

Head/Per File

VRU No. 1

UNIT ENCLOSURE



Energy and Mines

Petroleum and Energy Branch

1395 Ellice Avenue Suite 360
Winnipeg MB R3G 3P2
CANADA

PH: (204) 945-6577
PH: (204) 945-3760
FAX: (204) 945-0586

March 4, 1998

Mr. Stephen A. White
Land Representative
Chevron Canada Resources
500 – 5th Ave SW
Calgary AB T2P 0L7

Dear Mr. White:

Re: Virden Roselea Unit No. 1 – Unit Enlargement

Attached is a copy of Unit Order No. 3 approving the enlargement of Virden Roselea Unit No. 1 (VRU No. 1) to include the spacing unit 12-23-10-26, effective March 1, 1998. Unit Order No. 3 includes a map of the revised unit area and the revised tract participation supplied by Chevron.

The Branch will provide Chevron with a revised historical production forecast to determine new oil volumes for VRU No. 1 to reflect the addition of the 12-23-10-26 well.

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

Yours truly,

A handwritten signature in black ink, appearing to read "John N. Fox". The signature is stylized with a large, looped "J" and a distinct "F".

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

cc: P. Seymour
Administration
Virden

SCHEDULE A

MINISTERIAL ORDER

UNIT ORDER NO. 34

**Amending Unitization Order No. 3 pertaining to
Virden Roselea Unit No. 1**

The Plan for Unit Operation Governing the Unitized Management Operation and Further Development of the Virden Roselea Unit No. 1 set out in Unitization Order No. 3 and amended by Unitization Order No.'s 6, 7, 18 and 26, is further amended by adding to the Unit Area, the following area:

Legal Subdivision 12 of Section 23 in Township 10, Range 26 (WPM)

And is further amended as follows:

1. Paragraph (d) of Section 1.02 is rescinded and the following substituted:

(d) "Effective Date" means 8:00 am on the first day of March, 1998;

2. Part III is rescinded, and the following substituted:

3.1 The Tract Participation of each Tract is shown in Part XXIV and was determined with respect to Tract 12-23 ("Third Enlargement Tract") to be 0.0470 and with respect to the remaining Tracts by reducing the Tract Participation prior to this amendment by the factor, one minus the Tract Participation of the Third Enlargement Tract (1.0 minus 0.0470).


3.2 The total of the Tract Participations for all Tracts, including the Third Enlargement Tract, shall at all times equal one hundred (100%) percent

3. Part XXI Wells Delivered to Unit Operator Pursuant to Part X is amended to include the well, Gentry Virden 12-23-10-26 (WPM).
4. Part XXII The Lands in the Province of Manitoba Which Comprise the Virden Roselea Unit No.1 is amended to include the Third Enlargement Tract as follows:

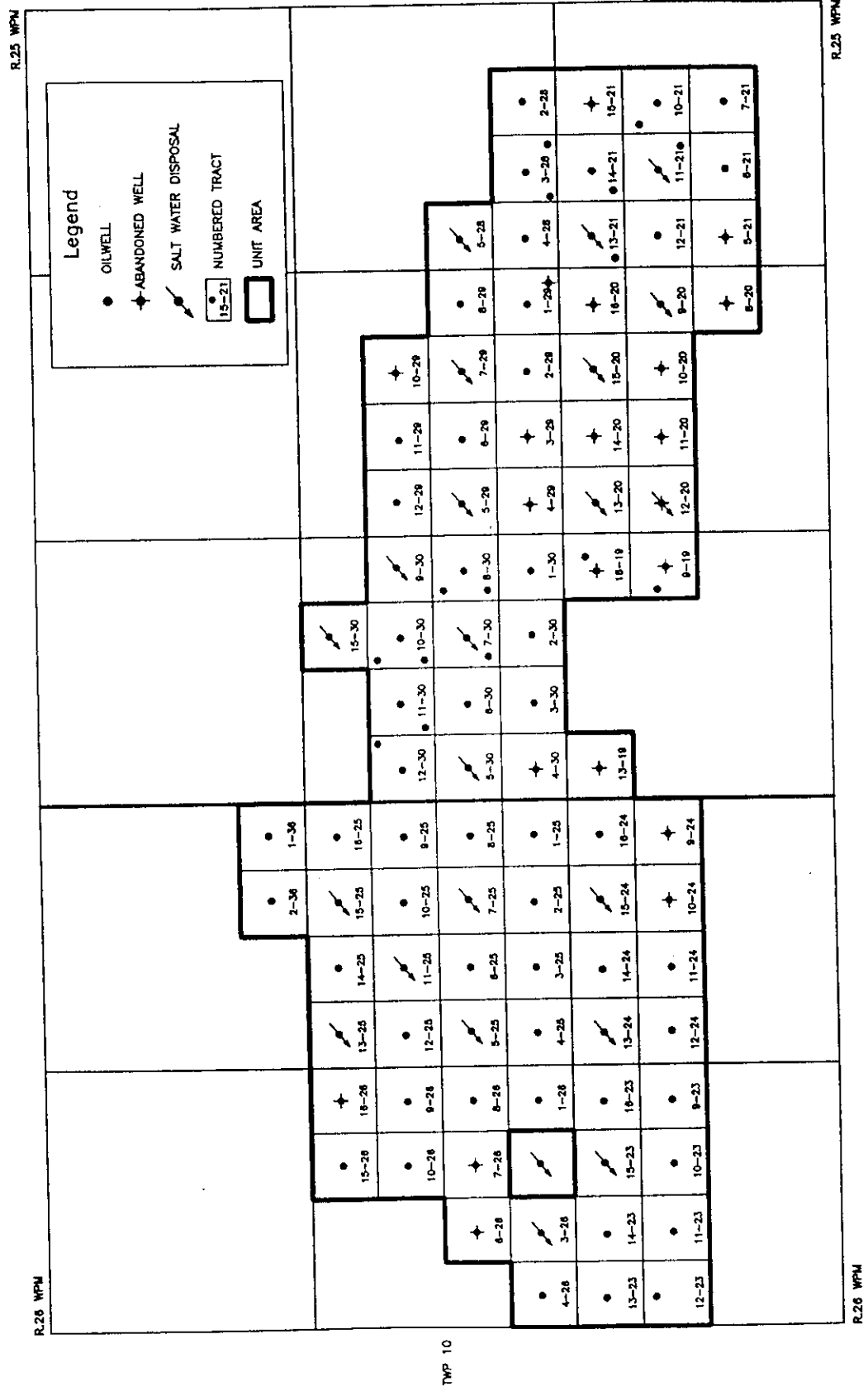
	Legal Description
	Township 10
<u>Tract No.</u>	<u>Range 26 WPM</u>
12-13	Lsd. 12, Section 23

5. Part XXIII (Map of Unit Area) is amended to include the Third Enlargement Tract. See attached amended Part XXIII dated March 1, 1998.
6. Part XXIV is rescinded, and the new Part XXIV dated March 1, 1998 attached hereto is substituted.

February 25, 1998
Date


David Newman
Minister Energy and Mines

PART XXIII MAP OF UNIT AREA



PART XXIV

Tract No.	Tract Participation	Tract No.	Tract Participation
9-19	0.355859730	2-28	0.674257030
13-19	0.206886770	3-28	1.409763370
16-19	1.230227700	4-28	0.961881960
8-20	0.066319270	5-28	0.004927010
9-20	0.267097310	1-29	1.937677720
10-20	1.007911860	2-29	1.145172450
11-20	0.182404200	3-29	2.773077520
12-20	0.011064330	4-29	3.554146790
13-20	1.919199050	5-29	2.123865330
14-20	1.065358700	6-29	0.895086190
15-20	1.237966060	7-29	0.448176840
16-20	0.982104620	8-29	1.258188720
5-21	0.114893680	10-29	0.339592020
6-21	0.712977420	11-29	2.159783900
7-21	0.814910300	12-29	0.551577340
10-21	0.929251240	1-30	1.694481650
11-21	1.834563120	2-30	0.784461950
12-21	1.474977160	3-30	0.548518210
13-21	2.016405050	4-30	1.176983590
14-21	2.803401980	3-25	1.476730680
5-30	1.245104030	4-25	0.556723540
6-30	1.895850550	5-25	0.972012350
7-30	1.480495030	6-25	0.980065200
8-30	0.978445100	7-25	1.534863680
9-30	2.754598850	8-25	2.741609460
10-30	3.117529840	9-25	0.789922640
11-30	1.401681930	10-25	1.339775050
12-30	0.951437080	11-25	1.592806080
15-30	0.295582480	12-25	1.986052000
9-23	0.212661950	13-25	0.854574160
10-23	1.762973760	14-25	0.944337230
11-23	1.314615850	15-25	0.915194490
13-23	0.553006840	16-25	0.491748000
14-23	0.823220460	1-26	0.021070830
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10-24	0.188541520	7-26	0.376644660
11-24	0.357784790	8-26	0.263104240
12-24	0.316224460	9-26	0.459088690
13-24	1.042534350	10-26	0.458307230
14-24	0.932567680	15-26	0.655263740
15-24	1.065053740	16-26	0.486039530
16-24	1.779908570	1-36	0.279600670
1-25	0.875721230	2-36	0.059066940
2-25	1.136214250	12-23	4.700000000
15-21	0.103381440		

March 1, 1998



On Matters of State

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

WHEREAS Subsection 138 of "The Oil and Gas Act" being Chapter 034 of the Continuing Consolidation of the Statutes of Manitoba, 1993, provides as follows:

Application to amend unit order

138(1) A working interest owner or unit operator may, in accordance with the regulations, make application to the minister to make an order to amend a unit order

- (a) to remedy a deficiency in the order;
- (b) to meet changing conditions;
- (c) to add a spacing unit to the unit area; or
- (d) to join two or more unit areas into one unit area.

Order to amend unit order

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

Amendment not to affect allocations

138(3) In an order made under subsection (2), the minister shall not amend the provisions of the unit order respecting the allocation of

- (a) oil and gas production; or
- (b) the costs of the unit operation.

Allocation if spacing unit added or unit areas joined

138(4) Where a unit order is amended to add a spacing unit to a unit area, or to join unit areas, the minister shall, for the purpose of allocating oil and gas production and the costs of the unit operation, deem the previously established unit area to be a unit tract within the unit area as amended, and shall allocate the share of production and costs allocated to the previously established unit area among the unit tracts in the previously established unit area in the same proportions as are specified in the unit order before the amendment is made."

AND WHEREAS Chevron Canada Resources, the unit operator of Virden Roselea Unit No. 1, has applied to add the spacing unit, Legal Subdivision 12, Section 23 in Township 10, Range 26, WPM, to the unit area of Virden Roselea Unit No. 1;

AND WHEREAS Virden Roselea Unit No. 1 is the subject of Unitization Order No. 3 dated June 17, 1965 and amended by Unitization Orders No. 6 (April 26, 1967), No. 7 (August 13, 1968), No. 18 (May 4, 1976) and No. 26 (September 7, 1978);

AND WHEREAS All working interest owners in Virden Roselea Unit No. 1 have approved the proposed addition of the spacing unit to the unit area;

AND WHEREAS Addition of the spacing unit to the unit area will result in costs savings for the unit working interest owners and will extend the productive life of the unit; _____

PC: Bob Dubreuil



MANITOBA

THEREFORE, he, the Minister, recommends:

THAT the Minister of Energy and Mines be authorized to issue Unit Order No. 34, in the form of Schedule A, approving the addition of spacing unit, Legal Subdivision 12, Section 23 in Township 10, Range 26, WPM, to the unit area of Virden Roselea Unit No. 1.

Initiating Department/Agency	
Department/Agency	Authorized Officer
ENERGY AND MINES	<i>[Signature]</i>
Approved by C.S.C.	Finance
Approved as to form by:	
Name	LOUI A. LAVOIE
Civil Legal Services: or Legislative Counsel:	Initials <i>[Signature]</i>

Signature *[Signature]*

IN THE EXECUTIVE COUNCIL CHAMBER, WINNIPEG

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

February 25, 1998

Date

[Signature]
President or Presiding Member

AT GOVERNMENT HOUSE IN THE CITY OF WINNIPEG

25

February

1998

Approved and Ordered this day of A.D.

[Signature]
Lieutenant Governor

SCHEDULE A

MINISTERIAL ORDER

UNIT ORDER NO. 34

**Amending Unitization Order No. 3 pertaining to
Virden Roselea Unit No. 1**

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3. Part XXI Wells Delivered to Unit Operator Pursuant to Part X is amended to include the well, Gentry Virden 12-23-10-26 (WPM).

4. Part XXII The Lands in the Province of Manitoba Which Comprise the Virden Roselea Unit No.1 is amended to include the Third Enlargement Tract as follows:

<u>Tract No.</u>	<u>Legal Description</u>
	<u>Township 10</u> <u>Range 26 WPM</u>
12-13	Lsd. 12, Section 23

5. Part XXIII (Map of Unit Area) is amended to include the Third Enlargement Tract. See attached amended Part XXIII dated March 1, 1998.

6. Part XXIV is rescinded, and the new Part XXIV dated March 1, 1998 attached hereto is substituted.

February 25, 1998
Date

David Newman
David Newman
Minister Energy and Mines

Legend

- OIL WELL
- ◆ ABANDONED WELL
- ⚡ SALT WATER DISPOSAL
- 15-21 NUMBERED TRACT
- UNIT AREA

Map Data:

R.25 WPM (Top Section):

- Unit Area 15-21: Contains 15 numbered tracts (1-15) and 15 oil wells (1-15).
- Unit Area 16-21: Contains 16 numbered tracts (16-31) and 16 oil wells (16-31).
- Unit Area 17-21: Contains 17 numbered tracts (32-48) and 17 oil wells (32-48).
- Unit Area 18-21: Contains 18 numbered tracts (49-66) and 18 oil wells (49-66).
- Unit Area 19-21: Contains 19 numbered tracts (67-84) and 19 oil wells (67-84).
- Unit Area 20-21: Contains 20 numbered tracts (85-102) and 20 oil wells (85-102).
- Unit Area 21-21: Contains 21 numbered tracts (103-120) and 21 oil wells (103-120).
- Unit Area 22-21: Contains 22 numbered tracts (121-138) and 22 oil wells (121-138).
- Unit Area 23-21: Contains 23 numbered tracts (139-156) and 23 oil wells (139-156).
- Unit Area 24-21: Contains 24 numbered tracts (157-174) and 24 oil wells (157-174).
- Unit Area 25-21: Contains 25 numbered tracts (175-192) and 25 oil wells (175-192).
- Unit Area 26-21: Contains 26 numbered tracts (193-210) and 26 oil wells (193-210).
- Unit Area 27-21: Contains 27 numbered tracts (211-228) and 27 oil wells (211-228).
- Unit Area 28-21: Contains 28 numbered tracts (229-246) and 28 oil wells (229-246).
- Unit Area 29-21: Contains 29 numbered tracts (247-264) and 29 oil wells (247-264).
- Unit Area 30-21: Contains 30 numbered tracts (265-282) and 30 oil wells (265-282).
- Unit Area 31-21: Contains 31 numbered tracts (283-300) and 31 oil wells (283-300).
- Unit Area 32-21: Contains 32 numbered tracts (301-318) and 32 oil wells (301-318).
- Unit Area 33-21: Contains 33 numbered tracts (319-336) and 33 oil wells (319-336).
- Unit Area 34-21: Contains 34 numbered tracts (337-354) and 34 oil wells (337-354).
- Unit Area 35-21: Contains 35 numbered tracts (355-372) and 35 oil wells (355-372).
- Unit Area 36-21: Contains 36 numbered tracts (373-390) and 36 oil wells (373-390).
- Unit Area 37-21: Contains 37 numbered tracts (391-408) and 37 oil wells (391-408).
- Unit Area 38-21: Contains 38 numbered tracts (409-426) and 38 oil wells (409-426).
- Unit Area 39-21: Contains 39 numbered tracts (427-444) and 39 oil wells (427-444).
- Unit Area 40-21: Contains 40 numbered tracts (445-462) and 40 oil wells (445-462).
- Unit Area 41-21: Contains 41 numbered tracts (463-480) and 41 oil wells (463-480).
- Unit Area 42-21: Contains 42 numbered tracts (481-498) and 42 oil wells (481-498).
- Unit Area 43-21: Contains 43 numbered tracts (499-516) and 43 oil wells (499-516).
- Unit Area 44-21: Contains 44 numbered tracts (517-534) and 44 oil wells (517-534).
- Unit Area 45-21: Contains 45 numbered tracts (535-552) and 45 oil wells (535-552).
- Unit Area 46-21: Contains 46 numbered tracts (553-570) and 46 oil wells (553-570).
- Unit Area 47-21: Contains 47 numbered tracts (571-588) and 47 oil wells (571-588).
- Unit Area 48-21: Contains 48 numbered tracts (589-606) and 48 oil wells (589-606).
- Unit Area 49-21: Contains 49 numbered tracts (607-624) and 49 oil wells (607-624).
- Unit Area 50-21: Contains 50 numbered tracts (625-642) and 50 oil wells (625-642).
- Unit Area 51-21: Contains 51 numbered tracts (643-660) and 51 oil wells (643-660).
- Unit Area 52-21: Contains 52 numbered tracts (661-678) and 52 oil wells (661-678).
- Unit Area 53-21: Contains 53 numbered tracts (679-696) and 53 oil wells (679-696).
- Unit Area 54-21: Contains 54 numbered tracts (697-714) and 54 oil wells (697-714).
- Unit Area 55-21: Contains 55 numbered tracts (715-732) and 55 oil wells (715-732).
- Unit Area 56-21: Contains 56 numbered tracts (733-750) and 56 oil wells (733-750).
- Unit Area 57-21: Contains 57 numbered tracts (751-768) and 57 oil wells (751-768).
- Unit Area 58-21: Contains 58 numbered tracts (769-786) and 58 oil wells (769-786).
- Unit Area 59-21: Contains 59 numbered tracts (787-804) and 59 oil wells (787-804).
- Unit Area 60-21: Contains 60 numbered tracts (805-822) and 60 oil wells (805-822).
- Unit Area 61-21: Contains 61 numbered tracts (823-840) and 61 oil wells (823-840).
- Unit Area 62-21: Contains 62 numbered tracts (841-858) and 62 oil wells (841-858).
- Unit Area 63-21: Contains 63 numbered tracts (859-876) and 63 oil wells (859-876).
- Unit Area 64-21: Contains 64 numbered tracts (877-894) and 64 oil wells (877-894).
- Unit Area 65-21: Contains 65 numbered tracts (895-912) and 65 oil wells (895-912).
- Unit Area 66-21: Contains 66 numbered tracts (913-930) and 66 oil wells (913-930).
- Unit Area 67-21: Contains 67 numbered tracts (931-948) and 67 oil wells (931-948).
- Unit Area 68-21: Contains 68 numbered tracts (949-966) and 68 oil wells (949-966).
- Unit Area 69-21: Contains 69 numbered tracts (967-984) and 69 oil wells (967-984).
- Unit Area 70-21: Contains 70 numbered tracts (985-1002) and 70 oil wells (985-1002).
- Unit Area 71-21: Contains 71 numbered tracts (1003-1020) and 71 oil wells (1003-1020).
- Unit Area 72-21: Contains 72 numbered tracts (1021-1038) and 72 oil wells (1021-1038).
- Unit Area 73-21: Contains 73 numbered tracts (1039-1056) and 73 oil wells (1039-1056).
- Unit Area 74-21: Contains 74 numbered tracts (1057-1074) and 74 oil wells (1057-1074).
- Unit Area 75-21: Contains 75 numbered tracts (1075-1092) and 75 oil wells (1075-1092).
- Unit Area 76-21: Contains 76 numbered tracts (1093-1110) and 76 oil wells (1093-1110).
- Unit Area 77-21: Contains 77 numbered tracts (1111-1128) and 77 oil wells (1111-1128).
- Unit Area 78-21: Contains 78 numbered tracts (1129-1146) and 78 oil wells (1129-1146).
- Unit Area 79-21: Contains 79 numbered tracts (1147-1164) and 79 oil wells (1147-1164).
- Unit Area 80-21: Contains 80 numbered tracts (1165-1182) and 80 oil wells (1165-1182).
- Unit Area 81-21: Contains 81 numbered tracts (1183-1200) and 81 oil wells (1183-1200).
- Unit Area 82-21: Contains 82 numbered tracts (1201-1218) and 82 oil wells (1201-1218).
- Unit Area 83-21: Contains 83 numbered tracts (1219-1236) and 83 oil wells (1219-1236).
- Unit Area 84-21: Contains 84 numbered tracts (1237-1254) and 84 oil wells (1237-1254).
- Unit Area 85-21: Contains 85 numbered tracts (1255-1272) and 85 oil wells (1255-1272).
- Unit Area 86-21: Contains 86 numbered tracts (1273-1290) and 86 oil wells (1273-1290).
- Unit Area 87-21: Contains 87 numbered tracts (1291-1308) and 87 oil wells (1291-1308).
- Unit Area 88-21: Contains 88 numbered tracts (1309-1326) and 88 oil wells (1309-1326).
- Unit Area 89-21: Contains 89 numbered tracts (1327-1344) and 89 oil wells (1327-1344).
- Unit Area 90-21: Contains 90 numbered tracts (1345-1362) and 90 oil wells (1345-1362).
- Unit Area 91-21: Contains 91 numbered tracts (1363-1380) and 91 oil wells (1363-1380).
- Unit Area 92-21: Contains 92 numbered tracts (1381-1398) and 92 oil wells (1381-1398).
- Unit Area 93-21: Contains 93 numbered tracts (1399-1416) and 93 oil wells (1399-1416).
- Unit Area 94-21: Contains 94 numbered tracts (1417-1434) and 94 oil wells (1417-1434).
- Unit Area 95-21: Contains 95 numbered tracts (1435-1452) and 95 oil wells (1435-1452).
- Unit Area 96-21: Contains 96 numbered tracts (1453-1470) and 96 oil wells (1453-1470).
- Unit Area 97-21: Contains 97 numbered tracts (1471-1488) and 97 oil wells (1471-1488).
- Unit Area 98-21: Contains 98 numbered tracts (1489-1506) and 98 oil wells (1489-1506).
- Unit Area

March 1, 1998

PART XXIV

Tract No.	Tract Participation
9-19	0.355859730
13-19	0.206886770
16-19	1.230227700
8-20	0.066319270
9-20	0.267097310
10-20	1.007911860
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12-23	4.700000000

March 1, 1998



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submits for approval of Council a report setting forth that:

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Amendment not to affect allocations

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- (a) oil and gas production; or
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Allocation if spacing unit added or unit areas joined

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AND WHEREAS Chevron Canada Resources, the unit operator of Virden Roselea Unit No. 1, has applied to add the spacing unit, Legal Subdivision 12, Section 23 in Township 10, Range 26, WPM, to the unit area of Virden Roselea Unit No. 1;

AND WHEREAS Virden Roselea Unit No. 1 is the subject of Unitization Order No. 3 dated June 17, 1965 and amended by Unitization Orders No. 6 (April 26, 1967), No. 7 (August 13, 1968), No. 18 (May 4, 1976) and No. 26 (September 7, 1978);

AND WHEREAS All working interest owners in Virden Roselea Unit No. 1 have approved the proposed addition of the spacing unit to the unit area;

AND WHEREAS Addition of the spacing unit to the unit area will result in costs savings for the unit working interest owners and will extend the productive life of the unit; _____



THEREFORE, he, the Minister, recommends:

THAT the Minister of Energy and Mines be authorized to issue Unit Order No. 34, in the form of Schedule A, approving the addition of spacing unit, Legal Subdivision 12, Section 23 in Township 10, Range 26, WPM, to the unit area of Virden Roselea Unit No. 1. _____

Initiating Department/Agency	
Department/Agency	Authorized Officer
ENERGY AND MINES	<i>[Signature]</i>
Approved by	
C.S.C.	Finance
Approved as to form by:	
Name <u>LORI A. LAVOIE</u>	
Initials	
Civil Legal Services: or Legislative Counsel:	<i>[Signature]</i>

Signature

IN THE EXECUTIVE COUNCIL CHAMBER, WINNIPEG

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

..... Date President or Presiding Member

AT GOVERNMENT HOUSE IN THE CITY OF WINNIPEG

Approved and Ordered this day of A.D.

..... Lieutenant Governor



Memorandum

VIA COURIER

Date: February 12, 1998
To: Bob Dubreuil
Director
Petroleum Branch
360 - 1395 Ellice Avenue
Winnipeg, MB R3G 3P2

File No.: EM01A0 (1)
From: Lori A. Lavoie
Crown Counsel
Civil Legal Services
730 - 405 Broadway
Winnipeg, MB R3C 3L6

Telephone: (204) 945-2834
Fax No.: (204) 948-2826

SUBJECT: Order-in-Council

Further to our telephone conversation, enclosed herein is an Order-in-Council pursuant to subsection 138(1) of *The Oil and Gas Act* approved as to form.

Thank you for faxing me copies of Parts XIII and XXIV as amended and substituted. Please ensure that Schedule "A" includes copies of Parts XXIII and XXIV when the OIC is submitted for approval.

Thank you for referring this matter to my attention. If you have any further questions, please do not hesitate to contact me.

Lori A. Lavoie
Crown Counsel

LAL/aj
Encl.

H:\DEPT\LAL\MEMOS\DUBREUIL.WPD



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

Subsection 138 of "The Oil and Gas Act" being Chapter 034 of the Continuing Consolidation of the Statutes of Manitoba, 1993, provides as follows:

Application to amend unit order

138(1) A working interest owner or unit operator may, in accordance with the regulations, make application to the minister to make an order to amend a unit order

- (a) to remedy a deficiency in the order;
- (b) to meet changing conditions;
- (c) to add a spacing unit to the unit area; or
- (d) to join two or more unit areas into one unit area.

Order to amend unit order

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

Amendment not to affect allocations

138(3) In an order made under subsection (2), the minister shall not amend the provisions of the unit order respecting the allocation of

- (a) oil and gas production; or
- (b) the costs of the unit operation.

Allocation if spacing unit added or unit areas joined

138(4) Where a unit order is amended to add a spacing unit to a unit area, or to join unit areas, the minister shall, for the purpose of allocating oil and gas production and the costs of the unit operation, deem the previously established unit area to be a unit tract within the unit area as amended, and shall allocate the share of production and costs allocated to the previously established unit area among the unit tracts in the previously established unit area in the same proportions as are specified in the unit order before the amendment is made."

AND WHEREAS Chevron Canada Resources, the unit operator of Virden Roselea Unit No. 1, has applied to add the spacing unit, Legal Subdivision 12, Section 23 in Township 10, Range 26, WPM, to the unit area of Virden Roselea Unit No. 1;

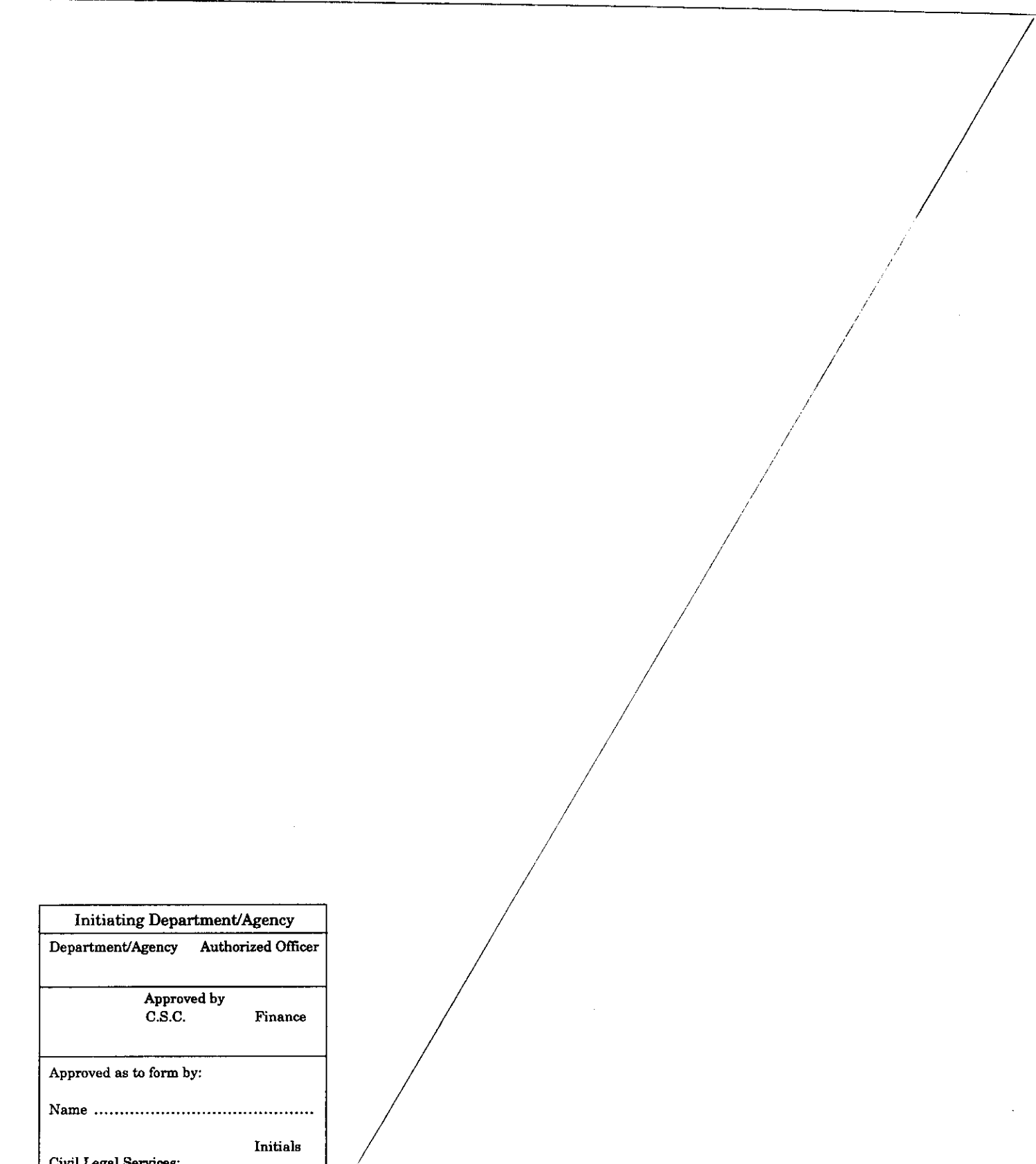
AND WHEREAS Virden Roselea Unit No. 1 is the subject of Unitization Order No. 3 dated June 17, 1965 and amended by Unitization Orders No. 6 (April 26, 1967), No. 7 (August 13, 1968), No. 18 (May 4, 1976) and No. 26 (September 7, 1978);

AND WHEREAS All working interest owners in Virden Roselea Unit No. 1 have approved the proposed addition of the spacing unit to the unit area;

AND WHEREAS Addition of the spacing unit to the unit area will result in costs savings for the unit working interest owners and will extend the productive life of the unit;

THEREFORE, he, the Minister, recommends:

THAT the Minister of Energy and Mines be authorized to issue Unit Order No. 34, in the form of Schedule A, approving the addition of spacing unit, Legal Subdivision 12, Section 23 in Township 10, Range 26, WPM, to the unit area of Virden Roselea Unit No. 1.



Initiating Department/Agency	
Department/Agency	Authorized Officer
Approved by C.S.C.	Finance
Approved as to form by:	
Name	Initials
Civil Legal Services: or Legislative Counsel:	

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

**DEPARTMENT OF ENERGY AND MINES
CABINET SUBMISSION**

SUBJECT: Ministerial Order under The Oil and Gas Act to add a spacing unit to Virden Roselea Unit No. 1 ("VRU No. 1").

BACKGROUND:

Chevron Canada Resources ("Chevron") is the unit operator of VRU No. 1 and is responsible for the coordinated management of oil and gas resources within the unit area. Chevron has applied under Section 138 of The Oil and Gas Act to add the spacing unit containing the well, Gentry Virden 12-23-10-26 (WPM), to the unit area.

All working interest owners in VRU No. 1 are in favour of the unit enlargement. Inclusion of the 12-23 well in the unit will increase unit production and reserve potential. Operating and administrative cost savings are also expected.

VRU No. 1 is the subject of a unit order dated June 17, 1965. The original unit order has been amended a number of times. The Oil and Gas Act specifically provides for the Minister, with the approval of the Lieutenant Governor in Council, to make an order to amend a unit order to add a spacing unit to the unit area.

FINANCIAL IMPLICATIONS:

The proposed unit enlargement will result in cost savings for the unit owners and will extend the productive life of the unit.

The Oil and Gas Production Tax ("Tax") payable will be determined as a function of the share of unit production allocated to the spacing unit being added to the unit. Currently the tax is calculated as a function of actual monthly oil production from the well. This change in the method of calculating the Tax is expected to have minimal impact initially on revenue to the Crown. Inclusion of the tract in the unit is likely to result in some increase in revenue to the Crown over the life of the unit, particularly if unit enlargement leads to improved recovery.

COMMUNICATIONS STRATEGY:

None. Chevron, the unit operator, will be sent a copy of the unit order approving the enlargement of VRU No. 1. Chevron is responsible for notifying the other unit owners of the unit enlargement.

RECOMMENDATIONS:

It is recommended that the Minister of Energy and Mines be authorized to issue Unit Order No. 34 approving enlargement of VRU No. 1.

