

PLAN FOR UNIT OPERATION
GOVERNING THE UNITIZED MANAGEMENT
OPERATION AND FURTHER DEVELOPMENT OF
VIRDEN-ROSELEA UNIT NO. 3

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PART I

INTERPRETATION

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|-------------------------------------|--|
| 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 first day of _____, A.D. 196__; |
| "Gas " | (e) "Gas" means natural gas both before and after it has been subjected to any processing and includes all fluid hydrocarbons not defined as Oil; |
| "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, subleases, 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;
- "Stock Tank Barrel" (o) "a Stock Tank Barrel" means 34.9723 Canadian gallons at sixty (60°) degrees Fahrenheit.
- "Tract" (p) "Tract" means each parcel of land described as such and given a Tract number in Part XXII hereof;
- "Interim Tract Participation" and "Final Tract Participation" (q) "Interim Tract Participation" and "Final Tract Participation" means the percentage set forth for each Tract in Part XXIV hereof. Any reference herein to Tract Participation shall mean the Interim Tract Participation or the Final Tract Participation in effect at the relevant time;
- "Unit Area" (r) "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" (s) "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"

(t) "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"

(u) "Unit Operator" means the person appointed to manage and conduct the operations hereunder who shall be a Working Interest Owner unless the Operating Committee unanimously otherwise agrees;

"Unitized Strata"

(v) "Unitized Strata" means the Virden and Scallion members of the Lodgepole Formation of the Mississippian Age underlying the lands described in Part XXII hereof, as same are shown on the electrical log of 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 (W.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"

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

"Well"

(x) "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 at least one month's duration;

"Working Interest Owner"

(y) "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. 3" (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 the Unitized Strata, to abandon such wells as they deem unnecessary and in general to do all other things that the Operating Committee deems advisable for the purpose of accomplishing the most efficient 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, 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.

PART III

TRACT PARTICIPATION

Tract
Participation

3.01 The Interim Tract Participation and Final Tract Participation of each Tract is shown in Part XXIV hereof.

Duration of
Interim and
Final Tract
Participation

3.02 The Interim Tract Participation of each Tract shall be effective from the Effective Date until seven o'clock in the forenoon, Central Standard Time on the first day of the calendar month after:

- (a) the Unit has produced one million (1,000,000) Stock Tank Barrels of Oil, or
- (b) the thirty-six (36) month' period immediately following the Effective Date of the Unit, whichever shall first occur and thereafter the Final Tract Participation of each Tract shall be effective.

Determination of
Interim Tract
Participation

3.03 The Interim Tract Participation of each Tract is the sum of each of the following:

- (a) A current production factor: such factor is the percentage calculated by dividing the Oil production of such Tract during the interval June 1, 1965 to November 30, 1965, ^{with date inclusion} by the Oil production for all Tracts during the same interval, and multiplying by 60/100;
- (b) An 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 ^{through Nov 30} to ~~December 1~~, 1965 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 product obtained in (iii) for the Tract by the sum of all the products obtained in (iii) for all the Tracts and multiplying by 40/100.

Determination of
Final Tract
Participation

3.04 The Final Tract Participation of each Tract is the sum of each of the following:

- (a) A current production factor: such factor is the percentage calculated by dividing the Oil production of such Tract during the interval June 1, 1965 to November 30, 1965, *with inclusion* by the Oil production for all Tracts during the same interval, and multiplying by 40/100;
- (b) An 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 *Nov 30* ~~December 1~~, 1965 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 product obtained in (iii) for the Tract by the sum of all the products obtained in (iii) for all the Tracts and multiplying by 60/100.

Tract Participations Equal 100%

3.05 The total of the Tract Participations for all Tracts shall at all times equal one hundred (100%) percent.

Part III Explanatory

3.06 This Part III is exolanatory 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 Substances so allocated to each Tract, and only that amount,

regardless of whether it be more or less than the amount of the actual production 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 pro-

duction 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 timely 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 allowable, an amount equal to such excess production on the Effective Date, and the amount or amounts so withheld shall be reallocated 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

pavable 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 Operating
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. In the event any Working Interest Owner fails to designate a representative on the Operating Committee as aforesaid the Chairman of the Conservation Board shall designate the Working Interest Owner himself as such representative or in the case of a Working Interest Owner that is not a natural person shall designate any member or officer of such Working Interest Owner as 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 herein shall preclude two (2) or more Working Interest Owners from designating one (1) member on the Operating Committee to represent them and to vote and act for them thereon and such member shall, 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 based on Final Tract Participation of the Working Interest Owner represented.

Meetings

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.

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 two (2) Working Interest Owners owning at least seventy-five (75%) percent of the Participating Interests based on Final Tract Participation and such vote shall be binding on all Working Interest Owners; PROVIDED, HOWEVER, 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 two (2) of the Working Interest Owners having, in the aggregate, seventy-five (75%) percent or more of the total Participating Interest based on Final Tract Participation.

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 produc-

tion 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 CHANCE OF UNIT OPERATOR

Powers and Duties

- 7.01 Unit Operator shall, subject to the provisions hereof and orders given or imposed by the Operating Committee as herein provided;
- (a) Have exclusive charge, management and control of the development, operation and production of the Unitized Strata, 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, 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 of 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 of 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 event it should become bankrupt or insolvent, or make any general assignment for the benefit of creditors;
- (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 based on Interim Tract Participations or Final Tract Participations, whichever are in effect at the time such costs, expenses and liabilities are paid, except that in the case of capital expenditures such expenditures shall be borne by the Working Interest Owners in proportion to their respective Participating Interests based on Final Tract Participations.

For the purposes of this Plan ^{Capital} all expenditures ^{as} ~~that are deemed to be capital~~ shall be determined by the Operating Committee.

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 all costs and expenses and each Working Interest Owner shall reimburse Unit 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 hereinafter 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. 1966 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 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 the Unit Operator its proportionate share of each month's actual billing within thirty (30) days of receipt, thus maintaining the operating fund intact. The adequacy of the fund in relation to current expenses will be reviewed annually or more often upon request by a Working Interest Owner and adjustments made as required.

Unit Operator's Lien

8.07 Unit Operator shall, subject to sub-section(4) (k) (i) (A) and (B) of Section 73 of "The Mines Act", have a lien upon the interest of each Working Interest Owner in any unsold Unitized Substances, upon the proceeds of the sale of any Unitized Substances, and upon the interest of each Working Interest Owner in the Unit Facilities and upon the title of each Working Interest Owner to and in the Unit Area and the Unitized Strata. Such lien shall have priority over any lien by any Working Interest Owner.

In the event of the failure of any Working Interest Owner to pay its share of the costs and expenses incurred hereunder when due, as provided herein, Unit Operator shall be entitled at any time, and from time to time, to collect and receive the proceeds of the sale of all or any part of such Working Interest Owner's share of the Unitized Substances, including the proceeds from previously executed sale contracts made by or for such defaulting Working Interest Owner. Unit Operator shall apply all such sums so collected against the defaulting Working Interest Owner's unpaid bills, the excess of such proceeds over the unpaid bills, if any, to be paid to the Working Interest

Owner entitled thereto and all sums so applied shall be considered as received from such defaulting Working Interest Owner within the meaning of the provisions contained in Section 8.08 hereof relating to contributions by the other Working Interest Owners to Unit Operator in the case of default in payment when due. Unit Operator may likewise take any other credit due any such defaulting Working Interest Owner pursuant hereto and apply the same against amounts due from such Working Interest Owner. The rights granted to Unit Operator in this Section shall not be construed as exclusive remedies but shall be in addition to all rights, privileges and remedies afforded Unit Operator by other provisions hereof and by law. Service of a true copy of this Plan shall constitute written authorization on the part of such defaulting Working Interest Owner for such purchaser to pay the proceeds from such sale to Unit Operator during such default, but such purchaser shall not be considered as having been notified of such authorization prior to the time of such service. Books and records kept by Unit Operator with respect to operations hereunder shall constitute conclusive proof of the existence or non-existence of any such default insofar as the right of Unit Operator to collect proceeds from the sale of all or any part of the defaulting Working Interest Owner's share of the Unitized Substances is concerned, subject, however, to all rights of inspection, verification and audit provided herein.

Contributions
to Unit Operator
Upon Failure to
Collect Certain
Debts

8.08 If Unit Operator shall not have received full reimbursement for any indebtedness that may become due and payable by any Working Interest Owner to Unit Operator after reasonable efforts by Unit Operator to obtain such reimbursement, each of the Working Interest Owners, upon the request of Unit Operator, shall, unless contrary to any then existing law, contribute to the reimbursement of Unit Operator the portion of any such unsatisfied amount equal to the portion that such Working Interest Owner's Participating Interest bears to the total Participating Interests of all of the Working Interest Owners exclusive of the Participating Interest of the defaulting Working Interest Owner; and thereupon, each Working Interest Owner so contributing shall be proportionately subrogated to Unit Operator's rights and lien under Section 8.07 hereof.

Pre-unit
Expense

8.09 Each Working Interest Owner shall pay a part of the reasonable cost, as approved by the Operating Committee, of unitizing the Unit Area in proportion to its Participating Interest hereunder based on Final Tract Participation.

Commingling
of Funds

8.10 No funds received by Unit Operator hereunder need be segregated by Unit Operator or maintained by it as a joint fund but may be commingled with its own funds.

PART IX

RESPONSIBILITY FOR PAYMENTS

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

Warranty

in connection with its operations in the Unit Area.

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 and salt water disposal facilities in, on and serving the Unit Area used in the normal operation of the Unit Operated Wells as required by the Operating Committee 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 herein-after 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.

Appointment 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.

Working
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.

Investment
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.

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
Owner's Share
in Investment
Account

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

11.06 Unit Operator shall also have the right to acquire such additional surface rights as are necessary for the operations hereunder, 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.

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, with the approval of the Operating Committee, 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.

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 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 or in the event that the Operating Committee does not approve the title documents to any Tract as in Section 13.01 provided, 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 out of the proceeds of the sale
 - i) the portion of the costs and expenses allocated or apportioned to the Tract, and
 - ii) the amount of money properly payable to the Royalty Owner of the Tract pursuant to the provisions of this Section and the Lease pertaining to the Tract (unless any such dispute involves the ownership of the royalty interest in the Tract) and such payment shall be deemed conclusively to be a payment by the person who is

subsequently declared to be the owner of the working interest in such Tract on a final determination of the dispute;

- (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

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.

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.

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 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 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 Unitized Substances and the Unitized Strata.

Abandonment
of Wells

17.03 If Unit Operator, with the approval of the Operating Committee, should decide ~~not to~~ 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 Owner of such Tract does 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.

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.

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.

