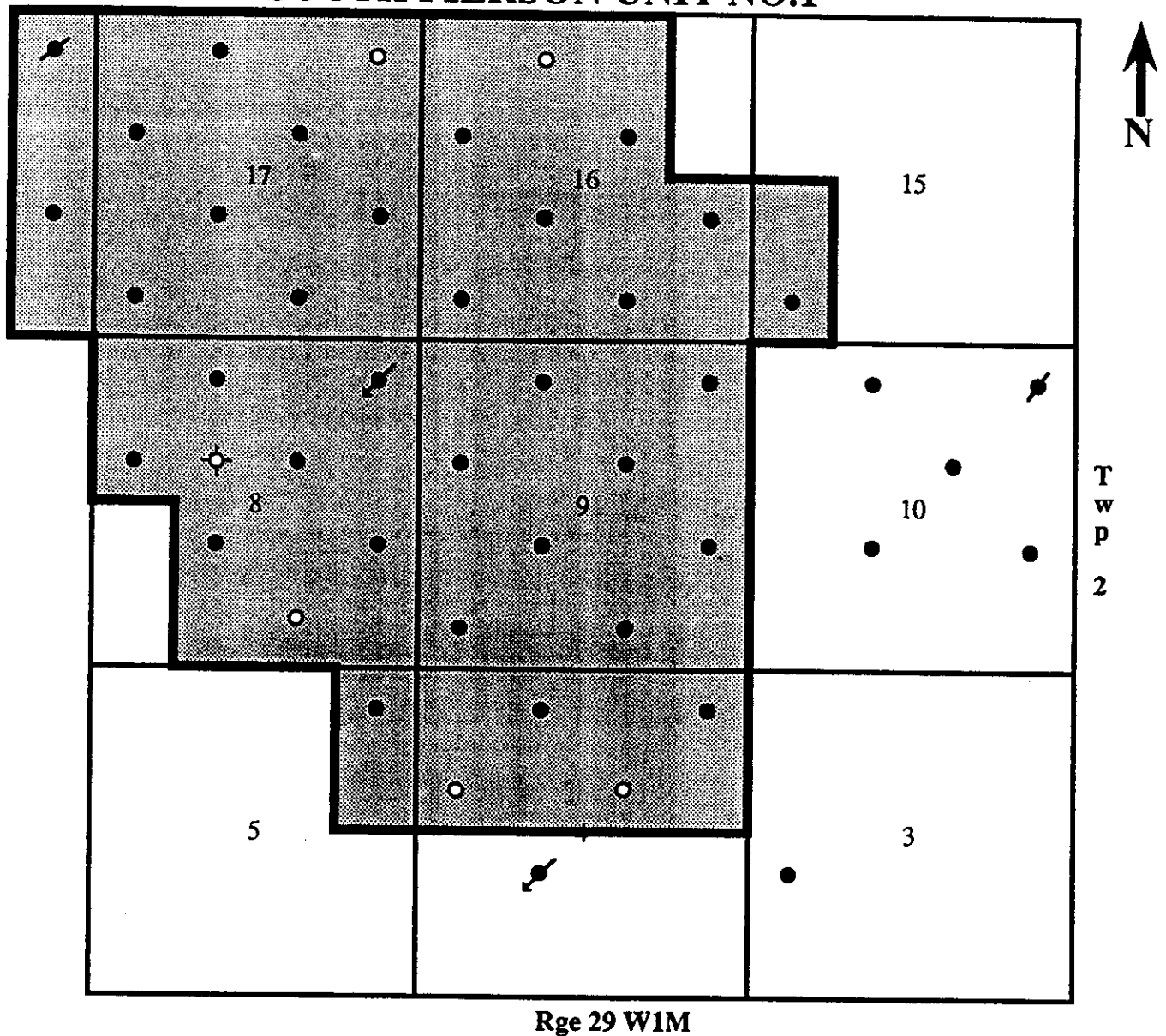
† Corvair's Working Interest Becomes 12.5% upon Payout of Tracts 14 and 16, Home's Working Interest becomes 58.3336% and Scurry's Interest Becomes 29.1664%

**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**

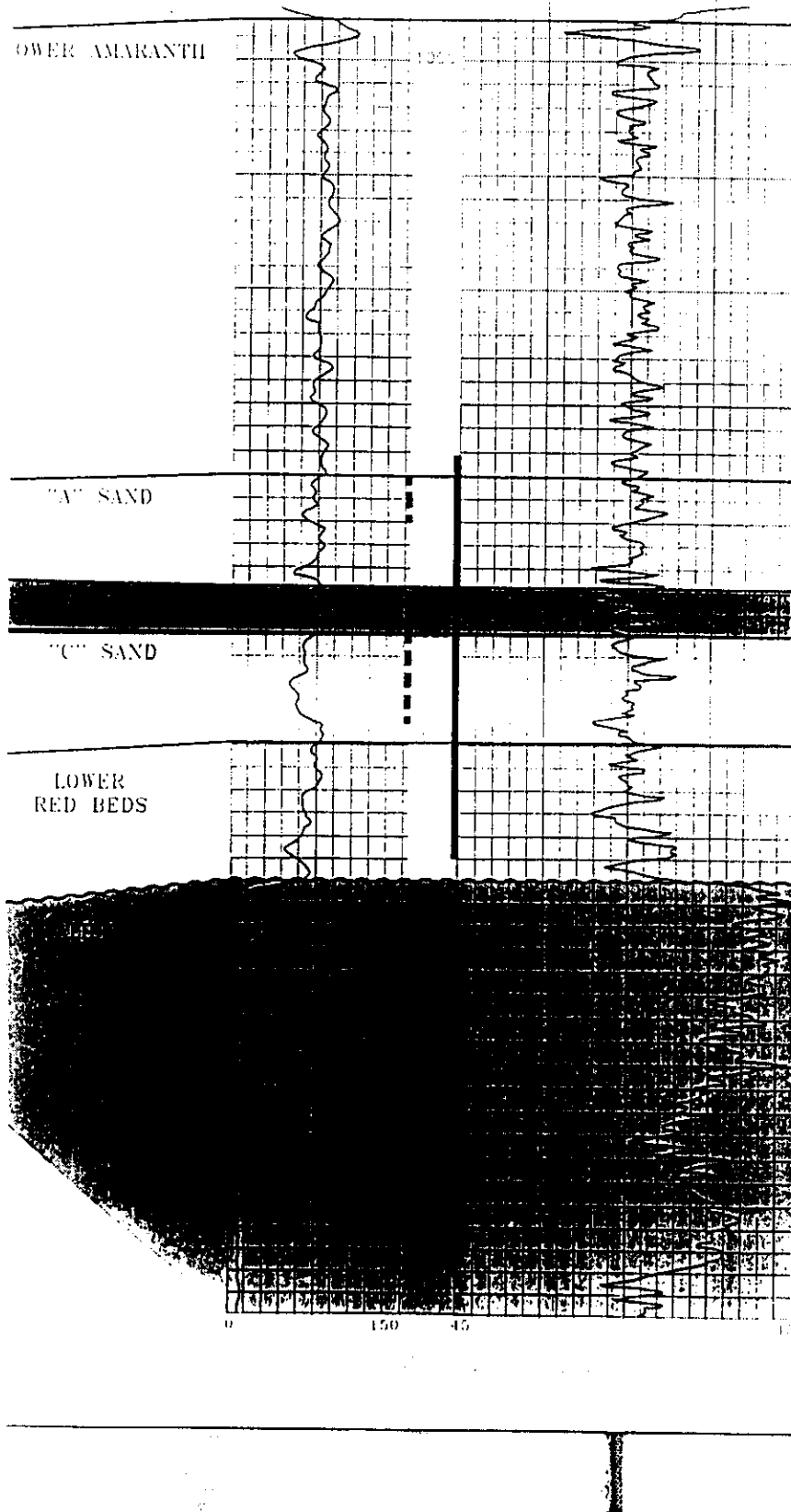
○ **Remaining 32 Hectare Spacing Well**

# EXHIBIT C

16-08-002-29-W1M

KB 477.5m

PROPOSED WATER DISPOSAL WELL  
GE BP11



**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
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
08-08-002-29 W1M	Home Scurry S. Pierson
10-08-002-29 W1M	Home Scurry Pierson
12-08-002-29 W1M	Home Scurry S Pierson
14-08-002-29 W1M	Home Scurry Pierson
16-08-002-29 W1M	Home et al
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 South 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

**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>
10-16-002-29 W1M	Home Scurry Pierson Prov.
12-16-002-29 W1M	Home Scurry S Pierson
14-16-002-29 W1M	Undrilled Tract
02-17-002-29 W1M	Home Scurry S Pierson
04-17-002-29 W1M	Home Scurry S Pierson
06-17-002-29 W1M	Home Scurry S.Pierson
08-17-002-29 W1M	Home Scurry S Pierson
10-17-002-29 W1M	Home et al S Pierson
12-17-002-29 W1M	Home Scurry S Pierson
14-17-002-29 W1M	Tundra Pierson COM.
16-17-002-29 W1M	Undrilled Tract
08-18-002-29 W1M	Home Scurry S Pierson
16-18-002-29 W1M	Home Scurry S Pierson

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

**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

**SOUTH PIERSON UNIT NO. 1 UNIT AGREEMENT**

**\*\*\*\*\***

**HOME OIL COMPANY LIMITED  
1600 Home Oil Tower  
324 - 8th Avenue S.W.  
Calgary, Alberta  
T2P 2Z5**



**Home Oil Company Limited**

1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



1993-09-30

**Working Interest Owners  
South Pierson Unit No.1**

Ladies/Gentlemen:

**RE: Revised Exhibit "A" (Parts I and II)**

Please find attached herewith a revised copy of Exhibit "A" Parts I and II to the South Pierson Unit Agreement reflecting the following changes.

1. Abbreviations of company names in the context with the elimination of Corvair Oils Ltd "Corvair".
2. Changes in Attachment "A", Part I under the heading P&NG Lease No.1/Freehold Name in tracts 13, 14, 15 and 16 to reflect the purchase of Corvair's mineral rights by Home and Scurry.
3. Changes in Attachment "A", Part I under the heading P&NG Lease No.1/Freehold Name in tracts 29, 30, 31 and 32 to reflect a previous omission of Scurry's mineral rights in those tracts.
4. Changes in Attachment "A", Part I under the headings 'Working Interest Owner', 'Share of Working Interest' and 'Share of Tract Participation' in tract's 13, 14, 15, 16, 33 and 36 to reflect the new working interest percentages as a result of Home's and Scurry's acquisition of Corvair's working interest in the Unit.
5. Changes in Exhibit "A", Part II giving the new Unit Participation percentages of Home and Scurry.
6. Changes in the Addresses of the current Working Interest Owner's list, eliminating Corvair.

If you have any questions, please contact Mr. Eugene Doherty at 232-7376.