David Newman
Minister of Energy and Mines

CONTACT PERSON: L. R. Dubreuil (6573)

DATE: February 4, 1997

SCHEDULE A

MINISTERIAL ORDER

UNIT ORDER NO. 34

Amending Unitization Order No. 3 pertaining to Virden Roselea Unit No. 1

The Plan for Unit Operation Governing the Unitized Management Operation and Further Development of the Virden Roselea Unit No. 1 set out in Unitization Order No. 3 and amended by Unitization Order No.'s 6, 7, 18 and 26, is further amended by adding to the Unit Area, the following area:

Legal Subdivision 12 of Section 23 in Township 10, Range 26 (WPM)

And is further amended as follows:

1. Paragraph (d) of Section 1.02 is rescinded and the following substituted:

(d) "Effective Date" means 8:00 am on the first day of March, 1998;
2. Part III is rescinded, and the following substituted:
 - 3.1 The Tract Participation of each Tract is shown in Part XXIV and was determined with respect to Tract 12-23 ("Third Enlargement Tract") to be 0.0470 and with respect to the remaining Tracts by reducing the Tract Participation prior to this amendment by the factor, one minus the Tract Participation of the Third Enlargement Tract (1.0 minus 0.0470).
 - 3.2 The total of the Tract Participations for all Tracts, including the Third Enlargement Tract, shall at all times equal one hundred (100%) percent
3. Part XXI Wells Delivered to Unit Operator Pursuant to Part X is amended to include the well, Gentry Virden 12-23-10-26 (WPM).
4. Part XXII The Lands in the Province of Manitoba Which Comprise the Virden Roselea Unit No.1 is amended to include the Third Enlargement Tract as follows:

	Legal Description
	Township 10
<u>Tract No.</u>	<u>Range 26 WPM</u>
12-13	Lsd. 12, Section 23
5. Part XXIII (Map of Unit Area) is amended to include the Third Enlargement Tract. See attached amended Part XXIII dated March 1, 1998.
6. Part XXIV is rescinded, and the new Part XXIV dated March 1, 1998 attached hereto is substituted.

Date

David Newman
Minister Energy and Mines

Manitoba



Memorandum

Date February 4, 1998

To Bob Dubreuil
Director
Petroleum & Energy Branch

From John Fox
Chief Petroleum Engineer
Petroleum & Energy Branch

Subject Application for Unit Enlargement - Virden Roselea Unit No. 1

Telephone

Chevron Canada Resources, unit operator of Virden Roselea Unit No. 1 has applied to enlarge the unit to include the well, Gentry Virden 12-23-10-26 (WPM) and has addressed the deficiencies in its original application.

Recommendation

It is recommended that the Minister request authorization from Cabinet to permit him to amend Unitization Order No. 3 to enlarge the unit to include the 12-23-10-26 well. Attached are draft copies of Unit Order No. 34, the Cabinet Submission and OIC.

Discussion

Chevron has proposed that the 12-23 well receive a tract participation factor of 4.7% based on remaining recoverable reserves (30%) and current production (70%). The Branch has reviewed the proposed tract participation based on the participation formula and determined it to be reasonable. Chevron indicated adding the 12-23 well to the unit will increase unit production and reserve potential and result in administrative and operating cost savings.

When Chevron responded to our deficiency letter (17-Oct-97), working interest owners with participating interest of 99.136% had approved the unit enlargement. Tundra/Corvair was opposed to the unit enlargement. On 29-Jan-98, the Branch received a letter from Tundra indicating the company has withdrawn its objection to the unit enlargement.

VRU No. 1 is the subject of a Unitization Order. The original Unitization Order No. 3 filed June 17, 1965 has been amended a number of times. In accordance with Section 138 of The Oil and Gas Act, an application may be made to the Minister to amend a unit order to add a spacing unit to the unit area. Subject to the approval of the Lieutenant Governor in Council, the Minister may make an order to amend a unit order. It is recommended that the Minister issue Unit Order No. 34 adding the 12-23 spacing unit to the unit area. Attached are draft copies of the Cabinet Submission and OIC.

Chevron has requested an effective date for unit enlargement of January 1, 1998. The earliest effective date for unit enlargement is the first day of the month following the date the Unit Order is issued. It is recommended that Chevron be advised that the earliest possible effective date for the enlargement is March 1, 1998.

First | Fold

Manitoba



Energy and Mines

Petroleum and Energy Branch

1395 Ellice Avenue Suite 360
Winnipeg MB R3G 3P2
CANADAPH: (204) 945-6577
PH: (204) 945-3760
FAX: (204) 945-0586

February 4, 1998

Stephen A. White
Land Representative
Chevron Canada Resources
500-5th Avenue SW
Calgary AB T2P 0L7

Dear Mr. White:

**Re: Virden Roselea Unit No. 1
Unit Enlargement**

The Petroleum and Energy Branch has received your application to enlarge Virden Roselea Unit No. 1 (VRU No. 1) to include the well, Gentry Virden 12-23-10-26 (WPM). The Branch is also in receipt of a letter from Tundra (29-Jan-98) indicating it has withdrawn its objection to the unit enlargement. VRU No. 1 is the subject of a Unitization Order. Under The Oil and Gas Act the Minister, with the approval of the Lieutenant Governor in Council, has to make an order amending the unit order to add a spacing unit to the unit area. The Branch has forwarded its recommendations to the Minister. The earliest effective date for unit enlargement is the first day of the month following the date the amending order is issued. The earliest possible effective date for the enlargement is March 1, 1998.

If you have any questions in respect of this matter please contact the undersigned at (204) 945-6574.

Yours truly,

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

cc. C. Martiniuk, Administration

MINISTERIAL ORDER**UNIT ORDER NO. 34****Amending Unitization Order No. 3 pertaining to
Virden Roselea Unit No. 1**

The Plan for Unit Operation Governing the Unitized Management Operation and Further Development of the Virden Roselea Unit No. 1 set out in Unitization Order No. 3 and amended by Unitization Order No.'s 6, 7, 18 and 26, is further amended by adding to the Unit Area, the following area:

Legal Subdivision 12 of Section 23 in Township 10, Range 26 (WPM)

And is further amended as follows:

1. Paragraph (d) of Section 1.02 is rescinded and the following substituted:

(d) "Effective Date" means 8:00 am on the first day of March, 1998;

2. Part III is rescinded, and the following substituted:

3.1 The Tract Participation of each Tract is shown in Part XXIV and was determined with respect to Tract 12-23 ("Third Enlargement Tract") to be 0.0470 and with respect to the remaining Tracts by reducing the Tract Participation prior to this amendment by the factor, one minus the Tract Participation of the Third Enlargement Tract (1.0 minus 0.0470).

3.2 The total of the Tract Participations for all Tracts, including the Third Enlargement Tract, shall at all times equal one hundred (100%) percent

3. Part XXI Wells Delivered to Unit Operator Pursuant to Part X is amended to include the well, Gentry Virden 12-23-10-26 (WPM).
4. Part XXII The Lands in the Province of Manitoba Which Comprise the Virden Roselea Unit No.1 is amended to include the Third Enlargement Tract as follows:

	Legal Description
	Township 10
<u>Tract No.</u>	<u>Range 26 WPM</u>
12-13	Lsd. 12, Section 23

5. Part XXIII (Map of Unit Area) is amended to include the Third Enlargement Tract. See attached amended Part XXIII dated March 1, 1998.
6. Part XXIV is rescinded, and the new Part XXIV dated March 1, 1998 attached hereto is substituted.

Date

David Newman
Minister Energy and Mines

R.25 WPM



March 1, 1928

PART XXIV

Tract No.	Tract Participation	Tract No.	Tract Participation
9-19	0.355859730	2-28	0.674257030
13-19	0.206886770	3-28	1.409763370
16-19	1.230227700	4-28	0.961881960
8-20	0.066319270	5-28	0.004927010
9-20	0.267097310	1-29	1.937677720
10-20	1.007911860	2-29	1.145172450
11-20	0.182404200	3-29	2.773077520
12-20	0.011064330	4-29	3.554146790
13-20	1.919199050	5-29	2.123865330
14-20	1.065358700	6-29	0.895086190
15-20	1.237966060	7-29	0.448176840
16-20	0.982104620	8-29	1.258188720
5-21	0.114893680	10-29	0.339592020
6-21	0.712977420	11-29	2.159783900
7-21	0.814910300	12-29	0.551577340
10-21	0.929251240	1-30	1.694481650
11-21	1.834563120	2-30	0.784461950
12-21	1.474977160	3-30	0.548518210
13-21	2.016405050	4-30	1.176983590
14-21	2.803401980	3-25	1.476730680
5-30	1.245104030	4-25	0.556723540
6-30	1.895850550	5-25	0.972012350
7-30	1.480495030	6-25	0.980065200
8-30	0.978445100	7-25	1.534863680
9-30	2.754598850	8-25	2.741609460
10-30	3.117529840	9-25	0.789922640
11-30	1.401681930	10-25	1.339775050
12-30	0.951437080	11-25	1.592806080
15-30	0.295582480	12-25	1.986052000
9-23	0.212661950	13-25	0.854574160
10-23	1.762973760	14-25	0.944337230
11-23	1.314615850	15-25	0.915194490
13-23	0.553006840	16-25	0.491748000
14-23	0.823220460	1-26	0.021070830
15-23	1.188047920	3-26	0.760208100
16-23	0.952904700	4-26	1.272073930
9-24	0.086179790	6-26	0.545449550
10-24	0.188541520	7-26	0.376644660
11-24	0.357784790	8-26	0.263104240
12-24	0.316224460	9-26	0.459088690
13-24	1.042534350	10-26	0.458307230
14-24	0.932567680	15-26	0.655263740
15-24	1.065053740	16-26	0.486039530
16-24	1.779908570	1-36	0.279600670
1-25	0.875721230	2-36	0.059066940
2-25	1.136214250	12-23	4.700000000
15-21	0.103381440		

March 1, 1998



Memorandum

Date February 4, 1998

To Bob Dubreuil
Director
Petroleum & Energy Branch

From John Fox
Chief Petroleum Engineer
Petroleum & Energy Branch

Subject Application for Unit Enlargement - Virden Roselea Unit No. 1

Chevron Canada Resources, unit operator of Virden Roselea Unit No. 1 has applied to enlarge the unit to include the well, Gentry Virden 12-23-10-26 (WPM) and has addressed the deficiencies in its original application.

Recommendation

It is recommended that the Minister request authorization from Cabinet to permit him to amend Unitization Order No. 3 to enlarge the unit to include the 12-23-10-26 well. Attached are draft copies of Unit Order No. 34, the Cabinet Submission and OIC.

Discussion

Chevron has proposed that the 12-23 well receive a tract participation factor of 4.7% based on remaining recoverable reserves (30%) and current production (70%). The Branch has reviewed the proposed tract participation based on the participation formula and determined it to be reasonable. Chevron indicated adding the 12-23 well to the unit will increase unit production and reserve potential and result in administrative and operating cost savings.

When Chevron responded to our deficiency letter (17-Oct-97), working interest owners with participating interest of 99.136% had approved the unit enlargement. Tundra/Corvair was opposed to the unit enlargement. On 29-Jan-98, the Branch received a letter from Tundra indicating the company has withdrawn its objection to the unit enlargement.

VRU No. 1 is the subject of a Unitization Order. The original Unitization Order No. 3 filed June 17, 1965 has been amended a number of times. In accordance with Section 138 of The Oil and Gas Act, an application may be made to the Minister to amend a unit order to add a spacing unit to the unit area. Subject to the approval of the Lieutenant Governor in Council, the Minister may make an order to amend a unit order. It is recommended that the Minister issue Unit Order No. 34 adding the 12-23 spacing unit to the unit area. Attached are draft copies of the Cabinet Submission and OIC.

Chevron has requested an effective date for unit enlargement of January 1, 1998. The earliest effective date for unit enlargement is the first day of the month following the date the Unit Order is issued. It is recommended that Chevron be advised that the earliest possible effective date for the enlargement is March 1, 1998.

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Energy and Mines

Petroleum and Energy Branch

1395 Ellice Avenue Suite 360
Winnipeg MB R3G 3P2
CANADA

PH: (204) 945-6577
PH: (204) 945-3760
FAX: (204) 945-0586

February 4, 1998

Stephen A. White
Land Representative
Chevron Canada Resources
500-5th Avenue SW
Calgary AB T2P 0L7

Dear Mr. White:

**Re: Virден Roselea Unit No. 1
Unit Enlargement**

The Petroleum and Energy Branch has received your application to enlarge Virден Roselea Unit No. 1 (VRU No. 1) to include the well, Gentry Virден 12-23-10-26 (WPM). The Branch is also in receipt of a letter from Tundra (29-Jan-98) indicating it has withdrawn its objection to the unit enlargement. VRU No. 1 is the subject of a Unitization Order. Under The Oil and Gas Act the Minister, with the approval of the Lieutenant Governor in Council, has to make an order amending the unit order to add a spacing unit to the unit area. The Branch has forwarded its recommendations to the Minister. The earliest effective date for unit enlargement is the first day of the month following the date the amending order is issued. The earliest possible effective date for the enlargement is March 1, 1998.

If you have any questions in respect of this matter please contact the undersigned at (204) 945-6574.

Yours truly,



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

cc. C. Martiniuk, Administration

MINISTERIAL ORDER

UNIT ORDER NO. 34

Amending Unitization Order No. 3 pertaining to Virde Roselea Unit No. 1

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Legal Subdivision 12 of Section 23 in Township 10, Range 26 (WPM)

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	Legal Description
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<u>Tract No.</u>	<u>Range 26 WPM</u>
12-13	Lsd. 12, Section 23
5. Part XXIII Map of Unit Area is amended to include the Third Enlargement Tract. See attached amended Part XXIII dated March 1, 1998.
6. Part XXIV is rescinded, and the new Part XXIV dated March 1, 1998 attached hereto is substituted.

Date

David Newman
Minister Energy and Mines

MINISTERIAL ORDER

UNIT ORDER NO. 34

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Date

David Newman
Minister Energy and Mines



Date February 4, 1998

To Bob Dubreuil
Director
Petroleum & Energy Branch

From John Fox
Chief Petroleum Engineer
Petroleum & Energy Branch

Memorandum

Subject Application for Unit Enlargement - Virden Roselea Unit No. 1

Chevron Canada Resources, unit operator of Virden Roselea Unit No. 1 has applied to enlarge the unit to include the well, Gentry Virden 12-23-10-26 (WPM) and has addressed the deficiencies in its original application.

Recommendation

It is recommended that the Minister request authorization from Cabinet to permit him to amend Unitization Order No. 3 to enlarge the unit to include the 12-23-10-26 well. Attached are draft copies of Unit Order No. 34, the Cabinet Submission and OIC.

Discussion

Chevron has proposed that the 12-23 well receive a tract participation factor of 4.7% based on remaining recoverable reserves (30%) and current production (70%). The Branch has reviewed the proposed tract participation based on the participation formula and determined it to be reasonable. Chevron indicated adding the 12-23 well to the unit will increase unit production and reserve potential and result in administrative and operating cost savings.

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Chevron has requested an effective date for unit enlargement of January 1, 1998. The earliest effective date for unit enlargement is the first day of the month following the date the Unit Order is issued. It is recommended that Chevron be advised that the earliest possible effective date for the enlargement is March 1, 1998.

First | Fold



Energy and Mines

Petroleum and Energy Branch

1395 Ellice Avenue Suite 360
Winnipeg MB R3G 3P2
CANADA

PH: (204) 945-6577

PH: (204) 945-3760

FAX: (204) 945-0586

February 4, 1998

Stephen A. White
Land Representative
Chevron Canada Resources
500-5th Avenue SW
Calgary AB T2P 0L7

Dear Mr. White:

**Re: Virden Roselea Unit No. 1
Unit Enlargement**

The Petroleum and Energy Branch has received your application to enlarge Virden Roselea Unit No. 1 (VRU No. 1) to include the well, Gentry Virden 12-23-10-26 (WPM). The Branch is also in receipt of a letter from Tundra (29-Jan-98) indicating it has withdrawn its objection to the unit enlargement. VRU No. 1 is the subject of a Unitization Order. Under The Oil and Gas Act the Minister, with the approval of the Lieutenant Governor in Council, has to make an order amending the unit order to add a spacing unit to the unit area. The Branch has forwarded its recommendations to the Minister. The earliest effective date for unit enlargement is the first day of the month following the date the amending order is issued. The earliest possible effective date for the enlargement is March 1, 1998.

If you have any questions in respect of this matter please contact the undersigned at (204) 945-6574.

Yours truly,

A handwritten signature in dark ink, appearing to be "J. Fox", written over a faint circular stamp.

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

cc. C. Martiniuk, Administration

MINISTERIAL ORDER

UNIT ORDER NO. 34

Amending Unitization Order No. 3 pertaining to Virde Roselea Unit No. 1

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And is further amended as follows:

1. Paragraph (d) of Section 1.02 is rescinded and the following substituted:

(d) "Effective Date" means 8:00 am on the first day of March, 1998;
2. Part III is rescinded, and the following substituted:
 - 3.1 The Tract Participation of each Tract is shown in Part XXIV and was determined with respect to Tract 12-23 ("Third Enlargement Tract") to be 0.0470 and with respect to the remaining Tracts by reducing the Tract Participation prior to this amendment by the factor, one minus the Tract Participation of the Third Enlargement Tract (1.0 minus 0.0470).
 - 3.2 The total of the Tract Participations for all Tracts, including the Third Enlargement Tract, shall at all times equal one hundred (100%) percent
3. Part XXI Wells Delivered to Unit Operator Pursuant to Part X is amended to include the well, Gentry Virde 12-23-10-26 (WPM).
4. Part XXII The Lands in the Province of Manitoba Which Comprise the Virde Roselea Unit No.1 is amended to include the Third Enlargement Tract as follows:

	Legal Description
	Township 10
<u>Tract No.</u>	<u>Range 26 WPM</u>
12-13	Lsd. 12, Section 23
5. Part XXIII Map of Unit Area is amended to include the Third Enlargement Tract. See attached amended Part XXIII dated March 1, 1998.
6. Part XXIV is rescinded, and the new Part XXIV dated March 1, 1998 attached hereto is substituted.

Date

David Newman
Minister Energy and Mines

**DEPARTMENT OF ENERGY AND MINES
CABINET SUBMISSION**

SUBJECT: Ministerial Order under The Oil and Gas Act to add a spacing unit to Virden Roselea Unit No. 1 ("VRU No. 1").

BACKGROUND:

Chevron Canada Resources ("Chevron") is the unit operator of VRU No. 1 and is responsible for the coordinated management of oil and gas resources within the unit area. Chevron has applied under Section 138 of The Oil and Gas Act to add the spacing unit containing the well, Gentry Virden 12-23-10-26 (WPM), to the unit area.

All working interest owners in VRU No. 1 are in favour of the unit enlargement. Inclusion of the 12-23 well in the unit will increase unit production and reserve potential. Operating and administrative cost savings are also expected.

VRU No. 1 is the subject of a unit order dated June 17, 1965. The original unit order has been amended a number of times. The Oil and Gas Act specifically provides for the Minister, with the approval of the Lieutenant Governor in Council, to make an order to amend a unit order to add a spacing unit to the unit area.

FINANCIAL IMPLICATIONS:

The proposed unit enlargement will result in cost savings for the unit owners and will extend the productive life of the unit.

COMMUNICATIONS STRATEGY:

None. Chevron, the unit operator, will be sent a copy of the unit order approving the enlargement of VRU No. 1. Chevron is responsible for notifying the other unit owners of the unit enlargement.

RECOMMENDATIONS:

It is recommended that the Minister of Energy and Mines be authorized to issue Unit Order No. 34 approving enlargement of VRU No. 1.

David Newman
Minister of Energy and Mines

CONTACT PERSON: L. R. Dubreuil (6573)

DATE: February 4, 1997

Energy and Mines

subsection 138 of "The Oil and Gas Act" being Chapter 034 of the Continuing Consolidation of the Statutes of Manitoba, 1993, provides as follows:

Application to amend unit order

138(1) A working interest owner or unit operator may, in accordance with the regulations, make application to the minister to make an order to amend a unit order

- (a) to remedy a deficiency in the order;
- (b) to meet changing conditions;
- (c) to add a spacing unit to the unit area; or
- (d) to join two or more unit areas into one unit area.

Order to amend unit order

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

Amendment not to affect allocations

138(3) In an order made under subsection (2), the minister shall not amend the provisions of the unit order respecting the allocation of

- (a) oil and gas production; or
- (b) the costs of the unit operation.

Allocation if spacing unit added or unit areas joined

138(4) Where a unit order is amended to add a spacing unit to a unit area, or to join unit areas, the minister shall, for the purpose of allocating oil and gas production and the costs of the unit operation, deem the previously established unit area to be a unit tract within the unit area as amended, and shall allocate the share of production and costs allocated to the previously established unit area among the unit tracts in the previously established unit area in the same proportions as are specified in the unit order before the amendment is made."

AND WHEREAS Chevron Canada Resources, the unit operator of Virden Roselea Unit No. 1, has applied to add the spacing unit, Legal Subdivision 12, Section 23 in Township 10, Range 25, WPM, to the unit area of Virden Roselea Unit No. 1;

AND WHEREAS Virden Roselea Unit No. 1 is the subject of Unitization Order No. 3 dated June 17, 1965 and amended by Unitization Orders No. 6 (April 26, 1967), No. 7 (August 13, 1968), No. 18 (May 4, 1976) and No. 26 (September 7, 1978);

AND WHEREAS All working interest owners in Virden Roselea Unit No. 1 have approved the proposed addition of the spacing unit to the unit area;

AND WHEREAS Addition of the spacing unit to the unit area will result in costs savings for the unit working interest owners and will extend the productive life of the unit;

THEREFORE, he, the Minister, recommends:

THAT the Minister of Energy and Mines be authorized to issue Unit Order No. 34 approving the addition of spacing unit, Legal Subdivision 12, Section 23 in Township 10, Range 25, WPM, to the unit area of Virden Roselea Unit No. 1.



1111 One Lombard Place, Winnipeg, Manitoba R3B 0X4

TEL: (204) 934-5850

FAX: (204) 934-5820

January 29, 1998

Chevron Canada Resources Limited
500 - 5th Avenue S.W.
Calgary, AB T2P 3R7

Attention: Stephen A. White
Land Representative

Dear Sir:

Re: Virden Roselea Unit #1

Please be advised that Tundra Oil and Gas Ltd. wishes to withdraw its objection to the enlargement of the Virden Roselea Unit #1, as outlined in Sue Bradley's letter dated September 11, 1997.

Sincerely,

TUNDRA OIL AND GAS LTD.

A handwritten signature in black ink, reading "Brad Thiessen". The signature is written in a cursive, flowing style.

Brad Thiessen
Land Manager

BT/ps

cc: John Fox
Manitoba Energy & Mines

September 8, 1997

Bob Dubreuil
Director
Petroleum & Energy Branch

John Fox
Chief Petroleum Engineer
Petroleum & Energy Branch

Application for Unit Enlargement - Virden Roselea Unit No. 1

Chevron Canada Resources, unit operator of Virden Roselea Unit No. 1 has applied to enlarge the unit to include the well, Gentry Virden 12-23-10-26 (WPM).

Recommendation

It is recommended that Chevron be requested to provide additional information in support of its application. A copy of the draft deficiency letter to Chevron is attached.

Discussion

VRU No. 1 is the subject of a Unitization Order. The original Unitization Order No. 3 filed June 17, 1965 has been amended a number of times. In accordance with Section 138 of The Oil and Gas Act an application may be made to the Minister to amend a unit order to add a spacing unit to the unit area. Subject to the approval of the Lieutenant Governor in Council, the Minister may make an order to amend a unit order. Chevron has proposed an effective date for the unit enlargement of October 1, 1997. There are a number of deficiencies in the application that Chevron must address which makes it improbable that approval can be obtained by this date. It is recommended that Chevron be advised that the earliest possible effective date for the enlargement is November 1, 1997.

The 12-23-10-26 well has averaged 3.28 m³/d in Jan/97 - May/97 with a WOR of 14.6 m³/m³. By comparison VRU No. 1 production for Jan/97 - May/97 has averaged 73.4 m³/d. On a production basis only, the 12-23 well's share of the enlarged unit would equal 4.278%. Chevron and Gentry have agreed to a 4.7% share for the 12-23 well. The method used to determine tract participation for each tract in the unit, including the 1st and 2nd unit enlargements, was one-half (1/2) of each of the following:

- (a) a current production factor; and
- (b) a penalized (for water production) average monthly oil production factor.

Chevron should be requested to outline the method used to determine unit tract participation for the 12-23 unit tract. Chevron should also be requested to provide a reason for the unit enlargement.

The Act does not specify that the consent of the unit working interest owners is required for the unit enlargement. However, the Branch believes Chevron should be requested to provide the Branch with a copy of the consent of each unit working interest owner to the unit be requested to provide the Branch with a copy of the consent of each unit working interest owner to the unit enlargement. Without such consents a hearing may have to be held before the Minister could amend the unit order.

**Chevron****FAX TRANSMISSION****To:**
John Fox**Manitoba Energy & Mines**
360, 1395 - Ellice Ave.
Winnipeg, Manitoba
R3G 2P3
Phone:
Fax: (204) 945-0586**From:**
Stephen A. White
Land Representative
Chevron Canada Resources Limited
500 - 5th Avenue S. W.
Calgary, Alberta
T2P 0L7
Phone: 234-5058
Fax: 234-5734
E-mail: WHIS@chevron.com**Date: September 4, 1997****Time: 5:10 PM****Pages: 4 (including this one)****Subject: Unit Amendment**

Attached is a Unit Amendment Application for your further processing.

We look forward to receiving confirmation of the amendment in due course .

Sincerely,

Stephen A. White
Land Representative



By Fax

September 4, 1997

**Manitoba Energy & Mines
Petroleum & Energy Branch
360, 1395 - Ellice Ave.
Winnipeg, Manitoba
R3G 2P3**

ATTENTION: John Fox

**Virden Roselea Unit #1
Unit Enlargement
12-23-10-26 WPM
Our File #24187**

**Chevron Canada Resources Limited
500 - Fifth Avenue S. W.
Calgary, Alberta T2P 0L7
Phone: (403) 234-5058
Fax: (403) 234-5734
E-mail: whis@chevron.com**

**S. A. (Stephen) White
Land Representative
Acquisitions & Divestitures**

Dear Mr. Fox:

Chevron Canada Resources as operator of Virden Roselea Unit #1 hereby makes application to amend Unit Order # 3 pursuant to Section 138 of The Oil and Gas and Consequential Amendments Act as follows:

- 1) Enlarge Virden Roselea Unit #1 Agreement to include the well known as Trilogy Virden 12-23-10-26 (WPM), including the unitized substances as defined in the Unit Agreement, on Legal Subdivision 12-23-10-26 WPM.**
- 2) The enlargement shall be effective October 1, 1997.**
- 3) The Tract Participation as defined in the Unit Agreement for Legal Subdivision 12-23-10-26 WPM shall be 4.7% and the remaining Tract Participations shall be reduced proportionately by 4.7%.**

In support of our application we enclosed a copy of a letter agreement between Chevron Canada Resources and Gentry Resources Ltd. evidencing our agreement to the enlargement.

We trust you will find this to be in order and thank you for your timely cooperation on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "S. A. White", written over a horizontal line.

**Stephen A. White
Land Representative**

cc: Gentry Resources Ltd.

**Chevron**

Chevron Canada Resources
500 - Fifth Avenue S. W.
Calgary, Alberta T2P 0L7
Phone (403) 234-5058
Fax (403) 234-5734

S. A. (Stephen) White
Land Representative
Acquisitions & Divestitures

By Fax

July 22, 1997

Gentry Resources Ltd.
Suite 1290
112 - 4th Avenue S. W.
Calgary, Alberta
T2P 0H3

Attention: Lore Robichaud

**Re: Inclusion 12-23-10-26 Well
Into Virden Roselea Unit #1
Our File: 24187**

Dear Ms. Robichaud:

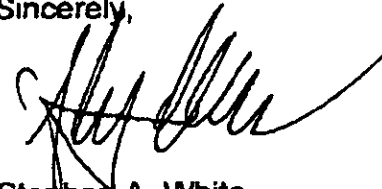
Further to our telephone conversation earlier today, the following outlines the understanding between Chevron Canada Resources (Chevron) and Gentry Resources Ltd. (Gentry), regarding the inclusion of the referenced well and associated oil and gas rights into the referenced Unit:

- 1) It is hereby confirmed that Chevron and Gentry have agreed to enlarge the Virden Roselea Unit #1 Agreement (Unit Agreement) to include the well known as Trilogy Virden 12-23-10-26 (WPM), including the unitized substances as defined in the Unit Agreement, on Legal Subdivision 12-23-10-26 WPM.
- 2) The Tract Participation as defined in the Unit Agreement for Legal Subdivision 12-23-10-26 WPM shall be 4.7%.

- 3) As Unit Operator, Chevron shall proceed to draft an enlargement amendment to the Unit Agreement and the parties shall complete any necessary acts to facilitate the terms of this letter agreement.

Kindly signify your agreement to the foregoing, by signing and dating this letter as provided below; returning a duplicate copy to this office.

Sincerely,



Stephen A. White
Land Representative

Understood, accepted and agreed to

this 23 day of July 1997.

Gentry Resources Ltd.


Lore Robichaud



Energy and Mines

Petroleum and Energy Branch

1395 Ellice Avenue Suite 360
Winnipeg MB R3G 3P2
CANADA

PH: (204) 945-6577
PH: (204) 945-3760
FAX: (204) 945-0586

September 9, 1997

Stephen A. White
Land Representative
Chevron Canada Resources
500-5th Avenue SW
Calgary AB T2P 0L7

Dear Mr. White:

**Re: Virden Roselea Unit No. 1
Unit Enlargement**

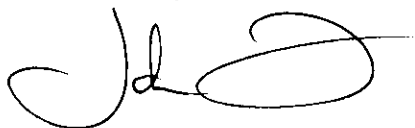
The Petroleum and Energy Branch has received your application to enlarge VRU No. 1 to include the well, Gentry Virden 12-23-10-26 (WPM). VRU No. 1 is the subject of a unitization order and therefore, under The Oil and Gas Act the Minister, with the approval of the Lieutenant Governor in Council, may make an order amending the unit order to add a spacing unit to the unit area.

The Branch requires the following additional information to complete the disposition of the application:

- (1) The reason for the proposed unit enlargement.
- (2) The method used to calculate the tract participation for the 12-23-10-26 unit tract.
- (3) A copy of the consent of each unit working interest owner to the unit enlargement.
- (4) A revised map of the unit area showing the numbered unit tracts, a revised copy of the tract participation schedule and a revised list of the unit working interest owners and their participating interest.

It is unlikely that an amending order can be issued before the proposed effective date of October 1, 1997 even if Chevron submits the additional information requested immediately. An effective date for the enlargement of November 1st or December 1st is more likely. If you have any questions in respect of this matter please contact the undersigned at (204) 945-6574.

Yours truly,



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

cc. C. Martiniuk, Administration



October 17, 1997

**Manitoba Energy & Mines
Petroleum & Energy Branch
360, 1395 - Ellice Ave.
Winnipeg, Manitoba
R3G 2P3**

ATTENTION: John Fox

**Viriden Roselea Unit #1
Unit Enlargement
12-23-10-26 WPM
Our File #24187**

**Chevron Canada Resources Limited
500 - Fifth Avenue S. W.
Calgary, Alberta T2P 0L7
Phone: (403) 234-5058
Fax: (403) 234-5734
E-mail: whis@chevron.com**

**S. A. (Stephen) White
Land Representative
Acquisitions & Divestitures**

Dear Mr. Fox:

Chevron Canada Resources as operator of Viriden Roselea Unit #1 hereby makes application to amend Unit Order # 3 pursuant to Section 138 of The Oil and Gas and Consequential Amendments Act as follows:

- (a) Enlarge Viriden Roselea Unit #1 Agreement to include the well known as Trilogy Viriden 12-23-10-26 (WPM), including the unitized substances as defined in the Unit Agreement, on Legal Subdivision 12-23-10-26 WPM.
- (b) The proposed effective date for the enlargement shall be January 1, 1997.
- (c) The Tract Participation as defined in the Unit Agreement for Legal Subdivision 12-23-10-26 WPM shall be 4.7% and the remaining Tract Participations shall be reduced proportionately by 4.7%.

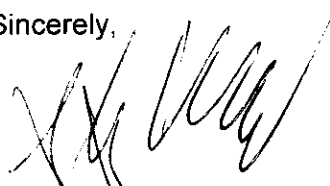
The reason for the enlargement is to gain a more equitable and efficient arrangement for the processing of the referenced well. For a number of years Chevron Canada Resources as Unit Operator of the Viriden Roselea Unit #1 has contract operated and processed this well through the Unit Battery at 4-25-10-26 (WPM). This well is currently wholly owned by Gentry Resources Ltd. and Gentry is charged a processing fee of \$2500.00 per month, on behalf of the unit, for handling the well. Recent discussions between Chevron and Gentry have concluded that the current arrangement is inequitable, and that it would be prudent and economical for all parties to now enlarge the unit to encompass this well. By unitizing the well, actual expenses to process this well could be fully recovered through normal unit operating expenses. Administrative and operational efficiency would also be achieved, since the well would be handled as part of the unit, instead of being treated as a separate entity. In addition to the increased production from the well, reserve calculations indicate that greater unit longevity should be anticipated.

In support of our application enclosed is the following:

- (1) The tract participation calculation for the 12-23-10-26 unit tract.
- (2) A revised tract participation schedule.
- (3) A revised list of the working interest owners and their participating interests.
- (4) A revised map of the enlarged unit.
- (5) A copy of a consent letter dated September 11, 1997 together with signed consents from Gentry Resources Ltd., Murphy Oil Company, C. M. Frazier, North West Exploration Company Ltd., Shannon Oils Ltd. and Frontenac Petroleum Co. Ltd. Signed consents were not received from Franco-Nevada Oil and Gas, and K & N Oil Development Co. Ltd., however their non-reply is deemed as consent pursuant to the conditions set out by the letter. Tundra Oil and Gas Ltd., and Corvair Oils Ltd., did not consent to the enlargement and copies of their non-concurrence are also enclosed.

We trust you will find this to be in order but if you have any questions or concerns please call me at (403) 234-5058. Thank you for your timely cooperation on this matter.