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.

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.

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.

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.

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 based on Final Tract Participation and such vote shall be binding upon all the Working Interest Owners and 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.
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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.
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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 based on Final Tract Participation 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

Calstan South Virden CPR 6-7-10-25	Calstan South Virden 5-2-10-26
Calstan South Virden CPR 8-7-10-25	Calstan South Virden Prov. 7-2-10-26
Calstan South Virden CPR 9-7-10-25	Calstan South Virden Prov. 8-2-10-26
Calstan South Virden CPR 10-7-10-25	M. & C. Virden 9-2-10-26
Calstan South Virden CPR 11-7-10-25	Calstan South Virden 11-2-10-26
Calstan South Virden CPR 12-7-10-25	Calstan South Virden 12-2-10-26
Calstan South Virden CPR 13-7-10-25	Calstan South Virden 13-2-10-26
Calstan South Virden CPR 14-7-10-25	Calstan South Virden 14-2-10-26
Calstan South Virden CPR 15-7-10-25	M. & C. Virden 15-2-10-26
Calstan South Virden CPR 16-7-10-25	M. & C. Virden 16-2-10-26
Sun I. Welch Virden 3-18-10-25	Calstan South Virden 9-3-10-26
Sun I. Welch Virden 4-18-10-25	Calstan South Virden 15-3-10-26
Sun I. Welch Virden 5-18-10-25	Calstan South Virden 16-3-10-26
Sun I. Welch Virden 6-18-10-25	Calstan South Virden Prov. 1-10-10-26
Rundle Welch Virden 12-18-10-25	Calstan South Virden Prov. 2-10-10-26
CEGO Virden 2-1-10-26	B.A. Security Duncan Virden 5-10-10-26
Calstan South Virden CPR 3-1-10-26	B.A. Duncan Virden 6-10-10-26
Calstan South Virden CPR 5-1-10-26	Calstan South Virden Prov. 7-10-10-26
Calstan South Virden CPR 6-1-10-26	Calstan South Virden Prov. 8-10-10-26
CEGO Virden 7-1-10-26	Calstan Fargo South Virden 9-10-10-26
Calstan South Virden CPR 11-1-10-26	Fargo et al Virden 10-10-10-26
Calstan South Virden CPR 12-1-10-26	Calstan South Virden 11-10-10-26
Calstan South Virden CPR 13-1-10-26	Calstan South Virden 12-10-10-26
Calstan South Virden CPR 14-1-10-26	Calstan Fargo South Virden 16-10-10-26

PART XXI Cont'd

Calstan South Virden Prov. 1-11-10-26	Calstan South Virden 16-12-10-26
Calstan South Virden Prov. 2A-11-10-26	CEGO Virden 1-13-10-26
Calstan South Virden Prov. 3-11-10-26	CEGO Virden 3-13-10-26
Calstan South Virden Prov. 4-11-10-26	CEGO Virden 4-13-10-26
Calstan South Virden Prov. 5-11-10-26	CEGO Virden 5-13-10-26
Calstan South Virden Prov. 6-11-10-26	CEGO Virden 6-13-10-26
Calstan South Virden Prov. 7-11-10-26	CEGO Virden 7-13-10-26
Calstan South Virden Prov. 8-11-10-26	CEGO Virden 8-13-10-26
Calstan South Virden Prov. 9-11-10-26	B.A. Union Welch Virden 9-13-10-26
Calstan South Virden Prov. 10-11-10-26	B.A. Union Welch Virden 10-13-10-26
Calstan South Virden Prov. 11-11-10-26	M. & C. Virden 11-13-10-26
Calstan South Virden Prov. 12-11-10-26	M. & C. Virden 12-13-10-26
Calstan South Virden Prov. 13-11-10-26	M. & C. Virden 13-13-10-26
Calstan South Virden Prov. 14-11-10-26	M. & C. Virden 14-13-10-26
Calstan South Virden Prov. 15-11-10-26	B.A. Union Welch Virden 15-13-10-26
Calstan South Virden Prov. 16-11-10-26	CEGO Virden 2-14-10-26
Calstan South Virden 3-12-10-26	Rundle Williams Virden 3-14-10-26
Calstan South Virden 4-12-10-26	Rundle Williams Virden 4-14-10-26
Calstan South Virden 5-12-10-26	Rundle Williams Virden 5-14-10-26
Calstan South Virden 6-12-10-26	Rundle Williams Virden 6-14-10-26
Calstan South Virden 9-12-10-26	Rundle Williams Virden 11-14-10-26
Calstan South Virden 11-12-10-26	Rundle Williams Virden 12-14-10-26
Calstan South Virden 12-12-10-26	Mineraloid Virden 14-14-10-26
Calstan South Virden 13-12-10-26	Calstan Virden 15-14-10-26
Calstan South Virden 14-12-10-26	Calstan Virden 16-14-10-26
Calstan South Virden 15-12-10-26	<i>Mineraloid</i> M. & C. Virden 9-15-10-26

PART XXI Cont'd

Paradise Virden 1-23-10-26

Imperial Virden 2-23-10-26

Imperial Virden 3-23-10-26

Imperial Virden 4-23-10-26

Imperial Virden 5-23-10-26

Imperial Virden 6-23-10-26

Imperial Virden 7-23-10-26

Paradise Virden 8-23-10-26

PART XXII

THE LANDS IN THE PROVINCE OF MANITOBA WHICH COMPRISE
THE VIRDEN-ROSELEA UNIT NO. 3 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 26 WPM</u>
6-7	LSD. 6, SECTION 7	12-1	LSD. 12, SECTION 1
8-7	LSD. 8, SECTION 7	13-1	LSD. 13, SECTION 1
9-7	LSD. 9, SECTION 7	14-1	LSD. 14, SECTION 1
10-7	LSD. 10, SECTION 7	5-2	LSD. 5, SECTION 2
11-7	LSD. 11, SECTION 7	7-2	LSD. 7, SECTION 2
12-7	LSD. 12, SECTION 7	8-2	LSD. 8, SECTION 2
13-7	LSD. 13, SECTION 7	9-2	LSD. 9, SECTION 2
14-7	LSD. 14, SECTION 7	11-2	LSD. 11, SECTION 2
15-7	LSD. 15, SECTION 7	12-2	LSD. 12, SECTION 2
16-7	LSD. 16, SECTION 7	13-2	LSD. 13, SECTION 2
3-18	LSD. 3, SECTION 18	14-2	LSD. 14, SECTION 2
4-18	LSD. 4, SECTION 18	15-2	LSD. 15, SECTION 2
5-18	LSD. 5, SECTION 18	16-2	LSD. 16, SECTION 2
6-18	LSD. 6, SECTION 18	9-3	LSD. 9, SECTION 3
12-18	LSD. 12, SECTION 18	15-3	LSD. 15, SECTION 3
	<u>TOWNSHIP 10 RANGE 26 WPM</u>	16-3	LSD. 16, SECTION 3
2-1	LSD. 2, SECTION 1	1-10	LSD. 1, SECTION 10
3-1	LSD. 3, SECTION 1	2-10	LSD. 2, SECTION 10
5-1	LSD. 5, SECTION 1	5-10	LSD. 5, SECTION 10
6-1	LSD. 6, SECTION 1	6-10	LSD. 6, SECTION 10
7-1	LSD. 7, SECTION 1	7-10	LSD. 7, SECTION 10
11-1	LSD. 11, SECTION 1	8-10	LSD. 8, SECTION 10