I certify that the within instrument is duly entered and registered  
in the office of the Petroleum Branch, Department of Energy and  
Mines, this 21st day of December 1993 A.D.  
Doc. No. 2897-0


  
DIRECTOR, PETROLEUM BRANCH

GCKJ/ed  
attach


cc: Pier Corr  
J.N.Fox (Manitoba Energy and Mines)

Yours truly,

HOME OIL COMPANY LIMITED

  
G.C.K. Johnson P.Eng.  
Chairman, Operating Committee  
South Pierson Unit No.1

I HEREBY CERTIFY THIS TO BE  
A TRUE COPY.

  
DEPUTY CHAIRMAN  
THE OIL AND NATURAL GAS  
CONSERVATION BOARD.  
Dec. 17/93

**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:

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

Revision No.2  
Revision Date: 1993-09-30

**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	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	2.1617% 1.0809%
14	LSD's 04 & 05 of Section 09-002-29 W1M	2.3177%	Freehold	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	1.5451% 0.7726%
15	LSD's 03 & 06 of Section 09-002-29 W1M	5.6439%	Freehold	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	3.7626% 1.8813%



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	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	1.1629% 0.5815%
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/ Crossman/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/Scurry 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/Scurry 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/Scurry 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/Scurry Southam	Home Scurry	66.6670% 33.3330%	0.9398% 0.4699%



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	66.6670% 33.3330%	0.7377% 0.3688%
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	66.6670% 33.3330%	1.4873% 0.7436%
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.2  
Revision Date: 1993-09-30

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

<b><u>Working Interest Owner</u></b>	<b><u>Unit Participation</u></b>
Home Oil Company Limited	66.6670%
Scurry Rainbow Oil Limited	33.3330%

Revision No.2  
Revision Date 1993-09-30



**The Oil and Natural Gas  
Conservation Board**

555 — 330 Graham Avenue  
Winnipeg MB R3C 4E3  
CANADA

(204) 945-1111  
FAX: (204) 945-0586

December 17, 1993

Ms. Linda Scott  
Land Representative  
Home Oil Company Limited  
1600 Home Oil Tower  
324 Eighth Avenue SW  
Calgary AB T2P 2Z5

Dear Ms. Scott:

**Re: South Pierson Unit No. 1 Unit Agreement**

As requested, enclosed is a copy of the Oil and Natural Gas Conservation Board's letter dated August 26, 1993, approving the South Pierson Unit No. 1 Unit Agreement, along with the Unit Agreement as approved by the Board and the revised Exhibit "A" (Parts I and II) dated 1993-09-30 as submitted by the Unit Operator. This package has been certified as a true copy for the purpose of Section 90 of The Mines Act.

The duplicate package you had submitted has also been certified as a true copy and has been forwarded to the Petroleum Branch for processing.

Yours respectfully,

**ORIGINAL SIGNED BY  
H. CLARE MOSTER**

H. Clare Moster  
Deputy Chairman

Enclosed.

**Home Oil Company Limited**

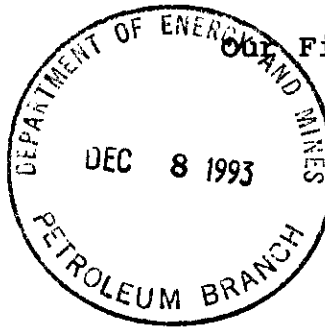
1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



December 3, 1993

our File: LA17-273

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



Attention: Brad Thiessen

Dear Sirs:

Re: South Pierson Unit No. 1  
-----

As per our telephone conversation, we are finally able to enclose the following:

1. Emily Joan Montieth's (Executrix of the Estate of Doris Amanda Smith) execution page for insertion into the Oil and Gas Conservation Board's copy of the subject agreement. This execution page was inadvertently omitted from the Board's copy and the enclosed was, or was thought to be, an extra copy from our files.
2. Three copies of:
  - a) the original Unit exhibits
  - b) Revision No. 1 dated July 5, 1993
  - c) Revision No. 2 dated September 30, 1993.

Kindly insert these copies into the Board's copy and into the two true copies of the agreement we sent under our covering letter of November 3, 1993.

We believe the enclosed will now complete the Board's files.

Thank you for your assistance in this regard.

Yours very truly,

HOME OIL COMPANY LIMITED

Linda Scott  
Land Representative

/las  
enclosures



IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

THE ESTATE OF DORIS AMANDA SMITH

Paul L. Smith  
Witness

Emily Joan Monteith  
Emily Joan Monteith, as executrix of the  
Estate of Doris Amanda Smith

ADDRESS FOR SERVICE

Box 122  
PIERSON, Manitoba  
R0M 8S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**Home Oil Company Limited**

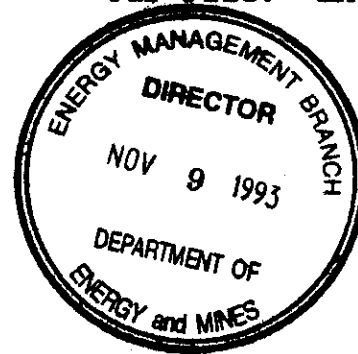
1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



November 3, 1993

Our File: LA17-273

The Oil and Natural Gas  
Conservation Board - Manitoba  
555 - 330 Graham Avenue  
Winnipeg, Manitoba  
R3C 4E3



Attention: H. Clare Moster  
Deputy Chairman

Dear Sirs:

Re: South Pierson Unit No. 1 Unit Agreement  
-----

Under letter of August 26, 1993, the Board approved the captioned agreement with an effective date of September 1, 1993.

In accordance with Section 90(1) of the Mines Act, we require true certified copies of the Board Approval and Unit Agreement so that we may process a filing of the Unit Agreement with the Registrar of the Brandon Land Titles Office and with the Petroleum Branch.

We are therefore enclosing one original Unit Agreement and one photocopy of the Unit Agreement with photocopies of the Board's August 26, 1993 approval letter attached to each. We ask that you please certify these documents as true copies and return them to the attention of the writer.

Should you require any further information respecting this matter, please contact the undersigned @ (403) 232-7527.

Yours very truly,

HOME OIL COMPANY LIMITED

Linda Scott  
Land Representative

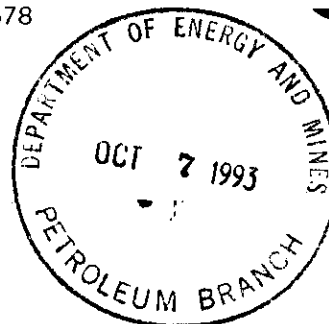
/las  
enclosures

**Home Oil Company Limited**

1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



1993-09-30



**Working Interest Owners  
South Pierson Unit No.1**

Ladies/Gentlemen:

**RE: Revised Exhibit "A" (Parts I and II)**

Please find attached herewith a revised copy of Exhibit "A" Parts I and II to the South Pierson Unit Agreement reflecting the following changes.

1. Abbreviations of company names in the context with the elimination of Corvair Oils Ltd "Corvair".
2. Changes in Attachment "A", Part I under the heading P&NG Lease No.1/Freehold Name in tracts 13, 14, 15 and 16 to reflect the purchase of Corvair's mineral rights by Home and Scurry.
3. Changes in Attachment "A", Part I under the heading P&NG Lease No.1/Freehold Name in tracts 29, 30, 31 and 32 to reflect a previous omission of Scurry's mineral rights in those tracts.
4. Changes in Attachment "A", Part I under the headings 'Working Interest Owner', 'Share of Working Interest' and 'Share of Tract Participation' in tract's 13, 14, 15, 16, 33 and 36 to reflect the new working interest percentages as a result of Home's and Scurry's acquisition of Corvair's working interest in the Unit.
5. Changes in Exhibit "A", Part II giving the new Unit Participation percentages of Home and Scurry.
6. Changes in the Addresses of the current Working Interest Owner's list, eliminating Corvair.

If you have any questions, please contact Mr. Eugene Doherty at 232-7376.

Yours truly,

HOME OIL COMPANY LIMITED

G.C.K. Johnson P.Eng.  
Chairman, Operating Committee  
South Pierson Unit No.1

GCKJ/ed  
attach

cc: Pier Corr  
J.N.Fox (Manitoba Energy and Mines)

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

<b>Tract No.</b>	<b>Land Description</b>	<b>Tract Participation ††</b>	<b>Royalty Interest Owner</b>	<b>P&amp;NG Lease No./ Freehold Name</b>	<b>Working Interest Owner</b>	<b>Share of Working Interest</b>	<b>Share of Tract Participation</b>
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	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	2.1617% 1.0809%
14	LSD's 04 & 05 of Section 09-002-29 W1M	2.3177%	Freehold	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	1.5451% 0.7726%
15	LSD's 03 & 06 of Section 09-002-29 W1M	5.6439%	Freehold	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	3.7626% 1.8813%

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	66.6670% 33.3330%	0.7377% 0.3688%
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	66.6670% 33.3330%	1.4873% 0.7436%
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.2  
Revision Date: 1993-09-30

**South Pierson Unit No.1**  
**Working Interest Owners**

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

Revision No.2  
Revision Date: 1993-09-30

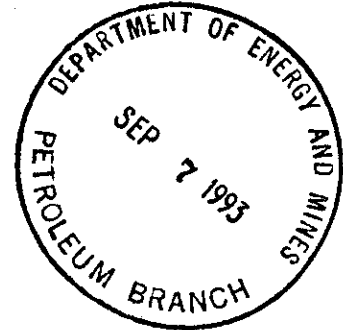
**Home Oil Company Limited**

1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



**September 1, 1993**

Department of Energy and Mines  
Petroleum Branch  
555, 330 Graham Avenue  
Winnipeg MB R3C 0V8



**Attention:** *Mr. J.N. Fox*  
*Chief Petroleum Engineer*

**Re: SOUTH PIERSON UNIT NO. 1 - UNIT AGREEMENT**

In reference to our letter dated August 28, 1993, enclosed herewith please find a copy of the Unit Agreement for the above-captioned unit. Kindly retain this copy for your files.

Please contact Gary Johnson at (403) 232-7370 or Eugene Doherty at (403) 232-7376 if you have any questions regarding this matter.

Yours truly,

**HOME OIL COMPANY LIMITED**

Donna Gateman  
Senior Land Representative

DG/klm  
Encls.

cc: G.C.K. Johnson  
E.L. Doherty  
Pier Corr

Home Oil Company Limited

# FACSIMILE TRANSMISSION COVER SHEET

☒ URGENT

DATE:	93/08/27
TIME:	8:20 NOT
CHARGE TO:	

TO: • PLEASE TYPE OR USE BLACK INK

NAME:	JOHN FOX	DEPARTMENT:	
COMPANY:	Energy & Mines	FACSIMILE #:	( 204 ) 945-0586
LOCATION:	Winnipeg	CONTACT #:	( )

FROM:

NAME:	E. Doherty	DEPARTMENT:	
COMPANY:	Home Oil	FACSIMILE #:	( 403 ) 232-7102
		CONTACT #:	( ) 232-7376

TOTAL NUMBER OF PAGES (INCLUDE COVER SHEET): 1

IF YOU HAVE ANY TROUBLE RECEIVING THIS TRANSMISSION CONTACT: E. Doherty

PHONE NUMBER: 232-7376

COMMENTS: John: For Tract 21, there is an error in the Unit Agreement. Hamilton refers to Scott Hamilton who is a Trustee for the Estate of Stevens. Instead of Hamilton, Crossman Petroleum should be in that Tract's Freehold name. I will be sending out a correction to show these changes once the Unit is in place.