Sincerely,



Stephen A. White
Land Representative

cc: Gentry Resources Ltd.
Murphy Oil Company
Franco-Nevada Oil and Gas
Frazier, C. M.
Tundra Oil and Gas Ltd.
Corvair Oils Ltd.
K & N Oil Development Co. Ltd.
North West Exploration Company Ltd.
Shannon Oils Ltd.
Frontenac Petroleum Co. Ltd.

Virden Roselea 12-23-10-26 WPM Tract Factor Calculation

Reserves weighted @ 30%
 Production weighted @ 70%

Based on Reserves

12-23 Well EV

=

30 Mm³ (6.3%)

Roselea Unit #1 (P1 +P2) EV

=

450 Mm³ (93.7%)

BRANCH ANALYSIS.

22423 (5.58%)

379209 (.9442%)

Based on Production

12-23 Well

=

3 m³ / day (4%)

Roselea Unit #1

=

72 m³ / day (96%)

3RD Q4/97

2.96 (4.00%)

69.66 (95.92%)

Reserves 6.3% x 30%

=

1.89%

Production 4% x 70%

=

2.8%

1.674

2.856

Total

4.69%

Rounded to 4.7%

4.53%

should not
 be rounded
 current ownership
 to 8 decimal
 places.

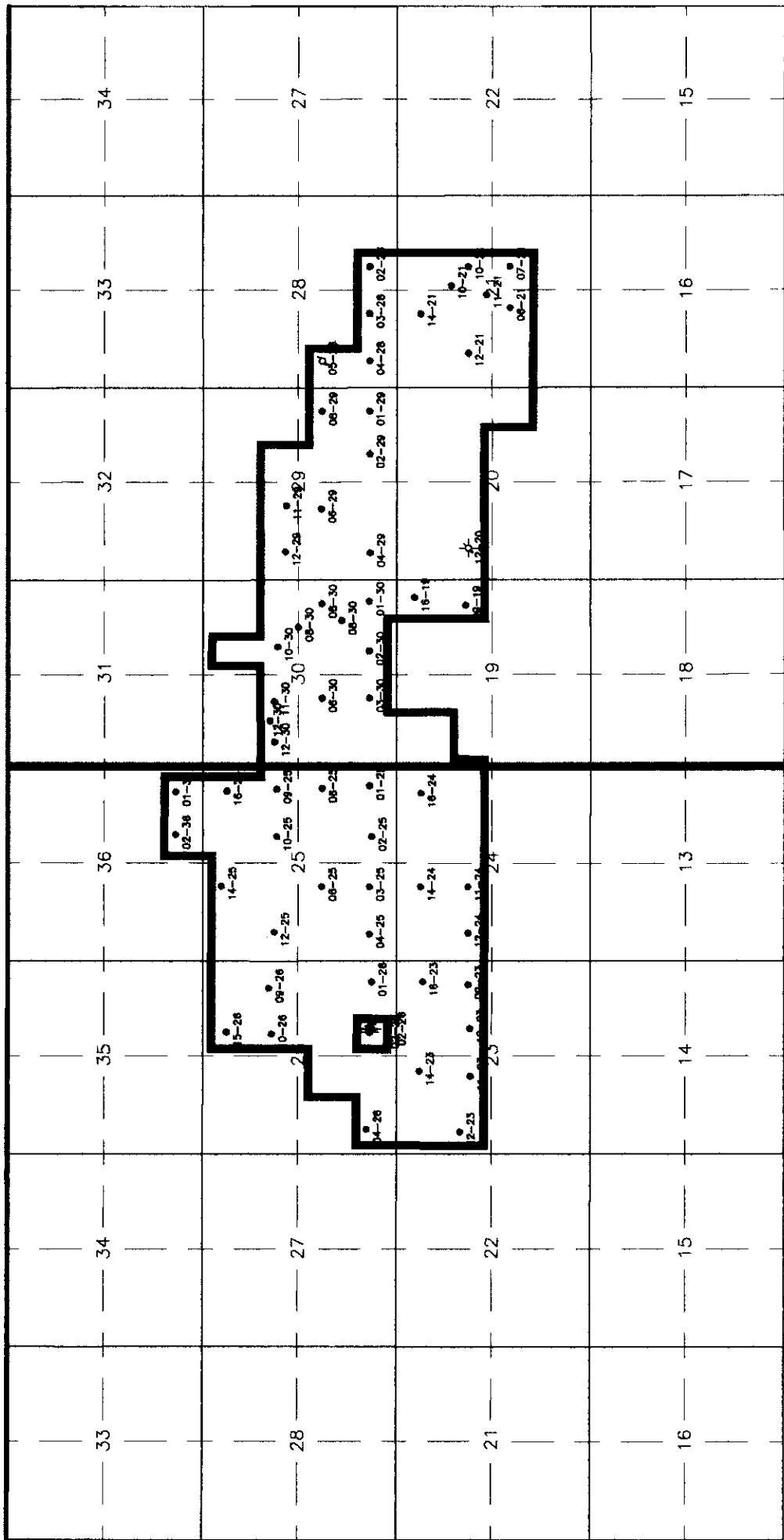
**New Participating Interests For Virden Roselea Unit Number 1
Pursuant To A Unit Enlargement by Including LSD12-23-10-26WPM**

Working Interest Owner	Unit Interest
Chevron Canada Resources	86.274346660
Gentry Resources Ltd.	9.955985600
Murphy Oil Company Ltd.	0.896487100
Franco-Nevada Oil and Gas	0.896487100
Frazier, C. M.	0.672713170
Tundra Oil and Gas Ltd.	0.411743650
Corvair Oils Ltd.	0.411734120
K & N Oil Development Co. Ltd.	0.279600670
North West Exploration Company Ltd.	0.087818950
Shannon Oils Ltd.	0.059066940
Frontenac Petroleum Co. Ltd.	0.054016040

R.26

R.25

W1M



T.10

T.10

R.26

R.25

W1M

VIRDEN ROSELLA UNIT # 1
971015

New Tract Factors For Virden Roselea Unit Number 1
Pursuant To A Unit Enlargement by Including LSD12-23-10-26WPM

Tract No.	Tract Participation	Tract No.	Tract Participation
9-19	0.355859730	2-28	0.674257030
13-19	0.206886770	3-28	1.409763370
16-19	1.230227700	4-28	0.961881960
8-20	0.066319270	5-28	0.004927010
9-20	0.267097310	1-29	1.937677720
10-20	1.007911860	2-29	1.145172450
11-20	0.182404200	3-29	2.773077520
12-20	0.011064330	4-29	3.554146790
13-20	1.919199050	5-29	2.123865330
14-20	1.065358700	6-29	0.895086190
15-20	1.237966060	7-29	0.448176840
16-20	0.982104620	8-29	1.258188720
5-21	0.114893680	10-29	0.339592020
6-21	0.712977420	11-29	2.159783900
7-21	0.814910300	12-29	0.551577340
10-21	0.929251240	1-30	1.694481650
11-21	1.834563120	2-30	0.784461950
12-21	1.474977160	3-30	0.548518210
13-21	2.016405050	4-30	1.176983590
14-21	2.803401980	3-25	1.476730680
5-30	1.245104030	4-25	0.556723540
6-30	1.895850550	5-25	0.972012350
7-30	1.480495030	6-25	0.980065200
8-30	0.978445100	7-25	1.534863680
9-30	2.754598850	8-25	2.741609460
10-30	3.117529840	9-25	0.789922640
11-30	1.401681930	10-25	1.339775050
12-30	0.951437080	11-25	1.592806080
15-30	0.295582480	12-25	1.986052000
9-23	0.212661950	13-25	0.854574160
10-23	1.762973760	14-25	0.944337230
11-23	1.314615850	15-25	0.915194490
13-23	0.553006840	16-25	0.491748000
14-23	0.823220460	1-26	0.021070830
15-23	1.188047920	3-26	0.760208100
16-23	0.952904700	4-26	1.272073930
9-24	0.086179790	6-26	0.545449550
10-24	0.188541520	7-26	0.376644660
11-24	0.357784790	8-26	0.263104240
12-24	0.316224460	9-26	0.459088690
13-24	1.042534350	10-26	0.458307230
14-24	0.932567680	15-26	0.655263740
15-24	1.065053740	16-26	0.486039530
16-24	1.779908570	1-36	0.279600670
1-25	0.875721230	2-36	0.059066940
2-25	1.136214250	12-23	4.700000000
15-21	0.103381440		



Chevron

Gentry Resources Ltd.
Attention: Gord MacKay
Suite 1290, 112 - 4th Avenue S. W.
Calgary, Alberta
T2P 0H3

Chevron Canada Resources Limited
500 - Fifth Avenue S. W.
Calgary, Alberta T2P 0L7
Phone (403) 234-5755
Fax: (403) 234-5734

Murphy Oil Company Ltd.
Attention: Mr. J.W. Nibogie
Box 2721, Station M
Calgary, Alberta
T2P 3Y3

S. M. (Sue) Bradley
Land Representative

Tundra Oil and Gas Ltd.
Attention: Joint Ventures
1111 One Lombard Place
Winnipeg, Manitoba
R3B 0X4

Franco-Nevada Oil and Gas
Attention: Geoff Waterman
20 Eglinton Avenue W.
Toronto, Ontario
M4R 1K8

Corvair Oils Ltd.
Attention: J. B. Mitchell
Box 3827
Edmonton, Alberta
T5L 4J8

Mr. C. M. Frazier
c/o Gentry Resources Ltd.
Suite 1290
112 - 4th Avenue S. W.
Calgary, Alberta
T2P 0H3

K & N Oil Development Co. Ltd.
Attention: Mr. A. A. Niesner
300, 2080 Broad Street
Regina, Saskatchewan
S4P 1Y3

North West Exploration Company Ltd.
Northwest Exploration Company Ltd.
c/o The Honourable James Balfour
Senator of Canada
Parliament Building
Ottawa, Ontario
K1A 0A4

Shannon Oils Ltd.
Attention: Mr. S. Spelliscy
Box 1111
Regina, Saskatchewan
S4P 3B2

Frontenac Petroleum Co. Ltd.
Attention: Lawrence J. Bintner
135 Mayfair Crescent
Regina, Saskatchewan
S4S 4J1

Virden Roselea Unit #1
Unit Enlargement Consent
Inclusion of 12-23-10-26 WPM
Our File: 24187, 54499

Gentleman:

For a number of years Chevron Canada Resources as Unit Operator of the Virden Roselea Unit #1 has contract operating and processing production from the well known as Trilogy Virden 12-23-10-26 (WPM) through the Unit Battery at 4-25-10-26 (WPM). This well is concurrently wholly owned by Gentry Resources Ltd. Chevron currently charges Gentry a processing fee of \$2500.00 per month, on behalf of the unit, for handling the well. Recent discussions between Chevron and Gentry have concluded that the current arrangement is inequitable, and that it

Page 2 of 2 to a

letter agreement dated September 11, 1997.

would be prudent and economical for all parties to now enlarge the unit to encompass this well.

Based on recent production data and reserve estimates, Chevron and Gentry have concluded that Legal Subdivision 12-23 should have a Tract Participation Factor of 4.7% in relation to the remainder of the Unit. This would have the net effect of reducing the participating interests of the present working interest owners, however this reduction would be offset by increased production and reserve potential associated with the 12-23 well. Operating and administrative cost savings would also be achieved with this new arrangement.

Chevron Canada Resources, as Unit Operator of Virden Roselea Unit #1 hereby requests your consent to enlarge the Unit by encompassing the well known as Trilogy Virden 12-23-10-26 (WPM), and including the unitized substances as defined in the Unit Agreement, on Legal Subdivision 12-23-10-26 WPM. Furthermore, the Tract Participation as defined in the Unit Agreement for Legal Subdivision 12-23-10-26 WPM shall be allocated at 4.7%.

Please indicate whether you concur with the unit enlargement as set out herein by appropriately signing and dating the duplicate copy of this letter and returning it to my attention. Failure to respond to this letter by October 14, 1997 shall be deemed to be your concurrence to the unit enlargement.

Thank you for your timely cooperation on this matter. If you have any further questions, please contact Mr. Stephen White at (403) 234-5058 or Ms. Sue Bradley at (403) 234-5755.

Yours very truly,

[Signature]
for Ms. Sue Bradley
Chairman, Operating Committee

FRONTENAC PETROLEUM CO. LTD.

hereby concurs to the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this 19 day of September, 1997.

Per. *[Signature]*

does not concur with the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this _____ day of September, 1997.

Per. _____

letter agreement dated September 11, 1997.

would be prudent and economical for all parties to now enlarge the Unit to encompass this well.

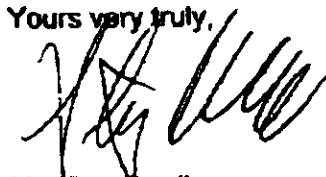
Based on recent production data and reserve estimates, Chevron and Gentry have concluded that Legal Subdivision 12-23 should have a Tract Participation Factor of 4.7% in relation to the remainder of the Unit. This would have the net effect of reducing the participating interests of the present working interest owners, however this reduction would be offset by increased production and reserve potential associated with the 12-23 well. Operating and administrative cost savings would also be achieved with this new arrangement.

Chevron Canada Resources, as Unit Operator of Virden Roselea Unit #1 hereby requests your consent to enlarge the Unit by encompassing the well known as Trilogy Virden 12-23-10-26 (WPM), and including the unitized substances as defined in the Unit Agreement, on Legal Subdivision 12-23-10-26 WPM. Furthermore, the Tract Participation as defined in the Unit Agreement for Legal Subdivision 12-23-10-26 WPM shall be allocated at 4.7%.

Please indicate whether you concur with the unit enlargement as set out herein by appropriately signing and dating the duplicate copy of this letter and returning it to my attention. Failure to respond to this letter by October 14, 1997 shall be deemed to be your concurrence to the unit enlargement.

Thank you for your timely cooperation on this matter. If you have any further questions, please contact Mr. Stephen White at (403) 234-5058 or Ms. Sue Bradley at (403) 234-5755.


Yours very truly,


for Ms. Sue Bradley
Chairman, Operating Committee

NORTH WEST EXPLORATION CO. LTD.

hereby concurs to the enlargement of the
Virden Roselea Unit #1 as specified above.

Dated this 15th day of September, 1997.

Per: 
-President

does not concur with the enlargement of the
Virden Roselea Unit #1 as specified above.

Dated this ____ day of September, 1997.

Per: _____

letter agreement dated September 11, 1997.

would be prudent and economical for all parties to now enlarge the unit to encompass this well.

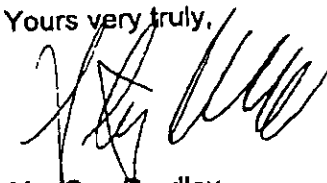
Based on recent production data and reserve estimates, Chevron and Gentry have concluded that Legal Subdivision 12-23 should have a Tract Participation Factor of 4.7% in relation to the remainder of the Unit. This would have the net effect of reducing the participating interests of the present working interest owners, however this reduction would be offset by increased production and reserve potential associated with the 12-23 well. Operating and administrative cost savings would also be achieved with this new arrangement.

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Thank you for your timely cooperation on this matter. If you have any further questions, please contact Mr. Stephen White at (403) 234-5058 or Ms. Sue Bradley at (403) 234-5755.

Yours very truly,


for Ms. Sue Bradley
Chairman, Operating Committee

GENTRY RESOURCES LTD.
successor in interest
to C. M. FRAZIER

hereby **concurs** to the enlargement of the
Virden Roselea Unit #1 as specified above.

Dated this 15 day of September, 1997.

Per: 

R. GORDON MCKAY
VP EXPLORATION & OPERATIONS

does not concur with the enlargement of the
Virden Roselea Unit #1 as specified above.

Dated this ____ day of September, 1997.

Per: _____

would be prudent and economical for all parties to now enlarge the unit to encompass this well.

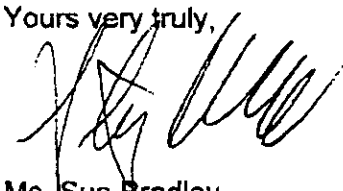
Based on recent production data and reserve estimates, Chevron and Gentry have concluded that Legal Subdivision 12-23 should have a Tract Participation Factor of 4.7% in relation to the remainder of the Unit. This would have the net effect of reducing the participating interests of the present working interest owners, however this reduction would be offset by increased production and reserve potential associated with the 12-23 well. Operating and administrative cost savings would also be achieved with this new arrangement.

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Please indicate whether you concur with the unit enlargement as set out herein by appropriately signing and dating the duplicate copy of this letter and returning it to my attention. Failure to respond to this letter by October 14, 1997 shall be deemed to be your concurrence to the unit enlargement.

Thank you for your timely cooperation on this matter. If you have any further questions, please contact Mr. Stephen White at (403) 234-5058 or Ms. Sue Bradley at (403) 234-5755.

Yours very truly,

for 
Ms. Sue Bradley
Chairman, Operating Committee

MURPHY OIL COMPANY LTD.

hereby **concurs** to the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this 26th day of September, 1997.

Per: _____

J.W. NIBOGIE

MGR. JOINT VENTURE OPERATIONS

does **not** concur with the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this _____ day of September, 1997.

Per: _____

letter agreement dated September 11, 1997.

would be prudent and economical for all parties to now enlarge the unit to encompass this well.

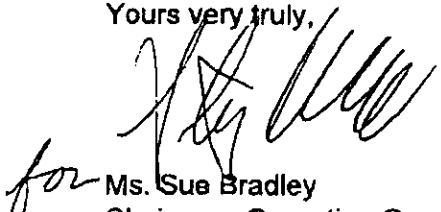
Based on recent production data and reserve estimates, Chevron and Gentry have concluded that Legal Subdivision 12-23 should have a Tract Participation Factor of 4.7% in relation to the remainder of the Unit. This would have the net effect of reducing the participating interests of the present working interest owners, however this reduction would be offset by increased production and reserve potential associated with the 12-23 well. Operating and administrative cost savings would also be achieved with this new arrangement.

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Thank you for your timely cooperation on this matter. If you have any further questions, please contact Mr. Stephen White at (403) 234-5058 or Ms. Sue Bradley at (403) 234-5755.

Yours very truly,


for Ms. Sue Bradley
Chairman, Operating Committee

GENTRY RESOURCES LTD.

1290, 11th Avenue S.W.
CALGARY, ALBERTA
T2P 0H3

hereby **concurs** to the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this 15 day of September, 1997.

Per: 

R. GORDON MCKAY
VP EXPLORATION & OPERATIONS

does not concur with the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this _____ day of September, 1997.

Per: _____

Page 2 of 2 to a

letter agreement dated September 11, 1997.

would be prudent and economical for all parties to now enlarge the unit to encompass this well.

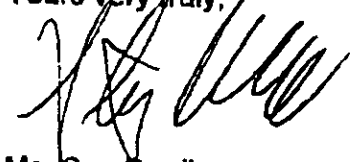
Based on recent production data and reserve estimates, Chevron and Gentry have concluded that Legal Subdivision 12-23 should have a Tract Participation Factor of 4.7% in relation to the remainder of the Unit. This would have the net effect of reducing the participating interests of the present working interest owners, however this reduction would be offset by increased production and reserve potential associated with the 12-23 well. Operating and administrative cost savings would also be achieved with this new arrangement.

Chevron Canada Resources, as Unit Operator of Virden Roselea Unit #1 hereby requests your consent to enlarge the Unit by encompassing the well known as Trilogy Virden 12-23-10-26 (WPM), and including the unitized substances as defined in the Unit Agreement, on Legal Subdivision 12-23-10-26 WPM. Furthermore, the Tract Participation as defined in the Unit Agreement for Legal Subdivision 12-23-10-26 WPM shall be allocated at 4.7%.

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Thank you for your timely cooperation on this matter. If you have any further questions, please contact Mr. Stephen White at (403) 234-5058 or Ms. Sue Bradley at (403) 234-5755.

Yours very truly,


for Ms. Sue Bradley
Chairman, Operating Committee

_____ hereby concurs to the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this _____ day of September, 1997.

Per: _____

TUNDRA OIL AND GAS LTD.
does not concur with the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this 14TH day of OCTOBER September, 1997.

Per: B. Hussen

Page 2 of 2 to a
letter agreement dated September 11, 1997.

would be prudent and economical for all parties to now enlarge the unit to encompass this well.

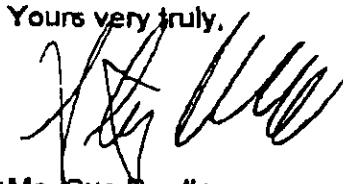
Based on recent production data and reserve estimates, Chevron and Gentry have concluded that Legal Subdivision 12-23 should have a Tract Participation Factor of 4.7% in relation to the remainder of the Unit. This would have the net effect of reducing the participating interests of the present working interest owners, however this reduction would be offset by increased production and reserve potential associated with the 12-23 well. Operating and administrative cost savings would also be achieved with this new arrangement.

Chevron Canada Resources, as Unit Operator of Virden Roselea Unit #1 hereby requests your consent to enlarge the Unit by encompassing the well known as Trilogy Virden 12-23-10-26 (WPM), and including the unitized substances as defined in the Unit Agreement, on Legal Subdivision 12-23-10-26 WPM. Furthermore, the Tract Participation as defined in the Unit Agreement for Legal Subdivision 12-23-10-26 WPM shall be allocated at 4.7%.

Please indicate whether you concur with the unit enlargement as set out herein by appropriately signing and dating the duplicate copy of this letter and returning it to my attention. Failure to respond to this letter by October 14, 1997 shall be deemed to be your concurrence to the unit enlargement.

Thank you for your timely cooperation on this matter. If you have any further questions, please contact Mr. Stephen White at (403) 234-5058 or Ms. Sue Bradley at (403) 234-5755.

Yours very truly,


for Ms. Sue Bradley
Chairman, Operating Committee

_____ hereby concurs to the enlargement of the Virden Roselea Unit #1 as specified above.

Dated this _____ day of September, 1997.

Per: _____

CORVAIR OILS LTD.
does not concur with the enlargement of the Virden Roselea Unit #1 as specified above.

OCTOBER
Dated this 14TH day of September, 1997.

Per: D. Hussen

SHANNON OILS LTD.
Box 1111
Regina, Saskatchewan S4P 3B2
Canada

October 16, 1997

Sent Via Fax (403) 234 5734

Attention: Stephen A. White
Chevron Canada Resources
500, 5th Avenue SW
Calgary, Alberta
T2P 3R7

Dear Mr. White:

SUBJECT: Virden Roselea Unit #1
Unit Enlargement Consent
Inclusion of 12-23-10-26 W1M
Your File: 24187.54499

This letter is to advise as follows:

**Shannon Oils Ltd. concurs to the above captioned
enlargement of the above captioned unit.**

Yours truly,
SHANNON OILS LTD.

per:

Shaun Spelliscy
President

total pages sent ONE

Production Report

Group	: Virden 59B	Date	: 1/29/98 1:52:35 pm
Well	: Gentry Virden 12-23-10-26W1	User	: Ludwig
	: 00/12-23-010-26W1/0		
Hist.Data	: 07/54-09/97	On Prod	: 01/00
Operator	:	Status	: Unknown
Field	: 5	Zone	: 59B

Production Data from January, 1996 to September, 1997

Year	Monthly Oil m3	Avg Daily Oil m3/d	Cal Day Oil m3/d	WOR m3/m3	Cum Oil m3
Jan., 1996	102.7	3.3129	3.3129	15.7254	75971.7
Feb., 1996	96	3.31034	3.31034	15.7281	76067.7
Mar., 1996	99	3.3	3.19355	15.7374	76166.7
Apr., 1996	99.4	3.31333	3.31333	15.7193	76266.1
May., 1996	103.5	3.33871	3.33871	15.7343	76369.6
Jun., 1996	108.8	3.62667	3.62667	14.1222	76478.4
Jul., 1996	114	3.67742	3.67742	14.1237	76592.4
Aug., 1996	114	3.67742	3.67742	14.1237	76706.4
Sep., 1996	110.4	3.68	3.68	14.1141	76816.8
Oct., 1996	105	3.3871	3.3871	13.9552	76921.8
Nov., 1996	100.8	3.36	3.36	13.9504	77022.6
Dec., 1996	104.2	3.36129	3.36129	13.9491	77126.8
Jan., 1997	104.2	3.36129	3.36129	13.9491	77231
Feb., 1997	94.9	3.38929	3.38929	13.9463	77325.9
Mar., 1997	104.2	3.36129	3.36129	13.9491	77430.1
Apr., 1997	100.8	3.36	3.36	13.9504	77530.9
May., 1997	91.9	2.96452	2.96452	17.2982	77622.8
Jun., 1997	88.9	2.96333	2.96333	17.3003	77711.7
Jul., 1997	91.9	2.96452	2.96452	17.2982	77803.6
Aug., 1997	91.9	2.96452	2.96452	17.2982	77895.5
Sep., 1997	88.9	2.96333	2.96333	17.3015	77984.4

Cal Day Oil FC 1 (Rate-Time)

qi: 108.204 m3/d, Oct, 1991

qf: 11.9951 m3/d, Sep, 2024

di(Exp): 6.44018 CTD: 2.42439e+06 m3

RR: 331974 m3 Tot: 2.75637e+06 m3

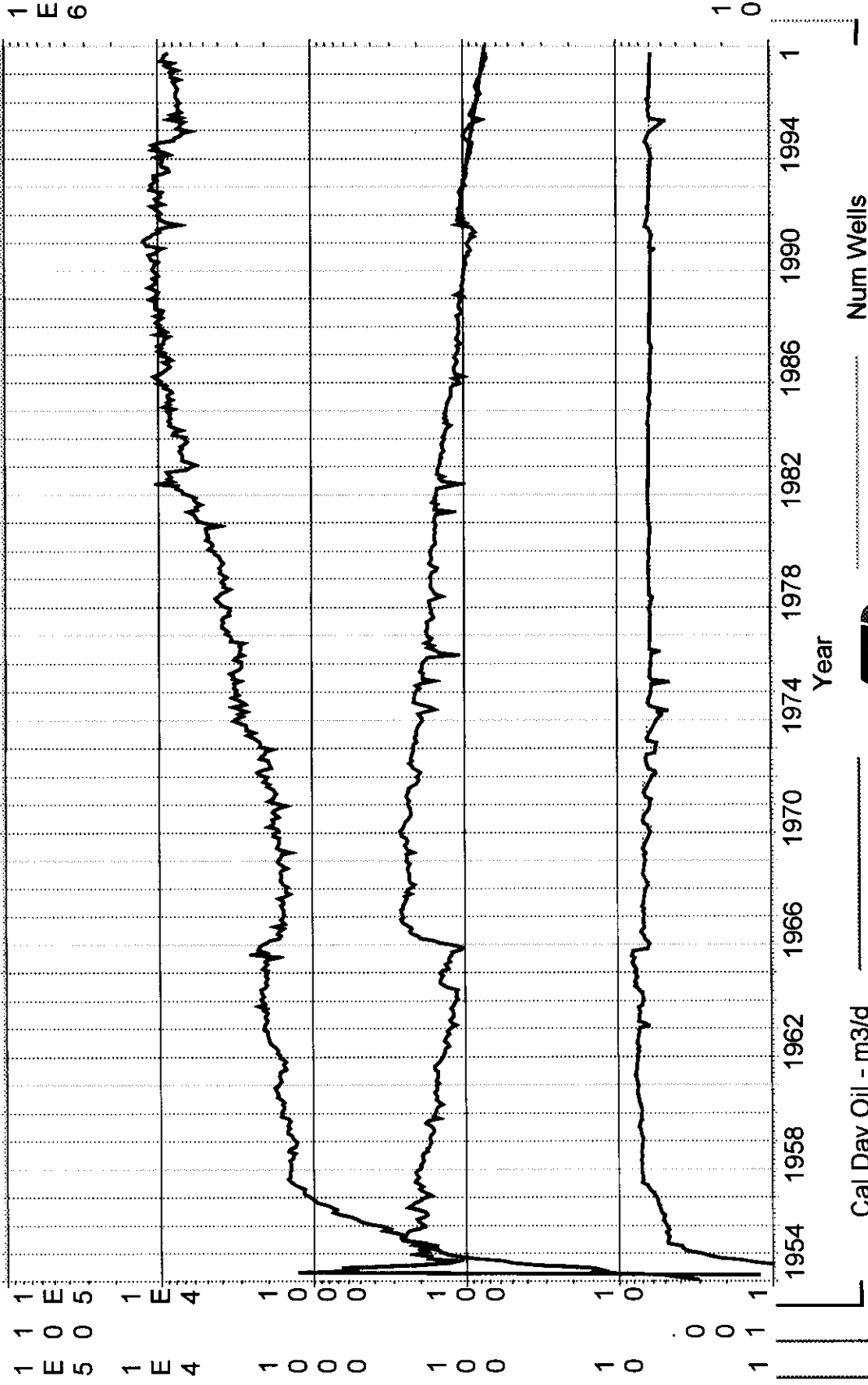
Production Cums

Oil: 2.42439e+06 m3

Gas: 0 E6m3

Water: 9.32079e+06 m3

Cond: 0 m3



Production Report

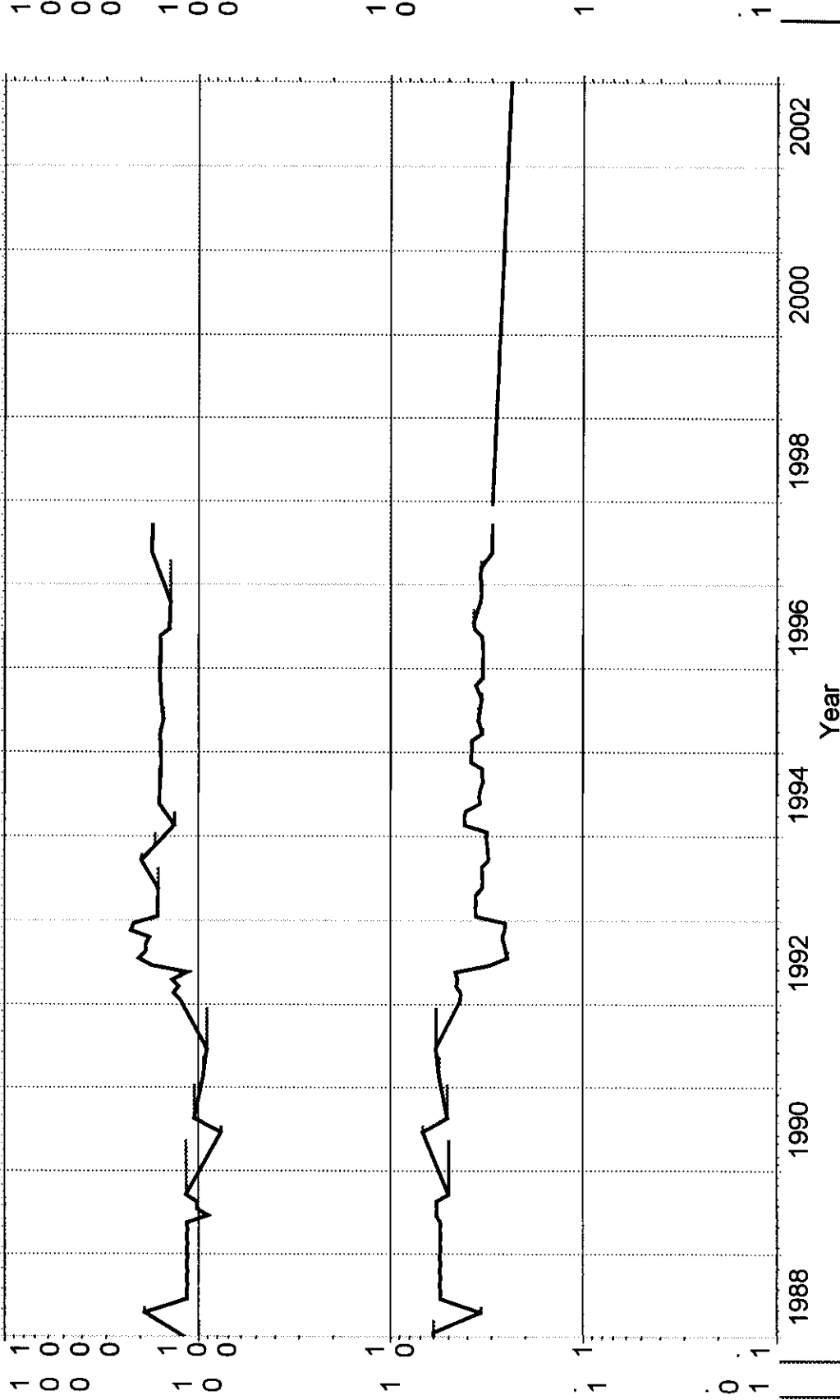
Group	: VRU No. 1	Date	: 1/29/98 11:57:05 am
Well	: VRU No. 1	User	: Ludwig
	: 000000209		
Hist.Data	: 01/54-09/97	On Prod	: 02/09
Operator	:	Status	: Unknown
Field	:	Zone	:

Production Data from January, 1996 to December, 1997

Year	Num Wells	Monthly Oil m3	Cal Day Oil m3/d	Cal Day Oil FC 1 m3/d	WOR m3/m3	Cum Oil m3
Jan., 1996	60	2505.5	80.8226	80.8679	7.33826	2.37832e+06
Feb., 1996	62	2294.9	79.1345	80.4205	7.3411	2.38061e+06
Mar., 1996	60	2476.3	79.8806	79.9756	7.59121	2.38309e+06
Apr., 1996	60	2271.1	75.7033	79.5332	7.57452	2.38536e+06
May., 1996	60	2381.2	76.8129	79.0932	7.55728	2.38774e+06
Jun., 1996	60	2423.6	80.7867	78.6557	7.31957	2.39016e+06
Jul., 1996	60	2542.3	82.0097	78.2205	7.5405	2.3927e+06
Aug., 1996	60	2519.4	81.271	77.7878	7.69874	2.39522e+06
Sep., 1996	60	2383.8	79.46	77.3575	7.83657	2.39761e+06
Oct., 1996	60	2450.8	79.0581	76.9295	7.12576	2.40006e+06
Nov., 1996	60	2356.9	78.5633	76.5039	8.12012	2.40242e+06
Dec., 1996	60	2357.9	76.0613	76.0807	8.05564	2.40477e+06
Jan., 1997	60	2327.7	75.0871	75.8671	8.24956	2.4071e+06
Feb., 1997	60	2068.7	73.8821	75.4474	7.40891	2.40917e+06
Mar., 1997	60	2279	73.5161	75.03	8.32668	2.41145e+06
Apr., 1997	60	2144.4	71.48	74.615	8.77304	2.41359e+06
May., 1997	60	2257.3	72.8161	74.2022	7.8927	2.41585e+06
Jun., 1997	60	2133.4	71.1133	73.7917	9.41193	2.41798e+06
Jul., 1997	60	2151.5	69.4032	73.3835	9.10635	2.42014e+06
Aug., 1997	59	2162.9	69.771	72.9775	9.07388	2.4223e+06
Sep., 1997	59	2094.7	69.8233	72.5738	8.64873	2.42439e+06
Oct., 1997				72.1723		2.4266e+06
Nov., 1997				71.7731		2.42878e+06
Dec., 1997				71.376		2.43096e+06

Gentry Virden 12-23-10-26W1 (00/12-23-010-26W1/0) Data 07/54-09/97

Avg Daily Oil FC 2 (Rate-Time) Production Cums
 qi: 2.96 m3/d, Dec, 1997 Oil: 77984.4 m3
 qf: 0.199928 m3/d, Dec, 2058 Gas: 0 E6m3
 di(Exp): 4.31607 CTD: 77984.4 m3 Water: 492656 m3
 RR: 22423 m3 Tot: 100407 m3 Cond: 0 m3



Avg Daily Oil - m3/d

WOR - m3/m3

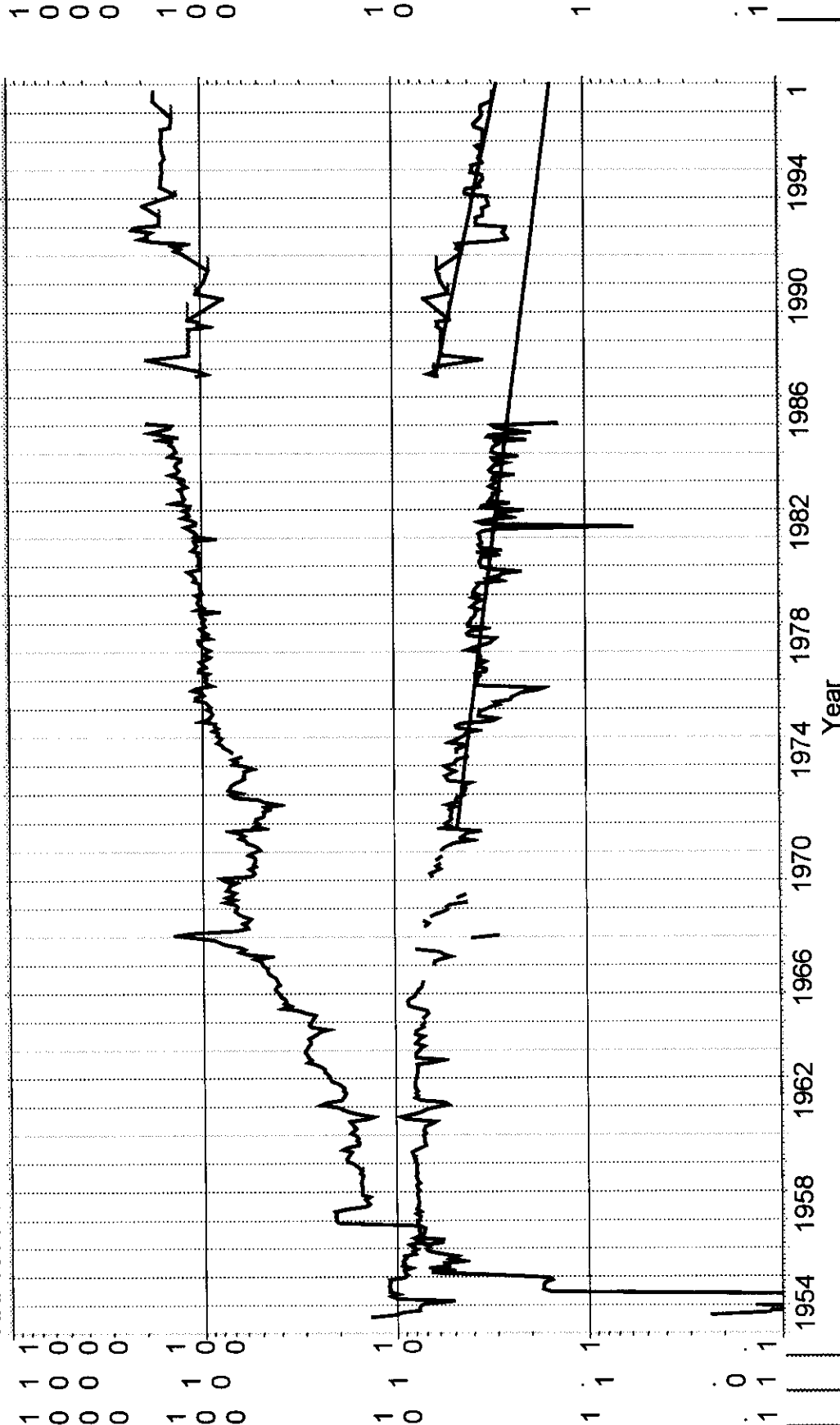


Avg Daily Oil FC 2 - m3/d

Gentry Virden 12-23-10-26W1 (0012-23-010-26W1/0) Data 07/54-09/97

Production Cums
 Oil: 77984.4 m3
 Gas: 0 E6m3
 Water: 492656 m3
 Cond: 0 m3

Avg Daily Oil FC 2 (Rate-Time)
 qi: 4.72591 m3/d, Nov, 1971
 qf: 0.199382 m3/d, Jul, 2043
 di(Exp): 4.31607 CTD: 77984.4 m3
 RR: 10618.1 m3 Tot: 88602.5 m3



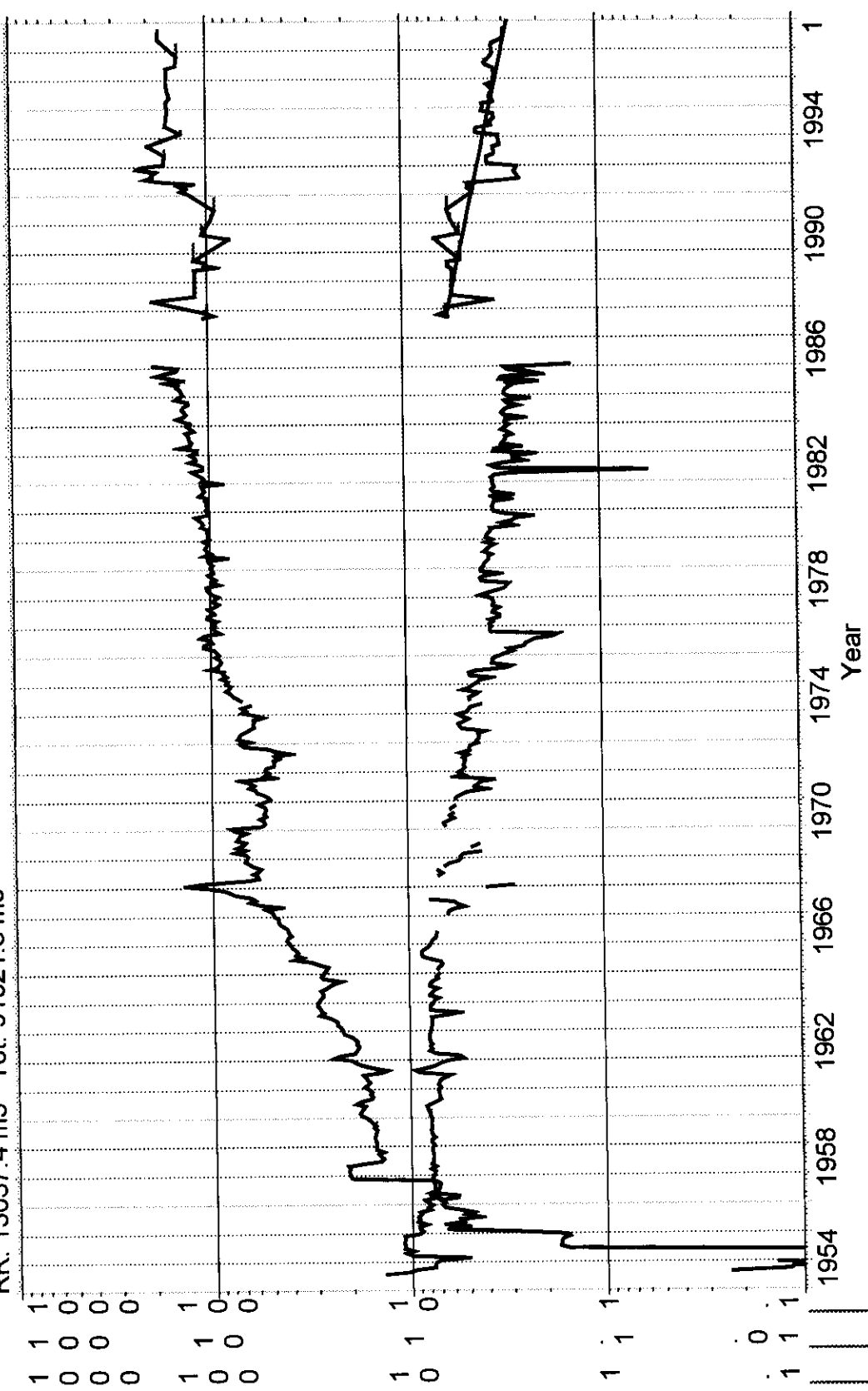
Avg Daily Oil - m3/d
 WOR - m3/m3
 Avg Daily Oil FC 1 - m3/d

Avg Daily Oil FC 2 - m3/d

Gentry Virden 12-23-10-26W1 (00/12-23-010-26W1/0) Data 07/54-09/97

Production Cums
 Oil: 77984.4 m3
 Gas: 0 E6m3
 Water: 492656 m3
 Cond: 0 m3

Avg Daily Oil FC 1 (Rate-Time)
 qi: 5.97301 m3/d, Sep, 1987
 qf: 0.198908 m3/d, May, 2034
 di(Exp): 7.01886 CTD: 77984.4 m3
 RR: 13037.4 m3 Tot: 91021.8 m3



Avg Daily Oil - m3/d
 WOR - m3/m3
 Avg Daily Oil FC 1 - m3/d

Avg Daily Oil FC 1 (Rate-Time)

qi: 109.101 m3/d, Jun, 1991

qf: 11.9581 m3/d, Jul, 2028

di(Exp): 5.76811 CTD: 2.42439e+06 m3

RR: 379209 m3 Tot: 2.8036e+06 m3

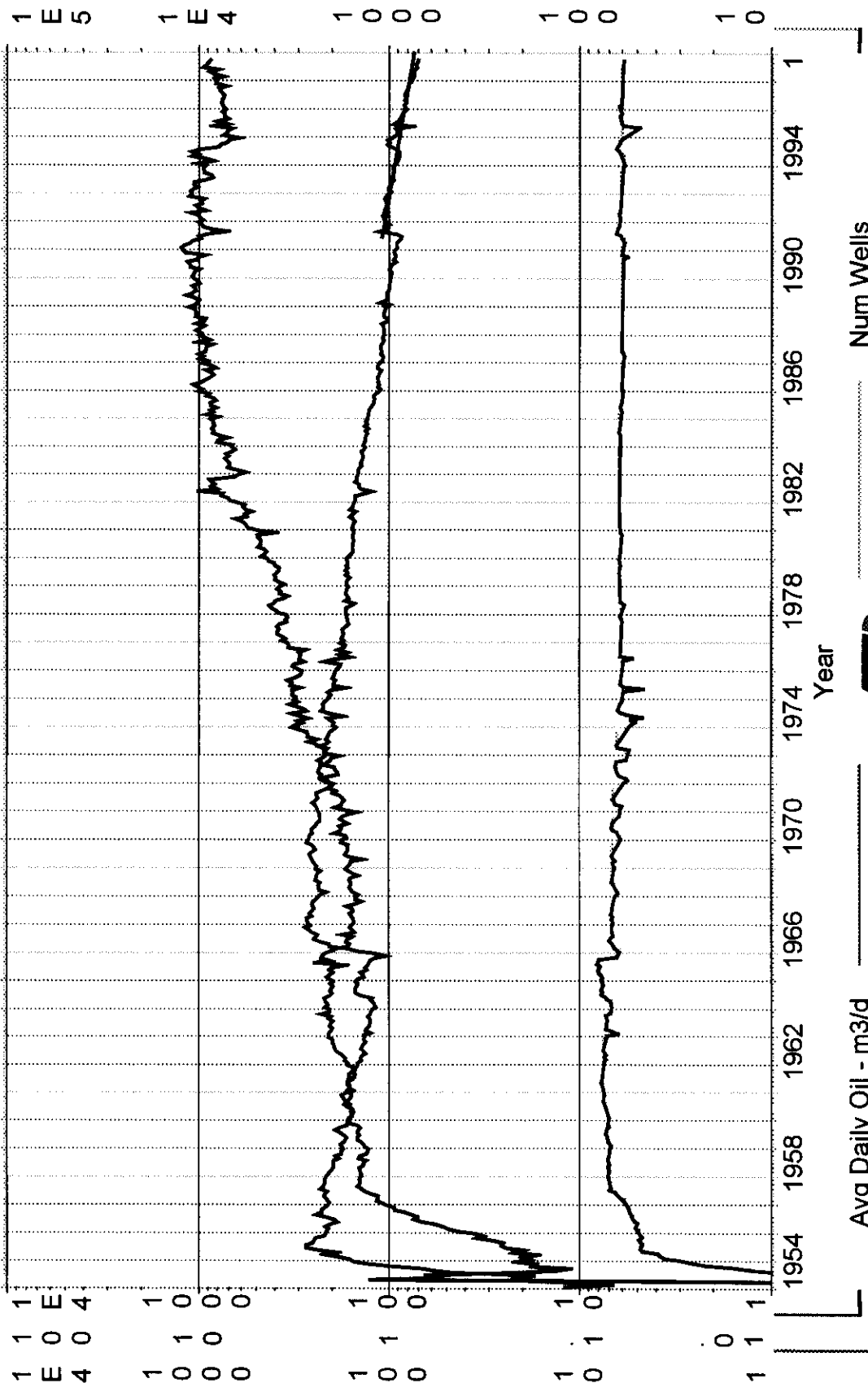
Production Cums

Oil: 2.42439e+06 m3

Gas: 0 E6m3

Water: 9.32079e+06 m3

Cond: 0 m3



Num Wells



Avg Daily Oil - m3/d

WOR - m3/m3

Avg Daily Oil FC 1 - m3/d

Avg Daily Oil FC 1 (Rate-Time)

qi: 109.101 m3/d, Jun, 1991

qf: 23.9159 m3/d, Nov, 2016

di(Exp): 5.76811 CTD: 2.42439e+06 m3

RR: 306929 m3 Tot: 2.73132e+06 m3

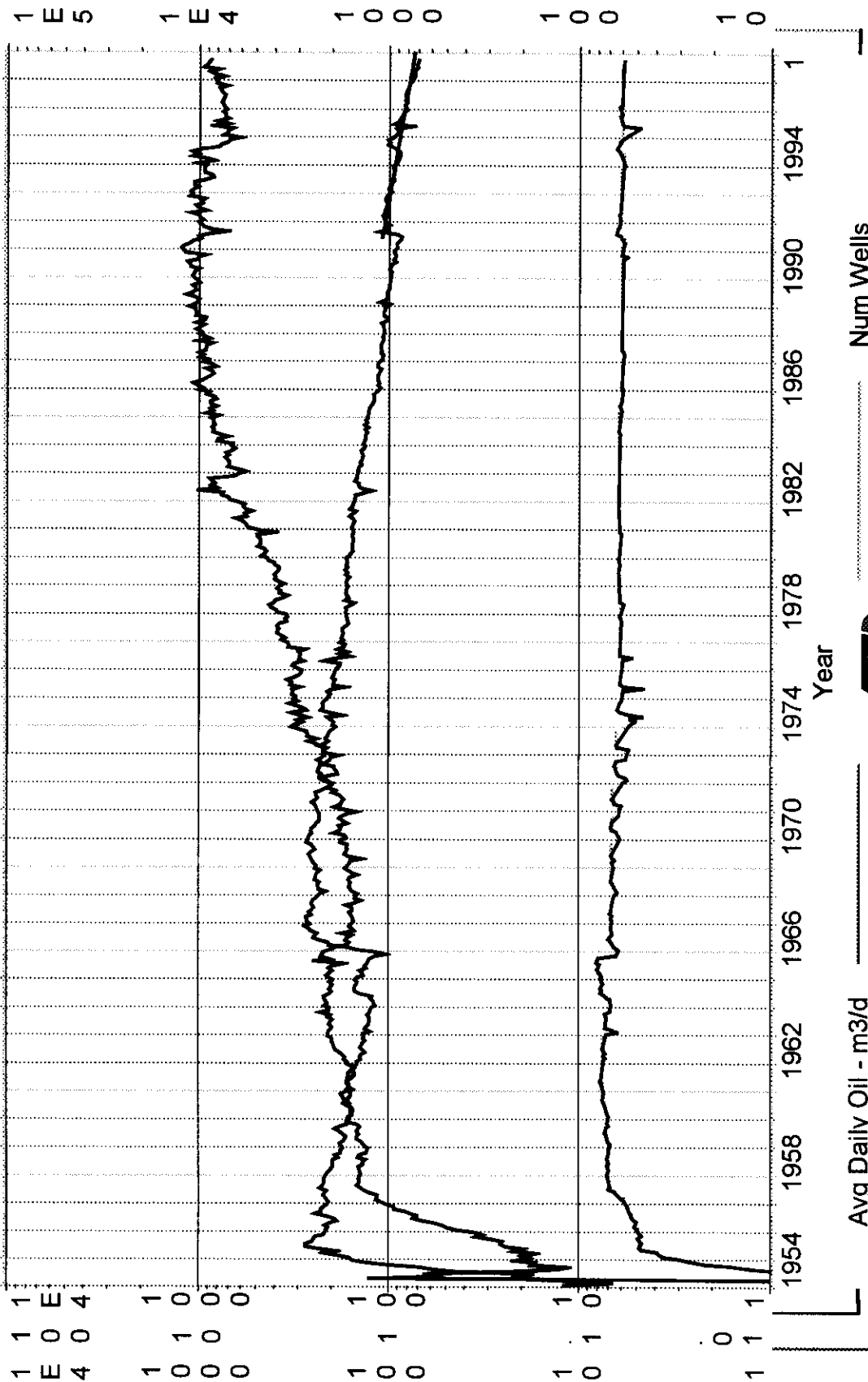
Production Cums

Oil: 2.42439e+06 m3

Gas: 0 E6m3

Water: 9.32079e+06 m3

Cond: 0 m3



Num Wells



Avg Daily Oil - m3/d

WOR - m3/m3

Avg Daily Oil FC 1 - m3/d

Production Report

Group : VRU No. 1
 Well : VRU No. 1
 : 000000209
 Hist.Data : 01/54-09/97
 Operator :
 Field :

Date : 1/29/98 11:36:30 am
 User : Ludwig
 On Prod : 02/09
 Status : Unknown
 Zone :

Production Data from January, 1996 to December, 1997

Year	Num Wells	Monthly Oil m3	Avg Daily Oil m3/d	Avg Daily Oil FC 1 m3/d	WOR m3/m3	Cum Oil m3
Jan., 1996	60	2505.5	81.4797	82.4574	7.33826	2.37832e+06
Feb., 1996	62	2294.9	83.3247	82.0502	7.3411	2.38061e+06
Mar., 1996	60	2476.3	81.0794	81.645	7.59121	2.38309e+06
Apr., 1996	60	2271.1	82.4605	81.2417	7.57452	2.38536e+06
May., 1996	60	2381.2	81.0621	80.8405	7.55728	2.38774e+06
Jun., 1996	60	2423.6	82.8581	80.4413	7.31957	2.39016e+06
Jul., 1996	60	2542.3	82.3417	80.044	7.5405	2.3927e+06
Aug., 1996	60	2519.4	81.271	79.6487	7.69874	2.39522e+06
Sep., 1996	60	2383.8	79.46	79.2553	7.83657	2.39761e+06
Oct., 1996	60	2450.8	79.2712	78.8639	7.12576	2.40006e+06
Nov., 1996	60	2356.9	78.7822	78.4744	8.12012	2.40242e+06
Dec., 1996	60	2357.9	76.2663	78.0868	8.05564	2.40477e+06
Jan., 1997	60	2327.7	75.0871	77.9141	8.24956	2.4071e+06
Feb., 1997	60	2068.7	73.8821	77.5293	7.40891	2.40917e+06
Mar., 1997	60	2279	73.5161	77.1464	8.32668	2.41145e+06
Apr., 1997	60	2144.4	73.8387	76.7654	8.77304	2.41359e+06
May., 1997	60	2257.3	73.0124	76.3862	7.8927	2.41585e+06
Jun., 1997	60	2133.4	71.1133	76.009	9.41193	2.41798e+06
Jul., 1997	60	2151.5	71.8164	75.6336	9.10635	2.42014e+06
Aug., 1997	59	2162.9	70.6253	75.2601	9.07388	2.4223e+06
Sep., 1997	59	2094.7	70.1155	74.8884	8.64873	2.42439e+06
Oct., 1997				74.5185		2.42669e+06
Nov., 1997				74.1505		2.42888e+06
Dec., 1997				73.7843		2.43116e+06

Gentry Virden 12-23-10-26W1 (00/12-23-010-26W1/0) Data 07/54-12/96

Operator:

Field: 5

Zone: 59B

Type: Unknown

Group: Virden 59B

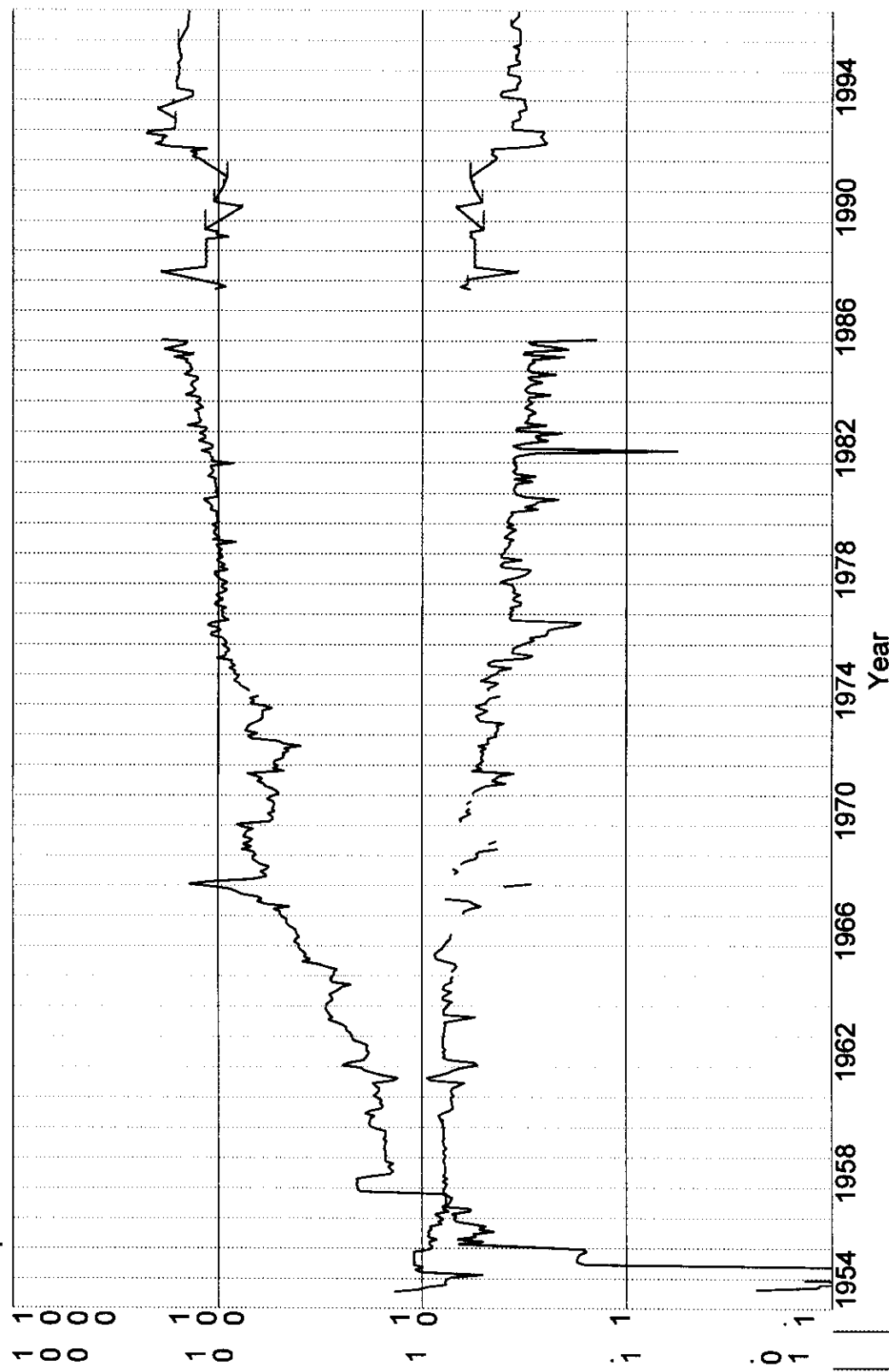
Production Cums

Oil: 77126.8 m3

Gas: 0 E6m3

Water: 479174 m3

Cond: 0 m3



Avg Daily Oil - m3/d

WOR - m3/m3



Production Report

Group : Virden 59B
 Well : Gentry Virden 12-23-10-26W1
 : 00/12-23-010-26W1/0
 Hist.Data : 07/54-12/96
 Operator :
 Field : 5

Date : September 8, 1997 8:33:39 am
 User : Ludwig
 On Prod : 01/00
 Status : Unknown
 Zone : 59B

Production Data from January, 1994 to December, 1996

Year	Monthly Oil m3	Avg Daily Oil m3/d	WOR m3/m3
Jan., 1994	97.4	3.14194	16.768
Feb., 1994	114.7	4.09643	13.3531
Mar., 1994	124	4.13333	13.3444
Apr., 1994	121.9	4.06333	13.3495
May., 1994	106.1	3.42258	15.9425
Jun., 1994	103.5	3.45	15.9449
Jul., 1994	106	3.41936	15.9575
Aug., 1994	102.8	3.31613	16.0039
Sep., 1994	99.3	3.31	16.007
Oct., 1994	100.2	3.34	15.997
Nov., 1994	110.9	3.82414	15.5338
Dec., 1994	117.5	3.79032	15.5574
Jan., 1995	116.6	3.76129	15.5506
Feb., 1995	106.2	3.79286	15.5471
Mar., 1995	103.3	3.33226	15.788
Apr., 1995	99.9	3.33	15.7948
May., 1995	107.9	3.48065	15.1835
Jun., 1995	104.3	3.47667	15.1965
Jul., 1995	107.8	3.47742	15.1976
Aug., 1995	104.2	3.36129	15.525
Sep., 1995	100.8	3.36	15.5258
Oct., 1995	104.2	3.5931	15.525
Nov., 1995	99.3	3.31	15.7341
Dec., 1995	102.7	3.3129	15.7254
Jan., 1996	102.7	3.3129	15.7254
Feb., 1996	96	3.31034	15.7281
Mar., 1996	99	3.3	15.7374
Apr., 1996	99.4	3.31333	15.7193
May., 1996	103.5	3.33871	15.7343
Jun., 1996	108.8	3.62667	14.1222
Jul., 1996	114	3.67742	14.1237
Aug., 1996	114	3.67742	14.1237
Sep., 1996	110.4	3.68	14.1141
Oct., 1996	105	3.3871	13.9552
Nov., 1996	100.8	3.36	13.9504
Dec., 1996	104.2	3.36129	13.9491

08-SEP-97

Manitoba Energy and Mines

Report PPS1520

Page: 1

Well Production Record

1997

Field	5	Virden	Mineral Rights FREEHOLD
Pool	59B	Lodgepole B	
Unit	0		
Operator	96	Gentry	
UWI	100.12-23-010-26W1.00		
Licence	489		

Month	Days on Production	Oil Produced m 3	Water Produced m 3	Water Injection Disposed m 3
Cumulative Prior	13864.0	77126.8	479174.0	
Jan	31.0	104.2	1453.5	
Feb	28.0	94.9	1323.5	
Mar	31.0	104.2	1453.5	
Apr	30.0	100.8	1406.2	
May	31.0	91.9	1589.7	
Jun	.0	.0	.0	
Jul	.0	.0	.0	
Aug	.0	.0	.0	
Sep	.0	.0	.0	
Oct	.0	.0	.0	
Nov	.0	.0	.0	
Dec	.0	.0	.0	
Ytd	151.0	496.0	7226.4	
Cum To Date	14015.0	77622.8	486400.4	

Status Date

UWI Status

20-JUL-54

COOP

UNITIZATION ORDER NO. 3
June 17, 1965

as amended by Unitization Order No. 26 (September ~~13~~⁷, 1978)
Unitization Order No. 18 (May 4, 1976)
Unitization Order No. 7 (August 13, 1968)
Unitization Order No. 6 (April 26, 1967)

VRU No. 1

- unit enlargement - 12-23-10-26
- well operated by Gentry Resources (leased to Unilog)
- effective date Oct 1/97
- tract participation 4.7%

- Unitization Order No. 26 (Sep 29/78) ^{amending} unitization order No. 3

- Plan for Unit Operation: Governing the Unitized Management Operation & further Development of Virden-Roscoe Unit No. 1 (set out in Unitization Order No. 3)

- unit enlargement (effective ~~July~~ ^{Oct} 1, 1968) 2ND ENLARGEMENT
 Twp 10-25 (WPM) Lsd's
 9-19 1.37341
 10-20 1.05762
 2-28 .70751
 3-28 1.47929
 10-29 .35634
~~10-29 1.37341~~
 .03974

1ST ENLARGEMENT (eff Jun 1/67)
 13-19 .22608 14-21 3.06341 6-26 ~~6.28341~~
 16-19 1.34433 15-21 0.11297 2.059604
 11-23 1.43654 11-29 2.36010
 13-23 0.60480 3-26 0.83071
 14-23 .89957 4-26 1.39005
 12.8641

original tract participation formula $\frac{1}{2}$ current prod + $\frac{1}{2}$ Aves Mon oil prod

(a) ~~MAINT~~ CURRENT PROD FACTOR (%) $\frac{\text{INDIVIDUAL TRACT PRODUCTION}}{\sum \text{ALL TRACT PRODUCTION}}$ { Apr 1/64 to Sep 30/64 }

(b) Average Monthly Oil Production factor penalized for water production
 $= \frac{\text{Aves Monthly oil} * (1 - \text{fractional wt cut})}{\sum \text{numerator for all tracts}}$ for each tract

- Total # of tracts - 92

- max. tract participation 4-29 - 3.729 %

- tract participation

11-23 - 1.379 %

13-23 - 0.58 %

14-23 - 0.86 %

	ORIGINAL	1ST ENLARGEMENT	2ND ENLARGEMENT
10-23	2.21089	1.92648	1.84992
14-21	-	3.06341	2.94166

$$\text{Avg monthly oil} = \frac{\text{cumul oil prod (to Sep 30, 1964)}}{\# \text{ of calendar months on prod}}$$

Fractional water-cut

$$= \frac{\text{cumul. water prod (Apr 1/64 - Sep 30/64)}}{\text{cumul. fluid prod. (Apr 1/64 - Sep 30/64)}}$$

1st Enlargement

avg 1st

.871359	.128641
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1st 2nd

.8368	.1286	.0397
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$$\begin{array}{r} 83.68 \\ 12.86 \\ \hline 96.54 \\ 3.97 \\ \hline 100.51 \end{array}$$

Manitoba Regulation 182/78

Being

THE OIL AND NATURAL GAS CONSERVATION BOARD

UNITIZATION ORDER NO. 26

Amending Unitization Order No. 3 Pertaining to

VIRDEN-ROSELEA UNIT NO. 1

*Made and Passed Pursuant to "The Mines Act", Cap. M160, of the
Continuing Consolidation of the Statutes of Manitoba, and
Amendments Thereto, by The Oil and Natural Gas
Conservation Board of Manitoba*

(Filed September 29, 1978)

Effective at the hour of seven o'clock in the forenoon, official time, on the first day of October, A.D., 1978, the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Virden-Roselea Unit No. 1 set out in Unitization Order No. 3 (Manitoba Regulation 58/65) is amended as follows:

1. Section 5.09 is rescinded, and the following is substituted therefor:

5.09 Unit Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each member thereof. Such minutes need not be a verbatim record of all the proceedings, but shall show the names of the representatives present at the meeting, all motions and resolutions offered or acted upon, together with the result of such action and such other formal action as may be taken by the Operating Committee. Unless within forty-five (45) days of the date of mailing of the minutes a member of the Operating Committee advises Unit Operator of an error or omission or otherwise in such minutes, such minutes shall be deemed conclusively to be correct for all purposes. The Unit Operator shall mail out the minutes of each meeting to each member of the Operating Committee within 30 days of the date of such a meeting.