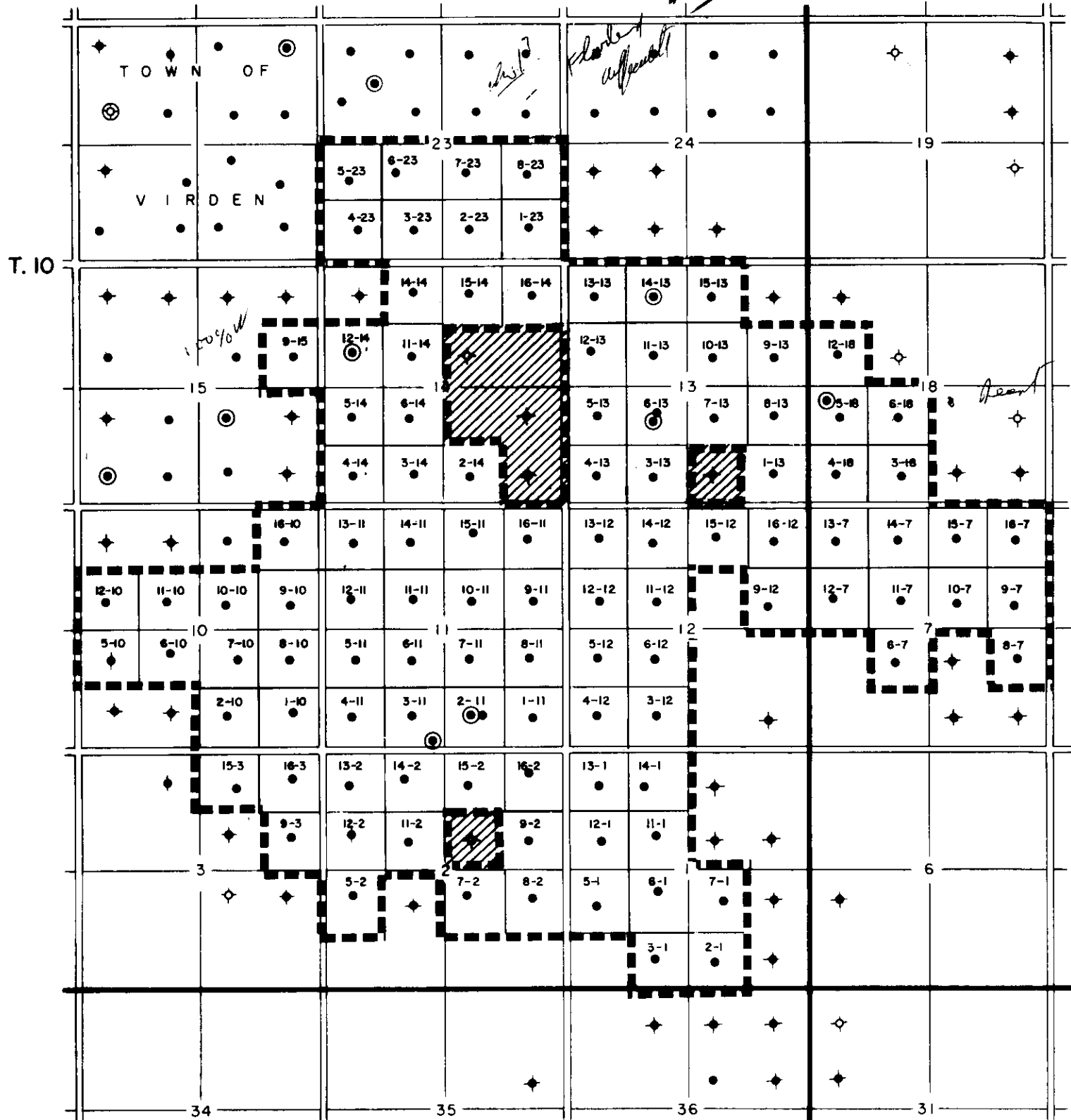
PART XXII Cont'd

<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>
9-10	LSD. 9, SECTION 10	9-12	LSD. 9, SECTION 12
10-10	LSD. 10, SECTION 10	11-12	LSD. 11, SECTION 12
11-10	LSD. 11, SECTION 10	12-12	LSD. 12, SECTION 12
12-10	LSD. 12, SECTION 10	13-12	LSD. 13, SECTION 12
16-10	LSD. 16, SECTION 10	14-12	LSD. 14, SECTION 12
1-11	LSD. 1, SECTION 11	15-12	LSD. 15, SECTION 12
2-11	LSD. 2, SECTION 11	16-12	LSD. 16, SECTION 12
3-11	LSD. 3, SECTION 11	1-13	LSD. 1, SECTION 13
4-11	LSD. 4, SECTION 11	3-13	LSD. 3, SECTION 13
5-11	LSD. 5, SECTION 11	4-13	LSD. 4, SECTION 13
6-11	LSD. 6, SECTION 11	5-13	LSD. 5, SECTION 13
7-11	LSD. 7, SECTION 11	6-13	LSD. 6, SECTION 13
8-11	LSD. 8, SECTION 11	7-13	LSD. 7, SECTION 13
9-11	LSD. 9, SECTION 11	8-13	LSD. 8, SECTION 13
10-11	LSD. 10, SECTION 11	9-13	LSD. 9, SECTION 13
11-11	LSD. 11, SECTION 11	10-13	LSD. 10, SECTION 13
12-11	LSD. 12, SECTION 11	11-13	LSD. 11, SECTION 13
13-11	LSD. 13, SECTION 11	12-13	LSD. 12, SECTION 13
14-11	LSD. 14, SECTION 11	13-13	LSD. 13, SECTION 13
15-11	LSD. 15, SECTION 11	14-13	LSD. 14, SECTION 13
16-11	LSD. 16, SECTION 11	15-13	LSD. 15, SECTION 13
3-12	LSD. 3, SECTION 12	2-14	LSD. 2, SECTION 14
4-12	LSD. 4, SECTION 12	3-14	LSD. 3, SECTION 14
5-12	LSD. 5, SECTION 12	4-14	LSD. 4, SECTION 14
6-12	LSD. 6, SECTION 12	5-14	LSD. 5, SECTION 14

PART XXII Cont'd

<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>
	<u>TOWNSHIP 10 RANGE 26 WPM</u>
6-14	LSD. 6, SECTION 14
11-14	LSD. 11, SECTION 14
12-14	LSD. 12, SECTION 14
14-14	LSD. 14, SECTION 14
15-14	LSD. 15, SECTION 14
16-14	LSD. 16, SECTION 14
9-15	LSD. 9, SECTION 15
1-23	LSD. 1, SECTION 23
2-23	LSD. 2, SECTION 23
3-23	LSD. 3, SECTION 23
4-23	LSD. 4, SECTION 23
5-23	LSD. 5, SECTION 23
6-23	LSD. 6, SECTION 23
7-23	LSD. 7, SECTION 23
8-23	LSD. 8, SECTION 23

MAP OF UNIT AREA



PART XXIV

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>		<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	
	<u>INTERIM</u>	<u>FINAL</u>		<u>INTERIM</u>	<u>FINAL</u>
6-7	.89025	.71776	5-2	.72525	.74098
8-7	.23461	.19280	7-2	.04151	.06226
9-7	.24636	.29137	8-2	.12748	.19123
10-7	2.22948	2.26233	9-2	2.28146	2.08717
11-7	.73595	.97497	11-2	.61601	.46376
12-7	.22195	.17407	12-2	.00357	.00535
13-7	.59767	.82888	13-2	1.03495	.80812
14-7	1.32445	1.50204	14-2	1.01255	.95776
15-7	.79557	.93571	15-2	1.71431	1.75126
16-7	.59388	.68218	16-2	1.88062	1.82401
3-18	1.37527	1.47972	9-3	.47166	.47976
4-18	.65359	.63299	15-3	.96250	.97269
5-18	1.43221	1.58877	16-3	1.49937	1.67267
6-18	.75993	.64495	1-10	2.27997	2.08720
12-18	.27358	.25653	2-10	1.61413	1.79026
2-1	.63274	.54466	5-10	.53200	.40234
3-1	.78276	.69529	6-10	.44280	.48145
5-1	.04080	.06120	7-10	.75449	.73860
6-1	.01466	.02198	8-10	.58981	.43376
7-1	.58970	.47759	9-10	1.36347	1.27400
11-1	.64374	.55336	10-10	.02656	.02525
12-1	.57834	.62695	11-10	.30287	.22230
13-1	.62361	.58225	12-10	1.10021	.91078
14-1	.10035	.15053	16-10	.51217	.65665

PART XXIV Cont'd

TRACT NUMBER	TRACT PARTICIPATION		TRACT NUMBER	TRACT PARTICIPATION	
	<u>INTERIM</u>	<u>FINAL</u>		<u>INTERIM</u>	<u>FINAL</u>
1-11	.75378	.95823	15-12	.00721	.01081
2-11	2.12093	1.94492	16-12	.59056	.52236
3-11	1.77793	1.71546	1-13	1.79094	1.91974
4-11	4.01780	4.74799	3-13	.28791	.29863
5-11	1.46181	1.19579	4-13	3.64125	4.16432
6-11	1.30126	1.51274	5-13	1.23141	1.24409
7-11	.52089	.68355	6-13	.78030	.74890
8-11	.36442	.33800	7-13	.54684	.58321
9-11	.56493	.60532	8-13	1.64119	1.79617
10-11	.72523	.84578	9-13	2.09361	2.11986
11-11	1.65825	1.52639	10-13	2.38520	2.47806
12-11	1.53360	1.89720	11-13	1.86335	1.68749
13-11	2.01819	2.09570	12-13	.02948	.04422
14-11	.97682	.98361	13-13	.80016	.64170
15-11	1.28108	1.55034	14-13	1.40360	1.18841
16-11	1.17830	1.39140	15-13	1.25270	1.07065
3-12	.07555	.11332	2-14	.80334	.84430
4-12	.02183	.03274	3-14	.56096	.47670
5-12	.43213	.45137	4-14	.68405	.59271
6-12	.09956	.14935	5-14	.69992	.68062
9-12	.00766	.01149	6-14	.52065	.47556
11-12	.00180	.00270	11-14	.69065	.64686
12-12	.81097	.74565	12-14	.01224	.01830
13-12	.83347	.85455	14-14	1.03994	.91841
14-12	.01935	.02903	15-14	1.38302	1.31439

PART XXIV Cont'd

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	
	<u>INTERIM</u>	<u>FINAL</u>
16-14	.65346	.71098
9-15	.71064	.57680
1-23	.54331	.38034
2-23	1.15379	.98111
3-23	1.87797	1.49551
4-23	1.24598	1.37554
5-23	2.21650	2.00079
6-23	.77482	.66351
7-23	.65230	.60994
8-23	.61204	.41784

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

26.01 In this Part:

"Joint Property"

- (a) "Joint Property" shall mean the respective Tracts and interests of the Working Interest Owners and where the context so requires shall include all wells, wellsite and operating equipment and salt water disposal facilities 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 scrubbed - 1,500 feet and over in 'A' or 'B' condition

Pumping Unit

Pumping Motor

Automatic controls

Separators

Heaters

Treaters

Tank 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%) percent of Current New Price.

"Condition 'B'"

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

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

- (b) at Seventy-five (75%) percent 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%) percent 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%) percent 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 un-serviceable material, at prevailing junk prices in the district.
- "Temporarily Used Equipment" (vi) When the use of material is only temporary, and when 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 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%) percent 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%) percent 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 Committee 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) Area, Division 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 area superintendent and other general area 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 an area 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) \$6,100 per month for all producing operations.
- (b) Forty-five (\$45.00) Dollars 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 snudded 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.
- (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.
- (1) 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 (2-1/2%) percent of the cost of tubular goods and Major Material and Five (5%) percent 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.

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 One Hundred (100%) percent of Current New Price.

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

- (1) Material which is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classed as Condition 'B' and priced at Seventy-five (75%) percent 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%) percent 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%) percent 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 (6) 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) Proceeds from the sale of Surplus Material shall be credited to the Common Account.