Any questions, please phone me.

Eugene.



# Manitoba

The Oil and Natural Gas  
Conservation Board

555 — 330 Graham Avenue  
Winnipeg MB R3C 4E3  
CANADA

(204) 945-1111  
FAX: (204) 945-0586

August 26, 1993

Mr. G.C.K. Johnson, P.Eng.  
Coordinator, Southern Production  
Home Oil Company Limited  
1600 Home Oil Tower  
324 Eighth Avenue SW  
Calgary AB T2P 2Z5

Dear Mr. Johnson:

Re: South Pierson Unit No.1 Unit Agreement

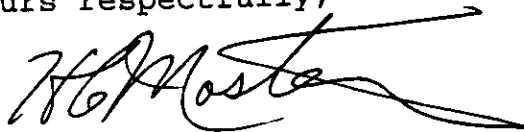
The Oil and Natural Gas Conservation Board is in receipt of your letter dated August 25, 1993 containing copies of the royalty and working interest owners consents to the subject unit and requesting approval of the South Pierson Unit No.1 Unit Agreement.

The South Pierson Unit No.1 Unit Agreement is approved with an effective date (pursuant to Clause 14.1 of the Unit Agreement) of September 1, 1993.

In the Board's approval of the waterflood, spacing within the waterflood project area was to be reduced to 16 ha spacing on the effective date of unitization. Attached is a copy of Board Order No. SU 9 with a revised Schedule A approving reduced 16 ha spacing effective September 1, 1993.

If you have any questions in respect of this matter, please contact John N. Fox, Chief Petroleum Engineer at (204) 945-6574.

Yours respectfully,



H. Clare Moster  
Deputy Chairman

BOARD  
COPY

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

## TABLE OF CONTENTS

	Page No.
ARTICLE 1 - INTERPRETATION .....	1
1.1 Definitions .....	1
1.2 Headings .....	5
1.3 Number and Gender .....	5
1.4 Time .....	5
1.5 Legislative References .....	5
ARTICLE 2 - EXHIBITS .....	6
2.1 Exhibits .....	6
2.2 Exhibits Correct .....	7
2.3 Correction of Exhibits .....	7
2.4 Effective Time of Corrected Exhibits .....	7
2.5 Supplying of Exhibits .....	7
2.6 Form of Revised or Corrected Exhibits .....	7
ARTICLE 3 - UNITIZATION AND EFFECT .....	8
3.1 Unitization .....	8
3.2 Personal Property Excepted .....	8
3.3 Continuation of Leases .....	8
3.4 Leases Amended .....	9
3.5 Ratification of Leases .....	9
3.6 Effect of Unitization on Titles .....	9
3.7 Name .....	9
ARTICLE 4 - AUTHORITY TO WORKING INTEREST OWNERS .....	10
4.1 Operations .....	10
4.2 Delegation .....	10
4.3 Vote of Working Interest Owners .....	10
ARTICLE 5 - INCLUSION AND QUALIFICATION OF TRACTS .....	10
5.1 Tracts Included on Effective Date .....	10
5.2 Qualification of Tracts .....	11
ARTICLE 6 - TRACT PARTICIPATION .....	11
6.1 Tract Participation .....	11
ARTICLE 7 - ALLOCATION OF UNITIZED SUBSTANCES PRODUCED .....	12
7.1 Allocation Among Tracts .....	12
7.2 Distribution Within Tracts .....	12
7.3 Calculation of Royalty .....	12
7.4 Taking Unitized Substances in Kind .....	13

7.5	Failure to Take in Kind .....	13
7.6	Royalty on Outside Substances .....	14
ARTICLE 8 - USE, LOSS AND RE-INJECTION OF UNITIZED SUBSTANCES .....		14
8.1	Use or Loss .....	14
8.2	Re-Injection .....	14
ARTICLE 9 - ENLARGEMENT OF UNIT AREA .....		15
9.1	Application for Enlargement .....	15
9.2	Adjustment of Tract Participation .....	15
9.3	Exhibits .....	15
9.4	Effective Time of Enlargement .....	16
9.5	No Retroactive Adjustment .....	16
9.6	Cessation of Application .....	16
ARTICLE 10 - DISPUTES .....		16
10.1	Disputes .....	16
ARTICLE 11 - TITLES .....		17
11.1	Titles Committee .....	17
11.2	Approval of Titles by Working Interest Owners .....	17
11.3	Subsequent Failure of Title .....	18
11.4	Revision of Exhibits .....	18
11.5	Title Failure Clarification .....	19
ARTICLE 12 - TRANSFER OF INTEREST .....		19
12.1	Disposition .....	19
ARTICLE 13 - IN GENERAL .....		20
13.1	Execution in Counterpart .....	20
13.2	Dual Capacity .....	20
13.3	Subsequent Execution .....	20
13.4	No Partnership .....	21
13.5	Force Majeure .....	21
13.6	Taxes .....	21
13.7	Right of Redemption .....	22
13.8	Enuring Clause .....	22
13.9	Governing Law .....	22
13.10	Statutory Compliance .....	22
ARTICLE 14 - EFFECTIVE DATE .....		23
14.1	Effective Date .....	23
14.2	Notice of Effective Date .....	23
14.3	Release of Parties .....	23

<b>ARTICLE 15 - TERM</b> .....	<b>23</b>
15.1 Effect of Execution and Delivery .....	23
15.2 Termination .....	24
15.3 Salvaging Equipment Upon Termination .....	24
15.4 Notice to Royalty Owners .....	24
15.5 Notices and Communications .....	24

**EXHIBIT "A"**

**EXHIBIT "B"**

**EXHIBIT "C"**

**EXHIBIT "D"**

**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.

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

HOME OIL COMPANY LIMITED

Per:   
Vice President, Exploration

Per:   
Assistant Secretary

ADDRESS FOR SERVICE

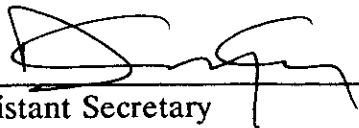
1600 Home Oil Tower  
324 Eighth Avenue S.W.  
CALGARY, Alberta  
T2P 2Z5

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

SCURRY-RAINBOW OIL LIMITED

Per:   
Vice President, Exploration

Per:   
Assistant Secretary

ADDRESS FOR SERVICE

1600 Home Oil Tower  
324 Eighth Avenue S.W.  
CALGARY, Alberta  
T2P 2Z5

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement



**IN WITNESS WHEREOF** the Parties have executed this Agreement dated as of the date first above written.

HER MAJESTY THE QUEEN IN  
RIGHT OF THE PROVINCE OF  
MANITOBA

Seal

Per: \_\_\_\_\_

Per: For Minister of Energy

**ADDRESS FOR SERVICE**

Manitoba Energy and Mines  
555, 330 Graham Avenue  
WINNIPEG, Manitoba  
R3C 4E3

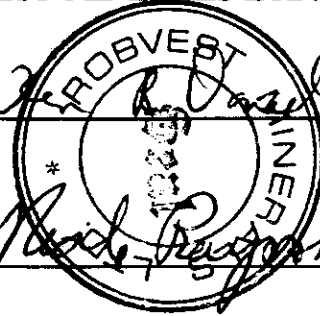
This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

ROBVEST MINERALS LTD.

Per: \_\_\_\_\_

Per: \_\_\_\_\_



Seal

ADDRESS FOR SERVICE

~~c/o Terence Daniels~~  
~~87 Elk Bay~~  
~~THOMPSON, Manitoba~~  
~~R0N 1E7~~

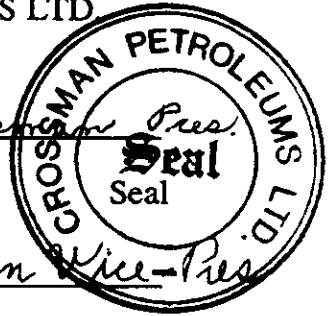
This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

CROSSMAN PETROLEUMS LTD

Per: Glen Crossman Pres.

Per: Harold Crossman Vice-Pres.



ADDRESS FOR SERVICE

P.O. Box 212  
PIERSON, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

CAMPBELL OIL PROPERTIES

Per: John Campbell  
Seal

Per: Velma Campbell

ADDRESS FOR SERVICE

P.O. Box 84  
PIERSON, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

EIKANGER MINERALS LTD.

Per: Ray Eikanger  
PRESIDENT Seal


Per: Mari Eikanger  
SECRETARY

ADDRESS FOR SERVICE

P.O. Box 252  
PIERSON, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

  
Witness

  
JOHN GRAHAM KIELHORN

ADDRESS FOR SERVICE

13619 Klamath Falls Drive  
HOUSTON, Texas  
77041 U.S.A.

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

# AFFIDAVIT OF EXECUTION

TO WIT: ) I, JEANETTE DREWS  
MAKE OATH AND SAY: ) of the City/~~Town~~ of HOUSTON  
in the ~~Province~~/State of TEXAS  
OFFICE COORDINATOR (Occupation)

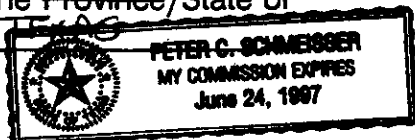
1. That I was personally present and did see JOHN GRAHAM KIELHORN named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the ~~Town~~/City of HOUSTON, in the ~~Province~~/State of TEXAS and that I am the subscribing witness thereto.
3. That I know the said JOHN GRAHAM KIELHORN and he/~~she~~ is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/~~Town~~ of HOUSTON in the )  
~~Province~~/State of TEXAS )  
the 7 day of JULY, 1993. )

Peter C. Schmeisser

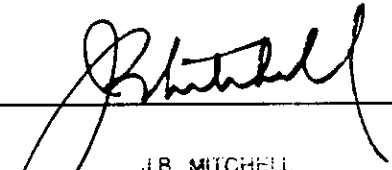
Jeanette Drews  
JEANETTE DREWS  
(Name of Witness)

A Notary Public for Oaths in and  
for the ~~Province~~/State of



IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

CORVAIR OILS LTD.