2. Paragraph (j) of Section 6.03 is rescinded, and the following is substituted therefor:

6.03 (j) To amend Part XXVI hereof from time to time whether in whole or in part, PROVIDED THAT, two copies of any amendment to Part XXVI shall be filed with the Conservation Board.

3. Section 7.04 is rescinded, and the following is substituted therefor:

7.04 In addition to any expenditures which Unit Operator is specifically authorized to make, Unit Operator is authorized to make an expenditure not in excess of Twenty Thousand (\$20,000.00) Dollars, in respect to any single undertaking without the approval of the Operating Committee, or such other amount as may from time to time be approved by a vote of the Operating Committee, PROVIDED THAT, two copies of any such amendment approved by Operating Committee shall be filed with the Conservation Board. Unit Operator may, without approval of the Operating Committee, take such action and make such expenditures for the Common Account as it may deem necessary in order to protect life or property. Within fifteen (15) days after taking any such action or making such expenditures, Unit Operator shall advise the Operating Committee of such action and expenditures.

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4. Section 18.04 is rescinded, and the following is substituted therefor:

18.04 Unit Operator may settle any claim arising out of unit operations and not discharged by insurance as herein provided, but no claim shall be settled by Unit Operator in an amount in excess of Five Thousand (\$5,000.00) Dollars unless Unit Operator first obtains the approval of the Operating Committee to such settlement.

5. Paragraph (a) of Section 26.07 is rescinded, and the following substituted therefor:

(a) Salaries, wages and related expenses of Unit Operator's personnel, up to and including the first level of supervision, directly employed on the Joint Property in the development, maintenance and operation thereof, including salaries and wages paid to landmen acquiring rights-of-way, settling damage claims, etc., and to technical employees, such as geologists, engineers and other employees who are temporarily assigned to and located at and directly engaged on the Joint Property.

6. Clause (b) of Subparagraph (iii) of Paragraph (k) of Section 26.07 is rescinded, and the following is substituted therefor:

(b) \$65.00 per day for each drilling well, wells being plugged back, drilled deeper, reworked, or converted to source or input wells; charges to commence on the date the well is spudded or operations are commenced and terminate when the drilling rig or service rig as the case may be is released, except that no charge should be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

7. Clause (c) of Subparagraph (iii) of Paragraph (k) of Section 26.07 is rescinded, and the following is substituted therefor:

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

5% of expenditures up to \$50,000, plus
3% of expenditures over \$50,000.00 and up to
\$150,000.00, plus
1% of all expenditures over \$150,000.00.

Oil and Natural Gas Unitization Order No. 26
made and passed this 7th day of September,
A.D., 1978 at the City of Winnipeg in the
Province of Manitoba, by The Oil and
Natural Gas Conservation Board.

"J.S. Roper"

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

"James F. Redgwell"

J.F. Redgwell,
Member,
The Oil and Natural Gas
Conservation Board.

"Ian Haugh"

Dr. Ian Haugh,
Deputy Chairman,
The Oil and Natural Gas
Conservation Board.

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Order No. 4 (Manitoba R

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June 19, 1976

THE MANITOBA GAZETTE

Vol. 105, No. 25

Manitoba Regulation 130/76

Being

THE OIL AND NATURAL GAS CONSERVATION BOARD

UNITIZATION ORDER NO. 18

Amending Unitization Order No. 3 of the Board
Made Under The Mines Act

(Filed June 8, 1976)

Effective at the hour of seven o'clock in the forenoon, Central Standard Time, on the first day of June, A.D., 1976, the Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Virden-Roselea Unit No. 1, set out in Unitization Order No. 3 (Manitoba Regulation 58/65) is amended as follows:

1. Section 5.06 of Part V of the said Plan is rescinded, and the following section is substituted therefor:

"5.06 The Operating Committee shall meet on the call of Unit Operator, or at the request of a representative of any Working Interest Owner. Unit Operator shall notify all members of the Operating Committee in writing at least ten (10) days in advance of any meeting of the time and place of the proposed meeting, and of the specific matters affecting unit operations which will be presented, discussed and voted upon at such meeting, and no other matters shall be voted upon at such meeting unless each Working Interest Owner is represented thereat and agrees that such further matters may be voted upon."

2. Clause (a) of subparagraph (iii) of paragraph (k) of Section 26.07 is rescinded, and the following substituted therefor:

"(a) \$6,000.00 per month for all producing operations."

Oil and Natural Gas Unitization Order No. 18,
made and passed this 4th day of May,
A.D., 1976, at the City of Winnipeg, in
the Province of Manitoba, by The Oil and
Natural Gas Conservation Board.

Approved:

"S. Green"

Sidney Green,
Minister of Mines, Resources
and Environmental Management.

"Jas. T. Cawley"

Jas. T. Cawley, P. Eng.,
Chairman,
The Oil and Natural Gas
Conservation Board.

"J.S. Roper"

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

"Ian Haugh"

Dr. I. Haugh,
Member,
The Oil and Natural Gas
Conservation Board.

MANITOBA REGULATION 130/68

Being

THE OIL AND NATURAL GAS CONSERVATION BOARD
UNITIZATION ORDER No. 7AMENDING UNITIZATION ORDER No. 6 OF THE BOARD
MADE UNDER THE MINES ACT

(Filed September 20, 1968)

The Plan for Unit Operation governing the Unitized Management Operation and Further Development of the ~~Virden-Roselea Unit No. 1~~, set out in Unitization Order No. 3 (Manitoba Regulation 58/65) and amended by Unitization Order No. 6 (Manitoba Regulation 51/67), is further amended by adding to the Unit Area affected by the said Order, the following area:

Legal Subdivision 9 of Section 19, Legal Subdivision 10 of Section 20, Legal Subdivisions 2 and 3 of Section 28, and Legal Subdivision 10 of Section 29, all in Township 10, Range 25, West of the Principal Meridian.

And is further amended as follows:

1. Paragraph (d) of Section 1.02 is rescinded, and the following substituted therefor:

"Effective Date"

(d) "Effective Date" means the hour of 7:00 o'clock in the forenoon, Central Standard Time, on the first day of July, A.D., 1965, except that:

 - i) with respect to tracts numbered 13-19, 16-19, 11-23, 13-23, 14-23, 14-21, 15-21, 11-29, 3-26, 4-26 and 6-26 "Effective Date" means the hour of 7:00 o'clock in the forenoon, Central Standard Time, on the first day of June, A.D., 1967;
 - ii) with respect to tracts numbered 9-19, 10-20, 2-28, 3-28 and 10-29 "Effective Date" means the hour of 7:00 o'clock in the forenoon, Central Standard Time, on the first day of October, A.D., 1968.
2. Part III is rescinded, and the following substituted therefor:

Tract Participation

3.01 The Tract Participation of each Tract is shown in Part XXIV hereof and was determined with respect to all Tracts except Tracts 14-21, 13-19, 16-19, 15-21, 11-29, 11-23, 13-23, 14-23, 3-26, 6-26, and 4-26, (hereinafter called "the First Enlargement Tracts") and Tracts 9-19, 10-20, 2-28, 3-28, 10-29 (hereinafter called "the Second Enlargement Tracts"), by adding one-half of the current production factor calculated pursuant to paragraph (a) following to one-half ($\frac{1}{2}$) of the average monthly Oil production factor penalized for water production arrived at pursuant to paragraph (b) following, and reducing the sum arrived at as aforesaid by one (1) minus the total percentage participation of the First Enlargement Tracts and the Second Enlargement Tracts, namely: 1.0000000 minus 0.1632701.

 - (a) Current production factor: such factor is the percentage calculated by dividing the Oil production of such Tract during the interval April 1, 1964, to September 30, 1964, by the Oil production for all Tracts other than the First Enlargement Tracts and the Second Enlargement Tracts abovementioned during the same interval, and multiplying by 100;
 - (b) Average monthly Oil production factor penalized for water production; such factor is arrived at by:
 - (i) determining average monthly Oil production of the Tract by dividing its cumulative Oil production to September 30, 1964, by the number of calendar months since the Well on such Tract first went on production, provided that the first calendar month shall not be counted as such unless the Oil production from the Well on any such Tract for that calendar month was greater than one-half ($\frac{1}{2}$) of the Oil production from such Well for the next succeeding month;
 - (ii) calculating a fractional water cut for the Tract by dividing the water production for the interval set out in paragraph (a) hereof by the sum of its water and Oil production for the same period; PROVIDED, THAT, with respect to those Tracts which did not produce during the interval referred to, the fractional water cut shall be calculated by dividing

the water production for each such Tract during the consecutive six-month period that ends with the last recorded production by the sum of such Tract's water and Oil production for the same period;

- (iii) multiplying the average monthly Oil production for the Tract obtained in (i) by the fraction one minus the water cut appropriate to the Tract as determined in (ii);
- (iv) dividing the product obtained in (iii) for the Tract by the sum of all the products obtained in (iii) for all the Tracts other than the First Enlargement Tracts and the Second Enlargement Tracts and multiplying by one hundred (100).

3.02 The Tract Participation of the First Enlargement Tracts mentioned in Section 3.01 was determined as follows:

- (a) The Tract Participation of Tract 14-21 is the sum of one-half ($\frac{1}{2}$) of the figure for Tract Participation calculated pursuant to clause (A) below and one-half ($\frac{1}{2}$) of the figure for the average of the Tract Participation calculated pursuant to clause (B) below, reduced by one (1) minus the percentage participation of the Second Enlargement Tracts, namely: 1.0000000 minus 0.0397417.

(A) Tract Participation: such is determined for Tract 14-21 according to the method set out in Section 3.01, modified in the following respects:

- (i) the reference to "all Tracts" or "all the Tracts" herein is construed as including the First Enlargement Tracts;
- (ii) the interval referred to in paragraph (a) of Section 3.01 (hereinafter called the current production interval) and the date referred to in clause (i) of paragraph (b) of that Section (hereinafter called the cumulative Oil production date) are replaced in relation to each of the said First Enlargement Tracts by a current production interval and a cumulative Oil production date as hereunder set out:

Tract No.	Current Production Interval	Cumulative Oil Production Date
14-21	November 1, 1965, to April 30, 1966	April 30, 1966
13-19	May 1, 1965, to October 31, 1965	October 31, 1965
16-19	May 1, 1965, to October 31, 1965	October 31, 1965
15-21	August 1, 1965, to January 31, 1966	January 31, 1966
11-29	November 1, 1965, to April 30, 1966, with production for February and March, 1966, being adjusted to 22 barrels of oil per calendar day.	April 30, 1966 (to reflect changes during current production period)
11-23	July 1, 1965, to December 31, 1965	December 31, 1965
13-23	July 1, 1965, to December 31, 1965	December 31, 1965
14-23	July 1, 1965, to December 31, 1965	December 31, 1965
3-26	June 1, 1965, to November 30, 1965	November 30, 1965
6-26	June 1, 1965, to November 30, 1965	November 30, 1965
4-26	January 1, 1966, to June 30, 1966	June 30, 1966

- (B) Average of the Tract Participation of Tracts 11-21, 12-21, 13-21: such is determined according to the method set out in Section 3.01 without being reduced by the total participation of the First Enlargement Tracts.

- (b) The Tract Participations of Tracts 13-19, 16-19, 15-21, 11-29,

11-23, 13-23, 14-23, 3-26, 6-26 and 4-26 (hereinafter called the "ten excepted Tracts") is determined according to the method set out in Section 3.01 modified in the following respects:

- (i) the reference to "all Tracts" or "all the Tracts" herein is construed as including the ten excepted Tracts;
- (ii) the current production interval and the cumulative Oil production date used for each of the ten excepted Tracts are those set out in relation to such Tracts in clause (ii) of subparagraph (A) of paragraph (a) of this Section 3.02;
- (iii) the figure obtained for Tract Participation of each of the ten excepted Tracts determined as aforesaid is reduced by one (1) minus the percentage participation of Tracts 14-21 and the Second Enlargement Tracts, namely: 1.0000000 minus 0.0691583 instead of one (1) minus the total percentage participation of the First Enlargement Tracts aforementioned.

3.03 The Tract Participation of each of the Second Enlargement Tracts was determined by adding one-half ($\frac{1}{2}$) of a current production factor calculated pursuant to paragraph (a) below to one-half ($\frac{1}{2}$) of the same current production factor penalized for water production arrived at pursuant to paragraph (b) below.

- (a) Current production factor: such factor is the percentage calculated by dividing the Oil production of such Tract during the current production interval as set out in paragraph (c) below, by the Oil production of all Tracts and multiplying by one hundred (100);
- (b) Current production factor penalized for water production; such a factor is arrived at by:
 - (i) calculating the total Oil and the total water production from all Tracts except the Second Enlargement Tracts during the current production interval and treating such production in the following calculations as being from one Tract;
 - (ii) calculating a fractional water cut for the Tract by dividing the water production for the Tract during the current production interval by the sum of its water and Oil production for the same period;
 - (iii) multiplying the current production factor obtained in (a) by the fraction one (1) minus the water cut appropriate to the Tract;
 - (iv) dividing the product obtained in (iii) by the sum of all the products obtained in (iii) for all the Tracts in the Unit and multiplying by one hundred (100);

(c) Tract No.	Current Production Interval
9-19	July 1, 1966, to December 31, 1966
10-20	June 1, 1967, to November 30, 1967
2-28	June 1, 1967, to November 30, 1967
3-28	June 1, 1967, to November 30, 1967
10-29	June 1, 1967 to November 30, 1967
All Tracts except the Second Enlargement Tracts	June 1, 1967, to November 30, 1967

3.04 The total of the Tract Participations for all Tracts, including the First Enlargement Tracts and the Second Enlargement Tracts mentioned in Section 3.01, shall at all times equal one hundred (100%) percent.

3.05 This Part III is explanatory only and the Tract Participations

shown in Part XXIV shall be deemed to be correctly made in accordance with this Part III.

3. Part XXI is rescinded, and the new Part XXI hereunder is substituted therefor:

PART XXI

WELLS DELIVERED TO UNIT OPERATOR PURSUANT TO PART X

Sun M. Welch SWD 12-20-10-25	- Chevron East Virden Prov. 7A-29-10-25
- Chevron East Virden Prov. SWD 5-28-10-25	- Chevron East Virden Prov. 8-29-10-25
Frontenac Sun Virden SWD 9-21-10-25	- Chevron East Virden Prov. 10-29-10-25
Bralorne East Virden 9A-19-10-25	- Chevron East Virden Prov. 11-29-10-25
Bralorne Virden 13-19-10-25	- Chevron East Virden Prov. 12-29-10-25
Bralorne East Virden 16A-19-10-25	CEGO Virden 1-30-10-25
Chevron Virden 8-20-10-25	CEGO Virden 2-30-10-25
Chevron Virden 9-20-10-25	CEGO Virden 3-30-10-25
Chevron Virden 10-20-10-25	Chevron Virden CPR 1-25-10-26
Sun M. Welch Virden 11-20-10-25	Chevron Virden CPR 2-25-10-26
Sun M. Welch Virden 13-20-10-25	Chevron Virden 3-25-10-26
Sun M. Welch Virden 14-20-10-25	Chevron Virden 4-25-10-26
Chevron Virden 15-20-10-25	Chevron Virden 5-25-10-26
Chevron Virden 16-20-10-25	Chevron Virden 6-25-10-26
Frontenac Sun Virden 5-21-10-25	Chevron Virden CPR 7-25-10-26
Frontenac Sun Virden 6-21-10-25	Chevron Virden CPR 8-25-10-26
Frontenac Read Virden 7-21-10-25	Chevron Virden CPR 9-25-10-26
Bintner Sun Virden 10-21-10-25	Chevron Virden CPR 10-25-10-26
Chevron Virden 11-21-10-25	Chevron Virden 11-25-10-26
Chevron Virden 12-21-10-25	Chevron Virden 12-25-10-26
CEGO Virden 4-30-10-25	Chevron Virden 13-25-10-26
CEGO Virden 5-30-10-25	Chevron Virden 14-25-10-26
CEGO Virden 6-30-10-25	Teck Hepburn Virden 14-23-10-26
CEGO Virden 7-30-10-25	Teck Hepburn Virden 15-23-10-26
CEGO Virden 8-30-10-25	Teck Hepburn Virden 16-23-10-26
CEGO Virden 9-30-10-25	Chevron Virden 9-24-10-26
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CEGO Virden 12-30-10-25	Chevron Virden 12-24-10-26
CEGO Virden 15-30-10-25	Chevron Virden 13-24-10-26
Teck Hepburn Virden 9-23-10-26	Chevron Virden 14-24-10-26
Teck Hepburn Virden 10-23-10-26	Chevron Virden 15-24-10-26
Teck Hepburn Virden 11-23-10-26	Chevron Virden 16-24-10-26
Teck Hepburn Virden 13-23-10-26	Rundle Grasby Virden 16-26-10-26
Chevron Virden 13-21-10-25	K & N Virden 1-36-10-26
Chevron Virden 14-21-10-25	Chevron Virden CPR 15-25-10-26
Frontenac Sun Virden 15-21-10-25	Chevron Virden CPR 16-25-10-26
Chevron East Virden 2-28-10-25	Chevron Virden 1-26-10-26
- Chevron East Virden Prov. 3-28-10-25	Chevron Virden 3-26-10-26
- Chevron East Virden Prov. 4-28-10-25	Chevron Virden 4-26-10-26
- Chevron East Virden Prov. 1-29-10-25	Chevron Virden 6-26-10-26
- Chevron East Virden Prov. 2-29-10-25	Chevron Virden 7-26-10-26
- Chevron East Virden Prov. 3-29-10-25	Chevron Virden 8-26-10-26
- Chevron East Virden Prov. 4A-29-10-25	Rundle Grasby Virden 9-26-10-26
- Chevron East Virden Prov. 5-29-10-25	Rundle Grasby Virden 10-26-10-26
- Chevron East Virden Prov. 6-29-10-25	Rundle Grasby Virden 15-26-10-26
	Shannon Virden 2-36-10-26

4. Part XXII is rescinded, and the new Part XXII hereunder is substituted therefor:

PART XXII

THE LANDS IN THE PROVINCE OF MANITOBA WHICH COMPRISE THE VIRDEN-ROSELEA UNIT No. 1 ARE AS FOLLOWS:

Tract No.	Legal Description Township 10 Range 25 WPM	Tract No.	Legal Description Township 10 Range 25 WPM
9-19	Lsd. 9, Section 19	16-19	Lsd. 16, Section 19
13-19	Lsd. 13, Section 19	8-20	Lsd. 8, Section 20

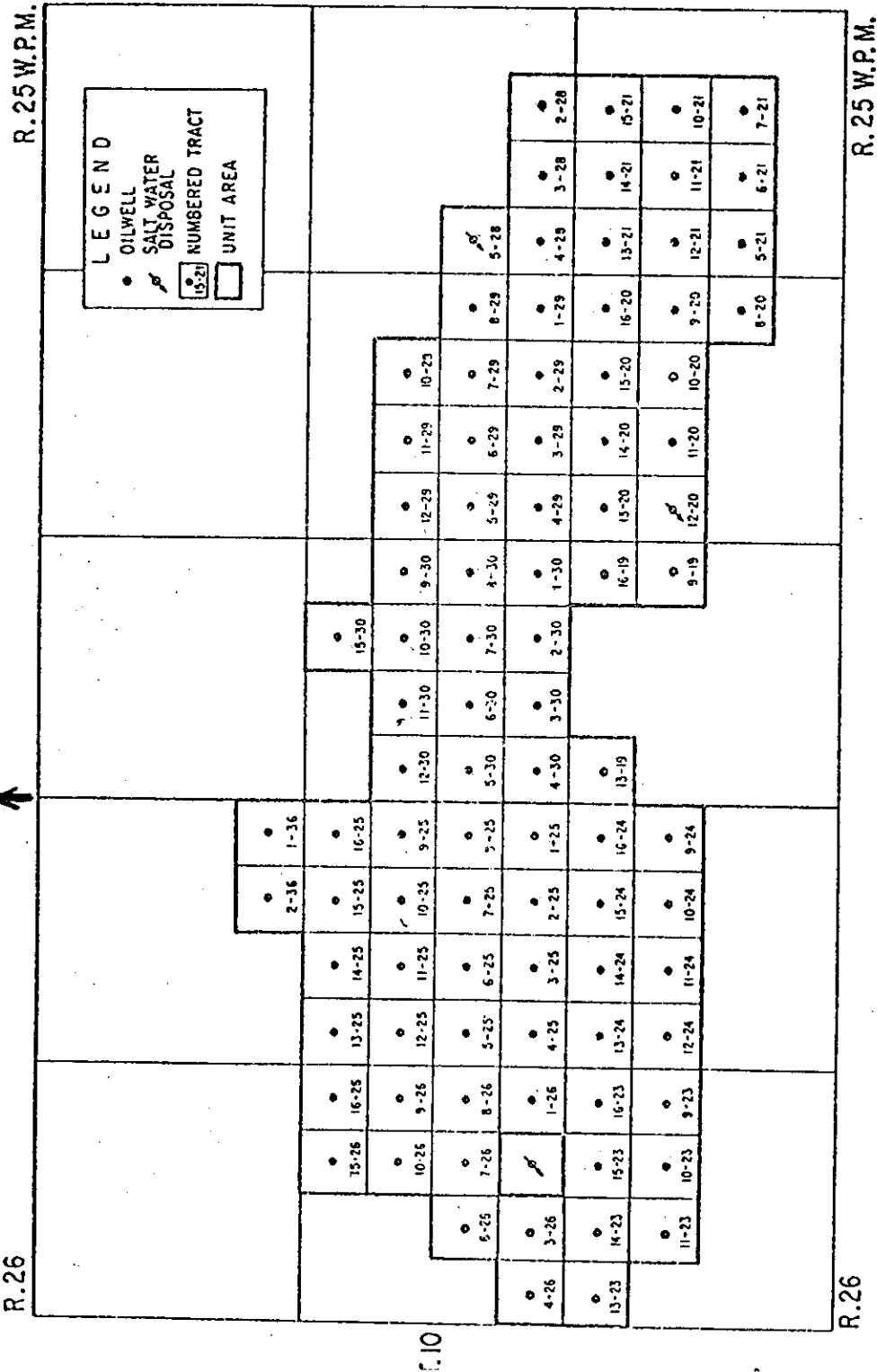
Tract No.	Legal Description Township 10 Range 25 WPM	Tract No.	Legal Description Township 10 Range 25 WPM
9-20	Lsd. 9, Section 20	3-29	Lsd. 3, Section 29
10-20	Lsd. 10, Section 20	4-29	Lsd. 4, Section 29
11-20	Lsd. 11, Section 20	5-29	Lsd. 5, Section 29
12-20	Lsd. 12, Section 20	6-29	Lsd. 6, Section 29
13-20	Lsd. 13, Section 20	7-29	Lsd. 7, Section 29
14-20	Lsd. 14, Section 20	8-29	Lsd. 8, Section 29
15-20	Lsd. 15, Section 20	10-29	Lsd. 10, Section 29
16-20	Lsd. 16, Section 20	11-29	Lsd. 11, Section 29
5-21	Lsd. 5, Section 21	12-29	Lsd. 12, Section 29
6-21	Lsd. 6, Section 21	1-30	Lsd. 1, Section 30
7-21	Lsd. 7, Section 21	2-30	Lsd. 2, Section 30
10-21	Lsd. 10, Section 21	3-30	Lsd. 3, Section 30
11-21	Lsd. 11, Section 21	4-30	Lsd. 4, Section 30
12-21	Lsd. 12, Section 21	5-30	Lsd. 5, Section 30
13-21	Lsd. 13, Section 21	6-30	Lsd. 6, Section 30
14-21	Lsd. 14, Section 21	7-30	Lsd. 7, Section 30
15-21	Lsd. 15, Section 21	8-30	Lsd. 8, Section 30
2-28	Lsd. 2, Section 28	9-30	Lsd. 9, Section 30
3-28	Lsd. 3, Section 28	10-30	Lsd. 10, Section 30
4-28	Lsd. 4, Section 28	11-30	Lsd. 11, Section 30
5-28	Lsd. 5, Section 28	12-30	Lsd. 12, Section 30
1-29	Lsd. 1, Section 29	15-30	Lsd. 15, Section 30
2-29	Lsd. 2, Section 29		
Tract No.	Legal Description Township 10 Range 26 WPM	Tract No.	Legal Description Township 10 Range 26 WPM
9-23	Lsd. 9, Section 23	15-24	Lsd. 15, Section 24
10-23	Lsd. 10, Section 23	16-24	Lsd. 16, Section 24
11-23	Lsd. 11, Section 23	1-25	Lsd. 1, Section 25
13-23	Lsd. 13, Section 23	2-25	Lsd. 2, Section 25
14-25	Lsd. 14, Section 25	3-25	Lsd. 3, Section 25
15-25	Lsd. 15, Section 25	4-25	Lsd. 4, Section 25
16-25	Lsd. 16, Section 25	5-25	Lsd. 5, Section 25
1-26	Lsd. 1, Section 26	6-25	Lsd. 6, Section 25
3-26	Lsd. 3, Section 26	7-25	Lsd. 7, Section 25
4-26	Lsd. 4, Section 26	8-25	Lsd. 8, Section 25
6-26	Lsd. 6, Section 26	9-25	Lsd. 9, Section 25
7-26	Lsd. 7, Section 26	10-25	Lsd. 10, Section 25
14-23	Lsd. 14, Section 23	11-25	Lsd. 11, Section 25
15-23	Lsd. 15, Section 23	12-25	Lsd. 12, Section 25
16-23	Lsd. 16, Section 23	13-25	Lsd. 13, Section 25
9-24	Lsd. 9, Section 24	8-26	Lsd. 8, Section 26
10-24	Lsd. 10, Section 24	9-26	Lsd. 9, Section 26
11-24	Lsd. 11, Section 24	10-26	Lsd. 10, Section 26
12-24	Lsd. 12, Section 24	15-26	Lsd. 15, Section 26
13-24	Lsd. 13, Section 24	16-26	Lsd. 16, Section 26
14-24	Lsd. 14, Section 24	1-36	Lsd. 1, Section 36
		2-36	Lsd. 2, Section 36

5. Part XXIII is rescinded, and the new Part XXIII hereunder is substituted therefor:

PART XXIII
MAP OF UNIT AREA

T.10

PART XXIII
MAP OF UNIT AREA



6. Part XXIV is rescinded, and the new Part XXIV hereunder is substituted therefor:

PART XXIV

Tract No.	Tract Participation	Tract No.	Tract Participation
9-19	0.37341 *	15-21	0.10848
13-19	0.21709	2-28	0.70751 *
16-19	1.29090	3-28	1.47929 *
8-20	0.06959	4-28	1.00932
9-20	0.28027	5-28	0.00517
10-20	1.05762 *	1-29	2.03324
11-20	0.19140	2-29	1.20165
12-20	0.01161	3-29	2.90984
13-20	2.01385	4-29	3.72943
14-20	1.11790	5-29	2.22861
15-20	1.29902	6-29	0.93923
16-20	1.03054	7-29	0.47028
5-21	0.12056	8-29	1.32024
6-21	0.74814	10-29	0.35634 *
7-21	0.85510	11-29	2.26630
10-21	0.97508	12-29	0.57878
11-21	1.92504	1-30	1.77805
12-21	1.54772	2-30	0.82315
13-21	2.11585	3-30	0.57557
14-21	2.94166	4-30	1.23503
5-30	1.30651	3-25	1.54956
6-30	1.98935	4-25	0.58418
7-30	1.55351	5-25	1.01995
8-30	1.02670	6-25	1.02840
9-30	2.89045	7-25	1.61056
10-30	3.27128	8-25	2.87682
11-30	1.47081	9-25	0.82888
12-30	0.99836	10-25	1.40585
15-30	0.31016	11-25	1.67136
9-23	0.22315	12-25	2.08400
10-23	1.84992	13-25	0.89672
11-23	1.37945	14-25	0.99091
13-23	0.58028	15-25	0.96033
14-23	0.86382	16-25	0.51600
15-23	1.24664	1-26	0.02211
16-23	0.99990	3-26	0.79770
9-24	0.09043	4-26	1.33481
10-24	0.19784	6-26	0.57235
11-24	0.37543	7-26	0.39522
12-24	0.33182	8-26	0.27608
13-24	1.09395	9-26	0.48173
14-24	0.97856	10-26	0.48091
15-24	1.11758	15-26	0.68758
16-24	1.86769	16-26	0.51001
1-25	0.91891	1-26	0.29339
2-25	1.19225	2-26	0.06198

7. Clause (a) of subparagraph (iii) of paragraph (k) of Section 26.07 is rescinded, and the following substituted therefor:

"(a) \$5,250.00 per month for all producing operations."

The Oil and Natural Gas Conservation Board Unitization Order No. 7, made and passed the 13th day of August, 1968, at the City of Winnipeg, in the Province of Manitoba, by the said Board.

Approved:

Donald W. Craik

DONALD W. CRAIK,
Minister of Mines and
Natural Resources

M. J. Gobert

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

W. Winston Mair

W. WINSTON MAIR,
Chairman,
The Oil and Natural Gas
Conservation Board.

J. S. Richards

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

R-E

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6-32	.00685
7-32	.82382
8-32	.01389
9-32	.64345
10-32	.43569
11-32	1.19414
14-32	.00701
15-32 -	.35294
16-32 -	.96280
3-33	.46540
4-33	.37753
5-33	.00825
6-33	.35109
12-33	2.54613
13-33	1.64235
3-5	.66310

MANITOBA REGULATION 51/67

Being

THE OIL AND NATURAL GAS CONSERVATION BOARD

UNITIZATION ORDER NO. 6

AMENDING UNITIZATION ORDER NO. 3 OF THE BOARD

MADE UNDER THE MINES ACT

(Filed May 18th, 1967)

The Plan for Unit Operation Governing the Unitized Management Operation and Further Development of the Virden-Roselean Unit No. 1 set out in Unitization Order No. 3 (Manitoba Regulation 58/65), is amended by adding to the Unit Area affected by the said Order, the following areas:

Legal Subdivisions 13 and 16 of Section 19, Legal Subdivisions 14 and 15 of Section 21, and Legal Subdivision 11 of Section 29, all in Township 10, Range 25, West of the Principal Meridian; Legal Subdivisions 11, 13, and 14 of Section 23, Legal Subdivisions 3, 4, and 6 of Section 26, all in Township 10, Range 26, West of the Principal Meridian.

And is further amended as follows:

1. Paragraph (d) of Section 1.02 is rescinded, and the following substituted therefor:

"Effective
Date"

(d) "Effective Date" means the hour of 7:00 o'clock in the forenoon, Central Standard Time, on the first day of July, A. D., 1965, except that with respect to the following numbered tracts "Effective Date" means the hour of 7:00 o'clock in the forenoon, Central Standard Time, on the first day of June, A. D., 1967: 13-19, 16-19, 11-23, 13-23, 14-23, 14-21, 15-21, 11-29, 3-26, 4-26, 6-26.

2. Part III is rescinded, and the following substituted therefor:

Tract
Participation

3.01. The Tract Participation of Each Tract is shown in Part XXIV hereof and was determined with respect to all Tracts except Tracts 14-21, 13-19, 16-19, 15-21, 11-29, 11-23, 13-23, 14-23, 3-26, 6-26, and 4-26, by adding one-half (1/2) of the current production factor calculated pursuant to paragraph (a) following to one-half (1/2) of the average monthly Oil production factor penalized for water production arrived at pursuant to paragraph (b) following, and reducing the sum arrived at as aforesaid by one (1) minus the total percentage participation of the eleven excepted Tracts aforesaid, namely: 1.0000000 minus 0.1286410.

(a) Current production factor: such factor is the percentage calculated by dividing the Oil production of such Tract during the interval April 1, 1964, to September 30, 1964, by the Oil production for all Tracts other than the eleven excepted Tracts abovementioned during the same interval, and multiplying by 100;

(b) Average monthly Oil production factor penalized for water production; such factor is arrived at by:

(i) determining average monthly Oil production of the Tract by dividing its cumulative Oil production to September 30, 1964, by the number of calendar months since the Well on such Tract first went on production, provided that the first calendar month shall not be counted as such unless the Oil production from the Well on any such Tract for that calendar month was greater than one-half ($1/2$) of the Oil production from such Well for the next succeeding month;

(ii) calculating a fractional water cut for the Tract by dividing the water production for the interval set out in paragraph (a) hereof by the sum of its water and Oil production for the same period; PROVIDED, THAT, with respect to those Tracts which did not produce during the interval referred to, the fractional water cut shall be calculated by dividing the water production for each such Tract during the consecutive six-month period that ends with the last recorded production by the sum of such Tract's water and Oil production for the same period;

(iii) multiplying the average monthly Oil production for the Tract obtained in (i) by the fraction one minus the water cut appropriate to the Tract as determined in (ii);

(iv) dividing the production obtained in (iii) for the Tract by the sum of all the products obtained in (iii) for all the Tracts other than the eleven excepted Tracts abovementioned and multiplying by one hundred (100).