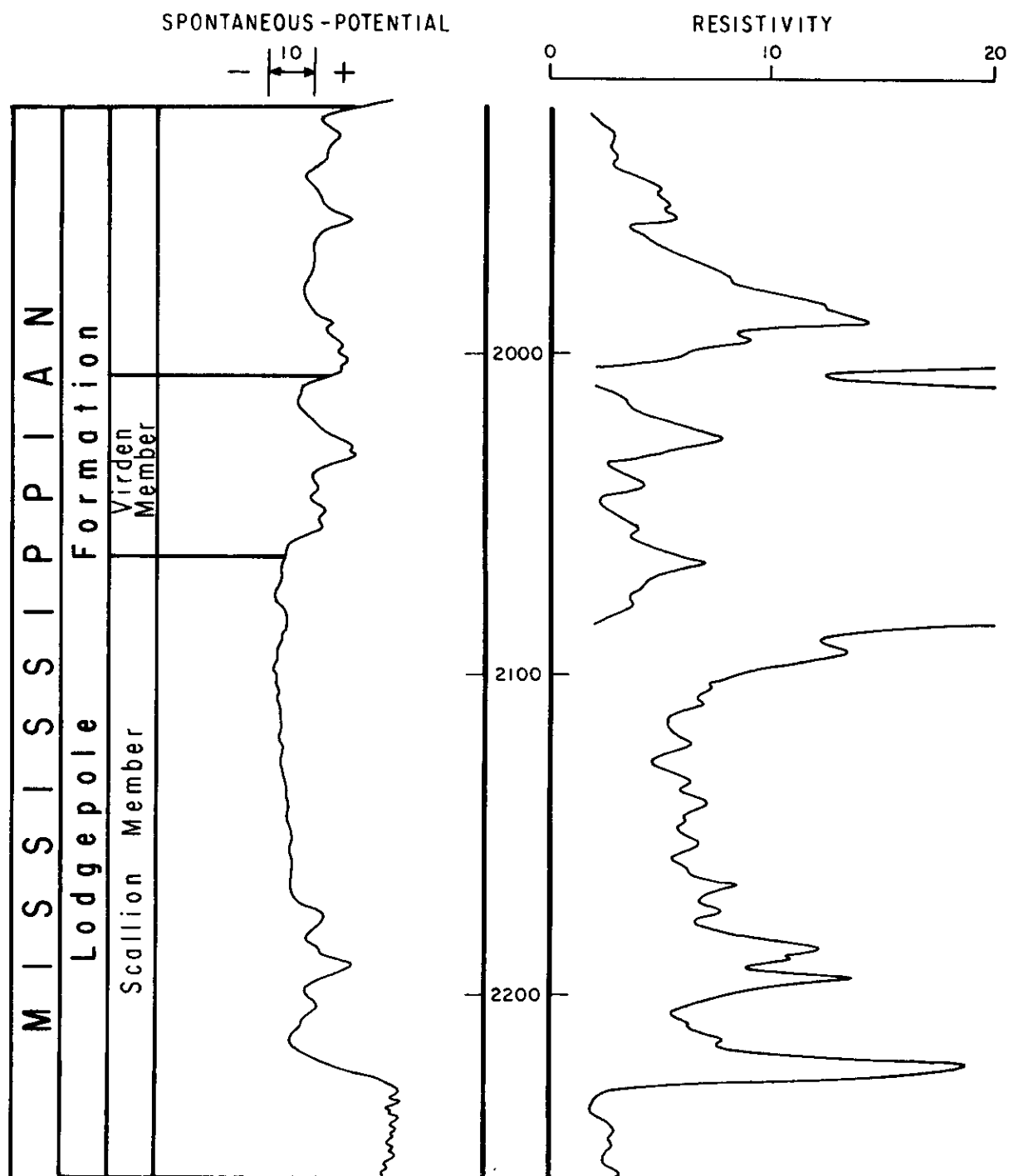
Inventories

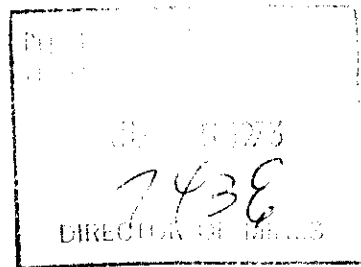
26.13

- (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.

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





AMENDMENTS TO
PLAN FOR UNIT OPERATION
GOVERNING THE UNITIZED MANAGEMENT
OPERATION AND FURTHER DEVELOPMENT OF
VIRDEN-ROSELEA UNIT NO. 3

May 31, 1973

AMENDMENTS TO
PLAN FOR UNIT OPERATION
GOVERNING THE UNITIZED MANAGEMENT
OPERATION AND FURTHER DEVELOPMENT OF
VIRDEN-ROSELEA UNIT NO. 3

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

"Effective Date" (d) "Effective Date" means the hour of seven o'clock in the forenoon, official time, on the first day of December, A.D. 1966, except that with respect to the following numbered Tracts "Effective Date" means the hour of 7:00 o'clock in the forenoon, official time, on the first day of , A.D. 1973: 2-18, 7-18, 10-2.

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 is with respect to all Tracts, except Tracts 2-18, 7-18 and 10-2 (hereinafter called "the enlargement tracts"), the sum of each of the following reduced by one (1) minus the total percentage participation of the enlargement tracts, namely: 1.0000000 minus 0.0181469:

(a) A current production factor: such factor is

the percentage calculated by dividing the Oil production of such Tract during the interval June 1, 1965 to November 30, 1965, both days inclusive, by the Oil production for all Tracts other than the enlargement tracts, during the same interval, and multiplying by 40/100;

(b) An 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 through November 30, 1965 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 product obtained in (iii) for the Tract by the sum of all the production obtained in (iii) for all the Tracts other than the enlargement tracts and multiplying by 60/100.

3.02 The Tract Participation of Tract 10-2 was determined as follows and is expressed by the percentage calculated by dividing the Oil production from such Tract during the interval August 1, 1971 to January 31, 1972, both days inclusive, (minus 920) by the Oil production from all Tracts other than Tract 2-18 and Tract 7-18 during the same interval (minus 920) and

multiplying by one hundred (100).

3.03 The total of the Tract Participations for all Tracts shall at all times equal one hundred percent (100%).

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.

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

PART XXI

Chevron South Virden CPR 6-7-10-25	Sun I Welch Virden 6-18-10-25
Chevron South Virden CPR 8-7-10-25	Chevron South Virden Prov. 7-18-10-25
Chevron South Virden CPR 9-7-10-25	Rundle Welch Virden 12-18-10-25
Chevron South Virden CPR 10-7-10-25	CEGO Virden 2-1-10-26
Chevron South Virden CPR 11-7-10-25	Chevron South Virden CPR 3-1-10-26
Chevron South Virden CPR 12-7-10-25	Chevron South Virden CPR 5-1-10-26
Chevron South Virden CPR 13-7-10-25	Chevron South Virden ^{CPR} 6-1-10-26
Chevron South Virden CPR 14-7-10-25	CEGO Virden 7-1-10-26
Chevron South Virden CPR 15-7-10-25	Chevron South Virden CPR 11-1-10-26
Chevron South Virden CPR 16-7-10-25	Chevron South Virden CPR 12-1-10-26
Chevron East Virden Prov. 2A-18-10-25	Chevron South Virden CPR 13-1-10-26
Sun I. Welch Virden 3-18-10-25	Chevron South Virden CPR 14-1-10-26
Sun I. Welch Virden 4-18-10-25	Chevron South Virden 5-2-10-26
Sun I. Welch Virden 5-18-10-25	Chevron South Virden Prov. 7-2-10-26

Chevron South Virden Prov. 8-2-10-26	Chevron South Virden Prov. 3-11-10-26 Chevron South Virden Prov SWB 3-11-10-26
Mineraloid Virden 9-2-10-26	Chevron South Virden Prov. 4-11-10-26
Mineraloid Virden 10A-2-10-26	Chevron South Virden Prov. 5-11-10-26
Chevron South Virden 11-2-10-26	Chevron South Virden Prov. 6-11-10-26
Chevron South Virden 12-2-10-26	Chevron South Virden Prov. 7-11-10-26
Chevron South Virden 13-2-10-26	Chevron South Virden Prov. 8-11-10-26
Chevron South Virden 14-2-10-26	Chevron South Virden Prov. 9-11-10-26
Mineraloid Virden 15-2-10-26	Chevron South Virden Prov. 10-11-10-26
Mineraloid Virden 16-2-10-26	Chevron South Virden Prov. 11-11-10-26
Chevron South Virden 9-3-10-26	Chevron South Virden Prov. 12-11-10-26
Chevron South Virden 15-3-10-26	Chevron South Virden ^{Prov} 13-11-10-26
Chevron South Virden 16-3-10-26	Chevron South Virden Prov. 14-11-10-26
Chevron South Virden Prov. 1-10-10-26	Chevron South Virden Prov. 15-11-10-26
Chevron South Virden Prov. 2-10-10-26	Chevron South Virden Prov. 16-11-10-26
Gulf Security Duncan Virden 5-10-10-26	Chevron South Virden 3-12-10-26
Gulf Duncan Virden 6-10-10-26	Chevron South Virden 4-12-10-26
Chevron South Virden Prov. 7-10-10-26	Chevron South Virden 5-12-10-26
Chevron South Virden Prov. 8-10-10-26	Chevron South Virden 6-12-10-26
Chevron Fargo South Virden 9-10-10-26	Chevron South Virden 9-12-10-26
Cdn Res et al Virden 10-10-10-26	Chevron South Virden 11-12-10-26
Chevron South Virden 11-10-10-26	Chevron South Virden 12-12-10-26
Chevron South Virden 12-10-10-26	Chevron South Virden 13-12-10-26
Chevron Fargo South Virden 16-10-10-26	Chevron South Virden 14-12-10-26
Chevron South Virden Prov. 1-11-10-26	Chevron South Virden 15-12-10-26
Chevron South Virden Prov. 2A-11-10-26	Chevron South Virden 16-12-10-26

CEGO Virden 1-13-10-26

CEGO Virden 3-13-10-26

CEGO Virden 4-13-10-26

CEGO Virden 5-13-10-26

CEGO Virden 6-13-10-26

CEGO Virden 7-13-10-26

CEGO Virden 8-13-10-26

~~B.A.~~ Union Welch Virden 9-13-10-26

Gulf Union Welch Virden 10-13-10-26

Mineraloid Virden 11-13-10-26

Mineraloid Virden 12-13-10-26

Mineraloid Virden 13-13-10-26

~~M. & C.~~ Virden 14-13-10-26

Gulf Union Welch Virden 15-13-10-26

CEGO Virden 2-14-10-26

Rundle Williams Virden 3-14-10-26

Rundle Williams Virden 4-14-10-26

Rundle Williams Virden 5-14-10-26

Rundle Williams Virden 6-14-10-26

Rundle Williams Virden 11-14-10-26

Rundle Williams Virden 12-14-10-26

Mineraloid Virden 14-14-10-26

Chevron Virden 15-14-10-26

Chevron Virden 16-14-10-26

Mineraloid Virden 9-15-10-26

~~BRACELL~~
~~Bracell~~ Virden 1-23-10-26

Imperial Virden 2-23-10-26

Imperial Virden 3-23-10-26

Imperial Virden 4-23-10-26

Imperial Virden 5-23-10-26

Imperial Virden 6-23-10-26

Imperial Virden 7-23-10-26

Bracell Virden 8-23-10-26

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. 3 ARE AS FOLLOWS:

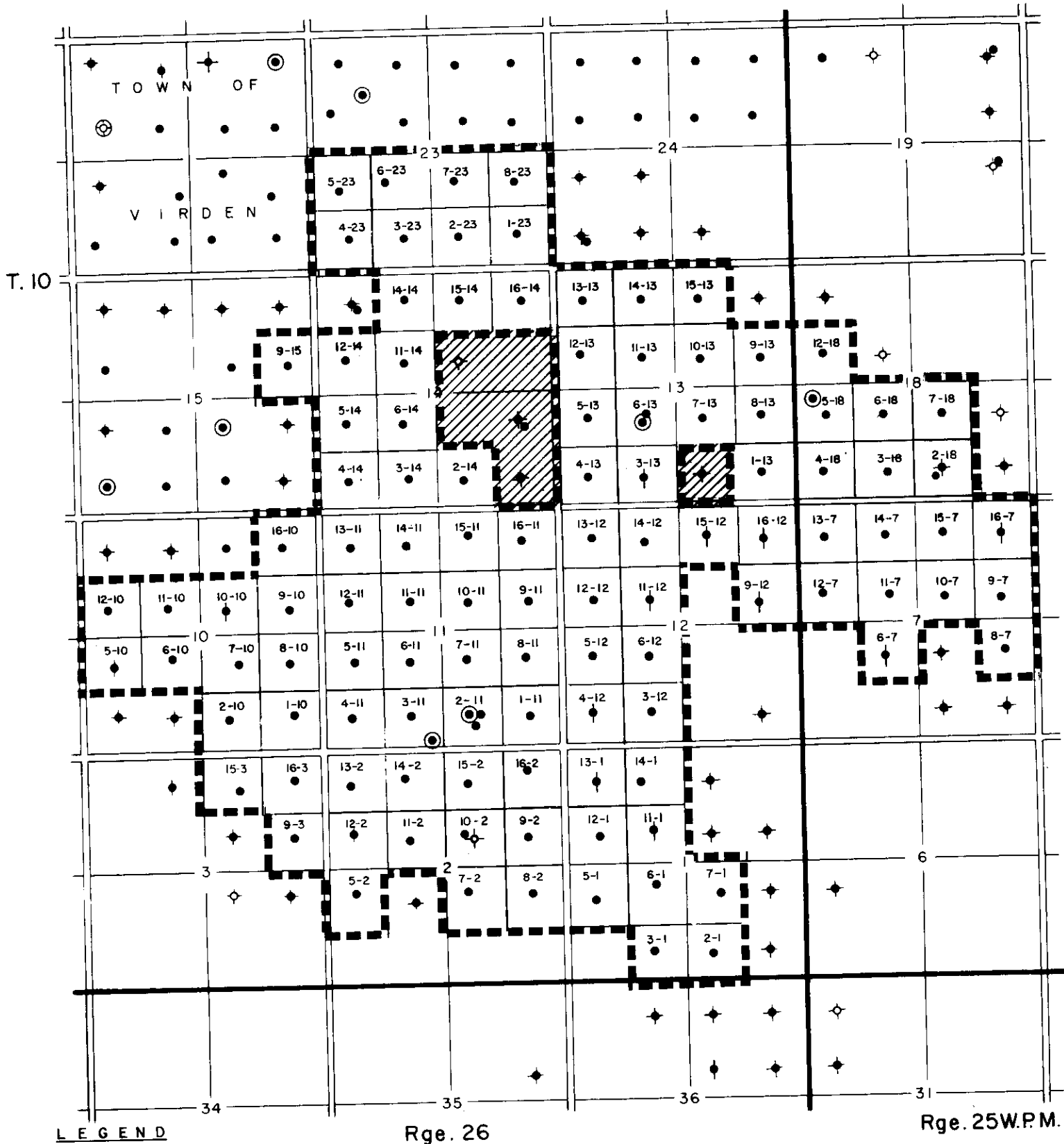
<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>	<u>TRACT NUMBER</u>	<u>LEGAL DESCRIPTION</u>
	<u>TOWNSHIP 10 RANGE 25 WPM</u>		<u>TOWNSHIP 10 RANGE 26 WPM</u>
6-7	LSD. 6, SECTION 7	11-1	LSD. 11, SECTION 1
8-7	LSD. 8, SECTION 7	12-1	LSD. 12, SECTION 1
9-7	LSD. 9, SECTION 7	13-1	LSD. 13, SECTION 1
10-7	LSD. 10, SECTION 7	14-1	LSD. 14, SECTION 1
11-7	LSD. 11, SECTION 7	5-2	LSD. 5, SECTION 2
12-7	LSD. 12, SECTION 7	7-2	LSD. 7, SECTION 2
13-7	LSD. 13, SECTION 7	8-2	LSD. 8, SECTION 2
14-7	LSD. 14, SECTION 7	9-2	LSD. 9, SECTION 2
15-7	LSD. 15, SECTION 7	10-2	LSD. 10, SECTION 2
16-7	LSD. 16, SECTION 7	11-2	LSD. 11, SECTION 2
2-18	LSD. 2, SECTION 18	12-2	LSD. 12, SECTION 2
3-18	LSD. 3, SECTION 18	13-2	LSD. 13, SECTION 2
4-18	LSD. 4, SECTION 18	14-2	LSD. 14, SECTION 2
5-18	LSD. 5, SECTION 18	15-2	LSD. 15, SECTION 2
6-18	LSD. 6, SECTION 18	16-2	LSD. 16, SECTION 2
7-18	LSD. 7, SECTION 18	9-3	LSD. 9, SECTION 3
12-18	LSD. 12, SECTION 18	15-3	LSD. 15, SECTION 3
	<u>TOWNSHIP 10 RANGE 26 WPM</u>	16-3	LSD. 16, SECTION 3
2-1	LSD. 2, SECTION 1	1-10	LSD. 1, SECTION 10
3-1	LSD. 3, SECTION 1	2-10	LSD. 2, SECTION 10
5-1	LSD. 5, SECTION 1	5-10	LSD. 5, SECTION 10
6-1	LSD. 6, SECTION 1	6-10	LSD. 6, SECTION 10
7-1	LSD. 7, SECTION 1	7-10	LSD. 7, SECTION 10

<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>
8-10	LSD. 8, SECTION 10	4-12	LSD. 4, SECTION 12
9-10	LSD. 9, SECTION 10	5-12	LSD. 5, SECTION 12
10-10	LSD. 10, SECTION 10	6-12	LSD. 6, SECTION 12
11-10	LSD. 11, SECTION 10	9-12	LSD. 9, SECTION 12
12-10	LSD. 12, SECTION 10	11-12	LSD. 11, SECTION 12
16-10	LSD. 16, SECTION 10	12-12	LSD. 12, SECTION 12
1-11	LSD. 1, SECTION 11	13-12	LSD. 13, SECTION 12
2-11	LSD. 2, SECTION 11	14-12	LSD. 14, SECTION 12
3-11	LSD. 3, SECTION 11	15-12	LSD. 15, SECTION 12
4-11	LSD. 4, SECTION 11	16-12	LSD. 16, SECTION 12
5-11	LSD. 5, SECTION 11	1-13	LSD. 1, SECTION 13
6-11	LSD. 6, SECTION 11	3-13	LSD. 3, SECTION 13
7-11	LSD. 7, SECTION 11	4-13	LSD. 4, SECTION 13
8-11	LSD. 8, SECTION 11	5-13	LSD. 5, SECTION 13
9-11	LSD. 9, SECTION 11	6-13	LSD. 6, SECTION 13
10-11	LSD. 10, SECTION 11	7-13	LSD. 7, SECTION 13
11-11	LSD. 11, SECTION 11	8-13	LSD. 8, SECTION 13
12-11	LSD. 12, SECTION 11	9-13	LSD. 9, SECTION 13
13-11	LSD. 13, SECTION 11	10-13	LSD. 10, SECTION 13
14-11	LSD. 14, SECTION 11	11-13	LSD. 11, SECTION 13
15-11	LSD. 15, SECTION 11	12-13	LSD. 12, SECTION 13
16-11	LSD. 16, SECTION 11	13-13	LSD. 13, SECTION 13
3-12	LSD. 3, SECTION 12	14-13	LSD. 14, SECTION 13

<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>	
15-13	LSD. 15, SECTION 13	16-14	LSD. 16, SECTION 14
2-14	LSD. 2, SECTION 14	9-15	LSD. 9, SECTION 15
3-14	LSD. 3, SECTION 14	1-23	LSD. 1, SECTION 23
4-14	LSD. 4, SECTION 14	2-23	LSD. 2, SECTION 23
5-14	LSD. 5, SECTION 14	3-23	LSD. 3, SECTION 23
6-14	LSD. 6, SECTION 14	4-23	LSD. 4, SECTION 23
11-14	LSD. 11, SECTION 14	5-23	LSD. 5, SECTION 23
12-14	LSD. 12, SECTION 14	6-23	LSD. 6, SECTION 23
14-14	LSD. 14, SECTION 14	7-23	LSD. 7, SECTION 23
15-14	LSD. 15, SECTION 14	8-23	LSD. 8, SECTION 23

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

MAP OF UNIT AREA



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

PART XXIV

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6-7	0.70474	6-1	0.02158
8-7	0.18930	7-1	0.46892
9-7	0.28608	11-1	0.54332
10-7	2.22128	12-1	0.61557
11-7	0.95728	13-1	0.57168
12-7	0.17091	14-1	0.14780
13-7	0.81384	5-2	0.72753
14-7	1.47478	7-2	0.06113
15-7	0.91873	8-2	0.18776
16-7	0.66980	9-2	2.04929
2-18	0.05000	10-2	1.71469
3-18	1.45287	11-2	0.45534
4-18	0.62150	12-2	0.00525
5-18	1.55994	13-2	0.79346
6-18	0.63325	14-2	0.94038
7-18	0.05000	15-2	1.71948
12-18	0.25188	16-2	1.79091
2-1	0.53478	9-3	0.47105
3-1	0.68267	15-3	0.95504
5-1	0.06009	16-3	1.64232

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
1- 10	2.04932	14- 11	0.96576
2- 10	1.75777	15- 11	1.52221
5- 10	0.39504	16- 11	1.36615
6- 10	0.47271	3- 12	0.11126
7- 10	0.72520	4- 12	0.03215
8- 10	0.42589	5- 12	0.44318
9- 10	1.25088	6- 12	0.14664
10- 10	0.02479	9- 12	0.01128
11- 10	0.21827	11- 12	0.00265
12- 10	0.89425	12- 12	0.73212
16- 10	0.64473	13- 12	0.83904
1- 11	0.94084	14- 12	0.02850
2- 11	1.90963	15- 12	0.01061
3- 11	1.68433	16- 12	0.51288
4- 11	4.66183	1- 13	1.88490
5- 11	1.17409	3- 13	0.29321
6- 11	1.48529	4- 13	4.08875
7- 11	0.67115	5- 13	1.22151
8- 11	0.33187	6- 13	0.73531
9- 11	0.59434	7- 13	0.57263
10- 11	0.83043	8- 13	1.76357
11- 11	1.49869	9- 13	2.08139
12- 11	1.86277	10- 13	2.43309
13- 11	2.05767	11- 13	1.65687

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
12- 13	0.04342	15- 14	1.29054
13- 13	0.63006	16- 14	0.69808
14- 13	1.16684	9- 15	0.56633
15- 13	1.05122	1- 23	0.37344
2- 14	0.82898	2- 23	0.96331
3- 14	0.46805	3- 23	1.46837
4- 14	0.58195	4- 23	1.35058
5- 14	0.66827	5- 23	1.96448
6- 14	0.46693	6- 23	0.65147
11- 14	0.63512	7- 23	0.59887
12- 14	0.01803	8- 23	0.41026
14- 14	0.90174		

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

(a) \$6,265.00 per month for all producing operations.