Per: 

Per:  J.B. MITCHELL  
PRESIDENT

ADDRESS FOR SERVICE

Delivery

11030 - 127 Street  
EDMONTON, Alberta  
T5M 3K7

Mailing

P.O. Box 3827  
EDMONTON, Alberta  
T5L 4J8

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement



IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

ROYAL TRUST CORPORATION OF  
CANADA, as executors of the Estate of  
LOVELL GOUGH STEVENS

Per:   
H. Gurd, Managing Partner

Per:   
S. Hamilton, Trust Officer

ADDRESS FOR SERVICE

P.O. Box 748  
WINNIPEG, Manitoba  
R3C 2M2

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

Gene M. Curvie  
Witness

Robert Henry Kielhorn  
HENRY KIELHORN, also known as  
ROBERT HENRY KIELHORN

ADDRESS FOR SERVICE

15495 Madrona Drive  
SURREY, B.C.  
V4A 5N2

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, Denise McCluskie  
          ) of the City/Town of White Rock  
          ) in the Province/State of British Columbia  
          ) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see Henry Kielhorn  
named in the within instrument, who is personally known to me to be the person  
named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the Town/City of White Rock, in the  
Province/State of B.C. and that I am the subscribing witness thereto.
3. That I know the said Henry Kielhorn and he/she is in my belief  
of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/Town of White Rock in the )  
Province/State of British Columbia  
the 30<sup>th</sup> day of June, 1993. )

Jerry Huot )

Denise McCluskie

(Name of Witness)

A Notary Public for Oaths in and  
for the Province/State of

British Columbia  
**JERRY P.J. HUOT**

NOTARY PUBLIC  
#31 - 1480 Foster Street  
White Rock, B.C. V4B 3X7

Ph: (604) 535-3275

c:\data\wp51\newhome\production\affidcon.mst

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

Conni M. Mace  
Witness

Carolyn Beth Allison  
CAROLYN BETH ALLISON

ADDRESS FOR SERVICE

P.O. Box 96  
ELKHORN, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, CONSTANCE MARIE ISAAC  
) ^ of the ~~City~~/Town of Virden  
) In the Province/~~State~~ of Manitoba, Secretary  
) ^ (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see CAROLYN BETH ALLISON  
named in the within instrument, who is personally known to me to be the person  
named therein, duly sign and execute the same for the purposes named therein.

2. That the same was executed at the Town/~~City~~ of Virden, in the  
Province/~~State~~ of Manitoba and that I am the subscribing witness thereto.

3. That I know the said party and ~~he~~/she is in my belief  
of the full age of eighteen years.

SWORN BEFORE ME at the )  
^ ~~City~~/Town of Virden in the )  
^ Province/~~State~~ of Manitoba )  
the 12 day of July, 1993. )

Dene )  
(Signature of Notary Public)

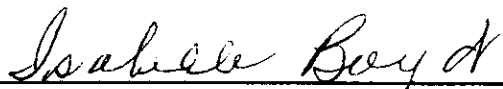
Constance M. Isaac

(Name of Witness)

^ A Notary Public for Oaths in and  
for the Province/~~State~~ of Manitoba.

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
ISABEL BOYD, also known as  
ISABELLE BOYD

ADDRESS FOR SERVICE

P.O. Box 248  
PIERSON, Manitoba  
R0M 1S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement


## AFFIDAVIT OF EXECUTION

TO WIT: ) I, Paul Elash  
) of the City/Town of Estevan  
) In the Province/State of Sask Solicitor  
) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see Isabel Boyd named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the Village of Gainsborough ~~Town/City of~~ Estimote, in the Province/State of Sask and that I am the subscribing witness thereto.
3. That I know the said Isabel Boyd and ~~he~~/she is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/Town of Estevan in the )  
Province/State of Sask. )  
the 23<sup>rd</sup> day of July, 1993. )

Shaw & Hale

  
(Name of Witness)

A Notary Public for Oaths in and  
for the Province/State of Sask.  
My app expires Mar 30/95

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

MURPHY OIL COMPANY LIMITED

Per: 

G.C. THOMPSON  
V.P. PRODUCTION

Seal

Per: 

W. Gill Colvin Controller

ADDRESS FOR SERVICE


2100, 555 Fourth Avenue S.W.  
CALGARY, Alberta  
T2P 3E7


This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement



IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

THE ESTATE OF DORIS AMANDA  
SMITH

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
Emily Joan Monteith, as executrix of the  
Estate of Doris Amanda Smith

ADDRESS FOR SERVICE

Box 122  
PIERSON, Manitoba  
R0M 8S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, Paul Flash  
) of the City/Town of Estevan  
) in the Province/State of Sask. Solicitor  
) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see Emily Jean Monteith named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the ~~Town~~/City of Estevan, in the Province/~~State~~ of Sask. and that I am the subscribing witness thereto.
3. That I know the said Emily Jean Monteith and he/she is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/~~Town~~ of Estevan in the )  
Province/~~State~~ of Sask. )  
the 30<sup>th</sup> day of July, 1993. )

Shawn Halverson

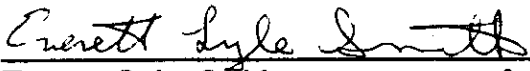
Paul Flash  
(Name of Witness)

A Notary Public for Oaths in and  
for the Province/~~State~~ of Sask.  
my app. expires Nov 30/95

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

THE ESTATE OF DORIS AMANDA  
SMITH

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
Everett Lyle Smith, as executor of the  
Estate of Doris Amanda Smith

ADDRESS FOR SERVICE

Box 122  
PIERSON, Manitoba  
ROM 8S0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, Paul Elash  
 ) of the City/Town of Estevan  
 ) in the Province/State of Sask. Solicitor  
 ) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see Everett Hyle Smith named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the Town/City of Estevan, in the Province/State of Sask. and that I am the subscribing witness thereto.
3. That I know the said Everett Hyle Smith and he/~~she~~ is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/Town of Estevan in the )  
Province/State of Sask. )  
the 30<sup>th</sup> day of July, 1993. )

Shawn Hulse )

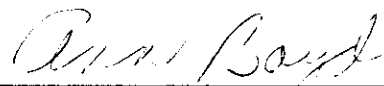
Paul Elash

(Name of Witness)

A Notary Public for Oaths in and  
for the Province/State of Sask.  
My app. expires Nov 30/95

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

  
Witness

  
PATRICIA ANN BOYD

ADDRESS FOR SERVICE

46 Wells Hill Avenue  
TORONTO, Ontario  
M5R 3A6

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**AFFIDAVIT OF EXECUTION**

TO WIT: ) I, ARLEEN GOSS  
) of the City/Town of TORONTO  
) in the Province/State of ONTARIO  
) (Occupation)  
MAKE OATH AND SAY: )

1. That I was personally present and did see PATRICIA ANN BOYD named in the within instrument, who is personally known to me to be the person named therein, duly sign and execute the same for the purposes named therein.
2. That the same was executed at the ~~Town~~/City of TORONTO, in the Province/~~State~~ of ONTARIO and that I am the subscribing witness thereto.
3. That I know the said PATRICIA ANN BOYD and he/she is in my belief of the full age of eighteen years.

SWORN BEFORE ME at the )  
City/~~Town~~ of TORONTO in the )  
Province/~~State~~ of ONTARIO )  
the 9<sup>th</sup> day of JULY, 1993. )

[Signature] )  
)  
)  
)  
)

A Notary Public for Oaths in and  
for the Province/~~State~~ of  
ONTARIO

[Signature]  
(Name of Witness)

IN WITNESS WHEREOF the Parties have executed this Agreement dated as of the date first above written.

WanBe  
Witness

WanBe  
Witness

Doug Southam  
DOUGLAS DAVID SOUTHAM

Isabelle Southam  
ISABELLE SOUTHAM

ADDRESS FOR SERVICE

P.O. Box 243  
MELITA, Manitoba  
R0M 1L0

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

CANADA )  
 )  
PROVINCE OF MANITOBA )  
 )  
TO WIT: )

I, WARREN GEORGE BARBER, of the City of Brandon, in the Province of Manitoba, Barrister-at-Law,

**MAKE OATH AND SAY:**

1. THAT I was personally present and did see the within Agreement duly signed, sealed and executed by DOUGLAS DAVID SOUTHAM and ISABELLE SOUTHAM.
2. THAT I know the said DOUGLAS DAVID SOUTHAM and ISABELLE SOUTHAM and am satisfied that they are each of the full age of eighteen years.
3. THAT the said Agreement was executed at the Town of Deloraine, in the Province of Manitoba.
4. THAT I am a subscribing witness to the within Agreement.

SWORN before me at the City )  
of Brandon, in the Province )  
of Manitoba, this 9th day )  
of August, A.D. 1993. )

Warren

[Signature]

A Notary Public in and for  
the Province of Manitoba.



IN WITNESS WHEREOF the Parties have executed this Agreement dated as  
of the date first above written.



MONTREAL TRUST COMPANY, <sup>OF CANADA</sup> as  
agent of SHANNON OILS LTD.

Per: *[Signature]*

Per: *[Signature]*

Seal

ADDRESS FOR SERVICE

411 Eighth Avenue S.W.  
CALGARY, Alberta  
T2P 1E7

This is a counterpart execution page to the South Pierson Unit No. 1 Unit Agreement