3. 02. The Tract Participation of the eleven excepted Tracts mentioned in Section 3. 01 was determined as follows:

(a) The Tract Participation of Tract 14-21 is the sum of one-half ($1/2$) of the figure for Tract Participation calculated pursuant to clause (A) below and one-half ($1/2$) of the figure for the average of the Tract Participation calculated pursuant to clause (B) below:

3--Unitization Order No. 6

(A) Tract Participation: such is determined for Tract 14-21 according to the method set out in Section 3. 01, modified in the following respects:

(i) the reference to "all Tracts" or "all the Tracts" therein is construed as including the eleven excepted Tracts;

(ii) the interval referred to in paragraph (a) of Section 3. 01 (hereinafter called the current production interval) and the date referred to in clause (ii) of paragraph (b) of that Section (hereinafter called the cumulative Oil production date) are replaced in relation to each of the eleven excepted Tracts by a current production interval and a cumulative Oil production date as hereunder set out:

Tract No.	Current Production Interval	Cumulative Oil Production Date
14-21	November 1, 1965, to April 30, 1966	April 30, 1966
13-19	May 1, 1965 to October 31, 1965	October 31, 1965
16-19	May 1, 1965 to October 31, 1965	October 31, 1965
15-21	August 1, 1965, to January 31, 1966	January 31, 1966
11-29	November 1, 1965 to April 30, 1966, with production for February and March, 1966, being adjusted to 22 barrels of oil per calendar day.	April 30, 1966 (to reflect changes during current production period)
11-23	July 1, 1965 to December 31, 1965	December 31, 1965
13-23	July 1, 1965, to December 31, 1965	December 31, 1965

5--Unitization Order No. 6

3. Part XXI is rescinded, and the new Part XXI hereunder is substituted therefor:

PART XXI

WELLS DELIVERED TO UNIT OPERATOR PURSUANT TO PART X

Sun M. Welch SWD 12-20-10-25	CEGO Virden 15-30-10-25
Chevron East Virden Prov. SWD 5-28-10-25	Teck Hepburn Virden 9-23-10-26
Frontenac Sun Virden SWD 9-21-10-25	Teck Hepburn Virden 10-23-10-26
Bralorne Virden 13-19-10-25	Teck Hepburn Virden 11-23-10-26
Bralorne East Virden 16A-19-10-25	Teck Hepburn Virden 13-23-10-26
Chevron Virden 8-20-10-25	Teck Hepburn Virden 14-23-10-26
Chevron Virden 9-20-10-25	Teck Hepburn Virden 15-23-10-26
Sun M. Welch Virden 11-20-10-25	Teck Hepburn Virden 16-23-10-26
Sun M. Welch Virden 13-20-10-25	Chevron Virden 9-24-10-26
Sun M. Welch Virden 14-20-10-25	Chevron Virden 10-24-10-26
Chevron Virden 15-20-10-25	Chevron Virden 11-24-10-26
Chevron Virden 16-20-10-25	Chevron Virden 12-24-10-26
Frontenac Sun Virden 5-21-10-25	Chevron Virden 13-24-10-26
Frontenac Sun Virden 6-21-10-25	Chevron Virden 14-24-10-26
Frontenac Read Virden 7-21-10-25	Chevron Virden 15-24-10-26
Bintner Sun Virden 10-21-10-25	Chevron Virden 16-24-10-26
Chevron Virden 11-21-10-25	Chevron Virden CPR 1-25-10-26
Chevron Virden 12-21-10-25	Chevron Virden CPR 2-25-10-26
Chevron Virden 13-21-10-25	Chevron Virden 3-25-10-26
Chevron Virden 14-21-10-25	Chevron Virden 4-25-10-26
Frontenac Sun Virden 15-21-10-25	Chevron Virden 5-25-10-26
Chevron East Virden Prov. 4-28-10-25	Chevron Virden 6-25-10-26
Chevron East Virden Prov. 1-29-10-25	Chevron Virden CPR 7-25-10-26
Chevron East Virden Prov. 2-29-10-25	Chevron Virden CPR 8-25-10-26
Chevron East Virden Prov. 3-29-10-25	Chevron Virden CPR 9-25-10-26
Chevron East Virden Prov. 4A-29-10-25	Chevron Virden CPR 10-25-10-26
Chevron East Virden Prov. 5-29-10-25	Chevron Virden 11-25-10-26
Chevron East Virden Prov. 6-29-10-25	Chevron Virden 12-25-10-26
Chevron East Virden Prov. 7A-29-10-25	Chevron Virden 13-25-10-26
Chevron East Virden Prov. 8-29-10-25	Chevron Virden 14-25-10-26
Chevron East Virden Prov. 11-29-10-25	Chevron Virden CPR 15-25-10-26
Chevron East Virden Prov. 12-29-10-25	Chevron Virden CPR 16-25-10-26
CEGO Virden 1-30-10-25	Chevron Virden 1-26-10-26
CEGO Virden 2-30-10-25	Chevron Virden 3-26-10-26
CEGO Virden 3-30-10-25	Chevron Virden 4-26-10-26
CEGO Virden 4-30-10-25	Chevron Virden 6-26-10-26
CEGO Virden 5-30-10-25	Chevron Virden 7-26-10-26
CEGO Virden 6-30-10-25	Chevron Virden 8-26-10-26
CEGO Virden 7-30-10-25	Rundle Grasby Virden 9-26-10-26
CEGO Virden 8-30-10-25	Rundle Grasby Virden 10-26-10-26
CEGO Virden 9-30-10-25	Rundle Grasby Virden 15-26-10-26
CEGO Virden 10-30-10-25	Rundle Grasby Virden 16-26-10-26
CEGO Virden 11-30-10-25	K & N Virden 1-36-10-26
CEGO Virden 12-30-10-25	Shannon Virden 2-36-10-26

4--Unitization Order No. 6

14-23	July 1, 1965, to December 31, 1965	December 31, 1965
3-26	June 1, 1965, to November 30, 1965	November 30, 1965
6-26	June 1, 1965, to November 30, 1965	November 30, 1965
4-26	January 1, 1966 to June 30, 1966	June 30, 1966

(B) Average of the Tract Participation of Tracts 11-21, 12-21 and 13-21: such is determined according to the method set out in Section 3.01 without being reduced by the total participation of the eleven excepted Tracts.

(b) The Tract Participation of Tracts 13-19, 16-19, 15-21, 11-29, 11-23, 13-23, 14-23, 3-26, 6-26 and 4-26 (hereinafter called the ten excepted Tracts) is determined according to the method set out in Section 3.01 modified in the following respects:

(i) the reference to "all Tracts" or "all the Tracts" therein is construed as including the ten excepted Tracts but not including Tract 14-21;

(ii) the current production interval and the cumulative Oil production date used for each of the ten excepted Tracts are those set out in relation to such Tracts in clause (ii) of subparagraph (A) of paragraph (a) of this Section 3.02;

(iii) the figure obtained for Tract Participation of each of the ten excepted Tracts determined as aforesaid is reduced by one (1) minus the percentage participation of Tract 14-21, namely: 1.0000000 minus 0.0306341 instead of one (1) minus the total percentage participation of the eleven excepted Tracts aforementioned.

3.03. The total of the Tract Participations for all Tracts, including the eleven excepted Tracts mentioned in Section 3.01, shall at all times equal one hundred (100%) per cent.

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

6-- Unitization Order No. 6

4. Part XXII is rescinded, and the new Part XXII hereunder is substituted therefor:

TRACT

PART XXII

THE LANDS IN THE PROVINCE OF MANITOBA WHICH COMPRISE THE
VIRDEN-ROSELEA UNIT NO. 1 ARE AS FOLLOWS:

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>
<u>TOWNSHIP 10 RANGE 25 WPM</u>		<u>TOWNSHIP 10 RANGE 25 WPM</u>	
13-19	Lsd. 13, Section 19	4-29	Lsd. 4, Section 29
16-19	Lsd. 16, Section 19	5-29	Lsd. 5, Section 29
8-20	Lsd. 8, Section 20	6-29	Lsd. 6, Section 29
9-20	Lsd. 9, Section 20	7-29	Lsd. 7, Section 29
11-20	Lsd. 11, Section 20	8-29	Lsd. 8, Section 29
12-20	Lsd. 12, Section 20	11-29	Lsd. 11, Section 29
13-20	Lsd. 13, Section 20	12-29	Lsd. 12, Section 29
14-20	Lsd. 14, Section 20	1-30	Lsd. 1, Section 30
15-20	Lsd. 15, Section 20	2-30	Lsd. 2, Section 30
16-20	Lsd. 16, Section 20	3-30	Lsd. 3, Section 30
5-21	Lsd. 5, Section 21	4-30	Lsd. 4, Section 30
6-21	Lsd. 6, Section 21	5-30	Lsd. 5, Section 30
7-21	Lsd. 7, Section 21	6-30	Lsd. 6, Section 30
10-21	Lsd. 10, Section 21	7-30	Lsd. 7, Section 30
11-21	Lsd. 11, Section 21	8-30	Lsd. 8, Section 30
12-21	Lsd. 12, Section 21	9-30	Lsd. 9, Section 30
13-21	Lsd. 13, Section 21	10-30	Lsd. 10, Section 30
14-21	Lsd. 14, Section 21	5-28	Lsd. 5, Section 28
15-21	Lsd. 15, Section 21	12-30	Lsd. 12, Section 30
4-28	Lsd. 4, Section 28	15-30	Lsd. 15, Section 30
1-29	Lsd. 1, Section 29	11-30	Lsd. 11, Section 30
2-29	Lsd. 2, Section 29		
3-29	Lsd. 3, Section 29		
<u>TOWNSHIP 10 RANGE 26 WPM</u>		<u>TOWNSHIP 10 RANGE 26 WPM</u>	
9-23	Lsd. 9, Section 23	14-24	Lsd. 14, Section 24
10-23	Lsd. 10, Section 23	15-24	Lsd. 15, Section 24
11-23	Lsd. 11, Section 23	16-24	Lsd. 16, Section 24
13-23	Lsd. 13, Section 23	1-25	Lsd. 1, Section 25
14-23	Lsd. 14, Section 23	2-25	Lsd. 2, Section 25
15-23	Lsd. 15, Section 23	3-25	Lsd. 3, Section 25
16-23	Lsd. 16, Section 23	4-25	Lsd. 4, Section 25
9-24	Lsd. 9, Section 24	5-25	Lsd. 5, Section 25
10-24	Lsd. 10, Section 24	6-25	Lsd. 6, Section 25
11-24	Lsd. 11, Section 24	7-25	Lsd. 7, Section 25
12-24	Lsd. 12, Section 24	8-25	Lsd. 8, Section 25
13-24	Lsd. 13, Section 24	9-25	Lsd. 9, Section 25

7--Unitization Order No. 6

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>
<u>TOWNSHIP 10 RANGE 26 WPM</u>		<u>TOWNSHIP 10 RANGE 26 WPM</u>	
10-25	Lsd. 10, Section 25	6-26	Lsd. 6, Section 26
11-25	Lsd. 11, Section 25	7-26	Lsd. 7, Section 26
12-25	Lsd. 12, Section 25	8-26	Lsd. 8, Section 26
13-25	Lsd. 13, Section 25	9-26	Lsd. 9, Section 26
14-25	Lsd. 14, Section 25	10-26	Lsd. 10, Section 26
15-25	Lsd. 15, Section 25	15-26	Lsd. 15, Section 26
16-25	Lsd. 16, Section 25	16-26	Lsd. 16, Section 26
1-26	Lsd. 1, Section 26	1-36	Lsd. 1, Section 36
3-26	Lsd. 3, Section 26	2-36	Lsd. 2, Section 36
4-26	Lsd. 4, Section 26		

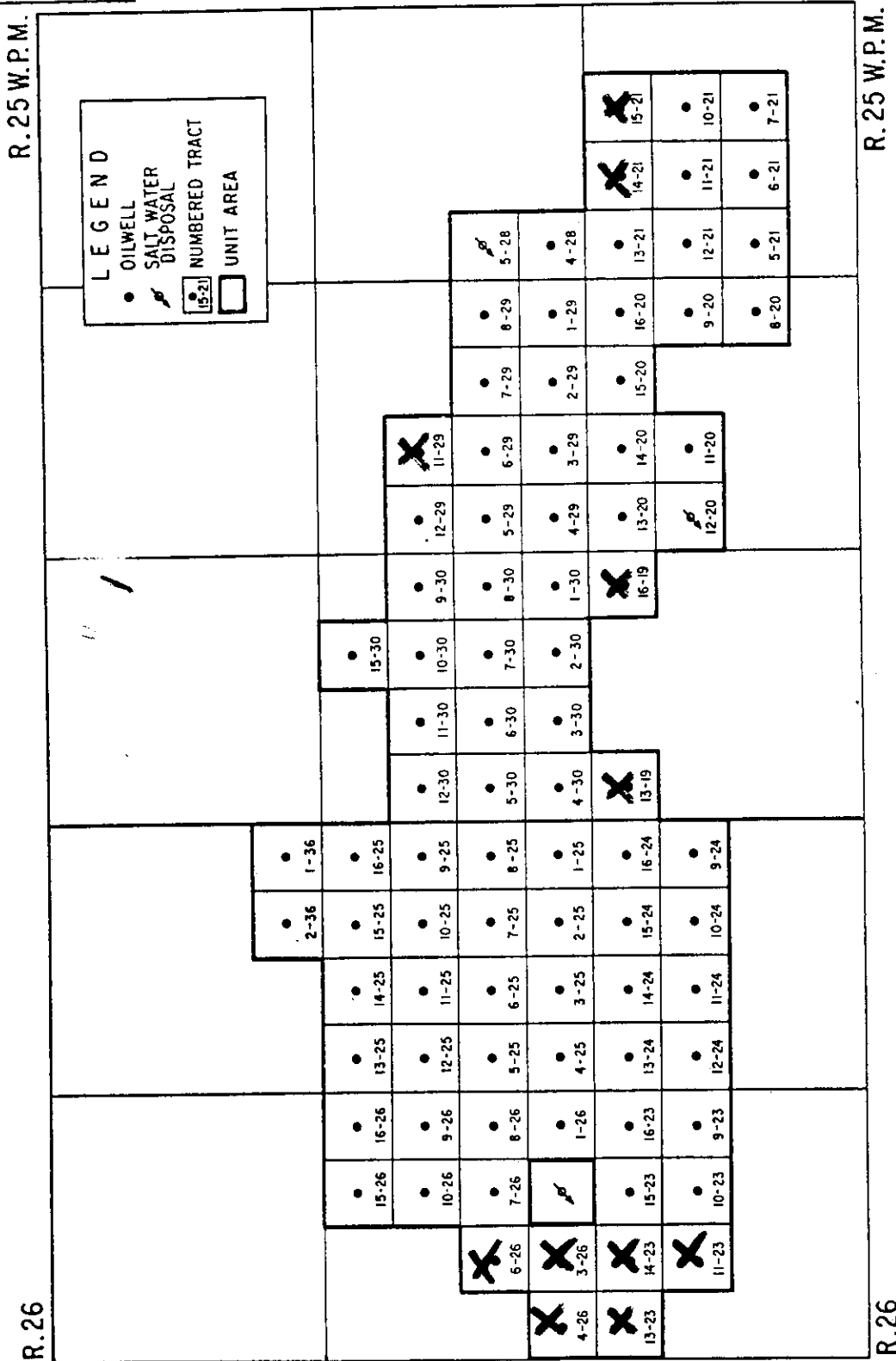
5. Part XXIII is rescinded, and the new Part XXIII hereunder is substituted therefor:

MAP OF UNIT AREA

8—Unitization Order No. 6

Part XXIII continued

T.10

PART XXIII
MAP OF UNIT AREA

TRACT

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9--Unitization Order No. 6

6. Part XXIV is rescinded, and the new Part XXIV hereunder is substituted therefor:

<u>PART XXIV</u>			
<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
13-19	0.22608 •	4-30	1.28614
16-19	1.34433 •	5-30	1.36058
8-20	0.07247	6-30	2.07168
9-20	0.29187	7-30	1.61780
11-20	0.19932	8-30	1.06919
12-20	0.01209	9-30	3.01008
13-20	2.09720	10-30	3.40667
14-20	1.16416	11-30	1.53168
15-20	1.35278	12-30	1.03968
16-20	1.07319	15-30	0.32300
5-21	0.12555	9-23	0.23239
6-21	0.77910	10-23	1.92648
7-21	0.89049	11-23	1.43654 •
10-21	1.01544	13-23	0.60430 •
11-21	2.00471	14-23	0.89957 •
12-21	1.61177	15-23	1.29823
13-21	2.20342	16-23	1.04128
14-21	3.06341 •	9-24	0.09417
15-21	0.11297 •	10-24	0.20603
4-28	1.05109	11-24	0.39097
5-28	0.00538	12-24	0.34555
1-29	2.11739	13-24	1.13923
2-29	1.25138	14-24	1.01906
3-29	3.03027	15-24	1.16383
4-29	3.88378 ✕	16-24	1.94499
5-29	2.32084	1-25	0.95694
6-29	0.97810	2-25	1.24159
7-29	0.48974	3-25	1.61369
8-29	1.37488	4-25	0.60836
11-29	2.36010 •	5-25	1.06216
12-29	0.60273	6-25	1.07096
1-30	1.85164	7-25	1.67722
2-30	0.85722	8-25	2.99588
3-30	0.59939	9-25	0.86318

10--Unitization Order No. 6

Part XXIV continued

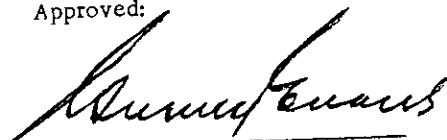
<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
10-25	1.46403	4-26	1.39005 •
11-25	1.74053	6-26	0.59604 •
12-25	2.17025	7-26	0.41158
13-25	0.93383	8-26	0.28751
14-25	1.03192	9-26	0.50167
15-25	1.00007	10-26	0.50081
16-25	0.53736	15-26	0.71603
1-26	0.02303	16-26	0.53112
3-26	0.83071 •	1-36	0.30553
		2-36	0.06455

7. Clause (a) of subparagraph (iii) of paragraph (k) of Section 26.07 is rescinded, and the following substituted therefor:

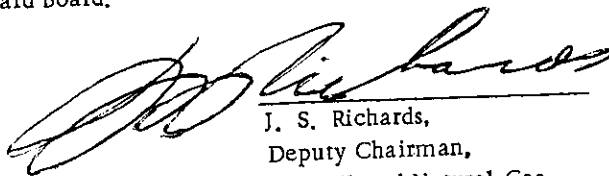
(a) \$5,000.00 per month for all producing operations.

The Oil and Natural Gas Conservation Board
Unitization Order No. 6, made and passed
the 26th day of April, 1967, at the City
of Winnipeg in the Province of Manitoba,
by the said Board.

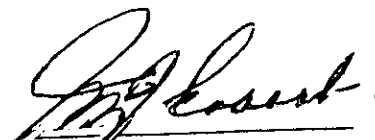
Approved:



Gurney Evans,
Minister of Mines and
Natural Resources



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



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

MANITOBA REGULATION 52/67

Being

THE OIL AND NATURAL GAS CONSERVATION BOARD

ORDER NO. PM 8

An Order pertaining to Pressure Maintenance by Water Flooding

VIRDEN-ROSELEA UNIT NO. 1

Made and passed pursuant to "The Mines Act", R. S. M., 1954, and amendments thereto, by The Oil and Natural Gas Conservation Board,
(Filed May 18th, 1967)

WHEREAS, subsection (8)(d) of Section 59 of "The Mines Act", as enacted by Chapter 45, Statutes of Manitoba, 1955, provides as follows:

"59. (8) Without restricting the generality of subsection (7) the board, with the approval of the minister may make orders

(d) requiring the repressuring, recycling, or pressure maintenance, of any pool or portion thereof where it is economical so to do, and for that purpose where necessary requiring the introduction or injection into any pool or portion thereof of gas, air, water, or other substance;"

AND WHEREAS, the Board, pursuant to Section 59 of "The Mines Act", held a public hearing on March 10, 1967, for the purpose of considering a Proposal for Expansion of the Water Injection System for Pressure Maintenance within the Unit Area of the Virden-Roselea Unit No. 1, by Chevron Standard Limited, on its own behalf and other working interest owners, in the Virden-Roselea Field in Manitoba.

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

(a) That the pressure maintenance by water flooding of a certain part of the Virden-Roselea Field in Manitoba, comprising the Unit Area of the Virden-Roselea Unit No. 1, is reasonably necessary to prevent waste, and to increase substantially the recovery of oil;

(b) That the value of the estimated additional recovery of oil and gas resulting from such operation will exceed the estimated additional cost incidental to the conduct of such operation; and

2--ORDER NO. PM 8

(c) That such operation will result in general advantage to the owners of oil and gas rights within the Unit Area.

AND WHEREAS, Unitization Order No. 3 provides for the appointment of The California Standard Company (Chevron Standard Limited) as Unit Operator,

NOW, THEREFORE, the Board orders:

1. (a) The Unit Operator shall conduct pressure maintenance operations by the injection of water to the Virden and Scallion Members of the Lodgepole Formation of the Mississippian Age underlying the Unit Area;
- (b) The pressure maintenance operations shall be in accordance with, and subject to, the following rules:

PRESSURE MAINTENANCE RULES

1. (1) Water shall be injected to the Virden and Scallion Members of the Lodgepole Formation of the Mississippian Age in the wells

Chevron Virden 9-20-10-25
Sun M. Welch Virden 13-20-10-25
Chevron Virden 15-20-10-25
Chevron Virden 11-21-10-25
Chevron Virden 13-21-10-25
Chevron East Virden Prov. SWD 5-28-10-25
Chevron East Virden Prov. 5-29-10-25
Chevron East Virden Prov. 7A-29-10-25
CEGO Virden 5-30-10-25
CEGO Virden 7-30-10-25
Teck Hepburn Virden 15-23-10-26
Chevron Virden 13-24-10-26
Chevron Virden 15-24-10-26
Chevron Virden 5-25-10-26
Chevron Virden CPR 7-25-10-26
Chevron Virden 13-25-10-26
Chevron Virden CPR 15-25-10-26
Chevron Virden 3-26-10-26

and, from time to time, in such other wells as the Board may direct, or, upon application of the Unit Operator, may approve;

- (2) The injection in the wells referred to in this clause shall continue after the commencement.

3--ORDER NO. PM 8

2. (1) Before the injection of water is commenced, and from time to time after the commencement of injection, and upon the request of the Board, the Unit Operator shall satisfy the Board as to the source, suitability, and method of treatment of the water to be injected;

(2) Before any change is made in the source of water being injected, the Unit Operator shall satisfy the Board as to the suitability of the water to be injected.
3. The Unit Operator shall immediately report to the Board any indication of channelling or break-through of injected water to producing wells, or any indication of other detrimental effects that may be attributable to the pressure maintenance operations.
4. In the interest of equity and good engineering practice the Board may prescribe from time to time a maximum pressure, or a minimum or a maximum rate, at which water shall be injected in any well in the Unit.
5. At least annually, unless otherwise directed by the Board, the Unit Operator shall determine the reservoir pressure in the producing wells in the Unit to the satisfaction of the Board.
6. The Unit Operator shall inject water to each well referred to in clause 1 hereof in a manner such that, within five years of the effective date of the order, a suitable balance is achieved and maintained between water injected to, and fluids withdrawn from, the Unitized Strata.
7. The Unit Operator shall, not later than the twenty-fifth day of each month, file with the Mines Branch a report of the quantity and source of water injected during the preceding month to each well referred to in clause 1 hereof.
8. (1) Unless otherwise authorized in writing by the Board, the Unit Operator shall, within six weeks of the expiration of each yearly period commencing on the first day of January, 1968, file with the Board a report of the progress, performance, and efficacy of the pressure maintenance program during the period.

(2) Subject to any direction in writing of the Board to the contrary, a report required by this clause may, at the discretion of the Unit Operator, be in two parts, the first of which parts shall set out graphically and from the commencement of the operation of the pressure maintenance program;

4--ORDER NO. PM 8

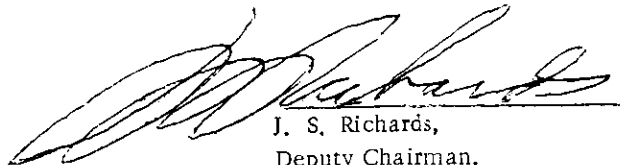
- (a) the daily average rate during each month of oil production of each producing well,
- (b) the average water-oil ratio during each month of each producing well,
- (c) the monthly cumulative oil and water production from each producing well,
- (d) the daily average rate during each month of water injection to each injection well,
- (e) the daily average water injection pressure during each month at each injection well,
- (f) the monthly cumulative volume of water injected to each injection well,
- (g) the average injectivity index during each month, for each water injection well, which index, at the discretion of the Unit Operator, may be determined as
 - (i) the daily injection rate divided by the average injection well head pressure, or
 - (ii) any similar index that the Board, on the application of the Unit Operator, may approve, and
- (h) the date and type of any well treatment or work-over which shall be indicated on the graph, and the second of which parts shall contain
 - (a) calculations of the balance during each month between water injected to, and fluids withdrawn from, the Unitized Strata,
 - (b) such other interpretative information as the Unit Operator considers necessary to evaluate adequately the progress, performance, and efficacy of the pressure maintenance program, and
 - (c) an outline of the method actually in use for the quality, control, and treatment of the water, or, where there has been no change in the control or treatment from that outlined in a previous report, a statement to that effect,

5--ORDER NO. PM 8

(3) If a report required by this clause is in the form provided for in subclause (2), the Board, at any time, may make the first part of the report available to the public, and, after one year from the end of the period for which the report is made, may make the second part of the report available to the public, and, if the report is not in the form provided for in subclause (2), the Board may make the whole of the report available to the public at any time.

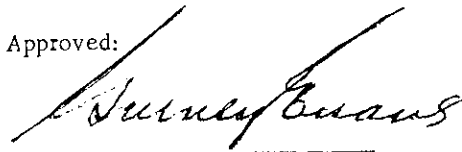
2. This Order shall be effective at the hour of seven o'clock in the forenoon, Central Standard Time, on the first day of June, A. D., 1967.

Oil and Natural Gas Order No. PM 8, made and passed this 26th day of April, A. D., 1967, at the City of Winnipeg, in the Province of Manitoba, by the Oil and Natural Gas Conservation Board.

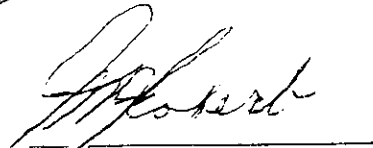


J. S. Richards,
Deputy Chairman,
The Oil and Natural Gas
Conservation Board

Approved:



Gurney Evans,
Minister of Mines and
Natural Resources



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

The Regulation Act

ERRATUM NOTICE

Corrections to Manitoba Regulation 102/66

Manitoba Regulation 102/66, as published in No. 45 of Volume 95 of The Manitoba Gazette, dated the 12th day of November, 1966, is corrected by striking out the word "one" in the first line of section 20.06 of the plan for unit operations set out therein.

DATED at Winnipeg, in Manitoba, this 15th day of November, 1966.

R. H. Tallin,

Registrar of Regulations.

MANITOBA REGULATION 53/67

Being

THE OIL AND NATURAL GAS CONSERVATION BOARD

ORDER NO. 43A

Pertaining to the Maximum Permissible Rate of Production in the

VIRDEN-ROSELEA FIELD

Made and passed pursuant to "The Mines Act", R. S. M., 1954, and amendments thereto, by The Oil and Natural Gas Conservation Board.
(Filed May 18th, 1967)

1. Until further order, in addition to those wells named in Order No. 40A, being Manitoba Regulation 56/65, the following wells, comprising a part of the Virden-Roselea Unit No. 1, shall be exempt from the provisions of Order No. 22A, being Manitoba Regulation 98/55:

Bralorne Virden 13-19-10-25
Bralorne East Virden 16A-19-10-25
Chevron Virden 14-21-10-25
Frontenac Sun Virden 15-21-10-25
Chevron East Virden Prov. 11-29-10-25

Teck Hepburn Virden 11-23-10-26
Teck Hepburn Virden 13-23-10-26
Teck Hepburn Virden 14-23-10-26

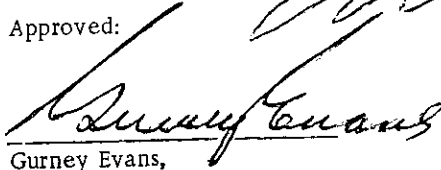
Chevron Virden 3-26-10-26
Chevron Virden 4-26-10-26
Chevron Virden 6-26-10-26

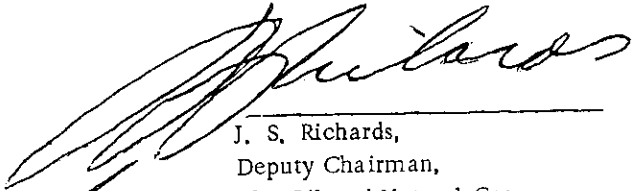
2. This Order may be rescinded or amended by the Board at any time.
3. This Order shall be effective at the hour of 7 o'clock in the forenoon, Central Standard Time, on the first day of June, 1967.

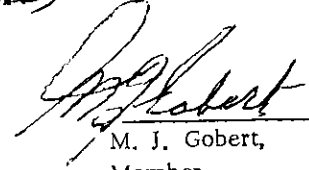
2--ORDER NO. 43A

Oil and Natural Gas Order No. 43A,
made and passed this 26th day
of April, A. D., 1967, at the
City of Winnipeg, in the Province
of Manitoba, by the Oil and
Natural Gas Conservation Board.

Approved:


Gurney Evans,
Minister of Mines and
Natural Resources.


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


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

Regulations Under The Regulations Act

MANITOBA REGULATION 58/65

Being

THE OIL AND NATURAL GAS

CONSERVATION BOARD

UNITIZATION ORDER NO. 3

Pertaining to The Unitized Management Operation and Further Development of Virden-Roselea Unit No. 1.

Made and passed pursuant to The Mines Act, 1954, and amendments thereto, and approved by Order-in-Council No. 975/65 by The Oil and Natural Gas Conservation Board.

(Filed June 17th, 1965)

Effective at the hour of seven o'clock in the forenoon, Central Standard Time, on the 1st day of July, 1965, that certain part of the Virden-Roselea Field to be known as the Unit Area, and as more particularly described therein, shall be operated as a Unit in accordance with the attached Plan for Unit Operation Governing the Unitized Management Operation and Further Development of Virden-Roselea Unit No. 1,

dated April 1, 1965, and shall be known as Virden-Roselea Unit No. 1.

Oil and Natural Gas Unitization Order No. 3, made and passed this 17th day of June, 1965, at the City of Winnipeg, in the Province of Manitoba, by The Oil and Natural Gas Conservation Board.

J. G. COWAN,
Chairman,
The Oil and Natural Gas
Conservation Board.
J. S. RICHARDS,
Deputy Chairman,
The Oil and Natural Gas
Conservation Board.
M. J. GOBERT,
Member,
The Oil and Natural Gas
Conservation Board.

PLAN FOR UNIT OPERATION GOVERNING THE UNITIZED MANAGEMENT OPERATION AND FURTHER DEVELOPMENT OF VIRDEN-ROSELEA UNIT NO. 1

PART I

INTERPRETATION

References to terms and expressions

1.01 This Plan shall be construed with reference to The Interpretation Act and the terms and interpretation of The Mines Act and regulations thereunder.

Definitions

1.02 In this Plan unless the context otherwise requires:

"Accounting Procedure"

(a) "Accounting Procedure" means the rules, provisions and conditions set forth in Part XXVI hereof;

"Common Account"

(b) "Common Account" means the account set up and maintained by Unit Operator on behalf of the Working Interest Owners as provided in Part VIII hereof;

"Conservation Board"

(c) "Conservation Board" or "Board" means the Oil and Natural Gas Conservation Board;

"Effective Date"

(d) "Effective Date" means the hour of seven o'clock in the forenoon, Central Standard Time, on the 1st day of July, A.D. 1965;

"Investment Account"

(f) "Investment Account" means the account set up and maintained by Unit Operator on behalf of the Working Interest Owners as provided in Part X hereof;

"Leases"

(g) "Leases" means severally and collectively the petroleum and natural gas leases, petroleum leases, natural gas leases, sub-leases, agreements to grant a lease and any other agreements whether similar or dissimilar to the foregoing covering the lands described in Part XXII hereof;

"Oil"

(h) "Oil" means crude oil and all other hydrocarbons regardless of gravity, that are or can be recovered in liquid form from a pool through a well by ordinary production methods;

"Operating Committee"

(i) "Operating Committee" means the committee created pursuant to Part V hereof;

"Outside Substances"

(j) "Outside Substances" means all substances obtained from any sources other than the Unitized Strata for injection into the Unitized Strata;

"Participating Interest"

(k) "Participating Interest" means with respect to each Working Interest Owner the sum of the products obtained by multiplying its respective working interest in each Tract by the respective Tract Participation of each such Tract;

"Royalty Owner"

(l) "Royalty Owner" means a person, other than a Working Interest Owner, who has any interest in a right to receive a portion of the Unitized Substances or a portion of the proceeds from the sale thereof, including a reversionary interest, a royalty interest reserved to the lessors named in any lease, and any overriding royalty interest, or an interest in a payment under, or encumbrance on, a Lease that does not carry with it the right to search for or produce the Unitized Substances;

"Salt Water Disposal Well"

(m) "Salt Water Disposal Well" means those wells drilled for the purpose of, or converted to, salt water disposal;

"Spacing Unit"

(n) "Spacing Unit" means the area allocated by any governmental body having jurisdiction with respect thereto for each well drilled for the purpose of producing Oil and Gas from the Unitized Strata;

"Tract"

(o) "Tract" means each parcel of land described as such and given a Tract number in Part XXII hereof;

"Tract Participation"

(p) "Tract Participation" means the percentage set forth for each Tract in Part XXIV hereof;

"Unit Area"

(q) "Unit Area" means and comprises the lands set forth and described in Part XXII hereof and included within the boundaries of the solid black outline on the map shown in Part XXIII hereof, insofar as these lands relate to the Unitized Strata, excepting, however, those lands, if any, shown cross-hatched in Part XXIII hereof;

"Unit Facilities"

(r) "Unit Facilities" means all tangible property of every kind, nature and description (excepting Unitized Substances, Unit Operated Wells, rental equipment and Unit Operator's exclusively owned equipment) in the possession of Unit Operator hereunder acquired from a Working Interest Owner pursuant to the provisions of Part X hereof, together with all facilities and equipment purchased, constructed or acquired by Unit Operator pursuant hereto;

"Unit Operated Wells"

(s) "Unit Operated Wells" means all wells (including wells drilled for the production of Unitized Substances, wells drilled for the purpose of producing water only, wells drilled for the purpose of water disposal and wells drilled for the purpose of pressure maintenance operations or secondary recovery operations) in the possession of Unit Operator hereunder, whether acquired from a Working Interest Owner or drilled by Unit Operator pursuant to the terms hereof, but excluding Unit Facilities in and on the said wells;

"Unit Operator"

(t) "Unit Operator" means the person appointed to manage and conduct the operations hereunder who shall be a Working

"Unitized Substances"
"Well"

"Working Interest Owner"

Unit Name

Operation as a Unit

Effect of Unit Operation

Amendment of Leases

Continuation of Leases

Authority for Operations

on the electrical log of the Calstan Virden S.W.D. 2-26-10-26 well in Legal Subdivision Two (2) of Section Twenty-Six (26), Township Ten (10), Range Twenty-Six (26), West of the First (1st) Meridian, in the Province of Manitoba between the interval 2,008 feet and 2,258 feet as measured from the Kelly Bushing. The Virden member consists of submembers sometimes known as the Crinoidal, Sandhill, and Four Oolites. The Scallion member is sometimes known as the Cherty Zone and sometimes includes a basal shale unit known as the Routledge Shale;

"Unitized Substances"

(v) "Unitized Substances" means the Oil and Gas that are within or are produced from the Unitized Strata;

"Well"

(w) "Well" means any well within the Unit Area which has been drilled to the Virden or Scallion members of the Lodgepole Formation of the Mississippian Age for the production of Oil and Gas which at some time since such drilling has produced a minimum of three (3) barrels of Oil per day for a least one month's duration;

"Working Interest Owner"

(x) "Working Interest Owner" means a person who has the right, in whole or in part, to search for and produce and to appropriate the Unitized Substances, either for himself or for others having an interest therein, or for both, whether such right is derived from ownership in fee simple or from a Lease.