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PLAN FOR UNIT OPERATION
GOVERNING THE UNITIZED MANAGEMENT
OPERATION AND FURTHER DEVELOPMENT OF
DALY UNIT NO. 3

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, official time, on the first day of _____, A.D. 197__; |
| "Gas" | (e) "Gas" means natural gas both before and after it has been subjected to any processing and includes all fluid hydrocarbons not defined as Oil; |

- "Leases" (f) "Leases" means severally and collectively the petroleum and natural gas leases, petroleum leases, natural gas leases, subleases, 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" (g) "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" (h) "Operating Committee" means the committee created pursuant to Part V hereof;
- "Outside Substances" (i) "Outside Substances" means all substances obtained from any sources other than the Unitized Strata for injection into the Unitized Strata;
- "Participating Interest" (j) "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 Tract;
- "Royalty Owner" (k) "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" (l) "Salt Water Disposal Well" means those wells drilled for the purpose of, or converted to, salt water disposal;
- "Spacing Unit" (m) "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;
- "Stock Tank Barrel" (n) "a Stock Tank Barrel" means 34.9722 Canadian gallons at sixty (60°) degrees Fahrenheit;
- "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;
- "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 Interest Owner unless the Operating Committee unanimously otherwise agrees;

"Unitized Strata"

(u) "Unitized Strata" means the Lodgepole Formation, (Souris River Beds) of Mississippian age underlying

the lands described in Part XXII hereof, as same is shown on the electrical log of Chevron Daly Prov. 8-11 well in Legal Subdivision Eight (8) of Section Eleven (11), Township Ten (10), Range Twenty-eight (28), West of the First (W.1st) Meridian, in the Province of Manitoba between the interval 2,330 feet and 2,465 feet (or to the base of the Cromer Shale Facies), as measured from the Kelly Bushing. The Souris River beds consist of submembers sometimes known as the Unnamed Upper Lodgepole, the Upper Daly (Earthy Limestone Unit), the Middle Daly (First Crinoidal), Cruickshank Shale Facies, Cruickshank Crinoidal Facies, Cromer Shale Facies (Daly Shaly Zone);

"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 Lodgepole Formation of Mississippian Age for the production of Oil and Gas;

"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 "Daly Unit No. 3"

(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 pur-
pose of preventing waste, obtaining ultimately the
greatest possible recovery of the Unitized Substances
and accomplishing the more efficient and more econom-
ical development and production of the Unitized Sub-
stances under prudent and proper operations and prac-
tices 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 the Unitized Strata, to abandon such wells as they deem unnecessary and in general to do all other things that the Operating Committee deems

advisable for the purpose of accomplishing the most efficient 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, 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.

PART III

TRACT PARTICIPATION

Tract
Participation

3.01 The Tract Participation of each Tract is shown in Part XXIV hereof.

Determination of
Tract Participa-
tion

3.02 The Tract Participation of each Tract is the sum of each of the following:

- (a) A current production factor: such factor is calculated by dividing the total amount of Oil production from or allocated, pursuant to any agreement

between the Working Interest Owners and the Royalty Owners of such Tract, to such Tract during the period of January 1, 1974 to December 31, 1974, both days inclusive, by the total amount of Oil production from or allocated to all Tracts during the same period of time and multiplying by ninety (90).

- (b) A cumulative production factor: such factor is calculated by dividing the total amount of Oil production from or allocated, pursuant to any agreement between the Working Interest Owners and the Royalty Owners of such Tract, to such Tract up to and including December 31, 1974 by the total amount of Oil production from or allocated to all Tracts up to and including December 31, 1974 and multiplying by ten (10).

Tract Participations Equal 100%

3.03 The total of the Tract Participations for all Tracts shall at all times equal one hundred percent (100%).

Part III
Explanatory

3.04 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 Substances so allocated to each Tract, and only that amount, regardless of whether it be more or less than the amount of the actual production 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 timely 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 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 allowable, an amount equal to such excess production on the Effective Date, and the amount or amounts so withheld shall be re-allocated to all of the Tracts in proportion to their respective Tract Participations. Such withholding and re-allocation shall be continued until the full amount of any such excess production in respect to any Tract or Tracts has been withheld and re-allocated.

- (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 Operating
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. In the event any Work-

ing Interest Owner fails to designate a representative on the Operating Committee as aforesaid the Chairman of the Conservation Board shall designate the Working Interest Owner himself as such representative or in the case of a Working Interest Owner that is not a natural person shall designate any member or officer of such Working Interest Owner as 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 herein shall preclude two (2) or more Working Interest Owners from designating one (1) member on the Operating Committee to represent them and to vote and act for them thereon and such member shall, 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.

Meetings

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.

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 two (2) Working Interest Owners owning at least seventy-five percent (75%) of the Participating Interests and such vote shall be binding on all Working Interest

Owners; PROVIDED, HOWEVER, 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 two (2) of the Working Interest Owners having, in the aggregate, seventy-five percent (75%) or more of the total Participating Interests.

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 previously 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 audits;
 - (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 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 OPERATOR

Powers and Duties

- 7.01 Unit Operator shall, subject to the provisions hereof and orders given or imposed by the Operating Committee as herein provided;
- (a) Have exclusive charge, management and control of the development, operation and production of the Unitized Strata, 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 dis-

miss 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, 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 Ten Thousand Dollars (\$10,000.00) in respect of 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 event it should become bankrupt or insolvent, or make any general assignment for the benefit of creditors;
- (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 percent (85%) 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, official time on the first day of the calendar month following the expir-

ation 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.

For the purposes of this Plan capital expenditures shall be as determined by the Operating Committee.

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 all costs and expenses and each Working Interest Owner shall reimburse Unit 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 unpaid amount shall, at Unit Operator's discretion, bear interest at a rate equivalent to the prime lending rate of interest then quoted by the chartered bank used by Unit Operator in Manitoba plus one percent

(1%) per annum, such interest to be calculated from the end of the said period until paid, and 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 hereinafter 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 remainder of the then current calendar year and for the ensuing calendar year if the Effective Date is later than October 31, 1975, 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 percent (10%) 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 a rate equivalent to the prime lending rate of interest then quoted by the chartered bank used by Unit Operator in Manitoba plus one percent (1%) per annum, such interest to be calculated 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 a rate equivalent to the prime lending rate of interest then quoted by the chartered bank used by Unit Operator in Manitoba plus one percent (1%) per annum, such interest to be calculated 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 the Unit Operator its proportionate share of each month's actual billing within thirty (30) days of receipt, thus maintaining the operating fund intact. The adequacy of the fund in relation to current expenses will be reviewed annually or more often upon request by a Working Interest Owner and adjustments made as required.

Unit Operator's
Lien

8.07 Unit Operator shall, subject to sub-section (4) (k) (i) (A) and (B) of Section 76 of "The Mines Act", have a lien upon the interest of each Working Interest Owner in any unsold Unitized Substances, upon the proceeds of the sale of any Unitized Substances, and upon the interest of each Working Interest Owner in the Unit Facilities and upon the title of each Working Interest Owner to and in the Unit Area and the Unitized Strata. Such lien shall have priority over any lien by any Working Interest Owner.

In the event of the failure of any Working Interest Owner to pay its share of the costs and expenses incurred hereunder when due, as provided here-

in, Unit Operator shall be entitled at any time, and from time to time, to collect and receive the proceeds of the sale of all or any part of such Working Interest Owner's share of the Unitized Substances, including the proceeds from previously executed sale contracts made by or for such defaulting Working Interest Owner. Unit Operator shall apply all such sums so collected against the defaulting Working Interest Owner's unpaid bills, the excess of such proceeds over the unpaid bills, if any, to be paid to the Working Interest Owner entitled thereto and all sums so applied shall be considered as received from such defaulting Working Interest Owner within the meaning of the provisions contained in Section 8.08 hereof relating to contributions by the other Working Interest Owners to Unit Operator in the case of default in payment when due. Unit Operator may likewise take any other credit due any such defaulting Working Interest Owner pursuant hereto and apply the same against amounts due from such Working Interest Owner. The rights granted to Unit Operator in this Section shall not be construed as exclusive remedies but shall be in addition to all rights, privileges and remedies afforded Unit Operator by other provisions hereof and by law. Service of a

true copy of this Plan shall constitute written authorization on the part of such defaulting Working Interest Owner for such purchaser to pay the proceeds from such sale to Unit Operator during such default, but such purchaser shall not be considered as having been notified of such authorization prior to the time of such service. Books and records kept by Unit Operator with respect to operations hereunder shall constitute conclusive proof of the existence or non-existence of any such default insofar as the right of Unit Operator to collect proceeds from the sale of all or any part of the defaulting Working Interest Owner's share of the Unitized Substances is concerned, subject, however, to all rights of inspection, verification and audit provided herein.

Contributions
to Unit Operator
Upon Failure to
Collect Certain
Debts

8.08 If Unit Operator shall not have received full reimbursement for any indebtedness that may become due and payable by any Working Interest Owner to Unit Operator after reasonable efforts by Unit Operator to obtain such reimbursement, each of the Working Interest Owners, upon the request of Unit Operator, shall, unless contrary to any then existing law, contribute to the reimbursement of Unit Operator the portion of any such unsatisfied amount equal to the portion that such Working Interest Owner's Participating Interest bears

to the total Participating Interests of all of the Working Interest Owners exclusive of the Participating Interest of the defaulting Working Interest Owner; and thereupon, each Working Interest Owner so contributing shall be proportionately subrogated to Unit Operator's right and lien under Section 8.07 hereof.

Pre-unit
Expense

8.09 Each Working Interest Owner shall pay a part of the reasonable cost, as approved by the Operating Committee, of unitizing the Unit Area in proportion to its Participating Interest hereunder.

Commingling
of Funds

8.10 No funds received by Unit Operator hereunder need be segregated by Unit Operator or maintained by it as a joint fund but may be commingled with its own funds.

PART IX

RESPONSIBILITY FOR PAYMENTS

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 -
OWNERSHIP OF UNIT FACILITIES

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 or 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 effi-

cient 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 and salt water disposal facilities in, on and serving the Unit Area used in the normal operation of the Unit Operated Wells as required by the Operating Committee 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 herein-after 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 purpose 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.

Appointment 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.