**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
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%

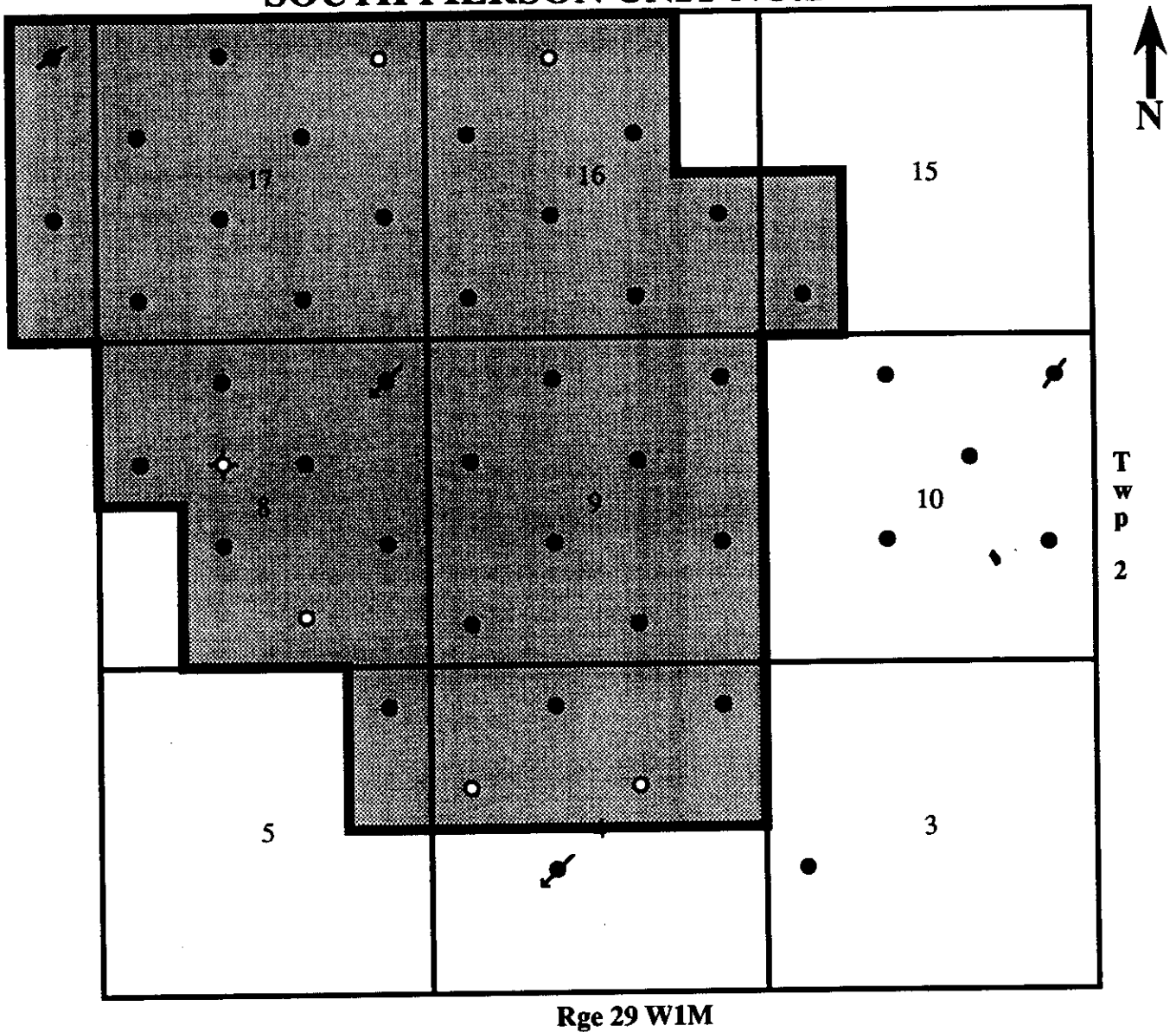
**EXHIBIT "A"**  
**PART II**  
**Attached to and Made Part of an Agreement Entitled**  
**UNIT AGREEMENT**  
**SOUTH PIERSON UNIT NO.1**

<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

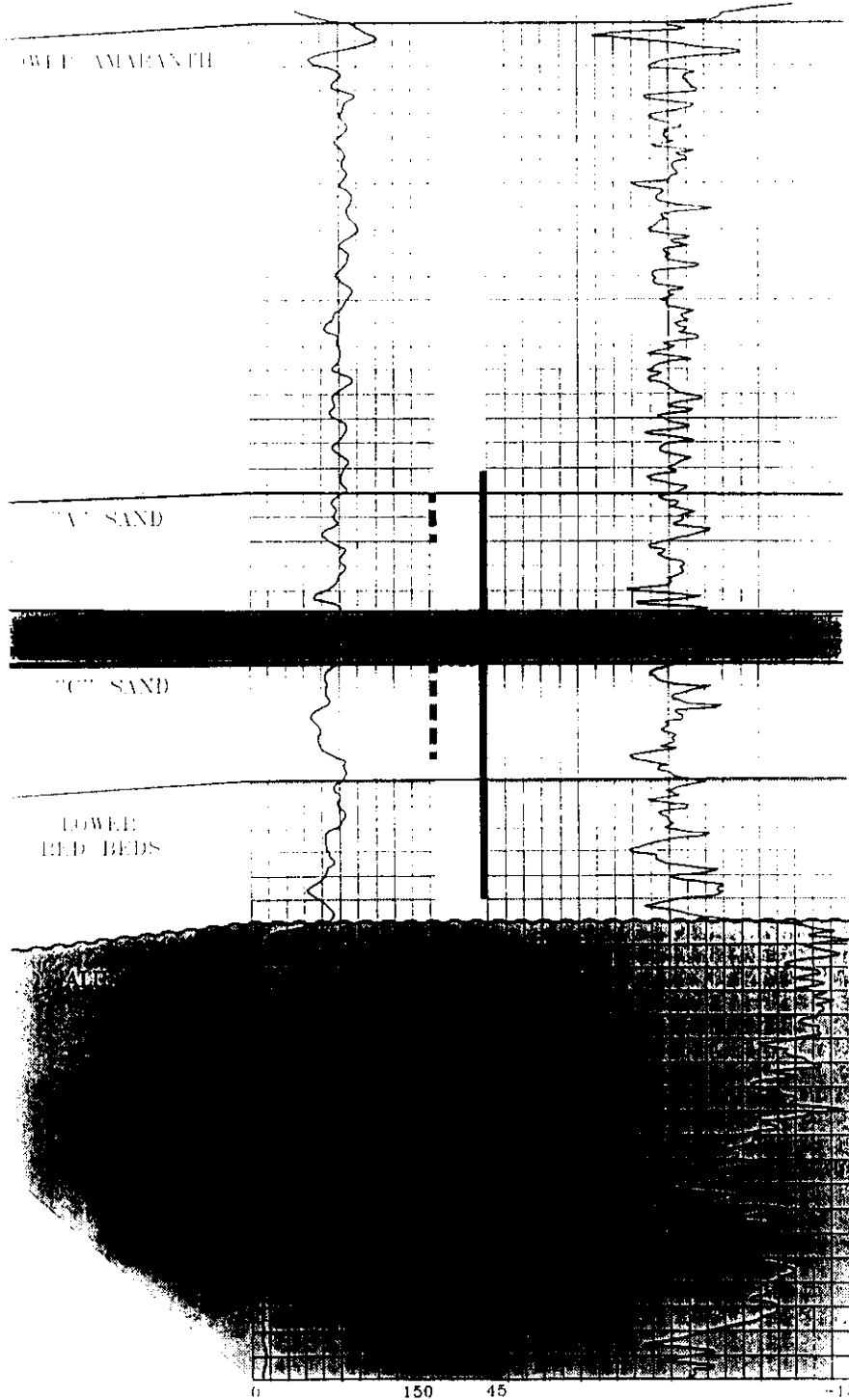
○ Remaining 32 Hectare Spacing Well

# EXHIBIT C

16-08-002-29-W1M

KB 477.6m

FLOODING WATER DISPOSAL WELL  
SL DPB



**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.



**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>
10-16-002-29 W1M	Home Scurry Pierson Prov.
12-16-002-29 W1M	Home Scurry S Pierson
14-16-002-29 W1M	Undrilled Tract
02-17-002-29 W1M	Home Scurry S Pierson
04-17-002-29 W1M	Home Scurry S Pierson
06-17-002-29 W1M	Home Scurry S.Pierson
08-17-002-29 W1M	Home Scurry S Pierson
10-17-002-29 W1M	Home et al S Pierson
12-17-002-29 W1M	Home Scurry S Pierson
14-17-002-29 W1M - 07200 / 0742I	Tundra Pierson COM.
16-17-002-29 W1M	Undrilled Tract
08-18-002-29 W1M	Home Scurry S Pierson
16-18-002-29 W1M	Home Scurry S Pierson

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

**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

**Home Oil Company Limited**

1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



1993-09-30

**Working Interest Owners  
South Pierson Unit No.1**

Ladies/Gentlemen:

**RE: Revised Exhibit "A" (Parts I and II)**

Please find attached herewith a revised copy of Exhibit "A" Parts I and II to the South Pierson Unit Agreement reflecting the following changes.

1. Abbreviations of company names in the context with the elimination of Corvair Oils Ltd "Corvair".
2. Changes in Attachment "A", Part I under the heading P&NG Lease No.1/Freehold Name in tracts 13, 14, 15 and 16 to reflect the purchase of Corvair's mineral rights by Home and Scurry.
3. Changes in Attachment "A", Part I under the heading P&NG Lease No.1/Freehold Name in tracts 29, 30, 31 and 32 to reflect a previous omission of Scurry's mineral rights in those tracts.
4. Changes in Attachment "A", Part I under the headings 'Working Interest Owner', 'Share of Working Interest' and 'Share of Tract Participation' in tract's 13, 14, 15, 16, 33 and 36 to reflect the new working interest percentages as a result of Home's and Scurry's acquisition of Corvair's working interest in the Unit.
5. Changes in Exhibit "A", Part II giving the new Unit Participation percentages of Home and Scurry.
6. Changes in the Addresses of the current Working Interest Owner's list, eliminating Corvair.

If you have any questions, please contact Mr. Eugene Doherty at 232-7376.

Yours truly,

**HOME OIL COMPANY LIMITED**

G.C.K. Johnson P.Eng.  
Chairman, Operating Committee  
South Pierson Unit No.1

GCKJ/ed  
attach

cc: Pier Corr  
J.N.Fox (Manitoba Energy and Mines)

**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:

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

Revision No.2  
Revision Date: 1993-09-30

**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	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	2.1617% 1.0809%
14	LSD's 04 & 05 of Section 09-002-29 W1M	2.3177%	Freehold	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	1.5451% 0.7726%
15	LSD's 03 & 06 of Section 09-002-29 W1M	5.6439%	Freehold	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	3.7626% 1.8813%

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	Home/Scurry/ Kielhorn/Murphy	Home Scurry	66.6670% 33.3330%	1.1629% 0.5815%
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/ Crossman/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/Scurry 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/Scurry 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/Scurry 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/Scurry Southam	Home Scurry	66.6670% 33.3330%	0.9398% 0.4699%

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	66.6670% 33.3330%	0.7377% 0.3688%
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	66.6670% 33.3330%	1.4873% 0.7436%
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.2  
Revision Date: 1993-09-30

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

**Working Interest Owner**

**Unit Participation**

Home Oil Company Limited

66.6670%

Scurry Rainbow Oil Limited

33.3330%

Revision No.2  
Revision Date 1993-09-30



**South Pierson Unit No.1**  
**Working Interest Owners**

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

Revision No.2  
Revision Date: 1993-09-30



The Oil and Natural Gas  
Conservation Board

555 — 330 Graham Avenue  
Winnipeg MB R3C 4E3  
CANADA

(204) 945-1111  
FAX: (204) 945-0586

August 26, 1993

Mr. G.C.K. Johnson, P.Eng.  
Coordinator, Southern Production  
Home Oil Company Limited  
1600 Home Oil Tower  
324 Eighth Avenue SW  
Calgary AB T2P 2Z5

Dear Mr. Johnson:

Re: South Pierson Unit No.1 Unit Agreement

The Oil and Natural Gas Conservation Board is in receipt of your letter dated August 25, 1993 containing copies of the royalty and working interest owners consents to the subject unit and requesting approval of the South Pierson Unit No.1 Unit Agreement.

The South Pierson Unit No.1 Unit Agreement is approved with an effective date (pursuant to Clause 14.1 of the Unit Agreement) of September 1, 1993.

In the Board's approval of the waterflood, spacing within the waterflood project area was to be reduced to 16 ha spacing on the effective date of unitization. Attached is a copy of Board Order No. SU 9 with a revised Schedule A approving reduced 16 ha spacing effective September 1, 1993.