PART II

UNIT OPERATION

Unit Name

2.01 The name of the Unit shall be "Virden-Roselea Unit No. 1" (hereinafter sometimes called the "Unit").

Operation as a Unit

2.02 On and after the Effective Date, the respective interests of the Working Interest Owners and Royalty Owners, in and to the Unit Area, the Unitized Strata and the Unitized Substances, shall be unitized for the purposes of carrying out in the Unit Area and the Unitized Strata any and all operations which may at any time and from time to time be deemed necessary or advisable by the Operating Committee for the purpose of preventing waste, obtaining ultimately the greatest possible recovery of the Unitized Substances and accomplishing the more efficient and more economical development and production of the Unitized Substances under prudent and proper operations and practices to the end that all operations for drilling and producing and all other operations in the Unitized Strata may be conducted without regard to the separate Leases or boundary lines of separate Tracts within the Unit Area and as though the Unitized Strata were covered by a single Lease subject to all the terms and conditions hereof.

Effect of Unit Operation

2.03 Without limiting its general effect, the unitization shall have the following specific effects:

Amendment of Leases

(a) On and after the Effective Date, the terms and provisions of the Leases are hereby amended to the extent necessary to make them conform to the terms and provisions hereof and, the Leases as amended, shall continue in full force and effect;

Continuation of Leases

(b) Any operations conducted with respect to the Unitized Strata, or production of Unitized Substances shall, except for the purposes of determining payments to Royalty Owners, be considered as operations upon or production from each Tract and such operations or production shall operate to continue in force and effect each Lease as if such operations had been conducted and a Well had been drilled on and was producing from each Spacing Unit or portion thereof covered by each Lease.

Authority for Operations

2.04 The Working Interest Owners are hereby collectively authorized to develop and operate the Unitized Strata without regard to the separate Leases or the boundary lines of separate Tracts within the Unit Area, and to drill, use and produce such wells as the Operating Committee deems advantageous to operations on or production from

and most economical development and operation of the Unitized Strata. Without limiting the generality of the foregoing, the Working Interest Owners are hereby authorized to inject Oil and Gas, water, or other substances, or any combination of them into the Unitized Strata and from time to time to convert and use as injection wells any Well now drilled or hereafter drilled into the Unitized Strata.

Royalty Owners
Not Obligated to
Pay Unitization
Costs etc.

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

Deliver
Unitize
Substan-
in kind

PART III

TRACT PARTICIPATION

Determination
of Tract
Participation

3.01 The Tract Participation of each Tract is shown in Part XXIV hereof and was determined with respect to all Tracts by adding one-half ($\frac{1}{2}$) of each of the following:

Distribut
Within T

(a) A current production factor: such factor is the percentage calculated by dividing the Oil production of such Tract during the interval April 1st, 1964 to September 30th, 1964, by the Oil production for all Tracts during the same interval, and multiplying by 100;

(b) An average monthly Oil production factor penalized for water production; such factor is arrived at by;

Failure to
take in k

i) determining average monthly Oil production of the Tract by dividing its cumulative Oil production to September 30, 1964 by the number of calendar months since the Well on such Tract first went on production, provided that the first calendar month shall not be counted as such unless the Oil production from the Well on any such Tract for that calendar month was greater than one-half ($\frac{1}{2}$) of the Oil production from such Well for the next succeeding month;

ii) calculating a fractional water cut for the Tract by dividing the water production for the interval set out in paragraph (a) hereof by the sum of its water and Oil production for the same period; PROVIDED, THAT, with respect to those Tracts which did not produce during the interval referred to, the fractional water cut shall be calculated by dividing the water production for each such Tract during the consecutive six month period that ends with the last recorded production by the sum of such Tract's water and Oil production for the same period;

Over-produce

iii) multiplying the average monthly Oil production for the Tract obtained in (i) by the fraction one minus the water cut appropriate to the Tract as determined in (ii);

iv) dividing the product obtained in (iii) for the Tract by the sum of all the products obtained in (iii) for all the Tracts and multiplying by one hundred (100).

3.02 The Total of the Tract Participations for all Tracts shall at all times equal one hundred (100%) per cent.

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

PART IV

ALLOCATION OF PRODUCTION

Allocation
to Tracts

4.01 All Unitized Substances produced and saved shall be apportioned among and allocated to the several Tracts in accordance with their respective Tract Participations. The amount of Unitized

of Unitized Substances from the Well or Wells, if any, on such Tract, shall for all intents, uses and purposes, be deemed to have been produced from such Tract.

**Delivery of
Unitized
Substances
in kind**

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

**Distribution
Within Tracts**

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

**Failure to
take in kind**

4.04 To the extent that any Working Interest Owner entitled to take and receive in kind any portion of the Unitized Substances shall fail to take or otherwise adequately dispose of the same currently as and when produced, then so long as such conditions continue, Unit Operator, as agent and for the account and at the expense of such Working Interest Owner may, and upon the instructions of the Operating Committee shall, in order to avoid curtailing the operation of the Unitized Strata, dispose of such production and the account of such Working Interest Owner shall be credited therewith as having received the same. The proceeds of the sale of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owner entitled thereto. The authority of the Unit Operator to enter into contracts for the sale of such production shall be limited to contracts that are limited in time to the minimum needs of the industry and in any event not exceeding one (1) year. Any Working Interest Owner not taking in kind may revoke at will Unit Operator's authority hereunder by notice in writing to Unit Operator and by taking in kind all of its share of production not previously contracted for sale.

Over-production

4.05 (a) A proper and time gauge shall be made of all tanks delivered to Unit Operator to ascertain the amount of Oil in such tanks as of the Effective Date. If any Wells producing into such tanks have made more than their cumulative production allowable as set by the Conservation Board, the amount of such over-production of Oil then in such tanks which has been produced from the Virden and Scallion members of the Lodgepole Formation of the Mississippian Age shall be deemed to be Unitized Substances. Except as aforesaid the Oil in such tanks shall remain and be at the risk of and be the property of the Working Interest Owner owning the same prior to the Effective Date, and upon request shall be delivered in kind to such Working Interest Owner, or, in the absence of such request, shall be sold by Unit Operator for the credit of and on behalf of such Working Interest Owner at not less than the prevailing wellhead price, and the proceeds thereof shall be paid by the purchaser directly to such Working Interest Owner.

(b) If any production in excess of the cumulative production allowable of any Tract as of the Effective Date was sold prior to the Effective Date, the Unit Operator during the month or months next following the Effective Date shall withhold from the Unitized Substances which, except for the provisions of this subparagraph, would have been allocated to a Tract or Tracts from which the Oil sold was produced in excess of the cumulative production allow-

to all of the Tracts in proportion to their respective Tract Participations. Such withholding and reallocation shall be continued until the full amount of any such excess production in respect to any Tract or Tracts has been withheld and reallocated.

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

Royalty on
Outside
Substances

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

Use of Unitized
Substances

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

PART V
ORGANIZATION OF THE
OPERATING COMMITTEE

Operating
Committee

5.01 There is hereby created an Operating Committee which shall be composed of one representative of each Working Interest Owner designated as hereinafter provided.

Representatives
on the Operat-
ing Committee

5.02 Each Working Interest Owner shall, at least ten (10) days prior to the Effective Date, designate by notice in writing to the Chairman of the Conservation Board the name and address of its representative on the Operating Committee and shall further designate an alternate representative, or alternate representatives, on the Operating Committee who, in the absence of the designated representative, shall have the rights and powers of such representative.

Organization
Meeting of the
Operating
Committee

5.03 (a) The Chairman of the Conservation Board shall, at least five (5) days prior to the Effective Date, select the representative of a Working Interest Owner to act as chairman pro tem of the organization meeting of the Operating Committee and shall forthwith forward the name and address of each Working Interest Owner's representative, or alternate representative, or alternate representatives, to the person so selected.

(b) The chairman pro tem of the Operating Committee shall call and hold an organization meeting of the Operating Committee prior to the Effective Date.

(c) The Operating Committee, at such organization meeting shall appoint the Unit Operator and the chairman pro tem of such organization meeting shall promptly notify the Chairman of the Conservation Board of such appointment and thereafter the representative of Unit Operator shall act as Chairman of each meeting of the Operating Committee without in any manner restricting or limiting his rights to represent Unit Operator as a Working Interest Owner.

Change of
Representative

5.04 Each Working Interest Owner may change its designated representative, or designated alternate representative, or alternate representatives, by notice in writing to the Chairman of the Operating Committee and the Chairman of the Conservation Board. Nothing

if so required by his principals cast his vote for each principal separately.

Voting
Interest

5.05 Each member of the Operating Committee, in voting on all matters coming before the Operating Committee, shall have a voting interest equal to the Participating Interest of the Working Interest Owner represented.

Annual
Meetings
to be Held

5.06 The Operating Committee shall meet on the call of Unit Operator, or at the request of a representative of any Working Interest Owner and, in any event, shall meet on the call of Unit Operator at least once in every calendar year and not more than sixteen (16) months after the holding of the last preceding meeting. Unit Operator shall notify all members of the Operating Committee in writing at least ten (10) days in advance of any meeting of the time and place of the proposed meeting, and of the specific matters affecting unit operations which will be presented, discussed and voted upon at such meeting, and no other matters shall be voted upon at such meeting unless each Working Interest Owner is represented thereat and agrees that such further matters may be voted upon.

Voting by
Telegram, etc.

5.07 Any member of the Operating Committee not represented at any particular meeting may vote, by letter or telegram addressed to and received by the Unit Operator prior to the hour fixed for the meeting, on any question presented thereat of which it has been notified. Members so voting shall be considered present as regards such matters on which they so vote, but not for other purposes.

Polls

5.08 Any question within the province of the Operating Committee to decide may be determined in the absence of a formal meeting by a poll of all of the individual representatives. If such poll is taken it shall be conducted by the Unit Operator, either by letter or telegram, and he shall keep a written record of the results and report the results thereof to the Working Interest Owners within a reasonable time, either by notice in writing to each of them, or by report to them at the next meeting. The voting interests necessary to act upon and determine matters or questions submitted by letter or telegram shall be the same as otherwise herein provided for. Such vote shall be made within not less than fifteen (15) days of the giving of such notice; PROVIDED, THAT, any failure to vote within the stipulated time, shall be considered as an affirmative vote.

Minutes of
Proceedings

5.09 Unit Operator shall keep minutes of the proceedings of each meeting of the Operating Committee and a copy thereof shall be forwarded to each member thereof. Such minutes need not be a verbatim record of all the proceedings, but shall show the names of the representatives present at the meeting, all motions and resolutions offered or acted upon, together with the results of such action and such other formal action as may be taken by the Operating Committee, and shall include a record of all matters voted on by letter or telegram ballot since the date of the last meeting.

PART VI

POWERS AND DUTIES OF THE OPERATING COMMITTEE

Voting

6.01 The Working Interest Owners acting through the Operating Committee and Unit Operator shall carry out the purposes of this Plan and shall determine and decide all matters by concurring vote of members of the Operating Committee representing at least three (3) Working Interest Owners owning at least seventy-five (75%) percent of the Participating Interests and such vote shall be binding on all Working Interest Owners; PROVIDED, HOWEVER, that if any one Working Interest Owner at any time has a Participating Interest of twenty-five (25%) percent or more, the vote of such Working Interest Owner represented on the Operating Committee shall not serve to defeat any matter unless such vote is supported by members of the Operating Committee representing at least three (3) Working Interest Owners owning at least seventy-five (75%) percent of the Participating Interests.

or more Working Interest Owners having a total Participating Interest of at least five (5%) percent; and PROVIDED, FURTHER, that any abstention or other failure to vote shall be considered as an affirmative vote.

Quorum

6.02 At any meeting of the Operating Committee a quorum shall consist of the representatives personally present of not less than three (3) of the Working Interest Owners having, in the aggregate, seventy-five (75%) percent or more of the total Participating Interest.

Rights Granted
the Operating
Committee

6.03 All rights, powers, privileges and duties hereunder not specifically delegated to Unit Operator or reserved to the individual Working Interest Owners are hereby granted collectively to the Operating Committee. Without limiting the generality of the foregoing, the following rights and powers are granted to the Operating Committee:

(a) To instruct Unit Operator concerning all unit operations for the production of Unitized Substances;

(b) To approve or disapprove the drilling of additional wells to the Unitized Strata either for the production of water, Unitized Substances or for injection purposes;

(c) Subject to the rights of Unit Operator pursuant to Section 7.04 hereof, to approve or disapprove in whole or in part each and every estimate and item of expenditures submitted by Unit Operator, except those that were included in a previous approved budget;

(d) To appoint an Audit Committee to represent all Working Interest Owners to arrange proper annual audits of the accounts of Unit Operator with respect to the operation and development of the Unit Area, approve or disapprove the same and make available to the Working Interest Owners the results of such audit;

(e) To fill any vacancy occurring in the position of Unit Operator; PROVIDED, THAT, no Unit Operator shall vote to succeed itself in the position of Unit Operator;

(f) To represent, or determine who shall represent, the Working Interest Owners before any governmental body having jurisdiction with respect to matters pertaining to unit operations; PROVIDED, HOWEVER, that this shall never be construed as authorization to speak on behalf of any Working Interest Owner dissenting from the views to be expressed or to prevent any Working Interest Owner from presenting its own view on such matters;

(g) To appoint and grant powers to such committees as they may deem proper and requisite;

(h) To approve an annual budget as in Section 8.04 hereof provided;

(i) To approve the method of disposal of surplus Major Material;

(j) To amend Part XXVI hereof from time to time whether in whole or in part, PROVIDED, THAT, no amendment increasing the charges to be made by Unit Operator under Section 26.07

(k) hereof shall become effective until the approval of the Conservation Board to such increase in charges has been obtained.

PART VII

POWERS AND DUTIES OF UNIT OPERATOR AND
CHANGE OF UNIT OPERATORPowers and
Duties

7.01 Unit Operator shall, subject to the provisions hereof and orders given or imposed by the Operating Committee as herein provided;

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

(b) Conduct operations in a good and workmanlike manner and in the absence of specific instructions from the Operating Committee shall have the right and duty to act in accordance with what a prudent operator would do under the same or similar circumstances;

(c) Keep true and correct books, accounts and records of its operations hereunder, and shall furnish to each Working Interest Owner, on or before the fifteenth (15th) day of each month, a statement of the amount of production from the Unitized Strata, sales and inventory during the preceding calendar month;

(d) Keep the lands and leases used in connection with unit operations free from liens and encumbrances occasioned by its operations, excepting the lien of Unit Operator granted hereunder and excepting liens in connection with which there is a bona fide dispute;

(e) Freely consult with the Operating Committee and keep it advised of all matters arising in connection with unit operations, which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall furnish to the members of the Operating Committee such reports in connection with unit operations as the Operating Committee may direct.

**Hiring of
Employees**

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

**Letting of
Contracts**

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

**Unit
Operator's
Authority for
Expenditures**

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

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

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

**Change of
Operator**

7.06 Unit Operator:

(a) Shall forthwith cease to act as Unit Operator in the

(b) May be removed as Unit Operator by an affirmative vote of members of the Operating Committee representing Working Interest Owners, other than Unit Operator, who own at least eighty-five (85%) percent of the remaining Participating Interests;

(c) May resign at any time upon one hundred and eighty (180) days' written notice to the Operating Committee and to the Board.

**Release from
Duties**

7.07 In the event of a removal or resignation of Unit Operator pursuant to paragraphs (b) or (c) of Section 7.06, Unit Operator shall be released from its duties and obligations hereunder at the hour of seven o'clock in the forenoon, Central Standard Time on the first day of the calendar month following the expiration of one hundred and eighty (180) days from the date of delivery of notice of such removal or resignation, or such earlier date as a successor Unit Operator shall have been designated by the Operating Committee, and shall have assumed the duties of Unit Operator.

**Surrender of
Operating
Rights**

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

**Selection of
Successor Unit
Operator**

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

Audit

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

PART VIII

EXPENDITURES AND LIABILITIES

**Common
Account**

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

**Charges to
Common
Account**

8.02 Subject to the other provisions hereof, all costs, expenses and liabilities, whether contractual or tortious, incurred by Unit Operator on account of the operations hereunder shall be for the Common Account and shall be borne by the Working Interest Owners in proportion to their respective Participating Interests.

**Unit Operator
to Make Initial
Payment**

8.03 Unit Operator shall initially pay and discharge all costs and expenses incurred in the operations hereunder. Unit Operator shall bill each Working Interest Owner for its share of the costs and expenses.

Operator for its share of such costs and expenses in accordance with the provisions of Part XXVI hereof. Each Working Interest Owner shall pay all such bills within thirty (30) days after receipt thereof, and should any Working Interest Owner fail to pay its proportionate share of such costs and expenses within the said thirty (30) day period, the same shall, at Unit Operator's discretion bear interest at the rate of six (6%) percent per annum from the end of the said period until paid, which interest shall be for Unit Operator's sole account, and Unit Operator shall have the right at its option at any time thereafter, such default continuing, to enforce the lien herein-after provided for upon the respective interests of such Working Interest Owner.

Annual
Budget, etc.

8.04 As soon as practicable after the Effective Date hereof, Unit Operator shall prepare a budget of estimated costs and expenses for the period from the Effective Date to the 31st day of December, A.D. 1965 and on or before the first day of each November after the Effective Date shall prepare a budget of estimated costs and expenses for the ensuing calendar year. Such budget shall set forth the estimated costs and expenses by quarterly periods. Budgets so prepared shall be subject to adjustment and correction by the Working Interest Owners from time to time whenever it shall appear that an adjustment or correction is proper; PROVIDED, HOWEVER, that if Unit Operator's total expenditures for the year are within ten (10%) percent of those costs and expenses approved in any budget, such expenditures shall be considered as having been approved. A copy of each such budget and adjusted budget shall be promptly furnished each Working Interest Owner. Approval of the budget by the Working Interest Owners shall constitute authorization to the Unit Operator to make the expenditures therein detailed.

Advances to
Unit Operator
— Capital Fund

8.05 Unit Operator, in lieu of advancing monies for the capital expenditures of unit operations may, at its election, require the Working Interest Owners to advance their respective proportionate share of such capital expenditures by submitting to each Working Interest Owner on or before the last day of each calendar month an estimate of such capital expenditures for the succeeding calendar month based on an approved budget of estimated costs and expenses or authority for expenditure together with a request for payment of such proportionate share. Within fifteen (15) days from the receipt of such request each Working Interest Owner shall pay its proportionate share to Unit Operator. If any Working Interest Owner defaults in respect to such request for payment, the same shall, at Unit Operator's discretion, bear interest at the rate of six (6%) percent per annum from the end of the said fifteen (15) day period until paid, which interest shall be for the Unit Operator's sole account. The accounts between the Working Interest Owners shall be adjusted to actual costs by Unit Operator in the month's statement following the month covered by the estimate.

Advances to
Unit Operator
— Operating
Fund

8.06 Unit Operator, in lieu of advancing monies for the costs and expenses incurred in the maintenance and operation of the Unit Area may, at its election, require the Working Interest Owners to advance their respective proportionate share of such costs and expenses by submitting to each Working Interest Owner on or before the last day of any calendar month a request for an operating fund equal to one-twelfth (1/12th) of the expenses as approved in the annual budget of estimated expenditures for the unit operation. Within thirty (30) days from the receipt of such request, each Working Interest Owner shall pay its proportionate share to Unit Operator. If any Working Interest Owner defaults in respect of such request for an operating fund, the same shall, at Unit Operator's discretion, bear interest at the rate of six (6%) percent per annum from the end of the said thirty (30) day period until paid, which interest shall be for the Unit Operator's sole account. After the establishment of this operating fund, which will be separate from that required in Section 8.05 hereof, and which shall at no time exceed one (1) month's estimated expenditures, each Working Interest Owner shall remit to

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PART IX

RESPONSIBILITY FOR PAYMENTS

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

PART X

DELIVERY OF WELLS AND EQUIPMENT

INVESTMENT ACCOUNT

Delivery of
Wells — Salt
Water Disposal
Wells

10.01 Each Working Interest Owner shall, as of the Effective Date, contribute to the Working Interest Owners, acting through Unit Operator, the exclusive use for all purposes of all of its Salt Water Disposal Wells shown listed in Part XXI hereof which, in the opinion of the Operating Committee, are in bona fide use as of the Effective Date and all wells, both active and inactive, that it has in the Unit Area, together with all information, or true copies thereof, that it has obtained in connection with the drilling, testing, completing and operating of said contributed wells, such as drilling logs, electrical logs, records of coring, testing and special work of every nature, laboratory analyses, records of the amount of production obtained and all other information pertinent to the said wells and Leases of the Working Interest Owners. Each Working Interest Owner shall also contribute to the Working Interest Owners, acting through Unit Operator, without compensation, the non-exclusive use of roads, dikes, ditches, fire walls, pits, and fences it holds in connection with its operations in the Unit Area.

Warranty

10.02 Unit Operator shall, within sixty (60) days of the delivery of any well, or wellsite and operating equipment, carry out such tests as may be necessary to determine its mechanical condition as of the Effective Date and, in the event any such well or wellsite and operating equipment is in sound mechanical condition it shall be accepted by Unit Operator and thereupon become a Unit Operated Well, or Unit Facility. In the event that any such well or wellsite and operating equipment is not in sound mechanical condition as determined by the Operating Committee, the Working Interest Owner who contributed such well or wellsite and operating equipment shall, within thirty (30) days after being requested to do so by Unit Operator as instructed by the Operating Committee, install the equipment necessary to place such well or wellsite and operating equipment in sound mechanical condition or pay to Unit Operator, for the credit of the Common Account, in cash, the cost of purchasing and/or installing such equipment.

Within sixty (60) days of the delivery of any roads, dikes, ditches, fire walls, pits, and fences Unit Operator shall determine which of them, if any, require additional expenses in order to permit efficient operation or to comply with government regulations or to honour surface leases. Unit Operator shall prepare an estimate of expenditure and after approval of the Operating Committee, the Working Interest Owner who contributed the properties at fault shall perform the work at its own cost and expense, or if such Working Interest Owner elects not to perform the work it shall be done by Unit Operator and charged to the Working Interest Owner at fault.

Controllable
Material

10.03 As of the Effective Date all wellsite and operating equipment in and on the Unit Area, used in the normal operation of the Unit Operated Wells and such salt water disposal facilities as are on the Salt Water Disposal Wells shall be delivered to and taken over by Unit Operator, it being the intent hereof that such equipment

June 26,

Owner's Sh
In Investm
Account

shall be delivered to and taken over separate and apart from the unitization of the Working Interests and production affected herein and shall become Unit Facilities.

Wellsite and operating equipment shall include by way of example, "Controllable Material" as hereinafter defined, but shall not include warehouses, warehouse stocks, lease houses, camps and office buildings, automobiles and other service equipment which shall remain the separate property of the several owners thereof.

For the purposes of this Part X "Controllable Material" shall be all material from time to time classified as such by the Operating Committee, but shall exclude surface and production casing, casing bowl and casing hanger and flow lines.

Proceeds fr
Disposal of
Unit FacilitiAppointment of
Inventory
Committee

10.04 The Operating Committee shall appoint an Inventory Committee for the purpose of making an inventory of the Controllable Material taken over by Unit Operator. Each Working Interest Owner, upon request by the Inventory Committee, shall submit to the Inventory Committee promptly a complete inventory in writing of all said Working Interest Owner's Controllable Material so delivered to Unit Operator and a description of the condition of each item at the time of such delivery. In the event a Working Interest Owner has failed to supply such inventory as aforesaid, the Inventory Committee shall proceed to inventory such Working Interest Owner's Controllable Material and shall supply such Working Interest Owner with a copy thereof which shall be binding upon such Working Interest Owner unless it protests or questions such inventory within fifteen (15) days of the receipt thereof. Said Inventory Committee shall take promptly an inventory of all said Controllable Material and check the same against the aforesaid inventories furnished by the Working Interest Owners. Such inventories shall then be priced at current new price, as defined in Part XXVI, by the Inventory Committee and submitted to the Operating Committee, who will determine the percentage of current new price which should be attributable to such Controllable Material. Copies of these priced inventories will then be furnished to all Working Interest Owners for their approval.

List of
Easements, cUnit Operato
to Advise
Surface Right
RequiredWorking
Interest
Owner's Initial
Share in Unit
Facilities

10.05 Upon approval of the priced inventories report by the Operating Committee, each Working Interest Owner shall have, subject to Section 10.07 hereof, an initial share in the Unit Facilities which is equal to the proportion (expressed as a percentage) that the value of the Controllable Material delivered by it to Unit Operator is to the total value of all Controllable Material delivered by all of the Working Interest Owners to Unit Operator.

Surrender of
Surface RightInvestment
Account

10.06 Unit Operator shall set up an Investment Account for Unit Facilities which shall be calculated at the end of each calendar year and shall be;

(a) The total value of all Controllable Material delivered by all of the Working Interest Owners to Unit Operator pursuant to this Part X; plus

(b) The total value of all Controllable Material subsequently acquired for the Unit, the cost of which shall be borne by the Working Interest Owners in accordance with their respective Participating Interests; less

(c) The total value of all Controllable Material subsequently sold, junked or otherwise disposed of.

Surface
Charges to
Common
Account

Fee Simple

For the purposes of calculating the Investment Account, Controllable Material which has been sold, junked or otherwise disposed of shall be given the same value as it was given when it was originally delivered to or acquired by Unit Operator. At the end of any calendar year the Investment Account shall be the net of paragraphs (a) plus (b) less (c) of this Section 10.06.

Working
Interest

10.07 Each Working Interest Owner shall have a net credit in the Investment Account which shall be the value of all Controllable

Unit Operator
May Acquire
Additional

Owner's Share
In Investment
Account

Material delivered by it to Unit Operator, plus its share of the value of all Controllable Material subsequently acquired for the Unit, less its share of the value of Controllable Material sold, junked or otherwise disposed of from the Unit. The relationship, expressed as a percentage, between each Working Interest Owner's net credit and the sum of the net credits of all Working Interest Owners shall be its percentage share of the Investment Account. Such percentage shall be carried to five decimal places and rounded to the nearest four decimal places and shall be calculated at the end of each calendar year.

Proceeds from
Disposal of
Unit Facilities

10.08 Notwithstanding the provisions of Part VIII hereof the proceeds from disposal of Unit Facilities whether Controllable Material or otherwise up to the end of the first calendar year shall be credited to each Working Interest Owner in accordance with its respective initial percentage share established under Section 10.05 and, thereafter, such proceeds shall be credited to each of them in accordance with their respective percentage share calculated in accordance with Section 10.07.

PART XI SURFACE RIGHTS

List of
Easements, etc.

11.01 As soon as reasonably possible after the Effective Date, each Working Interest Owner shall submit to Unit Operator a list of all easements, rights-of-way, surface leases, rights-of-entry and other surface rights which it holds and which are required in connection with unit operations together with particulars thereof, including rentals payable, if any.

Unit Operator
to Advise
Surface Rights
Required

11.02 Unit Operator shall, as soon as reasonably possible after the receipt of the aforesaid lists, advise each Working Interest Owner in writing which, if any, of its said surface rights will be required for the operations hereunder. Each Working Interest Owner shall, upon request in writing by the Unit Operator, assign such rights to Unit Operator. Any such assignment shall, unless contrary to any then existing law, contain a provision permitted the assignor of the same the use thereof for exploration and production operations for strata other than the Unitized Strata without interfering with unit operations.

Surrender of
Surface Rights

11.03 Unit Operator may also from time to time surrender said surface rights, or any of them, that are no longer required for the operations hereunder, provided that Unit Operator shall have cleaned up the surface to the satisfaction of any governmental body having jurisdiction with respect thereto and; PROVIDED, FURTHER, that Unit Operator shall give the Working Interest Owner who assigned the same sixty (60) days' notice of surrendering such surface rights and such Working Interest Owner may elect to receive from Unit Operator an assignment of such surface rights. Any surface rights not required for the operations hereunder may be held or disposed of by the Working Interest Owner holding the same in such manner as it may deem fit.

Surface
Charges to
Common
Account

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

Fee Simple

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

Unit Operator
May Acquire
Additional

11.06 Unit Operator shall also have the right to acquire such additional surface rights as are necessary for the operations hereun-

Surface Rights der, and the expense thereof, including rentals, shall be charged to the Common Account.

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

PART XII INDEMNITY

Liability for
Loss of Title

12.01 In the event any Working Interest Owner does not have the right to develop and operate any Tract in which such Working Interest Owner claims to have a working interest insofar as such Tract comprises the Unitized Substances, any loss resulting therefrom shall be borne by the contributing Working Interest Owner and to that end, such Working Interest Owner shall indemnify and hold harmless Unit Operator and all other Working Interest Owners from any and all liability, loss, cost or damage sustained by them and resulting from the failure to have such right; PROVIDED, HOWEVER, that to the extent that such liability, loss, cost or damage is based upon the value of the Unitized Substances produced from such Tract, such indemnity shall be limited to an amount equal to the value of that portion of Unitized Substances allocated hereunder to such Tract.

Disputes and
Non-approved
Titles

Maintenance
of Leases

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

Liability for
Loss of Title
to Wellsite and
Operating
Equipment

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

Plan Binding
on Successors

Assignments,
etc. Subject to
Terms of Plan

PART XIII APPROVAL OF TITLES

Titles
Committee

13.01 There shall be a Titles Committee appointed by the Operating Committee which shall examine the titles to all Tracts in the Unit Area. Each Working Interest Owner in the Unit Area shall, upon request, submit to the Titles Committee a current historical

search of title, together with original or true copies of all Leases, assignments and other contracts and all other title data and information (including title opinions) as may be requested by the Titles Committee affecting the title to its Tracts within the Unit Area. The Titles Committee shall in writing, and within a reasonable time, recommend to the Operating Committee the approval or disapproval of title documents submitted to them pursuant to this Section. Upon the acceptance of the recommendation of the Titles Committee by the Operating Committee, the title documents accepted shall be deemed to have been approved by the Operating Committee; PROVIDED, THAT, no approval of title documents by the Operating Committee shall be construed as a warranty or certification of title in and to any portion of the Unit Area or the Unitized Substances.

PART XIV

DISPUTES

Disputes and
Non-approved
Titles

14.01 If the title documents to any Tract are not approved by the Operating Committee as in Section 13.01 provided, or if there is now or should hereafter be any dispute involving the working interest in a Tract then the Working Interest Owner concerned shall immediately give written notice thereof to Unit Operator and upon the receipt of such written notice, Unit Operator shall;

(a) sell the Unitized Substances allocated to the Tract in respect of which the title documents have not been approved by the Operating Committee, or in respect of which the dispute arises;

(b) pay the portion of the costs and expenses allocated or apportioned to the Tract out of the proceeds of the sale;

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

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

PART XV

FILING

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

PART XVI

TRANSFER OF INTEREST

Plan Binding
on Successors

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

Assignments,
etc. Subject to
Terms of Plan

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

part of all Unitized Substances and other benefits which may accrue thereto under the provisions hereof.

When Change
of Ownership
Binding

16.03 No change in ownership of any interest or rights hereunder (by whatever means accomplished) of any Working Interest Owner shall be binding on Unit Operator or the other Working Interest Owners until Unit Operator has been furnished with notice of such change by the person claiming the benefit thereof, and such change shall become effective at seven o'clock in the forenoon, Central Standard Time on the first day of the month following the month in which the person acquiring such interest delivers to Unit Operator the original or certified copies of all instruments, documents and other information necessary in Unit Operator's opinion to establish a complete chain of title. No other kind of notice, whether actual or constructive, shall be binding on Unit Operator or the other Working Interest Owners.

Plan Affects
Only Unitized
Strata

Disposition
Must Include
Related Interest
In Unit
Facilities or
Unit Area

16.04 Notwithstanding the foregoing, no interest in the Unit shall be disposed of unless such transaction shall include a like disposition of a related interest in the Unit Facilities and likewise, no disposition of any interest in the Unit Facilities shall be effective unless such transaction shall include a like disposition of a related working interest in the Unit Area, it being the intention hereunder that no working interest in the Unit Area shall be owned apart from a related interest in the Unit Facilities, and vice versa.

Abandonment
of Wells

No Working Interest Owner shall dispose of an interest in the Unit Area unless such disposition shall cover its entire interest in a Tract which is subject thereto, or covers an undivided interest in its entire interest in each such Tract.