Working Interest Owner's Ownership of Unit Facilities	10.05 Upon approval of the priced inventories report by the Operating Committee, each Working Interest Owner shall have an initial share in the Unit Facilities which is equal to its Participating Interest.
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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.
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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,
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assign such rights to Unit Operator. Any such assignment shall, unless contrary to any then existing law, contain a provision permitting 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
Surface Rights

11.06 Unit Operator shall also have the right to acquire such additional surface rights as are necessary for the operations hereunder, 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.

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, with the approval of the Operating Committee, 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.

PART XIII

APPROVAL OF TITLES

Titles
Committee

13.01 There shall be a Titles Committee appointed by the Operating Committee which shall examine the title to all Tracts in the Unit Area. Each Working Interest Owner in the Unit Area, shall, upon request, submit to the Titles Committee all title data and information 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 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 or in the event that the Operating Committee does not approve the title documents to any Tract as in Section 13.01 provided, 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 out of the proceeds of the sale
 - i) the portion of the costs and expenses allocated or apportioned to the Tract, and
 - ii) the amount of money properly payable to the Royalty Owner of the Tract pursuant to the provisions of this Section and the Lease pertaining to the Tract (unless any such dispute involves the ownership of the royalty interest in the Tract) and such payment shall be deemed conclusively to be a payment by the person who is sub-

sequently declared to be the owner of the working interest in such Tract on a final determination of the dispute;

- (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

Filing

15.01 Unit Operator shall file this Plan with the Department of Mines, Resources and Environmental Management 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, official 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.

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.

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 unless such assignment is made a part of and to the same assignee as the assignment of all of its interests in the Unitized Strata and the Unitized Substances.

No Surrender
of Lease
Without Consent

16.07 No Working Interest Owner shall surrender 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 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 Unitized Substances and the Unitized Strata.

Abandonment
of Wells

17.03 If Unit Operator, with the approval of the Operating Committee, should decide 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 Owner of such Tract does 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 Common 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

Workers
Compensation

18.01 Unit Operator shall comply with all laws relating to Workers 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.

Contractor's
Insurance

18.03 Unit Operator shall require all contractors employed by it to comply with all laws relating to Workers

Compensation in the Province of Manitoba and to carry such insurance as may be from time to time approved by the Operating Committee.

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 Five Thousand Dollars (\$5,000.00) unless Unit Operator first obtains the approval of the Operating Committee to such settlement.

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.

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.

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.

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.

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 percent (95%) of the Participating Interests and such vote shall be binding upon all the Working Interest Owners and 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 percent (75%) 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

Chevron East Daly Prov. 13-6-10-27	Chevron Daly Prov. 16-10-10-28
Rundle Lincoln Daly 4-7-10-27	Chevron Daly Prov. 1-11-10-28
Chevron Daly 5-1-10-28	Chevron Daly Prov. WIW 2-11-10-28
Chevron Daly WIW 10A-1-10-28	Chevron Daly Prov. 3-11-10-28
Chevron Daly 11-1-10-28	Chevron Daly Prov. 4-11-10-28
Chevron Daly WIW 12-1-10-28	Chevron Daly Prov. 5-11-10-28
Chevron Daly 13-1-10-28	Chevron Daly Prov. WIW 6-11-10-28
Chevron Daly WIW 14-1-10-28	Chevron Daly Prov. 7-11-10-28
Chevron Daly 15-1-10-28	Chevron Daly Prov. WIW 8-11-10-28
Chevron Daly WIW 16-1-10-28	Chevron Daly Prov. 9-11-10-28
Chevron Haskett Daly 5-2-10-28	Chevron Daly Prov. WIW 10-11-10-28
Chevron Daly 7-2-10-28	Chevron Daly Prov. 11-11-10-28
Chevron Daly 8-2-10-28	Chevron Daly Prov. WIW 12-11-10-28
Scurry Haskett Daly 9-2-10-28	Chevron Daly Prov. 13-11-10-28
Scurry Haskett Daly 10-2-10-28	Chevron Daly Prov. WIW 14-11-10-28
Chevron Haskett Daly SWD 12-2-10-28	Chevron Daly Prov. 15-11-10-28
Chevron Haskett Daly 13-2-10-28	Chevron Daly Prov. WIW 16-11-10-28
Chevron Haskett Daly 14-2-10-28	Chevron Daly Prov. 1-12-10-28
Chevron Daly 15-2-10-28	Chevron Daly Prov. WIW 2-12-10-28
Chevron Daly WIW 16-2-10-28	Chevron Daly Prov. 3-12-10-28
Chevron Daly Prov. 9-10-10-28	Chevron Daly Prov. WIW 4-12-10-28
Chevron Daly Prov. 10-10-10-28	Chevron Daly Prov. 5-12-10-28

Chevron Daly Prov. WIW 6-12-10-28
Chevron Daly Prov. 7-12-10-28
Chevron Daly Prov. WIW 8-12-10-28
Chevron Daly 9-12-10-28
Chevron Daly WIW 10-12-10-28
Chevron Daly 11-12-10-28
Chevron Daly WIW 12-12-10-28
Chevron Daly 13-12-10-28
Chevron Daly WIW 14-12-10-28
Scurry Jones Daly 15-12-10-28
Chevron Daly 16-12-10-28
Chevron Daly 1-13-10-28
Chevron Daly 2-13-10-28
Chevron Daly 3-13-10-28
Chevron Daly WIW 4-13-10-28
Chevron Daly 5-13-10-28
Chevron Daly 6-13-10-28
Chevron Daly 7-13-10-28
Chevron Daly 10-13-10-28
Chevron Daly 11-13-10-28
Chevron Daly 12-13-10-28
Chevron Daly 13-13-10-28
Chevron Daly 14-13-10-28
Chevron Daly 15-13-10-28
Chevron Daly WIW 2-14-10-28

Chevron Daly Prov. 3-14-10-28
Chevron Daly Prov. 4-14-10-28
Chevron Daly Prov. 5-14-10-28
Chevron Daly Prov. 6-14-10-28
Chevron Daly WIW 8-14-10-28
Chevron Daly 12-14-10-28
Chevron North Daly 1-23-10-28
Chevron North Daly 8-23-10-28
Chevron North Daly 9-23-10-28
Chevron North Daly 2-24-10-28
Chevron North Daly 7-24-10-28

PART XXII

THE LANDS IN THE PROVINCE OF MANITOBA WHICH COMPRISE
THE DALY UNIT NO. 3 ARE AS FOLLOWS:

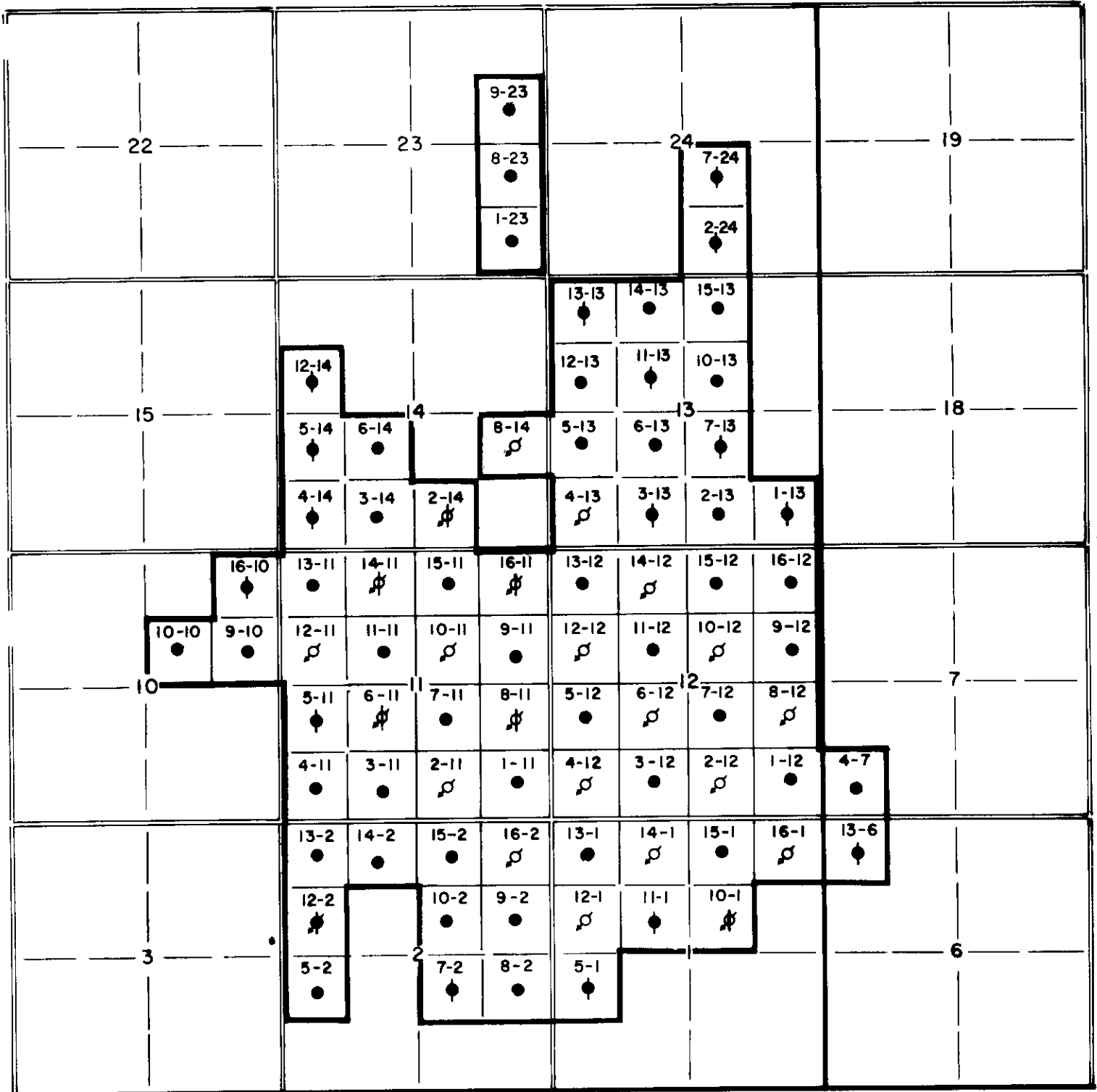
<u>TRACT NO.</u>	<u>LEGAL DESCRIPTION</u>	<u>TRACT NO.</u>	<u>LEGAL DESCRIPTION</u>
	<u>TOWNSHIP 10, RANGE 27 WPM</u>		<u>TOWNSHIP 10, RANG 28 WPM</u>
13-6	LSD. 13, SECTION 6	16-2	LSD. 16, SECTION 2
4-7	LSD. 4, SECTION 7	9-10	LSD. 9, SECTION 10
	<u>TOWNSHIP 10, RANGE 28 WPM</u>	10-10	LSD. 10, SECTION 10
10-1	LSD. 10, SECTION 1	16-10	LSD. 16, SECTION 10
11-1	LSD. 11, SECTION 1	1-11	LSD. 1, SECTION 11
12-1	LSD. 12, SECTION 1	2-11	LSD. 2, SECTION 11
13-1	LSD. 13, SECTION 1	3-11	LSD. 3, SECTION 11
14-1	LSD. 14, SECTION 1	4-11	LSD. 4, SECTION 11
15-1	LSD. 15, SECTION 1	5-11	LSD. 5, SECTION 11
16-1	LSD. 16, SECTION 1	6-11	LSD. 6, SECTION 11
5-2	LSD. 5, SECTION 2	7-11	LSD. 7, SECTION 11
7-2	LSD. 7, SECTION 2	8-11	LSD. 8, SECTION 11
8-2	LSD. 8, SECTION 2	9-11	LSD. 9, SECTION 11
9-2	LSD. 9, SECTION 2	10-11	LSD. 10, SECTION 11
10-2	LSD. 10, SECTION 2	11-11	LSD. 11, SECTION 11
12-2	LSD. 12, SECTION 2	12-11	LSD. 12, SECTION 11
13-2	LSD. 13, SECTION 2	13-11	LSD. 13, SECTION 11
14-2	LSD. 14, SECTION 2	14-11	LSD. 14, SECTION 11
15-2	LSD. 15, SECTION 2	15-11	LSD. 15, SECTION 11