If you have any questions in respect of this matter, please contact John N. Fox, Chief Petroleum Engineer at (204) 945-6574.

Yours respectfully,

A handwritten signature in dark ink, appearing to read 'H. Clare Moster', with a long, sweeping horizontal stroke extending to the right.

H. Clare Moster  
Deputy Chairman

**Home Oil Company Limited**

1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



1993-08-25

Department of Energy and Mines  
Petroleum Branch  
555 - 330 Graham Avenue  
Winnipeg, Manitoba  
R3C 0V8



ATTENTION: Mr. J.N.Fox  
Chief Petroleum Engineer

**RE: South Pierson Unit No.1 - Execution Papers**

Please find attached a copy of the execution papers for all the Working Interest Owners and all the Mineral Interest Owners. Home Oil requests that the Unit be made effective as of September 1, 1993. We also request that the reduction in spacing within the waterflood area be reduced from 32 ha to 16 ha effective the same date. This will allow Home Oil to immediately begin development of the waterflood area by drilling the infill wells and converting existing producing wells to injection. Please find also attached a revised development schedule for the implementation of the waterflood in the Unit area.

Please contact me at (403) 232-7370 or Eugene Doherty at (403) 232-7376 if you have any questions regarding this matter.

Sincerely,  
HOME OIL COMPANY LIMITED

  
\_\_\_\_\_  
G.C.K. Johnson, R.Eng.  
Coordinator, Southern Production

G.C.K.J./ed  
attach;

cc: G.C.K. Johnson  
D.R. Gateman  
E.L. Doherty  
Pier Corr



Order No. SU 9

An Order Pertaining to Drilling Spacing Units  
Pierson Area  
Lower Amaranth and Mission Canyon Formations

WHEREAS, clause (9)(b) of section 62 of "The Mines Act", being Chapter M160 of the Continuing Consolidation of the Statutes of Manitoba, provides as follows:

"62(9) Without restricting the generality of subsection (8) the board, with the approval of the minister, may make orders

(b) respecting the designation of the area that shall be allocated to a well in connection with fixing allowable production;"

AND WHEREAS, clause (1)(f) of section 63 of "The Mines Act" provides in part as follows:

"63(1) For the purpose of carrying out the provisions of this Part and Part III according to their intent, the Lieutenant Governor in Council may make such regulations and orders as are ancillary thereto, and are not inconsistent therewith; and every such regulation or order made under, and in accordance with the authority granted by, this section has the force of law; and, without restricting the generality of the foregoing, the Lieutenant Governor in Council may make regulations and orders

(f) prescribing spacing units and the size and shape of spacing units;"

AND WHEREAS, subsection (1) of section 20 of Manitoba Regulation 430/87R under The Mines Act ("the Petroleum Drilling and Production Regulation") provides as follows:

"20(1) Notwithstanding section 19, the board may, after a public hearing or after publication of notice, prescribe by order special drilling spacing units which may differ from normal drilling spacing units in size, shape or target area."

AND WHEREAS, subsection (3) of section 21 of the Petroleum Drilling and Production Regulation provides as follows:

"21(3) Where a special drilling spacing unit is prescribed under section 20, the board may prescribe the target area within which a well shall be completed in order to qualify for a maximum permissible production rate based on the area of the special drilling spacing unit."

AND WHEREAS, the Board received an application dated September 26, 1991 from Home Oil Company Limited and an application dated October 1, 1991 from Tundra Oil and Gas Ltd. for continuation of special 32 ha drilling spacing units for the Lower Amaranth Formation in the Pierson area ("the area of application"). Home Oil Company Limited also applied for approval of special 32 ha drilling spacing units for the Mission Canyon Formation.

AND WHEREAS, upon publication of notice of the application, the Board received an objection to the application.

AND WHEREAS, upon due consideration of the said applications and objection thereto, the Board considers continuation of special 32 ha drilling spacing units for the Lower Amaranth Formation and establishment of special 32 ha drilling spacing units for the Mission Canyon Formation in a portion of the area of application to be reasonable and desirable.

NOW THEREFORE, the Board orders that:

1. The spacing unit for each well drilled, or to be drilled, for the purpose of obtaining oil from the Jurassic Lower Amaranth Formation or the Mississippian Mission Canyon Formation within the area outlined on Schedule A is two legal subdivisions comprising the east half or the west half of a quarter section.
2. The target area of each drilling spacing unit shall be a square area in the even-numbered legal subdivision having sides one hundred metres from the sides of the legal subdivision and parallel to them.

3. The area outlined on Schedule A may be modified by the Board from time to time to meet changing circumstances.
4. Board Order No. SU 6 dated July 27, 1990 is hereby rescinded.



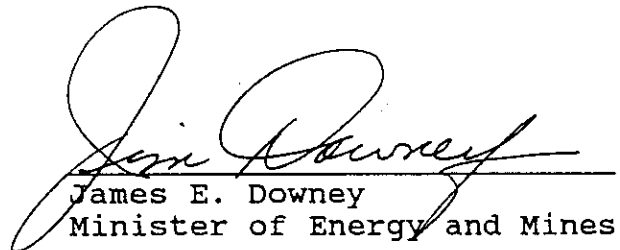
H. Clare Moster  
Deputy Chairman



David Tomasson  
Chairman

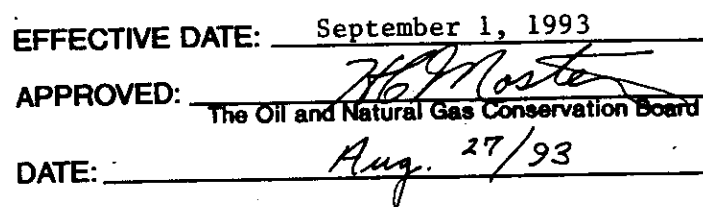
OIL AND NATURAL GAS  
CONSERVATION BOARD ORDER  
NO. SU 9 APPROVED THIS  
**25<sup>TH</sup>** DAY OF **JANUARY** A.D., 1993  
AT THE CITY OF WINNIPEG.

APPROVED:



James E. Downey  
Minister of Energy and Mines

**PIERSON AREA  
32 ha DRILLING SPACING UNITS  
LOWER AMARANTH AND MISSION CANYON FORMATIONS**



August 19, 1993

Mr. G.C.K. Johnson, P.Eng.  
Coordinator, Southern Production  
Home Oil Company Limited  
324 Eighth Avenue SW  
Calgary AB T2P 2Z5

Dear Mr. Johnson:

**Re: South Pierson Unit No. 1 - Unitization Order**

The Petroleum Branch is in receipt of your letter dated August 19, 1993 requesting information on making application for a unitization order. Attached for your information is a copy of Section 76 and 77 of The Mines Act outlining procedures for obtaining a unitization order.

An application to The Oil and Natural Gas Conservation Board for a unitization order should include:

- (1) A proposed plan of unit operations in the form of a Unit Agreement and Unit Operating Agreement, Subsection 76(4) sets out the provisions which should be addressed in the agreements.
- (2) Evidence that the conditions of Section 77 of The Mines Act, 75% or more of the working interest and royalty owners have agreed to the proposed plan of unit operation, have been satisfied.

The Branch shares your concern regarding the need to implement pressure maintenance as soon as possible due to the proximity of the reservoir to the bubble point pressure. The Branch is available to both Home and Shannon Oils to assist in resolving any unitization concerns. A formal application to the Board will be required to commence compulsory unitization proceeding.

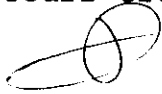
With respect to infill drilling on 16 ha spacing prior to unitization, I suggest you file a request with the Board to



accelerate its approval of 16 ha spacing. The Board letter dated June 2, 1993 which granted approval for the waterflood outlined the Board's concerns with accelerated infill drilling. Any request for immediate approval of 16 ha spacing should address these concerns.

If you have any questions please contact the undersigned at (204) 945-6574.

Yours truly,

A handwritten signature in dark ink, appearing to be 'JNF', written over a circular stamp or mark.

John N. Fox  
Chief Petroleum Engineer

JNF/hw

Attached.

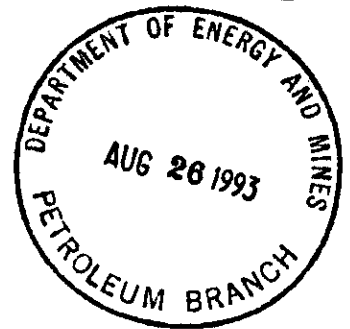
**Home Oil Company Limited**

1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



1993-08-19

Department of Energy and Mines  
Petroleum Branch  
555 - 330 Graham Avenue  
Winnipeg, Manitoba  
R3C 0V8



ATTENTION: Mr. J.N.Fox  
Chief Petroleum Engineer

**RE: Request for Forced Unitization - South Pierson Unit No.1**

Home Oil requests information from the Crown regarding procedures for forced Unitization for the South Pierson Unit. We currently have received approval for the Unit as outlined in the Unit agreement from 100% of the Working Interest Owners and 98.42% of the Freehold Lessors. We are experiencing difficulty in receiving approval from the remaining Freehold Lessor.

Shannon Oils Ltd. will not sign the Unit agreement until a matter totally unrelated to the Unit Agreement is resolved. They have requested that a processing and disposal issue be resolved before they give consent to the Unit Agreement. Although Home Oil has maintained that the two issues are totally unrelated we have endeavored to work with Shannon on this issue in order to expedite the resolution of the Unit Agreement. Shannon Oils has at no time expressed any technical reason why they should not sign the Unit Agreement and have used their consent to the Unit Agreement as a bargaining position.

Home Oil has provided Shannon with a processing and disposal agreement and Shannon has since requested further issues be negotiated. Home Oil is not willing to negotiate any further with Shannon Oils. With almost 100% of the mineral owners giving their consent (including the Crown) and 100% of the Working Interest Owners, Home Oil feels the only course left open is to initiate a forced Unitization.

As stated in previous correspondences with the Crown as well as the Mineral Interest Owners, there is an urgency to initiate a waterflood in the Unit area. Primary production has decreased the reservoir pressure to slightly above bubble point and continued production without pressure support will have a significant impact on recoverable reserves. In order to implement the waterflood, upgrades to the production facilities must be done. This requires the ordering of long lead equipment such as pumps and electrical instrumentation. As well, with an upswing in Industry activity, commitments to drilling rigs and related services must be made in order to begin implementation of the waterflood this year. Home Oil has thus far not committed to drilling or ordering any equipment as yet. However commitments must be made very soon in order to complete our 1993 development plans before year end. Given the nature of the economics to implement the waterflood, most of the work must be done before freeze-up in order to keep costs at a minimum.

As Shannon Oils has not given any reason not to sign the Unit Agreement and considering their limited percentage of the total Unit Mineral Interest, we request that compulsory Unitization proceedings be started as soon as possible as any further delay will result in loss of reserves. We also request that we may begin our development plans (including drilling and converting wells) before the compulsory Unitization proceedings begin and would like your comments on this matter.