Any attempted disposition by any means in violation of the provisions of this Section shall be a nullity insofar as the other Working Interest Owners are concerned.

Assignment
not to Relieve
from Obligations

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

Unit Operator
not to Assign
Rights

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

No Surrender
of Lease
Without Consent

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

What Term
"Disposition"
Includes

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

PART XVII

INDIVIDUAL RIGHTS AND PRIVILEGES OF THE WORKING INTEREST OWNERS

Access to
Unit Area

17.01 Each Working Interest Owner shall be entitled, at its own sole risk and expense, to have access to the Unit Area at all reasonable times upon notice to Unit Operator for the purpose of inspecting and observing unit operations, to have access at all reasonable times upon notice to Unit Operator to any and all information pertaining to the Unit Operated Wells, the records of production and the records of all other unit operations, to be present during the drilling, testing and completion of all Unit Operated Wells and to

Workmen's
Compensation

make copies of well logs, drilling, progress and casing reports and reports of production and storage. The presence of a Working Interest Owner or its representative on the Unit Area or on the premises and their activities in connection therewith shall be at the sole risk and expense of such Working Interest Owner.

**Plan Affects
Only Unitized
Strata**

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

**Abandonment
of Wells**

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

(a) to case or seal off the Unitized Strata in said well in an efficient and workmanlike manner and in accordance with the applicable laws, rules, regulations and orders;

(b) to produce such well, if the same is produced, from other than the Unitized Strata while this Plan is in force;

(c) on the ultimate abandonment of said well, to plug and abandon it in a workmanlike manner and in accordance with the applicable laws, rules, regulations and orders.

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

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

PART XVIII

INSURANCE

**Workmen's
Compensation**

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

Insurance	18.02 Unit Operator shall carry, for the Common Account, such insurance as may be approved by the Operating Committee and shall notify each Working Interest Owner in writing currently as to the kind and amounts of such insurance. Notwithstanding anything herein contained each Working Interest Owner shall have the right to be a self-insurer as to its interest in the Unit Facilities.	Titles Unaffected by Unitization
Contractor's Insurance	18.03 Unit Operator shall require all contractors employed by it to comply with all laws relating to Workmen's Compensation in the Province of Manitoba and to carry such insurance as may be from time to time approved by the Operating Committee.	Duties Separate not Joint or Collective
Settlement of Claims	18.04 Unit Operator may settle any claim arising out of unit operations and not discharged by insurance as herein provided, but no claim shall be settled by Unit Operator in an amount in excess of Two Thousand (\$2,000.00) Dollars unless Unit Operator first obtains the approval of the Operating Committee to such settlement.	Individual Obligation
Unit Operator's Liability	18.05 Unit Operator, as such, shall not be liable to the Working Interest Owners for any loss or damage except for loss or damage resulting from gross negligence or wilful misconduct of Unit Operator or any of its employees exercising supervisory functions, and each Working Interest Owner proportionate to its Participating Interest herein, hereby indemnifies and holds harmless Unit Operator, as such, against any claim of, or liability to, any third person resulting from any act or omission of Unit Operator in acting upon instructions from the Operating Committee expressed or implied or otherwise in carrying out the provisions hereof; PROVIDED, HOWEVER, that Unit Operator shall not be indemnified or held harmless for any loss, damage, claim or liability resulting from the gross negligence or wilful misconduct of Unit Operator or any of its employees exercising supervisory functions, but no act or omission of Unit Operator shall, of itself, be deemed gross negligence or wilful misconduct if such act or omission is done or omitted at the instructions of, or with the concurrence of, the Operating Committee.	Term of Plan

PART XIX

GENERAL

No Right of Partition	19.01 No Working Interest Owner or Royalty Owner shall claim the benefit of any laws or statutes of the Province of Manitoba relating to partitioning of real or personal property and no person shall resort to any action at law or in equity to partition the aforesaid Unit Facilities and lands affected by this Plan, including the Unitized Strata.	Rights on Termination of Plan
Force Majeure	19.02 All obligations hereunder shall be suspended while, but only so long as, any person is prevented from complying therewith, in whole or in part, by strikes lockouts or other industrial disturbances, fire, explosion, war, civil disturbances, tempest, floods, acts of God, or the Queen's enemies, unavoidable accidents, uncontrollable delays in transportation, Federal, Provincial or Municipal laws, rules, regulations or orders, inability to obtain necessary materials in open market, inadequate facilities for the transportation of materials or for the disposition of Unitized Substances, or any other cause, whether similar or dissimilar to the foregoing, beyond the reasonable control of such person; PROVIDED, HOWEVER, that performance shall be begun or resumed within a reasonable time after such cause has been removed; and PROVIDED, FURTHER, that no person shall be required against its will to adjust or settle any labour dispute; and also PROVIDED, FURTHER, that lack of funds shall not be construed as a cause beyond the reasonable control of any person. This Plan shall not terminate while operations hereunder are prevented by reason of any of the aforesaid causes.	Salvage Costs
No Co-operative Marketing	19.03 Nothing herein shall be construed as providing directly or indirectly for any co-operative or joint sale or marketing of Unitized Substances.	On Termination of Plan — Operation Shall Cease
		Working Interest Owners to Advise Royalty Owners of Termination
		Rehearing, Amendments, etc.

Titles Unaffected by Unitization

Duties Separate not Joint or Collective

Individual Obligation

Term of Plan

Rights on Termination of Plan

Salvage Costs

On Termination of Plan — Operation Shall Cease

Working Interest Owners to Advise Royalty Owners of Termination

Rehearing, Amendments, etc.

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**Titles
Unaffected by
Unitization**

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

**Duties
Separate not
Joint or
Collective**

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

**Individual
Obligation**

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

PART XX

TERM OF PLAN

Term of Plan

20.01 This Plan shall remain in full force and effect so long as Unitized Substances are produced or are capable of being produced from the Unitized Strata in paying quantities and as long as operations are conducted on the Unit Area, and thereafter until all Unit Operated Wells have been abandoned and plugged, or otherwise disposed of, and all personal property has been salvaged and all real estate has been disposed of by Unit Operator. Notwithstanding anything herein contained, this Plan shall, subject to the approval of the Conservation Board, terminate and be at an end upon the concurring vote of a majority of the Working Interest Owners owning at least ninety-five (95%) percent of the Participating Interests and such vote shall be binding upon all the Working Interest Owners and the Royalty Owners.

**Rights on
Termination
of Plan**

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

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

Salvage Costs

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

**On Termination
of Plan —
Operation Shall
Cease**

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

**Working
Interest Owners
to Advise
Royalty Owners
of Termination**

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

**Rehearing,
Amendments,
etc.**

20.06 No application for a rehearing of the matters herein provided for, or for any amendments to this Plan in any respect, shall

be heard by the Conservation Board within three (3) years of the Effective Date unless:

(a) a majority of the Working Interest Owners, owning at least seventy-five (75%) percent of the Participating Interests have agreed in writing to such application for a rehearing of the matters herein provided for, or for amendments to this Plan, or

(b) the Conservation Board, on its own motion, decides to hold a rehearing, or

(c) the Conservation Board, after full consideration of the application of any Working Interest Owner, decides that such application should be heard.

PART XXI

WELLS DELIVERED TO UNIT OPERATOR PURSUANT TO PART X

Sun M. Welch SWD 12-20-10-25
 Calstan East Virden Prov. SWD 5-28-10-25
 Frontenac Sun Virden SWD 9-21-10-25
 Kranz Virden 8-20-10-25
 Kranz Virden 9-20-10-25
 Sun M. Welch Virden 11-20-10-25
 Sun M. Welch Virden 13-20-10-25
 Sun M. Welch Virden 14-20-10-25
 Kranz Virden 15-20-10-25
 Kranz Virden 16-20-10-25
 Frontenac Sun Virden 5-21-10-25
 Frontenac Sun Virden 6-21-10-25
 Frontenac Read Virden 7-21-10-25
 Blinzer Sun Virden 10-21-10-25
 Continental et al Virden 11-21-10-25
 Continental et al Virden 12-21-10-25
 Continental et al Virden 13-21-10-25
 Calstan East Virden Prov. 4-28-10-25
 Calstan East Virden Prov. 1-29-10-25
 Calstan East Virden Prov. 2-29-10-25
 Calstan East Virden Prov. 3-29-10-25
 Calstan East Virden Prov. 4A-29-10-25
 Calstan East Virden Prov. 5-29-10-25
 Calstan East Virden Prov. 6-29-10-25
 Calstan East Virden Prov. 7A-29-10-25
 Calstan East Virden Prov. 8-29-10-25
 Calstan East Virden Prov. 12-29-10-25
 CEGO Virden 1-30-10-25
 CEGO Virden 2-30-10-25
 CEGO Virden 3-30-10-25
 CEGO Virden 4-30-10-25
 CEGO Virden 5-30-10-25
 CEGO Virden 6-30-10-25
 CEGO Virden 7-30-10-25
 CEGO Virden 8-30-10-25
 CEGO Virden 9-30-10-25
 CEGO Virden 10-30-10-25
 CEGO Virden 11-30-10-25
 CEGO Virden 12-30-10-25

CEGO Virden 15-30-10-25
 Teck Hepburn Virden 9-23-10-26
 Teck Hepburn Virden 10-23-10-26
 Teck Hepburn Virden 15-23-10-26
 Teck Hepburn Virden 16-23-10-26
 Calstan Virden 9-24-10-26
 Calstan Virden 10-24-10-26
 Calstan Virden 11-24-10-26
 Calstan Virden 12-24-10-26
 Calstan Virden 13-24-10-26
 Calstan Virden 14-24-10-26
 Calstan Virden 15-24-10-26
 Calstan Virden 16-24-10-26
 Calstan Virden CPR 1-25-10-26
 Calstan Virden CPR 2-25-10-26
 Calstan Virden 3-25-10-26
 Calstan Virden 4-25-10-26
 Calstan Virden 5-25-10-26
 Calstan Virden 6-25-10-26
 Calstan Virden CPR 7-25-10-26
 Calstan Virden CPR 8-25-10-26
 Calstan Virden CPR 9-25-10-26
 Calstan Virden CPR 10-25-10-26
 Calstan Virden 11-25-10-26
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 Calstan Virden CPR 15-25-10-26
 Calstan Virden CPR 16-25-10-26
 Calstan Virden 1-26-10-26
 Calstan Virden 7-26-10-26
 Calstan Virden 8-26-10-26
 Rundie Grasby Virden 9-26-10-26
 Rundie Grasby Virden 10-26-10-26
 Rundie Grasby Virden 15-26-10-26
 Rundie Grasby Virden 16-26-10-26
 K & N Virden 1-36-10-26
 Shannon Virden 2-36-10-26

Tract Numb

8 - 20
 9 - 20
 11 - 20
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 16 - 24
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 4 - 25

PART XXII

THE LANDS IN THE PROVINCE OF MANITOBA WHICH COMPRISE THE VIRDEN-ROSELEA UNIT NO. 1 ARE AS FOLLOWS:

Tract Number	Legal Description: Township 10 Range 25 WPM	Tract Number	Legal Description: Township 10 Range 26 WPM
8 - 20	LSD. 8, SECTION 20	4 - 29	LSD. 4, SECTION 29
9 - 20	LSD. 9, SECTION 20	5 - 29	LSD. 5, SECTION 29
11 - 20	LSD. 11, SECTION 20	6 - 29	LSD. 6, SECTION 29
12 - 20	LSD. 12, SECTION 20	7 - 29	LSD. 7, SECTION 29
13 - 20	LSD. 13, SECTION 20	8 - 29	LSD. 8, SECTION 29
14 - 20	LSD. 14, SECTION 20	12 - 29	LSD. 12, SECTION 29
15 - 20	LSD. 15, SECTION 20	1 - 30	LSD. 1, SECTION 30
16 - 20	LSD. 16, SECTION 20	2 - 30	LSD. 2, SECTION 30
5 - 21	LSD. 5, SECTION 21	3 - 30	LSD. 3, SECTION 30
6 - 21	LSD. 6, SECTION 21	4 - 30	LSD. 4, SECTION 30
7 - 21	LSD. 7, SECTION 21	5 - 30	LSD. 5, SECTION 30
10 - 21	LSD. 10, SECTION 21	6 - 30	LSD. 6, SECTION 30
11 - 21	LSD. 11, SECTION 21	7 - 30	LSD. 7, SECTION 30
12 - 21	LSD. 12, SECTION 21	8 - 30	LSD. 8, SECTION 30
13 - 21	LSD. 13, SECTION 21	9 - 30	LSD. 9, SECTION 30
4 - 28	LSD. 4, SECTION 28	10 - 30	LSD. 10, SECTION 30
5 - 28	LSD. 5, SECTION 28	11 - 30	LSD. 11, SECTION 30
1 - 29	LSD. 1, SECTION 29	12 - 30	LSD. 12, SECTION 30
2 - 29	LSD. 2, SECTION 29	15 - 30	LSD. 15, SECTION 30
3 - 29	LSD. 3, SECTION 29	9 - 23	LSD. 9, SECTION 23

10 - 23
15 - 23
16 - 23
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12 - 24
13 - 24
14 - 24
15 - 24
16 - 24
1 - 25
2 - 25
3 - 25
4 - 25
5 - 25
6 - 25
7 - 25

LSD. 10, SECTION 23
LSD. 15, SECTION 23
LSD. 16, SECTION 23
LSD. 9, SECTION 24
LSD. 10, SECTION 24
LSD. 11, SECTION 24
LSD. 12, SECTION 24
LSD. 13, SECTION 24
LSD. 14, SECTION 24
LSD. 15, SECTION 24
LSD. 16, SECTION 24
LSD. 1, SECTION 25
LSD. 2, SECTION 25
LSD. 3, SECTION 25
LSD. 4, SECTION 25
LSD. 5, SECTION 25
LSD. 6, SECTION 25
LSD. 7, SECTION 25

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10 - 25
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12 - 25
13 - 25
14 - 25
15 - 25
16 - 25
1 - 26
7 - 26
8 - 26
9 - 26
10 - 26
15 - 26
16 - 26
1 - 36
2 - 36

LSD. 8, SECTION 25
LSD. 9, SECTION 25
LSD. 10, SECTION 25
LSD. 11, SECTION 25
LSD. 12, SECTION 25
LSD. 13, SECTION 25
LSD. 14, SECTION 25
LSD. 15, SECTION 25
LSD. 16, SECTION 25
LSD. 1, SECTION 26
LSD. 7, SECTION 26
LSD. 8, SECTION 26
LSD. 9, SECTION 26
LSD. 10, SECTION 26
LSD. 15, SECTION 26
LSD. 16, SECTION 26
LSD. 1, SECTION 36
LSD. 2, SECTION 36

PART XXIV

Tract Number	Tract Participation	Tract Number	Tract Participation
8 - 20	.08317	5 - 25	1.21897
9 - 20	.33496	6 - 25	1.22907
11 - 20	.22874	7 - 25	1.92483
12 - 20	.01388	8 - 25	3.43817
13 - 20	2.40682	9 - 25	.99061
14 - 20	1.33603	10 - 25	1.68017
15 - 20	1.55249	11 - 25	1.99749
16 - 20	1.23163	12 - 25	2.49065
5 - 21	.14409	13 - 25	1.07169
6 - 21	.89412	14 - 25	1.18426
7 - 21	1.02195	15 - 25	1.14771
10 - 21	1.16535	16 - 25	.61669
11 - 21	2.30067	1 - 26	.02643
12 - 21	1.84972	7 - 26	.47234
13 - 21	2.52872	8 - 26	.32996
4 - 28	1.20627	9 - 26	.57573
5 - 28	.00617	10 - 26	.57475
1 - 29	2.42999	15 - 26	.82174
2 - 29	1.43612	16 - 26	.60953
3 - 29	3.47764	1 - 36	.35063
4 - 29	4.45715	2 - 36	.07408
5 - 29	2.66347		
6 - 29	1.12250		
7 - 29	.56204		
8 - 29	1.57786		
12 - 29	.69171		
1 - 30	2.12500		
2 - 30	.98377		
3 - 30	.68788		
4 - 30	1.47602		
5 - 30	1.56145		
6 - 30	2.37753		
7 - 30	1.85664		
8 - 30	1.22704		
9 - 30	3.45447		
10 - 30	3.90961		
11 - 30	1.75781		
12 - 30	1.19317		
15 - 30	.37068		
9 - 23	.26670		
10 - 23	2.21089		
15 - 23	1.48989		
16 - 23	1.19501		
9 - 24	.10807		
10 - 24	.23645		
11 - 24	.44869		
12 - 24	.39656		
13 - 24	1.30742		
14 - 24	1.16951		
15 - 24	1.33565		
16 - 24	2.23213		
1 - 25	1.09822		
2 - 25	1.42489		
3 - 25	1.85192		
4 - 25	.69817		

**Provision
Schedule
Working
Owners a
Participat
nterests**

Definitions

"Joint Property"

"Major Material"

"Material"

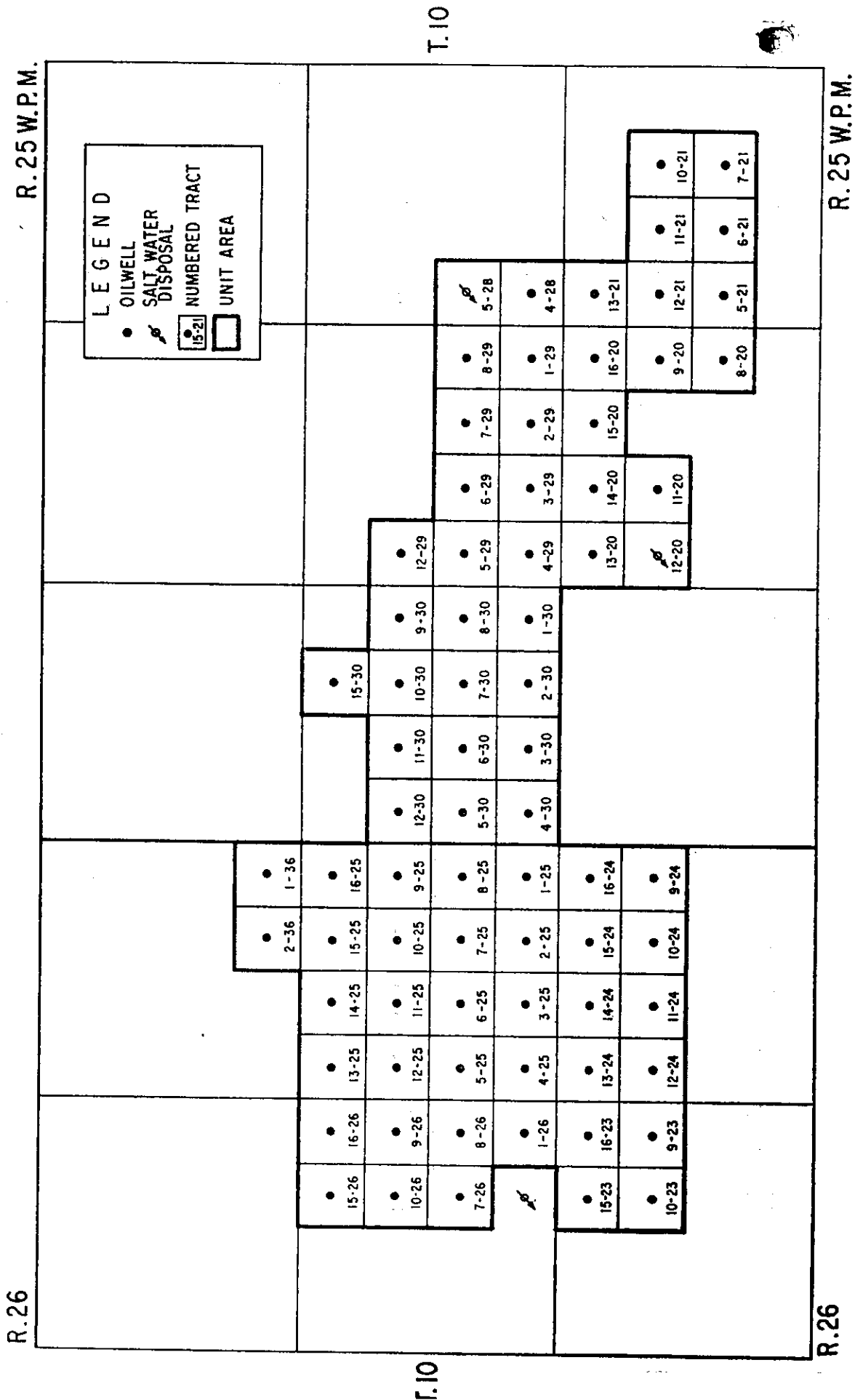
"Condition 1/

"Condition 'E

'Condition 'C'

'Condition 'D'

PART XXIII



PART XXV

PARTICIPATING INTERESTS

Provision for
Schedule of
Working Interest
Owners and
Participating
Interests

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

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

PART XXVI

ACCOUNTING PROCEDURE

Definitions

"Joint
Property"

26.01 In this Part:

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

"Major
Material"

(b) "Major Material" means:
Tubing — 1,000 feet and over in 'A' or 'B' condition
Sucker Rods — plain or scraped — 1,500 feet and over in 'A' or 'B' condition
Pumping Unit
Pumping Motor
Automatic Controls
Separators
Heaters
Treaters
Tanks complete with thief hatches
and any other material the Current New Price of which exceeds One Thousand (\$1,000.00) Dollars.

"Material"

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

"Condition 'A' "

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

"Condition 'B' "

(ii) Good used material (Condition 'B'), being good second-hand material which is further usable without reconditioning:

(a) at Seventy-five (75%) per cent of Current New Price if material was charged to Common Account as new; or

(b) at Seventy-five (75%) per cent of Current New Price less depreciation consistent with its usage on and service to the Joint Property, if material was originally charged to the Common Account at Seventy-five (75%) per cent of Current New Price.

"Condition 'C' "

(iii) Other used material (Condition 'C'), being material which:

(a) after reconditioning will be further serviceable for original function as good secondhand material (Condition 'B'), or

(b) is serviceable for original function but substantially not suitable for reconditioning, shall be at Fifty (50%) per cent of Current New Price.

"Condition 'D' "

(iv) Used material (Condition 'D'), being material which cannot be classified as Condition 'B' or Condition 'C' shall

be priced at a value commensurate with its use.

"Condition 'E' "

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

"Temporarily
Used
Equipment"

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

"Current New
Price"

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

Fixed Asset
Records

26.02 Fixed Asset records shall be maintained for all Controllable Material as defined in Section 10.03.

Statements
and Billings

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

(a) Detailed statement of Controllable Material.

(b) Statement of all ordinary charges and credits to the Common Account summarized by appropriate classification indicative of the nature thereof.

(c) Detailed statement of all other charges and credits.

Payments by
Working Interest
Owners

26.04 See Sections 8.03, 8.05 and 8.06.

Adjustments

26.05 Payments of any such bills shall not prejudice the right of any Working Interest Owner to protest or question the correctness thereof. Subject to the exception noted in 26.06 below, all bills rendered to the Working Interest Owners by Unit Operator during any calendar year shall conclusively be presumed to be true and correct after Twenty-four (24), months following the end of any such calendar year, unless within the said Twenty-four (24) month period any Working Interest Owner takes written exception thereto and makes a written claim on Unit Operator for adjustment. Failure on the part of the Working Interest Owner to make such a claim on Unit Operator within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon.

Audits

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

Charges to
Common
Account

26.07 Subject to the limitations hereinafter prescribed, Unit Operator shall charge the Common Account with the following costs of development and operation of the Joint Property;

(a) Salaries, wages and related expenses of Unit Operator's personnel directly employed on the Joint Property in the development, maintenance and operation thereof, including salaries and wages paid to landmen acquiring rights-of-way, settling damage claims, etc., and to technical employees, such as geologists, engineers and other employees who are temporarily assigned to and located at and directly engaged on the Joint Property.

(b) Unit Operator's cost of vacation and expenditures or

contributions imposed or assessed by any governmental body having jurisdiction with respect to such salaries and wages referred to in paragraph (a) of Section 26.07.

(c) Unit Operator's current cost of established plans for employees' group life insurance, sickness and disability benefits, hospitalization, pension, retirement, stock purchases, thrift, bonus and other benefit plans of like nature, applicable to such salaries and wages provided for in paragraph (a) of Section 26.07. Provided that such charges shall not exceed twelve (12%) per cent of the total of the salaries and wages charged under paragraph (a) of Section 26.07. It is agreed, however, that if this limitation of twelve (12%) per cent shall be found to be insufficient, the same may be increased from time to time when authorized by a vote of the Operating Committee.

(d) Material purchased or furnished by Unit Operator for use in connection with the operation of the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the Joint Property as is required for immediate use, and the accumulation of surplus stocks shall be avoided whenever possible.

(e) (i) Moving material to the Joint Property from vendor's or from Unit Operator's warehouse in the district or from the other properties of the Unit Operator, but in either of the last two events no charge shall be made to the Common Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available except by specific approval of the Operating Committee.

(ii) Moving surplus material from the Joint Property to outside vendees, if sold f.o.b. destination, or minor returns to Unit Operator's warehouse or other storage point. No charge shall be made to the Common Account for moving surplus material to Unit Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by specific approval of the Operating Committee, and no charge shall be made to the Common Account for moving material to other properties belonging to Unit Operator, except by specific approval of the Operating Committee.

(iii) Moving expenses of employees incurred by the initial staffing, additions and replacements beyond the control of the Unit Operator.

(f) (i) Contract services and utilities procured from outside sources. Services of outside professional consultants shall not be charged unless approved by Operating Committee.

(ii) Use of and service by Unit Operator's exclusively owned equipment and facilities as provided in Section 26.11.

(g) Costs or expenses necessary to replace or repair Joint Property damaged or lost through fire, flood, storm or any other cause not controllable by Unit Operator through the exercise of reasonable diligence. Unit Operator shall furnish the Working Interest Owners with written notice of damage or losses incurred as soon as practical but not later than Fifteen (15) days after report of same has been received by Unit Operator.

(h) All costs and expenses of litigation or legal services necessary or expedient for the protection of the Joint Property, including legal fees and expenses as hereinafter provided, together with all judgments obtained against or chargeable to the Common Account or the Joint Property; actual expenses incurred by any Working Interest Owners in securing evidence for the purposes of defending any action or claim prosecuted or urged against the Common Account or the Joint Property.

(i) If the Operating Committee agrees, actions or claims affecting the Common Account or the Joint Property hereunder may be handled by the legal staff of one or more of the Working Interest Owners. A charge commensurate with the services rendered and approved by the Operating Com-

mittee may be made against the Common Account.

(ii) Fees and expenses of outside Counsel shall not be charged to the Common Account except where the employment of such outside Counsel is authorized by the Operating Committee.

(i) All taxes of every kind and nature (other than income taxes) assessed upon or in connection with the Joint Property, the operation thereof or the products derived therefrom, and which taxes have been paid by the Unit Operator for the benefit of the Working Interest Owners.

(j) Premiums paid for insurance required to be carried under Section 18.02 together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses including legal services, not recovered from the insurer.

(k) District and Administrative Overhead:

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

(i) Salaries and expenses of the Unit Operator's district superintendent and other general district or field employees, managing officers and employees of the division and/or principal office other than those who are directly engaged on the Joint Property and whose salaries are chargeable to the Common Account under the provisions of paragraph (a) of Section 26.07.

(ii) Cost of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on investment.

(iii) Any other costs of operating the division and/or principal office of the Unit Operator. The rates, which are subject to review annually, as set forth in paragraph (j) of Section 6.03 are as follows:

(a) \$4,500.00 per month for all producing operations.

(b) Forty-five (\$45.00) dollars per day for each drilling well, wells being plugged back, drilled deeper, re-worked, or converted to source or input wells; charges to commence on the date the well is spudded and terminate when the well is on production, or on injection, plugged or capped as the case may be, except that no charge should be made during the suspension of drilling operations for Fifteen (15) or more consecutive days.

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

5% of expenditures up to \$50,000.00 plus

3% of expenditures over \$50,000.00 and up to \$100,000.00, plus

1% of all expenditures over \$100,000.00.

(l) A charge to cover the cost of handling material into and in Unit Operator's warehouse shall be assessed on new and used materials furnished from the warehouse on the basis of Two and one-half (2½%) per cent of the cost of tubular goods and major material and Five (5%) per cent of the cost of all other material which shall in each case be deemed to be the actual cost thereof to Unit Operator.

(m) Rentals, payments in lieu of actual production and royalties, when paid by Unit Operator for the Common Account.

(n) Any other expenditures incurred by Unit Operator except that no charge shall be made for any interest or financing charges incurred by Unit Operator except where incurred with the approval of the Operating Committee.

Premium Pric

Warranty of
MaterialUnit
Operator's
Exclusively
Owned
Facilities

**Basis of
Charges to
Common
Account**

26.08 (i) Outside Purchases

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

(ii) Material Furnished by Unit Operator

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

(a) New Material — Condition 'A'

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

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

(1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition 'B' and priced at Seventy-five (75%) per cent of Current New Price.

(2) Material which cannot be classified as Condition 'B' but which

(i) after reconditioning will be further serviceable for original function as good secondhand material (Condition 'B'), or

(ii) is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition 'C' and priced at Fifty (50%) per cent of Current New Price.

(3) Material which cannot be classified as Condition 'B' or Condition 'C' shall be priced at a value commensurate with its use.

(4) Any equipment involving erection costs will be charged on a basis not to exceed Seventy-five (75%) per cent of Current New Price for similar materials in a dismantled state.

Premium Price

26.09 Whenever materials are not readily obtainable at the customary supply point and at current new prices because of national emergencies, strikes or other unusual causes over which Unit Operator has no control, Unit Operator may charge the Common Account for the required materials on the basis of Unit Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the Joint Property; PROVIDED, HOWEVER, that each Working Interest Owner is notified in writing prior to the acquisition of such material, whereupon each Working Interest Owner shall have the right by so electing and notifying Unit Operator within Forty-eight (48) hours after receiving notice from the Unit Operator, to furnish in kind or in tonnage as may be agreed, at the location, nearest railway point, or Unit Operator's storage point, within a comparable distance, all or part of his share of material suitable for use and acceptable to Unit Operator. Transportation costs on any such material furnished by a Working Interest Owner at any point other than at the location, shall be borne by such Working Interest Owner. If, pursuant to the provisions of this paragraph, a Working Interest Owner furnishes material in kind, Unit Operator shall make appropriate credits therefor to the account of such Working Interest Owner.

**Warranty of
Material**

26.10 Unit Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guarantee; and in case of defective material, credit shall not be passed until adjustment has been received by Unit Operator from the manufacturer or their agents.

**Unit
Operator's
Exclusively
Owned
Facilities**

26.11 The Unit Operator shall charge the Common Account for services rendered by facilities and equipment owned exclusively by Unit Operator. The rates charged shall be commensurate with the cost of ownership and operation and shall not be in excess of current prevailing rates of like services and equipment available in the area. Whenever requested, Unit Operator shall inform the Working Interest Owners in advance of rates it proposes to charge. Rates shall be

revised from time to time when found to be either excessive or insufficient.

Disposal of
Lease
Equipment

26.12 (a) The term "minor equipment" shall mean any material or items of Unit Facilities not described as Major Material. Unit Operator may dispose of any item of minor equipment, which it deems to be unnecessary for the Unit operation hereunder, to such person and for such price as it sees fit without reference to the Operating Committee.

(b) Unit Operator may dispose of any item of Major Material which it deems to be surplus to the unit operations at current market demand prices prevailing in the area without obtaining prior approval of the Working Interest Owners. The Unit Operator will supply to each Working Interest Owner every Six (6) months details of Major Material deemed to be surplus or anticipated to become surplus during the ensuing six months. Further, any authority granted to the Unit Operator to dispose of a Non-Operator's share of material shall be revocable at the will of the Non-Operator.

(c) Surplus material purchased by Unit Operator shall be credited to the Working Interest Owners in accordance with Section 10.08 and included in the billing for the month in which the purchase was made.

(d) Surplus material purchased by any Working Interest Owners shall be invoiced by Unit Operator and credited to the Working Interest Owners in accordance with Section 10.08 and included in the monthly billing for the month in which the purchase was made.

(e) Division of surplus material in kind shall be in accordance with Section 10.08. Each Working Interest Owner shall be invoiced by Unit Operator for value of surplus material received or receivable and corresponding credits will be made by Unit Operator in the billing for the month in which the division was made.

(f) Net proceeds of sales to outsiders of surplus material shall be credited by Unit Operator to the Working Interest Owners in accordance with Section 10.08.

Inventories

26.13 (a) Regular inventories of Controllable Material shall be taken by an Inventory Committee appointed by the Operating Committee and at intervals specified by the Operating Committee; PROVIDED, HOWEVER, that construction projects as outlined in the budget shall be inventoried by the Inventory Committee within one year of completion and copies of any such inventory shall be furnished to all Working Interest Owners.

(b) Reconciliation of inventory with the Investment Account shall be made by the Inventory Committee, and a list of overages and shortages shall be submitted to the Working Interest Owners for their approval within Sixty (60) days from the taking of such inventory.

(c) Inventory adjustments shall be made by Unit Operator with the Investment Account for overages and shortages but Unit Operator shall only be held accountable to the Working Interest Owners hereto for shortages resulting from lack of reasonable diligence.

(d) The expense of the Inventory Committee shall be charged to the Common Account.

(e) Any Working Interest Owner shall have the right at any time to request in writing the taking of a special inventory. The taking of such special inventory shall be commenced within Fifteen (15) days after the receipt of notice thereof. The expense of Unit Operator's representative in conducting any special inventory so requested shall be charged to the separate account of the requesting Working Interest Owner.

Ca

M I S S I S S I P P I A N	
Lodgepole	Formation
Scollion Member	Virden Member

PART XXVII
ELECTRICAL LOG
Calstan Virden S.W.D. 2-26-10-26
K. B. Elevation 1451'