<u>TRACT NO.</u>	<u>LEGAL DESCRIPTION</u>	<u>TRACT NO.</u>	<u>LEGAL DESCRIPTION</u>
	<u>TOWNSHIP 10, RANGE 28 WPM</u>		<u>TOWNSHIP 10, RANGE 28 WPM</u>
16-11	LSD. 16, SECTION 11	6-13	LSD. 6, SECTION 13
1-12	LSD. 1, SECTION 12	7-13	LSD. 7, SECTION 13
2-12	LSD. 2, SECTION 12	10-13	LSD. 10, SECTION 13
3-12	LSD. 3, SECTION 12	11-13	LSD. 11, SECTION 13
4-12	LSD. 4, SECTION 12	12-13	LSD. 12, SECTION 13
5-12	LSD. 5, SECTION 12	13-13	LSD. 13, SECTION 13
6-12	LSD. 6, SECTION 12	14-13	LSD. 14, SECTION 13
7-12	LSD. 7, SECTION 12	15-13	LSD. 15, SECTION 13
8-12	LSD. 8, SECTION 12	2-14	LSD. 2, SECTION 14
9-12	LSD. 9, SECTION 12	3-14	LSD. 3, SECTION 14
10-12	LSD. 10, SECTION 12	4-14	LSD. 4, SECTION 14
11-12	LSD. 11, SECTION 12	5-14	LSD. 5, SECTION 14
12-12	LSD. 12, SECTION 12	6-14	LSD. 6, SECTION 14
13-12	LSD. 13, SECTION 12	8-14	LSD. 8, SECTION 14
14-12	LSD. 14, SECTION 12	12-14	LSD. 12, SECTION 14
15-12	LSD. 15, SECTION 12	1-23	LSD. 1, SECTION 23
16-12	LSD. 16, SECTION 12	8-23	LSD. 8, SECTION 23
1-13	LSD. 1, SECTION 13	9-23	LSD. 9, SECTION 23
2-13	LSD. 2, SECTION 13	2-24	LSD. 2, SECTION 24
3-13	LSD. 3, SECTION 13	7-24	LSD. 7, SECTION 24
4-13	LSD. 4, SECTION 13		
5-13	LSD. 5, SECTION 13		

PART XXIII
MAP OF UNIT AREA

R. 28

R. 27WPM



T. 10

LEGEND

- - OILWELL
- ◆ - SUSPENDED OILWELL
- ♂ - INJECTION WELL
- 10-12 - NUMBERED TRACT
- - UNIT BOUNDARY

PART XXIV

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
13-6	0.01616	16-10	0.00863
4-7	1.22131	1-11	2.45326
5-1	0.02487	2-11	1.15087
10-1	0.48281	3-11	0.60190
11-1	0.00471	4-11	1.89310
12-1	0.91156	5-11	0.05429
13-1	2.54215	6-11	0.46398
14-1	1.61759	7-11	1.13491
15-1	1.92143	8-11	2.08794
16-1	0.80343	9-11	1.39656
5-2	0.42878	10-11	1.05369
7-2	0.02991	11-11	0.41815
8-2	2.85858	12-11	0.25038
9-2	1.71158	13-11	3.20608
10-2	1.11106	14-11	0.89667
12-2	0.01919	15-11	1.30431
13-2	1.01903	16-11	0.91543
14-2	1.71441	1-12	2.15746
15-2	1.11773	2-12	1.71274
16-2	1.68171	3-12	2.95956
9-10	0.97629	4-12	1.50093
10-10	1.50184	5-12	4.17155

<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>	<u>TRACT NUMBER</u>	<u>TRACT PARTICIPATION</u>
6-12	2.17309	2-14	0.78910
7-12	1.23771	3-14	2.82751
8-12	0.41493	4-14	0.11683
9-12	0.61167	5-14	0.06811
10-12	1.28101	6-14	0.71363
11-12	1.86142	8-14	0.21230
12-12	1.90454	12-14	0.05587
13-12	1.01302	1-23	1.93283
14-12	1.12006	8-23	2.23047
15-12	2.62493	9-23	1.32361
16-12	1.30257	2-24	0.03952
1-13	0.04907	7-24	0.04442
2-13	2.50089		
3-13	0.04058		
4-13	0.46538		
5-13	1.19554		
6-13	4.08705		
7-13	0.03904		
10-13	3.54338		
11-13	0.08092		
12-13	2.63443		
13-13	0.08486		
14-13	2.12763		
15-13	1.74356		

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

27.01 In this Part:

- "Joint Property" (a) "Joint Property" shall mean the respective Tracts and interests of the Working Interest Owners and where the context so requires shall include all wells, wellsite and operating equipment and salt water disposal facilities 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
Tank complete with thief hatches
and any other material the Current New Price of which exceeds One Thousand (\$1,000.00) Dollars.
- "Material" (c) "Material" shall mean equipment and supplies.

With respect to classification of material:
- "Condition "A" (1) New material (Condition "A") being new material purchased for the Joint Property but never used thereon, at One Hundred (100%) percent of Current New Price.
- "Condition "B" (ii) Good used material (Condition "B") being good secondhand material which is further usable without reconditioning:

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

(b) at Seventy-five (75%) percent 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%) percent 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 second-hand material (Condition "B"), or
 - (b) is serviceable for original function but substantially not suitable for reconditioning.
- shall be at Fifty (50%) percent 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 when 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 then 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 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 Twenty-four (24) month period following the end of such calendar year. The Working Interest Owners shall have Two (2) 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 shared by the Working Interest Owners except Unit Operator. 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 fifteen (15%) percent 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 fifteen (15%) percent 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 the 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 re-

port 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 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 Committee 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) Area, Division 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 area superintendent and other general area 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 an area office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from, these facilities shall include 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) \$5,200 per month for all producing operations.
- (b) \$55.00 Dollars 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 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.
- (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.

- (1) 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 (2-1/2%) percent of the cost of tubular goods and Major Material and Five (5%) percent 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.

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 One Hundred (100%) percent of Current New Price.

(b) Used Materials - Condition "B" and "C"

(1) Material which is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classed as

Condition "B" and priced at Seventy-five (75%) percent 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%) percent 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%) percent 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 Unit Operator may dispose of any surplus Material, the new price of which is less than \$10,000.00. Unit Operator shall obtain the approval of the Working Interest Owners to dispose of any other material. Proceeds from the sale of surplus material shall be for the Common Account.
- 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 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 for overages and shortages but Unit Operator shall only be held accountable to the Working Interest Owners 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.

June 22, 1987

Chevron Canada Resources Limited
500 - 5th Avenue S.W.
Calgary, Alberta
T2P 0L7

Dear Sirs:

Re: North Virden Scallion Unit No. 1
Virden Roselea Unit No. 1
Virden Roselea Unit No. 2
Virden Roselea Unit No. 3
Routledge Unit No. 1
Daly Unit No. 3

Your letters of May 27, 1987 and June 1, 1987 relating to modifications in the Unit Plans for the subject Units are acknowledged with thanks.

Sincerely yours

ORIGINAL SIGNED BY
WM. M. McDONALD P. ENG

Wm. McDonald
Deputy Chairman

LRD/lk

b.c. Charles S. Kang
B. Ball
Petroleum



Chevron Canada Resources Limited
500 - Fifth Avenue S.W., Calgary, Alberta T2P 0L7

1987-05-27

R. A. Pashetka
General Counsel

Plan for Unit Operation
Daly Unit No. 3

The Oil and Natural Gas Conservation Board,
Room 309 Legislative Building,
Winnipeg, Manitoba.
R3C 0V8

Attention: Mr. Charles S. Kang, Chairman

Dear Mr. Kang:

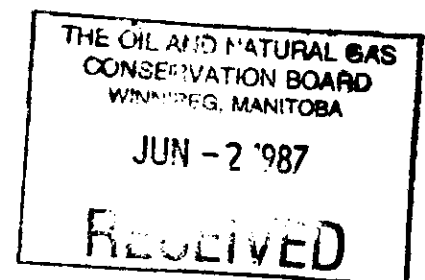
We wish to advise that the Operating Committee, by Mail Ballot No. 87-2, has approved amendments to subparagraphs (a) and (b) of Section 26.07 (k) (iii), effective May 1, 1987, in accordance with Section 6.03 (j) of the Plan for Unit Operation, as amended by Unitization Order No. 30.

Two (2) copies of revised page 74 of the Plan, reflecting these amendments, are enclosed herewith for your records.

Yours very truly,

D. P. LOUGHEED

/ps
Encls.



- (i) Salaries and expenses of the Unit Operator's area superintendent and other general area 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 an area office and all necessary camps, including housing facilities for employees if necessary. The expense of, less any revenue from, these facilities shall include 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) \$5,250 per month plus 5% of the operating cost for all producing operations.
- (b) For each drilling well, wells being plugged back, completed, production tested, capped, abandoned, deepened, redrilled or reconditioned (except routine cleanout and pump or rod pulling operation) or wells being converted to source, injection, observation or producing wells:
 - 3% of the first \$50,000.00 of the expenditure; plus
 - 2% of the next \$100,000.00 of the expenditure; plus
 - 1% of the expenditure exceeding \$150,000.00.
- (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,