Please contact me at (403) 232-7370 or Eugene Doherty at (403) 232-7376 if you have any questions regarding this matter.

Sincerely,  
HOME OIL COMPANY LIMITED



---

G.C.K. Johnson, P.Eng.  
Coordinator, Southern Production

G.C.K.J./ed

cc: Montreal Trust for Shannon Oils Ltd.  
E.C.Lothian  
G.C.K.Johnson  
C.W.Labelle  
D.R.Gateman  
E.L.Doherty  
Pier Corr

August 11, 1993

Mr. Gary Johnson  
Home Oil Company Limited  
1700 Home Oil Tower  
324 - 8th Avenue SW  
Calgary AB T2P 2Z5

Dear Gary:

**Re: South Pierson Unit No. 1 - Unit Agreement**

Attached is a copy of the subject agreement executed by the Minister of Energy and Mines on behalf of the Crown.

Before The Oil and Natural Gas Conservation Board can approve the effective date of the unit, copies of the execution pages signed by all royalty and working interest owners in the unit must be submitted to the Board.

If an effective date of September 1, 1993 is desired, copies of the execution pages should be received by August 30, 1993.

If you have any questions please contact the undersigned at (204) 945-6574.

Yours truly,

A handwritten signature in dark ink, appearing to be 'JN Fox', written over a circular stamp or seal.

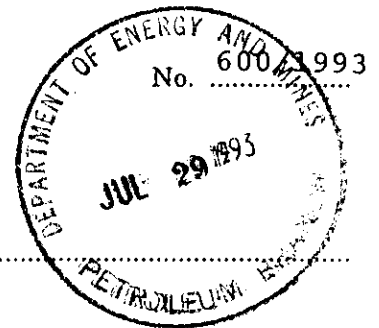
John N. Fox, P.Eng.  
Chief Petroleum Engineer

JNF/hw

Attached.



# On Matters of State



To The Honourable the Lieutenant Governor in Council  
The undersigned, the Minister of ..... Energy and Mines  
submits for approval of Council a report setting forth that:

WHEREAS Section 75 of "The Mines Act", being Chapter M160 of the Continuing Consolidation of the Statutes of Manitoba, provides as follows:

"75(1) Where the Crown is a working interest owner or royalty owner of a tract of land, the Lieutenant Governor in Council may authorize the minister, on behalf of the Crown, to enter into a unitization agreement for the unit operation of the pool or field, or part thereof, within which the tract is situated.

75(2) Notwithstanding any other provision of this Act or of an agreement or other disposition made under this Act, the Lieutenant Governor in Council may authorize the minister, on behalf of the Crown, to enter into an agreement for the calculation of the royalty payable to the Crown on the oil and gas produced from a unit area that includes a tract that is subject to the payment of a royalty to the Crown."

AND WHEREAS Home Oil Company Limited and Scurry Rainbow Oil Limited are the holders of Crown Oil and Natural Gas Lease No's. L861-693, L861-696, L851-529 and L861-697 covering the north half of Section 4, south half of Section 8, Section 16 and southeast quarter of Section 18 all in Township 2, Range 29, WPM, respectively;

AND WHEREAS Home Oil Company Limited has proposed to unitize operations in part of the Pierson Lower Amaranth C Pool as South Pierson Unit No. 1, which unit includes the tracts described as Legal Subdivisions 9 and 16, 10 and 15, 11 and 14 and 12 and 13 of Section 4, Legal Subdivisions 1 and 8, 2 and 7 and 3 and 6 of Section 8, Legal Subdivisions 1 and 8, 2 and 7, 3 and 6, 4 and 5, 10 and 15, 11 and 14 and 12 and 13 of Section 16 and Legal Subdivisions 1 and 8 of Section 18 all in Township 2, Range 29, WPM;

AND WHEREAS Home Oil Company Limited has requested agreement for the proposed unitization from the Crown as the Royalty Owner of the subject tracts;

AND WHEREAS in order to accomplish the more efficient development and production of the oil and gas resources of the Pierson Lower Amaranth C Pool, it is deemed advisable for the Crown to enter into the said agreement;

THEREFORE, he, the Minister, recommends:

THAT the Minister of Energy and Mines be authorized, on behalf of the Crown as a royalty owner, to enter into the South Pierson Unit No. 1 Unit Agreement, an agreement which provides for the distribution of production and revenue amongst all working interest



MANI. A

owners, being Home Oil Company Limited, Scurry Rainbow Oil Limited and Corvair Oils Ltd., and royalty interest owners in the Unit area for so long as unitized substances are produced from the Unit area.

Initiating Department/Agency	
Department/Agency	Authorized Officer
ENERGY + MINES	<i>L. Dubois</i>
Approved by C.S.C.	Finance
Approved as to form by:	
Name	<i>D. B. F. EVINS</i>
	<i>JULY 13/93</i>
Civil Legal Services: or Legislative Counsel:	Initials <i>DB</i>

Signature *Jim Rawley*

IN THE EXECUTIVE COUNCIL CHAMBER, WINNIPEG

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

July 21, 1993

Date

*Jim Rawley*  
President or Presiding Member

AT GOVERNMENT HOUSE IN THE CITY OF WINNIPEG

Approved and Ordered this 21<sup>st</sup> day of July A.D. 1993

*Alfred M. ...*  
Lieutenant Governor

ADMINISTRATOR

DEPARTMENT OF ENERGY AND MINES

CABINET SUBMISSION

SUBJECT:

An agreement to unitize oil development operations in the Pierson oil field.

BACKGROUND:

The Province of Manitoba is the owner of the mines and minerals in the N 1/2 of Section 4, S 1/2 of Section 8, Section 16 and SE 1/4 of Section 18 all in Township 2, Range 29 WPM located in the Pierson oil field. Home Oil Company Limited and Scurry Rainbow Oil Limited are the holders of Crown oil and natural gas leases of the lands. Home has completed 11 wells under the leases in the Pierson Lower Amaranth C Pool. Home is planning to conduct waterflood operations in a portion of the pool, but before proceeding, must obtain the agreement of the mineral rights owners affected. As Home wishes to include the Crown wells in the proposed South Pierson Unit No. 1, it has requested the consent of the Minister of Energy and Mines on behalf of the Crown as mineral rights owner.

Inclusion of the Crown wells in the proposed Unit will result in a portion of the total crude oil and natural gas produced from all wells in the Unit being allocated to the Crown wells, and the Crown will receive royalties on the allocated production.

The Mines Act specifically provides for the Minister to enter into unitization agreements on behalf of the Crown with the approval of the Lieutenant Governor in Council.

FINANCIAL  
IMPLICATIONS:

The proposed unitization will not affect operating expenditures and will result in additional future oil royalty revenue to the Crown depending on the success of the waterflood project.

COMMUNICATION  
STRATEGY:

Because of the routine nature of the procedure for Crown consent as a mineral owner to unitization, no communication is required.

# Action/Route Slip

**Date:** July 13, 1993

**To:** Noel Simmonds  
Deputy Minister's Office  
Energy and Mines

**From:** Bob Dubreuil  
Director  
Petroleum Branch

6573

---

## Comments:

The attached Cabinet Submission and OIC will, when approved, provide authority to the Minister to enter the South Pierson Unit No. 1 Unit Agreement on behalf of the Crown as a royalty owner. This is a routine matter.

Home Oil, the Unit operator wishes to make the Unit Agreement effective on August 1, 1993 to enable it to commence an extensive drilling program. Therefore, prior to August 1, the following is required:

- (a) the Minister's signature on the two copies of the Unit Agreement (tabbed). Please retain the copies until the OIC is approved then as soon as possible obtain the Minister's signature and return the copies to Petroleum.
- (b) approval by The Oil and Natural Gas Conservation Board of the Unit Agreement, a routine procedure which occurs when all royalty and working interest owners have entered the Agreement. As Clare is away, I will be forwarding the necessary documentation to David for approval.

Because of the routine nature of this matter and the company's wish to proceed with drilling as soon as possible, please expedite the process as much as possible.





## Memorandum

Date July 7, 1993

To David Tomasson  
Deputy Minister  
Energy and Mines

From L. R. Dubreuil  
Director  
Petroleum Branch

Telephone

Subject **Proposed South Pierson Unit No. 1 Unit Agreement**

Home Oil Company Limited is proposing to unitize an area in the Pierson Field which includes 38 tracts. The proposed Unit involves 15 tracts for which the Crown is the royalty owner (i.e. mineral rights owner). Section 74 of The Mines Act states that before a unitization agreement can be put into effect, it must be approved by The Oil and Natural Gas Conservation Board. It further states that the Board shall not approve an agreement unless the royalty owners have agreed to the unit operation. Therefore, Home has submitted two copies of the proposed Unit Agreement for South Pierson Unit No. 1 for execution by the Minister on behalf of the Crown as an affected royalty owner.

Section 75 of The Mines Act states that the Minister, with the authorization of the Lieutenant Governor in Council, may enter such agreements on behalf of the Crown as a royalty owner.

### RECOMMENDATION:

It is recommended that the Minister:

1. Request authorization from Cabinet to permit him to enter into the proposed South Pierson Unit No. 1 Unitization Agreement on behalf of the Crown (draft OIC attached) with respect to the N/2 of Section 4, LSD's 3, 6 and the SE/4 of Section 8, LSD's 10, 15, the NW/4 and S/2 of Section 16 and the LSD's 1 and 8 of Section 18 in Township 2, Range 29 WPM.
2. Execute the attached two copies of the Unit Agreement for South Pierson Unit No. 1 as a royalty owner.

### DISCUSSION:

The 15 tracts in the proposed South Pierson Unit No. 1 that contain Crown-owned mineral rights are highlighted in Attachment 1. Crown Oil and Natural Gas Leases covering the tracts are also listed in Attachment No. 1. All leases are held by Home Oil Company Limited and Scurry Rainbow Oil Limited.

First | Fold

Currently the wells on the Crown tracts produce from the Pierson Lower Amaranth C Pool at a combined rate of approximately 33.6 m<sup>3</sup>/d.

The Oil and Natural Gas Conservation Board has approved (Board Order No. PM 70) a waterflood project in the area of the proposed unit. It is anticipated that waterflood operations will significantly increase the amount of oil recovered from the area and consequently royalty revenue to the Crown.

The proposed unit area is currently developed on 32 hectare well spacing. Proposed tract factors are based on wellbore and productivity parameters for the existing wells. The Board's approval provides for reduced size (16 hectare) spacing units in the area coincident with the effective date of the unit. The agreement provides (Note 1 on Exhibit A) that production allocated to a 32 hectare tract under the agreement will subsequently be reallocated on an areal basis to each of the two 16 hectare spacing units in the tract for purposes of determining Crown royalties or Oil and Gas Production taxes. This is a reasonable and equitable provision.

Upon review, Branch staff has found the proposed tract factors to be reasonable. On this basis, it is recommended that the Minister be authorized by Cabinet to enter the proposed unit agreement.



L. R. Dubreuil

JNF/hw

Attached.

cc: H.C. Moster

**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%

DEPARTMENT OF ENERGY AND MINES

CABINET SUBMISSION

SUBJECT: An agreement to unitize oil development operations in the Pierson oil field.

BACKGROUND: The Province of Manitoba is the owner of the mines and minerals in the N 1/2 of Section 4, S 1/2 of Section 8, Section 16 and SE 1/4 of Section 18 all in Township 2, Range 29 WPM located in the Pierson oil field. Home Oil Company Limited and Scurry Rainbow Oil Limited are the holders of Crown oil and natural gas leases of the lands. Home has completed 11 wells under the leases in the Pierson Lower Amaranth C Pool. Home is planning to conduct waterflood operations in a portion of the pool, but before proceeding, must obtain the agreement of the mineral rights owners affected. As Home wishes to include the Crown wells in the proposed South Pierson Unit No. 1, it has requested the consent of the Minister of Energy and Mines on behalf of the Crown as mineral rights owner.

Inclusion of the Crown wells in the proposed Unit will result in a portion of the total crude oil and natural gas produced from all wells in the Unit being allocated to the Crown wells, and the Crown will receive royalties on the allocated production.

The Mines Act specifically provides for the Minister to enter into unitization agreements on behalf of the Crown with the approval of the Lieutenant Governor in Council.

FINANCIAL IMPLICATIONS: The proposed unitization will not affect operating expenditures and will result in additional future oil royalty revenue to the Crown depending on the success of the waterflood project.

COMMUNICATION STRATEGY: Because of the routine nature of the procedure for Crown consent as a mineral owner to unitization, no communication is required.

RECOMMENDATION:

It is recommended that the Minister of Energy and Mines be authorized to enter into the Unitization Agreement for South Pierson Unit No. 1 on behalf of the Crown.

---

James E. Downey  
Minister of Energy and Mines

Contact Person:

L.R. Dubreuil - 945-6573  
July 5, 1993



# On Matters of State

To The Honourable the Lieutenant Governor in Council  
The undersigned, the Minister of ..... Energy and Mines  
submits for approval of Council a report setting forth that:

WHEREAS Section 75 of "The Mines Act", being Chapter M160 of the Continuing Consolidation of the Statutes of Manitoba, provides as follows:

"75(1) Where the Crown is a working interest owner or royalty owner of a tract of land, the Lieutenant Governor in Council may authorize the minister, on behalf of the Crown, to enter into a unitization agreement for the unit operation of the pool or field, or part thereof, within which the tract is situated.

75(2) Notwithstanding any other provision of this Act or of an agreement or other disposition made under this Act, the Lieutenant Governor in Council may authorize the minister, on behalf of the Crown, to enter into an agreement for the calculation of the royalty payable to the Crown on the oil and gas produced from a unit area that includes a tract that is subject to the payment of a royalty to the Crown."

AND WHEREAS Home Oil Company Limited and Scurry Rainbow Oil Limited are the holders of Crown Oil and Natural Gas Lease No's. L861-693, L861-696, L851-529 and L861-697 covering the north half of Section 4, south half of Section 8, Section 16 and southeast quarter of Section 18 all in Township 2, Range 29, WPM, respectively;

AND WHEREAS Home Oil Company Limited has proposed to unitize operations in part of the Pierson Lower Amaranth C Pool as South Pierson Unit No. 1, which unit includes the tracts described as Legal Subdivisions 9 and 16, 10 and 15, 11 and 14 and 12 and 13 of Section 4, Legal Subdivisions 1 and 8, 2 and 7 and 3 and 6 of Section 8, Legal Subdivisions 1 and 8, 2 and 7, 3 and 6, 4 and 5, 10 and 15, 11 and 14 and 12 and 13 of Section 16 and Legal Subdivisions 1 and 8 of Section 18 all in Township 2, Range 29, WPM;

AND WHEREAS Home Oil Company Limited has requested agreement for the proposed unitization from the Crown as the Royalty Owner of the subject tracts;

AND WHEREAS in order to accomplish the more efficient development and production of the oil and gas resources of the Pierson Lower Amaranth C Pool, it is deemed advisable for the Crown to enter into the said agreement;

THEREFORE, he, the Minister, recommends:

THAT the Minister of Energy and Mines be authorized, on behalf of the Crown as a royalty owner, to enter into the South Pierson Unit No. 1 Unit Agreement, an agreement which provides for the distribution of production and revenue amongst all working interest





MANITOBA

No. ....

owners, being Home Oil Company Limited, Scurry Rainbow Oil Limited and Corvair Oils Ltd., and royalty interest owners in the Unit area for so long as unitized substances are produced from the Unit area.

Initiating Department/Agency	
Department/Agency	Authorized Officer
ENERGY & MINES	<i>[Signature]</i>
Approved by	
C.S.C.	Finance
Approved as to form by:	
Name <i>D.B.H.F. VIVUS</i>	
<i>JULY 13 1993</i>	
Civil Legal Services: or Legislative Counsel:	Initials <i>DB</i>

Signature .....

IN THE EXECUTIVE COUNCIL CHAMBER, WINNIPEG

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

..... Date ..... President or Presiding Member

AT GOVERNMENT HOUSE IN THE CITY OF WINNIPEG

Approved and Ordered this ..... day of ..... A.D. ....

..... Lieutenant Governor

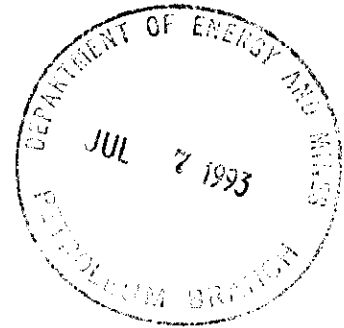
**Home Oil Company Limited**

1600 Home Oil Tower  
324 Eighth Avenue S.W.  
Calgary, Alberta T2P 2Z5  
Telephone (403) 232-7100  
Fax (403) 232-7678



1993-07-06

Department of Energy and Mines  
Petroleum Branch  
555 - 330 Graham Avenue  
Winnipeg, Manitoba  
R3C 0V8



ATTENTION: Mr. J.N.Fox  
Chief Petroleum Engineer

**RE: South Pierson Unit Agreement - Request For Approval**

Home Oil hereby applies to the Lieutenant Governor-in Council under Section 75 of the Mines Act for approval of the document entitled Unit Agreement, South Pierson Unit No.1. Please find attached two copies of the unit agreement complete with exhibits and execution pages.

If you have any question, please call me at (403) 232-7370.

Sincerely,  
HOME OIL COMPANY LIMITED

G.C.K.Johnson, P.Eng.  
Coordinator, Southern Production

G.C.K.J./ed  
attach:

cc: G.C.K.Johnson  
D.R.Gateman  
J.S.Murray  
E.L.Doherty  
Pier Corr



Mr. E. Doherty  
Home Oil Company Limited  
1600 Home Oil Tower  
324-8th Avenue SW  
Calgary AB T2P 2Z5

Dear Sir:

Re: Proposed South Pierson Unit No. 1 - Unit Agreement

The Branch has reviewed the subject unit agreement submitted June 29, 1993 for execution by the Minister of Energy and Mines. As we discussed please make the following revisions to and resubmit Exhibits A and D.

(1) Exhibit A - In accordance with the Petroleum Crown Royalty and Incentives Regulation and The Oil and Gas Tax Regulation, Crown royalties and freehold production taxes are paid on production allocated to a spacing unit. Under the proposed unit agreement production is allocated to 32 ha tracts and royalties and tax would be paid on this basis. Since spacing in the unit will be reduced to 16 ha, the inconsistency between the size of unit tracts and spacing units will result in Home paying higher royalties and production taxes. Therefore it is suggested that the following footnote be added to Exhibit A - "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" (see attached example).

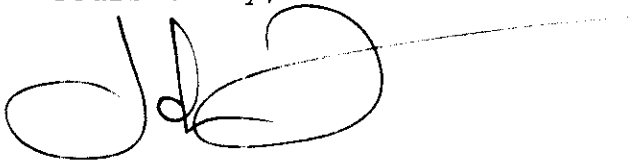
(2) Exhibit C - There is a contradiction in the definition of "Formations". The base of the Mission Canyon in the 16-8 well is not at 1055 m KB. The Branch does not agree with including all members of the Mission Canyon Formation - MC3b, MC3a, MC2 and MC1 in the unit. The proposed "Formations" depth limit of 1055 m just below the top of the MC3a member covers the potential oil-bearing zones in the Mission Canyon and will for our purposes be interpreted as the base of the unitized formations. If oil is discovered in the Mission Canyon below the MC3a member the Branch will not consider it part of the unit.

(3) Exhibit D - The following are corrections to the well names;

14-04-002-29W1M	Home Scurry S. Pierson Prov.
06-08-002-29W1M	Home Scurry Pierson Prov.
08-08-002-29W1M	Home Scurry S. Pierson Prov.
12-08-002-29W1M	Home Scurry Pierson
16-08-002-29W1M	Home et al Pierson SWD
14-09-002-29W1M	Home Scurry S. Pierson
08-16-002-29W1M	Home Scurry S. Pierson Prov.
10-16-002-29W1M	Home Scurry Pierson Prov.
14-17-002-29W1M	Tundra Pierson COM

If you have questions in respect of these changes please contact  
Bob Dubreuil at (204) 946-6573.

Yours truly,

A handwritten signature in black ink, appearing to be 'JN Fox', with a long horizontal line extending to the right.

John N. Fox, P.Eng.

**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 <sup>①</sup> 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 <sup>1</sup>	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%

① 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.

† 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%

June 28, 1993

Mr. G. C. K. Johnson, P. Eng.  
Home Oil Company Limited  
1700 Home Oil Tower  
324 - 8th Avenue SW  
Calgary AB T2P 2Z5

Dear Gary:

**Re: Proposed South Pierson Unit No. 1 - Unit Agreement**

The Petroleum Branch has reviewed the tract participation formula, tract factors and unit agreement proposed by Home Oil. The Branch's comments on the same have been provided to Home.

In order for the Minister to enter the unit agreement on behalf of the Crown, the approval of the Lieutenant Governor-in-Council is required (Section 75 of The Mines Act). To initiate the request for approval to execute the unit agreement, the Branch requires a written request for the same from Home accompanied by two copies of the unit agreement complete with exhibits and execution pages.

When all the working interest and royalty owners including the Crown have executed the agreement (a copy of the execution pages for all owners must be submitted), the Oil and Natural Gas Conservation Board will approve the unit agreement and set the effective date of the unit (1st day of the following month).

If you have any questions please call me at (204) 945-6574.

Yours truly,

ORIGINAL SIGNED BY  
**JOHN N. FOX**

John N. Fox, P. Eng.  
Chief Petroleum Engineer

JNF/hw